

Sustainability Report 2023

Envision the future



Create and Bring to Life "New Happiness."



J. FRONT RETAILING

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|-------------|---------------------------------|------------------------|---|---------------------|---------------------------|--------------------|--|---------------------|-------------------------------|---------------------|
| TOP MESSAGE | Sustainability Promotion System | Stakeholder Engagement | Progress Towards Achieving Sustainability | JFR's Materialities | Environmental Initiatives | Social Initiatives | Information Disclosure in Line with TCFD Recommendations | External Assessment | Sustainability Bond Reporting | Sustainability Data |
|-------------|---------------------------------|------------------------|---|---------------------|---------------------------|--------------------|--|---------------------|-------------------------------|---------------------|

Contents

| | |
|---|----|
| Introduction | 02 |
| TOP MESSAGE | 03 |
| Our Vision | 06 |
| Value Creation Process | 07 |
| Sustainability Promotion System | 08 |
| Stakeholder Engagement | 09 |
| Progress Towards Achieving Sustainability | 10 |
| JFR's Materialities | 11 |

| | |
|----------------------------------|----|
| Environmental Initiatives | |
| Materiality KPIs and Progress | 12 |
| Decarbonization | 14 |
| Circular Economy | 16 |
| Social Initiatives | |
| Materiality KPIs and Progress | 19 |
| Human Rights | 22 |
| Well-Being Life for Customers | 24 |
| Urban Development | 25 |
| Local Revitalization | 26 |
| Human Capital | 27 |
| Stakeholders' Voice | 30 |

| | |
|---|----|
| Information Disclosure in Line with TCFD Recommendations | |
| Governance | 32 |
| Risk Management | 33 |
| Strategy | 34 |
| Metrics & Targets | 38 |
| External Assessment | 40 |
| Sustainability Bond Reporting | 42 |
| Sustainability Data | 43 |

This report is an interactive PDF document. Please use the icons and link buttons to search for information.

Icons in the upper right corner of the pages

Go to the top

Go to Table of Contents

Go to next page

Go to previous page

Link buttons

Link to the relevant page of this report

Link to the website

JFR Policies on Sustainability

- WEB** Sustainability Policy

https://www.j-front-retailing.com/english/sustainability/way_to_think.html
- WEB** Eco Vision

<https://www.j-front-retailing.com/english/sustainability/top-commitment03.html>
- WEB** Social Vision

<https://www.j-front-retailing.com/english/sustainability/top-commitment04.html>
- WEB** JFR Principles of Action

<https://www.j-front-retailing.com/english/sustainability/principles-of-action.html>
- WEB** Principles of Action for Suppliers

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

Introduction

This report regarding the sustainability information of J. Front Retailing Group is published as a complement to the JFR Integrated Report. Our intention is to deepen shareholder understanding of the Group's stance and activities toward sustainable growth by presenting information in an easy-to-understand manner through stories linked to our management strategy.

In the Company's medium-term business plan launched in FY2021, we set forth our concept of sustainability management and the expansion of materiality to realize "Well-Being Life." This report focuses on our efforts in sustainability during FY2022 and other important information that will lead to the creation of value for our Group.

Detailed information including data on past cases and corporate governance, which forms the basis of our initiatives, are posted on the JFR website.

Guidelines Referenced

- GRI (Global Reporting Initiative) [GRI Standard]
- Guidance for Collaborative Value Creation
- Final report of the Task Force on Climate-related Financial Disclosures (TCFD recommendations)
- SASB Standards
- ISO26000

Timeframe

This report contains the latest information available at the time of publication to the furthest extent possible. Data primarily covers FY2022 (March 1, 2022 through February 28, 2023).

Scope

- J. Front Retailing Co., Ltd. and its consolidated subsidiaries
- ※ The Group refers to J. Front Retailing Co., Ltd. and its consolidated subsidiaries.
- ※ J. Front Retailing refers to the unconsolidated holding company.
- ※ Each operating company refers to each consolidated subsidiary company.

Cautionary Statement Regarding Forward-Looking Statements

Forward-looking statements in this report represent our assumptions based on information currently available to us and inherently involve potential risks, uncertainties, and other factors. