Environment

Aiming to Achieve Net Zero* by Fiscal 2050

Escalating global warming causes large-scale climate change and has a large impact on people's lives such as the natural environment and socioeconomy.

Human beings including the future generation as well as ourselves in the current generation are put at risk and it is becoming increasingly important to reach net zero emissions by 2050 in order to achieve the 1.5˚C target (limiting the temperature increase to 1.5˚C compared to pre-industrial levels).

The Group will aim to achieve net zero by fiscal 2050 by addressing its two materialities including the "realization of decarbonized society" and the "promotion of circular economy" to decarbonize the entire supply chain and recycle resources.

*Deducting the amount of carbon absorbed by tree planting and forest management, etc., and the amount removed by GHG recovery and sequestration underground from GHG emissions so that the total is virtually zero.

JFR Group FY2050 Net Zero Transition Plan

The Group is aware that climate change has a large impact on business strategies.

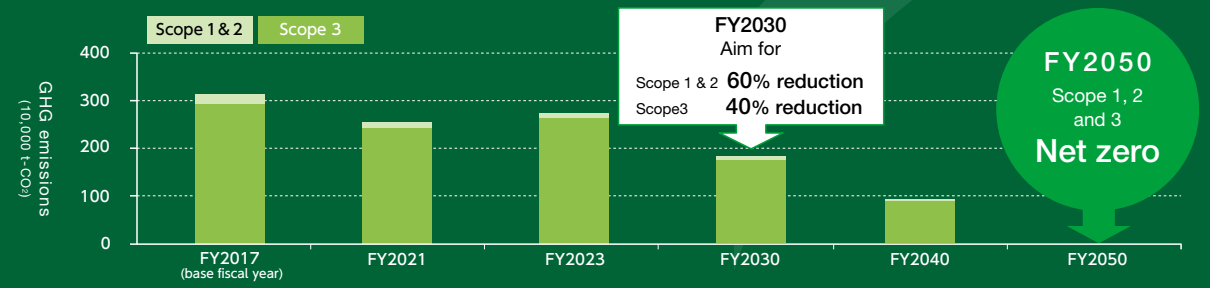
In fiscal 2019, the Group's Scope 1, 2, and 3 GHG emissions ("Scope 1, 2, and 3 emissions") reduction targets were approved by SBT initiative (the "SBTi")*1. And in fiscal 2021, the Group raised its Scope 1 and 2 emission reduction targets from the previous 40% reduction to 60% compared to fiscal 2017 (base year) and it was approved again as the "1.5°C target" that is the new standard set by the SBTi. Going forward, we will aim to achieve "net zero by fiscal 2050" within the range of Scope 1, 2, and 3 emissions based on the Corporate Net-Zero Standard set by the SBTi.

"Net zero by fiscal 2050" the Group will aim to achieve is to simultaneously realize decarbonization of the entire supply chain and resources recycling by addressing both the "realization of decarbonized society" and the "promotion of circular economy."

The Group will work to reduce Scope 1, 2, and 3 emissions in collaboration with business partners who are suppliers and customers who are consumers, while strengthening 3Rs*2 and expanding circular business models, to reduce business risk and capture business opportunities at the same time.

*1 Global initiative established for the purpose of promoting the achievement of science-based GHG emission reduction targets to limit the temperature increase to below 2°C compared to pre-industrial levels.
*2 The 3Rs stand for Reduce, Reuse and Recycle.

JFR Group FY2050 Net Zero Transition Plan



Phase	Results (FY2017 to FY2021)		Short term (to FY2023)	Medium term (to FY2030)	Long term (to FY2050)
Results and reduction targets for GHG emissions (vs. FY2017)	Scope 1 & 2 FY2017 194,154 t-CO_2	Scope 1 & 2 FY2021 36.7% reduction	Scope 1 & 2 FY2030 60% reduction		Scope 1 & 2 FY2050 Net zero
	Scope 3 FY2017 2,927,320 t-CO_2	Scope 3 FY2021 17.3% reduction	Scope 3 FY2030 Aim for 40% reduction		Scope 3 FY2050 Net zero
Priority measures	Scope 1, 2 and 3 reduction by continuing and strengthening energy-saving measures •Scope 1, 2 and 3 (Category 3) reduction by expanding the switching to LED lighting in stores and introducing energy-saving, highly efficient equipment •Scope 1 & 2 reduction by shifting to electric vehicles for company use				
		Scope 2 reduction by expanding renewable energy •Scope 2 reduction by expanding the switching of stores and offices to renewable energy			
			Scope 3 reduction in collaboration with suppliers and by promoting a circular economy •Scope 3 (Categories 1, 4, 5 and 9) reduction through the advancement of the existing 3 Rs in collaboration with suppliers and customers •Scope 3 (Category 1) reduction in collaboration with suppliers •Scope 3 (Category 5) reduction by reducing amount of waste disposal and improving recycling rate		
				Scope 2 reduction by introducing an energy creation system •Scope 2 reduction through renewable energy capital investments, etc. in our own facilities •Scope 2 reduction by establishing corporate power purchase agreements (PPAs)	
					Utilization of latest technologies, etc. and offsets •Use of electricity from new non-carbon energy sources, such as hydrogen and ammonia •Offsets through tree planting activities to absorb CO_2

*The plan is current as of the end of May 2022, and may be revised depending on business strategies going forward.

Reduction of Scope 1 and 2 Emissions by Strengthening Energy Measures

Approximately 80% of the Group's Scope 1 and 2 emissions come from electricity use. With this in mind, the Group strives to strengthen energy measures with a focus on electricity by thoroughly saving energy and sourcing renewable energy in a planned way.

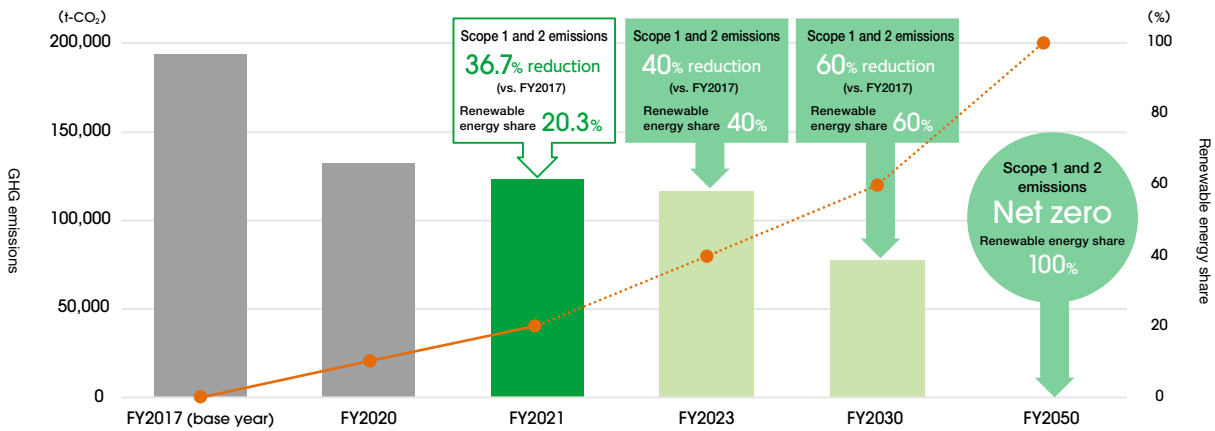
FY2021 Scope 1 and 2 Emission Results

In fiscal 2021, Scope 1 and 2 emissions were 122,812 t-CO_2. Though the reduction target for fiscal 2021 compared to fiscal 2020 was set at 4.0%, they were reduced by 7.0% partly due to thorough energy saving measures such as the expansion of switch to renewable energy in stores and switch to LED lighting.

They were reduced by 36.7% compared to the SBT base year of fiscal 2017, and thus, we are making good progress toward the achievement of SBT (60% reduction in fiscal 2030 compared to fiscal 2017).

FY2021 Scope 1 and 2 emissions and renewable energy share

(Bar chart: GHG emissions Line chart: Renewable energy share)



FY2021 JFR Group Scope 1 and 2 emission results (t-CO_2, %)

		FY2021	vs. FY2020	vs. FY2017 (vs. base year)
Total Scope 1 and 2 emissions		122,812	-7.0	-36.7
Breakdown	Scope 1 emissions	14,004	16.9	-12.8
	Scope 2 emissions	108,808	-9.4	-38.9

Expansion of Renewable Energy-Sourced Electricity in Stores

The Group thinks the stores that operate using renewable energy-sourced electricity will increase their environmental value and draw support from suppliers and customers who are sensitive to environmental issues.

In fiscal 2021, the Daimaru Kyoto, Daimaru Kobe, Daimaru Suma, Matsuzakaya Ueno, and Matsuzakaya Takatsuki stores, and Hiroshima PARCO, Fukuoka PARCO, and PARCO_ya Ueno switched to renewable energy-sourced electricity. As a result, the Group's renewable energy share in fiscal 2021 was 20.3%, up 10.0% from fiscal 2020.

The Group joined RE100 (100% Renewable Electricity)* in fiscal 2020 and set a target for sourcing 100% renewable energy to power its business activities by fiscal 2050.

Going forward, we will strengthen the switch to renewable energy-sourced electricity mainly in Daimaru Matsuzakaya Department Stores and PARCO stores to achieve RE100.

*Global initiative that aims to source 100% renewable energy to power business activities by 2050

RE100 | CLIMATE GROUP | CDP

Strengthening of Resilience by Creating Energy

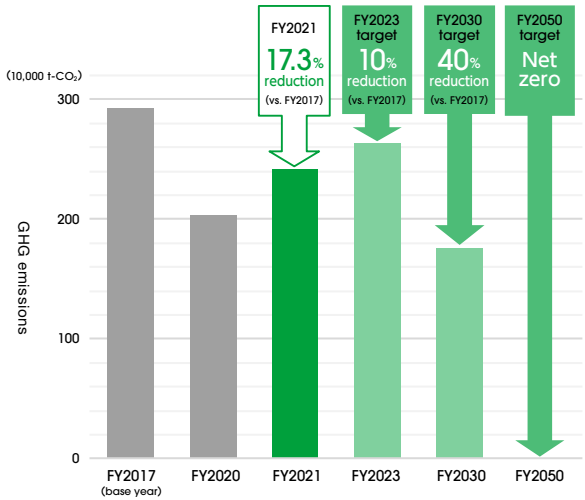
Given increasing natural disasters and the unstable social situation, stable sourcing of renewable energy is thought to be an important risk. In sourcing renewable energy, the Group will consider suitable ways for its business characteristics among not only switch of electricity menu but diverse ways of sourcing and work to newly create renewable energy-sourced electricity and diversify energy sources to strengthen resilience.

Reduction of Scope 3 Emissions in Collaboration with Suppliers

The Group's Scope 3 emissions account for approximately 95% of the emissions from the entire supply chain. In light of this situation, the Group considers the reduction of Scope 3 emissions as well as the reduction of Scope 1 and 2 emissions as its important task and thinks it needs to work on that in collaboration with suppliers.

FY2021 Scope 3 Emission Results

In fiscal 2021, Scope 3 emissions were 2,420,492 t-CO_2, up 19.1% compared to fiscal 2020. It was because Category 1 (purchased goods and services) and Category 5 (waste generated in operations) increased from the previous fiscal year due to business recovery resulting from mitigation of the impact of COVID-19. On the other hand, as recovery was slow, the reduction compared to the SBT base year of fiscal 2017 was 17.3%



FY2021 JFR Group Scope 3 emissions (t-CO_2, %)

Category*		Emissions	Percentage of the total Scope 3 emissions
1	Purchased goods and services	2,186,380	90.33
2	Capital goods	110,787	4.58
3	Energy excluding Scope 1 or 2	24,319	1.00
4	Upstream transportation and distribution	28,529	1.18
5	Waste generated in operations	1,191	0.05
6	Business travel	1,880	0.08
7	Employee commuting	1,442	0.06
9	Downstream transportation and distribution	16,330	0.67
11	Use of sold products	1,864	0.08
12	End-of-life treatment of sold products	9,974	0.41
13	Downstream leased assets	37,796	1.56
Total Scope 3		2,420,492	100.00

*Category 8 is excluded from calculation because it is calculated in Scope 1 and 2 emissions.
Categories 10, 14, and 15 are excluded from calculation because they are not included in the business process of the Group.

Explanatory Meeting for Suppliers

Daimaru Matsuzakaya Department Stores has strived to reduce Scope 1 and 2 emissions by switching to renewable energy-sourced electricity and LED lighting and electrifying corporate fleet in its stores and head office. On the other hand, its Scope 1 and 2 emissions are only approximately 5% of the total supply chain emissions due to the nature of the retail business, and Scope 3 emissions account for the remaining approximately 95%.

In light of this, Daimaru Matsuzakaya Department Stores held an "explanatory meeting concerning its initiatives to realize a decarbonized society" for suppliers in April 2022 (attended by 300 people from 253 companies). We showed the Group's determination by sharing the company's initiatives to realize a decarbonized society and explained that it is essential to collaborate with suppliers to reduce Scope 3 emissions and that visualization of emissions by each supplier will be the first step for reduction.

Going forward, we will contribute to realizing a decarbonized society by the entire supply chain by considering and implementing concrete measures to reduce Scope 3 emissions in collaboration with suppliers to achieve net zero by fiscal 2050.

Explanatory meeting for suppliers

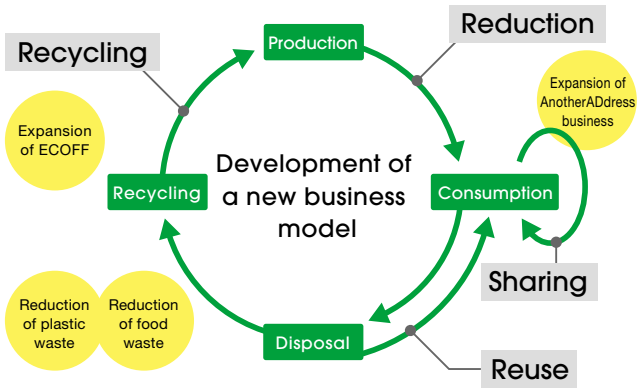
Circular Economy the Group Aims for

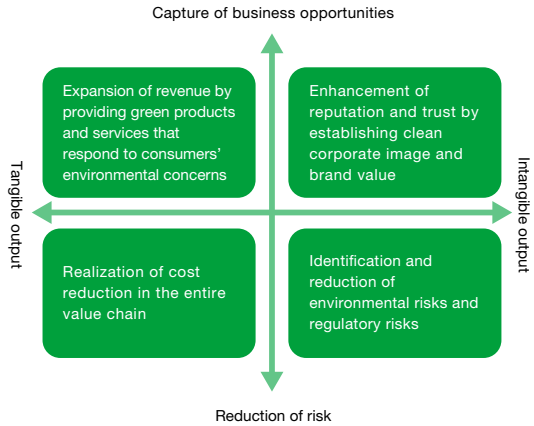
With various global environmental problems, including resource shortage, global warming, and waste disposal worsening due to linear economy based on mass production and mass consumption and disposal, circular economy is becoming increasingly important. The Group identified the "promotion of circular economy" as materiality in fiscal 2021 to simultaneously reduce environmental risks and capture new business opportunities.

Promotion of Circular Economy in the Group's Strong Areas

The Group has implemented 3Rs that reduce environmental risks, such as recycling of waste, and has gained support from stakeholders. Going forward, we will strengthen initiatives in our strong areas (store operation, handling of clothing, cosmetics, and food, etc.) based on conventional 3Rs and evolve and expand them to new 3Rs that will not only reduce environmental risks but also lead us to capturing business opportunities.

Circular economy the Group aims for





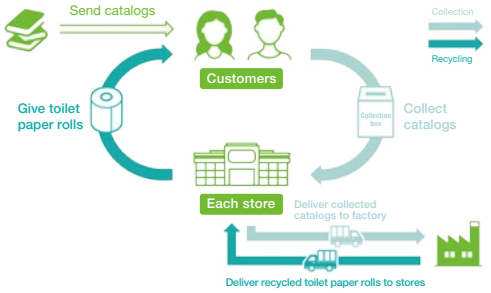
Topics

Recycling of Gift Catalogs

Daimaru Matsuzakaya Department Stores sends summer and year-end gift catalogs to customers and has considered recycling disused catalogs to protect the environment and return them to customers' lives.

