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.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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

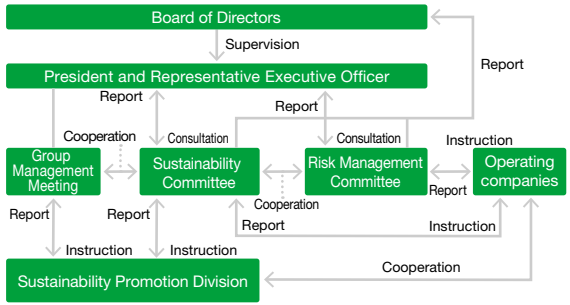
In the Group, the Group Management Meeting, which is the highest decision-making body in business execution, discusses and makes decisions on specific measures related to environmental issues in order to promote sustainability management across the Group in a cross-organizational manner. Furthermore, 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."

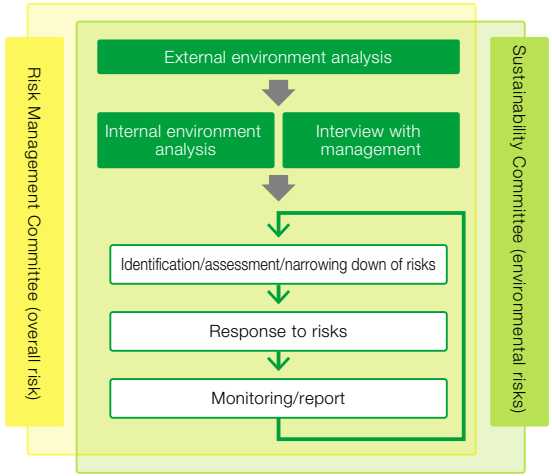
The Group reflects, under the supervisory system of the Board of Directors, the climate-related risks and opportunities rated as particularly important through the process shown on the right in its strategies as its corporate risks to address them.

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