And the Daimaru Tokyo and Matsuzakaya Ueno stores collected approximately 2,400 catalogs distributed in the year-end gift season of 2021 and recycled them into about 8,000 rolls of "Daimaru Matsuzakaya original toilet paper."

Recycled toilet paper rolls were given to customers in the summer gift season of 2022 in stores, which appealed to many customers. In 2021, we did it just as a pilot trial, and for the future, we are planning to collect catalogs in more stores.



Reduction of Environmental Load through Resources Recycling

The Group will promote resources recycling initiatives that leverage its strengths from the three perspectives of (1) reducing waste generation, (2) utilizing waste as resources, and (3) disposing of waste appropriately to reduce the environmental load toward the realization of circular economy.

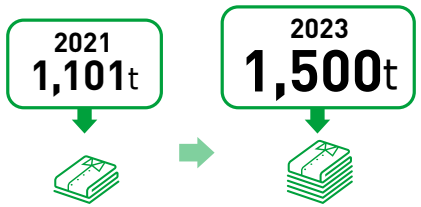
ECOFF in Which the Weight of Collected Items and the Number of Participants Are Both Increasing

Daimaru Matsuzakaya Department Stores is engaged in "Think GREEN" activities to propose sustainable products and lifestyles.

One of these activities is the "ECOFF" program, in which Daimaru Matsuzakaya Department Stores collects disused articles including clothing, shoes, and bags from customers at its stores and recycles them into new materials and products for reuse.

The weight of the items collected in fiscal 2021 was 264.2 tons (A total of 1,101 tons of articles were collected since fiscal 2016), and the number of participants reached a record high. In conjunction with the ECOFF, we are also holding events that focus on environmentally friendly products. Through the activities of ECOFF, we have received a great deal of support from many customers for our environmental initiatives, and have been able to reduce the environmental load.

Weight of disused articles collected through ECOFF



To Reduce Plastic Waste

Daimaru Matsuzakaya Department Stores is working to reduce the amount of plastic used and recycle it to reduce the environmental load throughout its lifecycle.

In 2021, we held the first "Cosme de ECOFF" campaign to collect and recycle plastic containers for cosmetics, and collected 1.6 tons of plastic containers.

In addition, the Daimaru Tokyo and Matsuzakaya Ueno stores have been participating in the "POOL PROJECT TOKYO*" since December 2021 to collect and recycle plastic covers that accompany clothing deliveries.

This is an initiative to collect plastic covers generated from participating commercial facilities in Tokyo and recycle them into highly advanced materials. The recycled plastic is sold to manufacturers as "POOL Resin," PCR material that is traceable from its source through all processes, including transport, volume reduction, and processing.

New productization and commercialization are being considered for the future, and the Group will actively promote resources recycling by participating in such initiatives.

POOL PROJECT TOKYO
ごみを捨てるから、「資源を託す」へ

* Project conducted by Recotech Inc. to collect and recycle plastic generated from commercial facilities throughout Tokyo

In compliance with the Plastic Resource Circulation Act, which went into effect in April 2022, we will collaborate with our suppliers to promote our activities concerning the products made of specific plastic to reduce emissions of single-use plastic, while gaining understanding from our customers.

Single-use plastic product usage reduction target
(Daimaru Matsuzakaya Department Stores)

FY2021 usage results (intensity*)	FY2022 reduction target (vs. FY2021)
0.0936	-20%

*Unit setting: Single-use plastic in the shops of suppliers with whom Daimaru Matsuzakaya Department Stores collaborates
Total product usage (kg) / Sales in the shops of suppliers with whom Daimaru Matsuzakaya Department Stores collaborates (millions of yen)

To Reduce Food Waste

Food loss in Japan is said to exceed five million tons annually and about half of this is business food loss generated in the distribution process, such as out-of-spec products and unsold items.

In an effort to reduce food waste, Daimaru Matsuzakaya Department Stores and Parco are working with their suppliers to conduct online sales of products nearing their expiration dates, limited-time sales of out-of-spec products, and food sharing events to reduce food loss. In addition, even if food products are ultimately discharged as food waste, we are working to improve our food recycling rate by outsourcing to external processors to convert food waste into compost, feedstuffs, etc.

Gaining a Competitive Advantage by Promoting a Circular Economy

The Group will work with suppliers and customers to create a new circular business model based on the concepts of "sharing" and "upcycling" in order to realize a circular economy. Through these efforts, we will create new environmental value and gain a competitive advantage in a circular economy.

Fashion Subscription Business AnotherADdress

We are aware of the need for initiatives to address environmental issues such as the mass consumption and disposal of clothing and other products in the fashion industry, including the retail business, to reduce the environmental load as much as possible.

Daimaru Matsuzakaya Department Stores launched a fashion subscription business "AnotherADdress" in March 2021. The service allows customers to rent three pieces of clothing each month for ¥11,880 (including tax) per month. This is the first subscription-type fashion rental service for department stores. From October 2022, a light plan of ¥5,500 (including tax) per dress per month was launched to expand the service. Daimaru Matsuzakaya Department Stores is the main operator of the service, delivering clothes to customers in partnership with various businesses including logistics, delivery, cleaning, and recycling.

Strengthening of Sustainable Initiatives

As of the end of February 2022, we had more than 6,700 registered customers, far exceeding our initial projection of 1,000 members. The total number of rentals has reached 20,000, and we have received a great deal of support from our customers. In addition, on the first anniversary of its opening, we have more than doubled the number of brands we handle, and have introduced and improved new services requested by our customers, such as a "secure guarantee service," "introduction of a size comparison tool," and "change of the return system."

We are also collaborating with Tokyo University of the Arts and Mitsubishi Chemical Corporation to realize our business concept "FASHION NEW LIFE." We take on new sustainable challenges, such as a program that allows the participants to support tree-planting activities of “Geidai Hedge,” an environmental improvement program implemented by Tokyo University of the Arts, while enjoying fashion with AnotherADdress, under the theme of "Wear the forest, nurture the forest," and "efforts to extend the life of clothes" with Wacoal.

Based on the strong belief that clothes are not disposable and with the concept of “Circulate all things,” we will promote activities to create a circular society in cooperation with our suppliers who aim to realize a sustainable society.

Voice

TABATA Ryuya, AnotherADdress, DX Promotion Division, Management Strategy Headquarters, Daimaru Matsuzakaya Department Stores

After launching this business, we have received comments from customers such as "I received compliments from my friends on the clothes I borrowed from AnotherADdress.” and “I have come to like to dress up.” What we want to share with our customers is “FASHION NEW LIFE,” or the joy of being fashionable.

At AnotherADdress, we also inform how to wash and handle clothes. We are trying to help our customers enjoy sustainable lifestyles naturally by providing information on what to do to wear not only rented clothes but also customers’ own clothes longer.

In the early days of our business, we had a hard time gaining the understanding of brands, but now we communicate to them that we are reforming our distribution process and working on a circular model. We have gained more and more support and understanding for the fact that we are working responsibly to ensure that our customers can enjoy the clothes we started to handle for as long as possible.

AnotherADdress has just begun. We hope that as many people as possible will try it out for themselves to encounter clothes they have never worn before and to discover the joy of dressing up.

Information Disclosure in Line with TCFD Recommendations

In 2019, the Group expressed its support for the final report of the Climate-related Financial Disclosure Task Force (TCFD) (TCFD recommendations). The TCFD recommendations are a global common comparable framework for climate-related information disclosure and expect all companies to disclose information in accordance with the four recommended disclosure items including "governance," "risk management," "strategy," and "metrics and targets." While using the TCFD recommendations as guidelines for evaluating the adequacy of its climate actions, the Group will actively engage in dialogue with institutional investors to effectively disclose information.

Recommended Disclosure Item (1) Governance (Environmental Governance)

a Process by which the Board of Directors receives reports on climate-related issues, frequency with which these issues are tabled for discussion, and monitored items

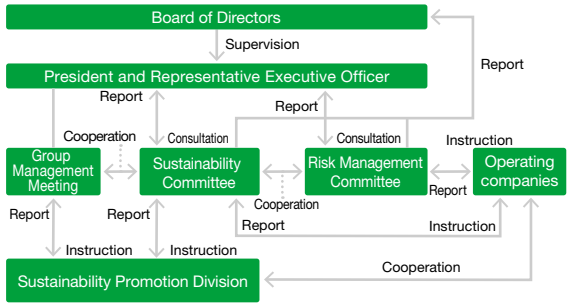
In the Group, the Group Management Meeting, which is the highest decision-making body in business execution, discusses and makes decisions on specific measures related to environmental issues in order to promote sustainability management across the Group in a cross-organizational manner. Furthermore, the Sustainability Committee, which meets once every six months, shares the policies for responding to environmental issues discussed and decided by the Group Management Meeting, formulates action plans for the Group's environmental issues, and monitors their progress.

The Board of Directors receives reports on the discussions and decisions made by the Group Management Meeting and the Sustainability Committee, then discusses and oversees the Group's policies for responding to environmental issues and its action plans and so forth.

b Responsibility of management for climate-related issues, the process for receiving reports (committees, etc.), and method of monitoring

The President and Representative Executive Officer chairs the Group Management Meeting, and also the Risk Management Committee and the Sustainability Committee, both of which are advisory committees under his direct supervision, and assumes the ultimate responsibility for business decisions related to environmental issues. The matters discussed and resolved by the Group Management Meeting and the Sustainability Committee are finally reported to the Board of Directors.

JFR Group environmental management system



Meeting bodies and their roles in the environmental management system

	Meeting body and system	Role
Meeting body	Board of Directors	Supervises the progress of environment-related initiatives discussed and approved by people who execute business. Meets monthly.
	Group Management Meeting	Discusses the measures related to the Group-wide management including specific environment-related initiatives. The decisions are reported to the Board of Directors. Meets weekly.
	Risk Management Committee	Extracts comprehensive risks and discusses and decides the measures against them. The decisions are reported to the Board of Directors. Meets as needed.
	Sustainability Committee	Discusses and decides the policy to address environmental issues discussed by the Group Management Meeting. Formulates the long-term plans and KGIs/KPIs related to environmental issues and monitors the progress of operating companies. The decisions are reported to the Board of Directors. Meets semiannually.
Executing entity	President and Representative Executive Officer	Chairs the Group Management Meeting, and also the Risk Management Committee and the Sustainability Committee. Assumes the ultimate responsibility for business decisions related to environmental issues.
	Operating companies (Management Meeting, Risk Management Committee, Sustainability Committee, etc.)	Plan and execute initiatives for environmental issues as operating companies based on the policy for responding to environmental issues that have been discussed and decided by the Group's Risk Management Committee and Sustainability Committee. In addition, report on the status of progress to the Group's Risk Management Committee and Sustainability Committee.
	Sustainability Promotion Division	Promotes the Group-wide response to environmental issues. Collects environment-related information and reports to the Group Management Meeting, the Sustainability Committee and the Risk Management Committee.

Recommended Disclosure Item (2) Risk Management

a Detailed processes for identifying and assessing climate-related risks, and method for determining importance

The Group considers risk to be the starting point of strategy, and we have defined it as "uncertainty that affects the corporate management's achievement of goals, having both a positive side and a negative side." We believe that appropriate handling of risk leads companies to sustainable growth.

The Sustainability Committee conducts more detailed examinations of the environmental risks and shares the results with operating companies. Operating companies incorporate climate actions into their action plans. They discuss and confirm the progress of the action plans at the meetings chaired by their presidents. The Group Management Meeting, the Risk Management Committee and the Sustainability Committee monitor the progress, and finally, report to the Board of Directors.

b Detailed processes for management of important climate-related risks, and method of prioritizing them

With the recognition that climate-related risks and opportunities have a great impact on its business strategies, the Group identified climate-related risks and opportunities through the process shown on the right and assessed their importance.

Firstly, the Group extracted climate-related risks and opportunities exhaustively for each activity item of supply chain process: "product procurement," "transportation and customer movement," "sales in stores," "use of products and services," and "disposal." Next, we identified important climate-related risks and opportunities for the Group from among the exhaustively extracted climate-related risks and opportunities. Finally, we assessed the importance of the identified climate-related risks and opportunities based on two assessment criteria including the "degree of impact on the Group and the probability of occurrence" and the "degree of impact on stakeholders."

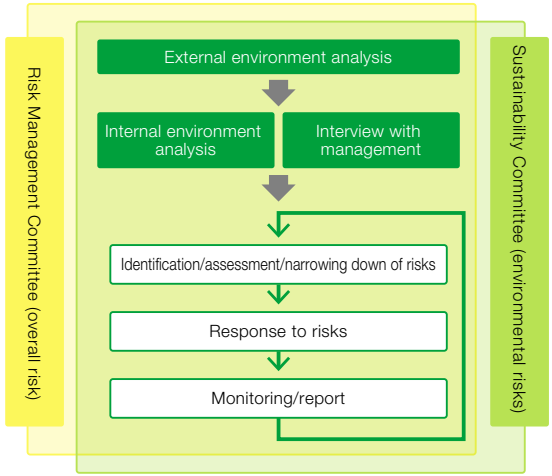
The Group reflects, under the supervisory system of the Board of Directors, the climate-related risks and opportunities rated as particularly important through the process shown on the right in its strategies as its corporate risks to address them.

c How the processes are integrated into the organization's overall risk management

The Group has established the Risk Management Committee based on the importance of building a structure for managing risk across the Group. The Risk Management Committee identifies and assesses corporate risks, including environmental risks, based on external environment analysis, narrows them down to the risks that need to be preferentially addressed, and monitors progress on them.

The matters discussed and approved by the Risk Management Committee are reflected in the Group's strategy and implemented under the supervisory system by the Board of Directors.

Risk management process



Risk management system

Risk management process	Responsible meeting bodies and executing entities
Identification/assessment/ narrowing down of risks	●Board of Directors ●Group Management Meeting ●Risk Management Committee (Overall management risk) ●Sustainability Committee (Environmental risks)
Response to risks	●Operating companies (Management Meeting, Risk Management Committee, Sustainability Committee, etc.)
Monitoring/report	●Board of Directors ●Group Management Meeting ●Risk Management Committee (Overall management risk) ●Sustainability Committee (Environmental risks)

Recommended Disclosure Item (3) Strategy

a Detailed risks and opportunities the organization has identified over the short, medium and long term

The Group considers it important to examine climate-related risks and opportunities at the appropriate milestone occasions because of the potential impact of climate-related risks and opportunities on its business activities over the long term. Accordingly, the Group has positioned the execution window of the Medium-term Business Plan up to fiscal 2023 as the short term, the period up to fiscal 2030, which is the target year set by SBTi for Scope 1, 2, and 3 emissions, as the medium term, and the period up to fiscal 2050, which is the SBTi net zero target year for Scope 1, 2, and 3 emissions, as the long term.

The Group has formulated the Group strategy for climate-related risks and opportunities by back-casting from fiscal 2050, by which it is to realize net zero, and is working to apply the strategy.

JFR Group FY2050 Net Zero Transition Plan

Definition of the periods for consideration of climate-related risks and opportunities in the Group

Periods for consideration of climate-related risks and opportunities		The Group's definition
Short term	Until FY2023	Execution period of the Medium-term Business Plan
Medium term	Until FY2030	Period until the SBT setting fiscal year for the Scope 1, 2, and 3 emissions
Long term	Until FY2050	Period until the SBT net-zero target setting fiscal year for the Scope 1, 2, and 3 emissions

b Description of risks and opportunities and their degree of impact on the organization's business, strategy and financial planning

The Group conducts scenario analysis in order to understand the risks and opportunities that climate change provides to the Group and their impacts and to examine the resilience of the Group's strategies envisaging the world in fiscal 2030, and the necessity of further measures.

In the scenario 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℃/2℃ scenario that envisages the goal of the Paris Agreement of striving to limit the increase in the global average temperature to below 2℃ above pre-industrial levels; and the 4℃ scenario that envisages the GHG emissions on the present basis.

Based on these two scenarios, the Group extracted climate-related risks and opportunities following the TCFD recommendations for each activity in its supply chain process. In addition, we defined the transition risks (policy regulation, technology, market, reputation) and physical risks (acute, chronic) arising from climate change, as well as the opportunities (resource efficiency, energy sources, products and services, markets, and resilience) arising from responding appropriately to it.

Existing scenarios referred to

Possible world	Existing scenarios
Below 1.5℃/2℃ scenario	"Net-Zero Emissions by 2050 Scenario (NZE)" (IEA, 2021)
	"Sustainable Development Scenario (SDS)" (IEA, 2021)
	"Representative Concentration Pathways (RCP2.6)" (IPCC, 2014)
4℃ scenario	"Stated Policy Scenario (STEPS)" (IEA, 2021)
	"Representative Concentration Pathways (RCP6.0, 8.5)" (IPCC, 2014)

Overview of climate-related risks and opportunities in the Group

Type of climate-related risks and opportunities			Time of emergence	Overview of climate-related risks and opportunities in the Group
Risk	Transition risk	Policy regulation	Short and medium term	●Increase in energy cost associated with the introduction of policies to control GHG emissions, such as carbon taxes and the strengthening of regulations ●Increase in cost of reducing GHG emissions by purchasing green electricity certificates and so forth ●Increase in energy procurement cost due to increased demand for renewable energy associated with geopolitical risk
		Technology	Short and long term	●Increase in operation cost for responding to high efficiency, energy-saving equipment ●Increase in energy procurement cost due to the spread of new non-carbon energy sources such as hydrogen and ammonia ●Increase in operation cost due to CCUS (CO_2 capture, utilization and storage) and tree-planting activities
		Market	Short and medium term	●Increase in renewable energy procurement cost due to increase in use of renewable energy-sourced electricity ●Loss of growth opportunities due to a delay in response to market changes such as increased demand for low-carbon products ●Loss of growth opportunities due to a delay in response to increased risk of infectious diseases (COVID-19, etc.) caused by climate change
		Reputation	Short and medium term	●Risk of reputation loss due to slow response to environmental issues and slow response to diversification of consumption patterns ●Risk of reputation loss due to lack of preparation for demand from investors for environmental information disclosure ●Negative impact on recruitment of new employees and employee engagement due to loss of reputation among stakeholders
	Physical risk	Acute	Short and medium term	●Loss of sales opportunities for products and services resulting from disruption of logistics routes due to natural disasters caused by climate change ●Reduction in earnings due to damage to stores and business sites and suspension of operations because of natural disasters caused by climate change ●Loss of sales opportunities in stores due to increased risk of infectious diseases (COVID-19, etc.) caused by climate change
		Chronic	Medium and long term	●Increase in procurement cost due to destabilization of agricultural production associated with increase in rainfall and changing weather patterns ●Increase in employee health damage due to infectious diseases (COVID-19, etc.) caused by climate change
Opportunity	Resource efficiency		Short and medium term	●Decrease in energy procurement cost due to strengthening of energy-saving measures ●Decrease in energy procurement cost due to conversion to stores and business sites of high environmental value
	Energy source		Short and long term	●Decrease in energy procurement cost due to introduction of the latest high energy-efficiency equipment ●Decrease in energy procurement cost due to introduction of energy creation ●Reduction in renewable energy procurement cost associated with the development of new policies and systems related to renewable energy
	Products and services		Short and medium term	●Expansion of earnings due to response to an increase of demand for sharing and upcycled products in collaboration with suppliers ●Expansion of earnings due to response to an increase of customer demand for environmental products and services, such as reusable and recycled products
	Market		Short and long term	●Expansion of new growth opportunities through new entry into the circular businesses ●Improvement in profitability due to rebuilding of business portfolio across the framework of the retail business and entry into and expansion of the market for low carbon products ●Expansion of earnings due to opening of environmentally conscious tenant stores following conversion to stores and business sites with high environmental value ●Capture of new growth opportunities by response to increased infectious disease risk (COVID-19, etc.) caused by climate change
	Resilience		Medium term	●Increase in energy resilience following advances in renewable energy and energy saving

C Risks, opportunities and financial impacts based on relevant scenarios, and resilience of strategies against it

The Group exhaustively extracted climate risks and opportunities and assessed their importance based on two assessment criteria including the "degree of impact on the Group and the probability of occurrence" and the "degree of impact on stakeholders."

Furthermore, the Group has conducted both quantitative and qualitative analyses of the financial impacts in fiscal 2030 assuming the below 1.5℃/2℃ scenario and the 4℃ scenario with regard to the climate-related risks and opportunities that it has evaluated as being of particularly high importance.

The qualitative financial impacts are presented in three levels by the direction of the arrow symbols.

↑	The impact on the Group's business and finance is expected to be very large.
↗	The impact on the Group's business and finance is expected to be slightly large.
→	The impact on the Group's business and finance is expected to be negligible.

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

	Climate-related risks and opportunities of particular importance to the Group	Financial impacts		Measures
		Below 1.5℃/2℃ scenario	4℃ scenario	
Risk	● Increase in energy cost associated with the introduction of policies to control GHG emissions, such as carbon taxes and the strengthening of regulations	Cost increase of approximately ¥1.1 billion*1	Cost increase of approximately ¥0.6 billion*1	● Reduction in Scope 1 and 2 emissions due to switching to energy saving and renewable energy at stores and business sites
	● Increase in cost of reducing GHG emissions by purchasing green electricity certificates and so forth	↗	→	● Reduction in energy usage due to introduction of latest high energy-efficiency equipment at stores and business sites
	● Increase in renewable energy procurement cost due to increase in use of renewable energy-sourced electricity	Cost increase of approximately ¥0.7 billion*2	Cost increase of approximately ¥0.2 billion*2	● In-house generation and consumption of renewable energy through introduction of energy creation system, such as capital investment in renewable energy at in-house facilities
	● Reduction in earnings due to damage to stores and business sites and suspension of operations because of natural disasters caused by climate change	Sales decrease of approximately ¥5.2 billion*3	Sales decrease of approximately ¥10.3 billion*3	● Increased resilience of stores and business sites through the development of BCP
	● Loss of sales opportunities in stores due to increased risk of infectious diseases (COVID-19, etc.) caused by climate change	↗	↑	● Diversification of sales channels through the promotion of Real × Digital Strategy formulated in the Medium-term Business Plan.
Opportunity	● Decrease in energy procurement cost due to introduction of the latest high energy-efficiency equipment	↗	→	● Reduction in energy usage due to introduction of latest high energy-efficiency equipment at stores and business sites
	● Expansion of earnings due to opening of environmentally conscious tenant stores following conversion to stores and business sites with high environmental value	Sales increase of approximately ¥1.0 billion*4	—	● Acquisition of environmental certification for stores and business sites through energy saving and switching to renewable energy
	● Expansion of earnings due to response to an increase of demand for sharing and upcycled products in collaboration with suppliers	↑	↗	● Conversion to a circular business model, including sharing and upcycling in collaboration with suppliers
	● Expansion of earnings due to response to an increase of customer demand for environmental products and services, such as reusable and recycled products	↑	↗	● Increase in the level of 3Rs in collaboration with customers and suppliers and expansion of handling of environmental products and services
	● Capture of new growth opportunities by response to increased infectious disease risk (COVID-19, etc.) caused by climate change	↑	↗	● Diversification of sales channels through the promotion of Real × Digital Strategy formulated in the Medium-term Business Plan

Grounds for estimation of quantitative financial impacts expected in FY2030
*1 Estimated by multiplying the Group's Scope 1 and 2 emissions in FY2030 by the carbon tax price per tonne of CO_2
*2 Estimated by multiplying the Group's electricity usage in FY2030 by the additional price of renewable energy-sourced electricity per kWh compared to ordinary electricity charges
*3 Estimated by multiplying the amount of sales losses due to suspension of operations during past natural disasters by the frequency of floods
*4 Estimated by multiplying the Group's real estate revenue and profits in FY2030 by percentage changes in new actual rent of buildings with environmental certification

To realize our most important materiality, "realization of decarbonized society," the Group analyzed the impacts of climate change on its business activities, assuming the above scenarios, then examined its countermeasures to verify its strategy resilience.

For this reason, in the business strategies and the Medium-term Business Plans, we formulate appropriate measures to avoid negative risks, and for positive opportunities, we aim to capture new growth opportunities such as responding actively to market changes and so forth.

Recommended Disclosure Item (4) Metrics and Targets

a The metrics used to manage climate-related risks and opportunities

The Group has established two metrics for managing climate-related risks and opportunities: Scope 1, 2, and 3 emissions and the renewable energy share within electricity used in business activities.

Furthermore, in the Officer Remuneration Policy revised in April 2021, Scope 1 and 2 emission reduction targets were set as indicators for determining performance-linked remuneration, to clarify executive officers' responsibility with regard to the issue of climate change.

b GHG emissions (Scope 1, 2, and 3)

The Group started calculating the total emissions for the Group in fiscal 2017. The Group's Scope 1 and 2 emissions in fiscal 2021 were 122,812 t-CO_2 (down 7.0% from fiscal 2020 and down 36.7% from fiscal 2017). Furthermore, the Group's Scope 3 emissions in fiscal 2021 were 2,420,492 t-CO_2 (up 19.1% from fiscal 2020 and down 17.3% from fiscal 2017).

The Group has received third-party assurance for its Scope 1, 2, and 3 GHG emissions.

FY2021 JFR Group Scope 1, 2, and 3 emission results (t-CO_2, %)

		FY2021	vs. FY2020	vs. FY2017 (vs. base year)
Total Scope 1 and 2 emissions		122,812	-7.0	-36.7
Breakdown	Scope 1 emissions	14,004	16.9	-12.8
	Scope 2 emissions	108,808	-9.4	-38.9
Total Scope 3 emissions		2,420,492	19.1	-17.3

c The targets used by the organization to manage climate-related risks and opportunities and performance against targets

The Group has set long-term GHG emission reduction targets since fiscal 2018 to achieve the global below 1.5 ℃ /2℃ target, and its Scope 1, 2, and 3 emission reduction targets were approved by the SBTi in fiscal 2019. In fiscal 2021, in line with the advancement of our materialities, we raised our target for reducing Scope 1 and 2 emissions from the previous 40% reduction to a 60% reduction compared with fiscal 2017 (the base year), and it was approved as the 1.5°C target that is the new standard set by the SBTi. Moreover, based on the Corporate Net-Zero Standard set by the SBTi, we have set a target to achieve "net zero by fiscal 2050" within the range of Scope 1, 2, and 3 emissions.

To achieve these long-term targets, in fiscal 2019, the Group started procuring renewable energy-sourced electricity for its own facilities, and in October 2020 joined the RE100*, which aims to achieve a 100% renewable energy share for electricity used in business activities by fiscal 2050. Moreover, as an interim target, we aim to achieve a 60% renewable energy share for electricity used in business activities by fiscal 2030.

Looking ahead, we will work to expand procurement of renewable energy-sourced electricity towards achieving net zero by fiscal 2050.

*A global initiative that aims to source 100% renewable energy to power business operations by 2050

Targets used by the Group to manage climate-related risks and opportunities

Metrics	Target year	Details of targets
GHG emissions	2050	Net zero Scope 1, 2, and 3 emissions
	2030	60% reduction of Scope 1 and 2 emissions (vs. FY2017)*1 40% reduction of Scope 3 emissions (vs. FY2017)*1
Renewable energy share	2050	100% renewable energy share in electric power used in business activities*2
	2030	60% renewable energy share in electric power used in business activities

*1 Approved by SBTi
*2 Joined RE100 in 2020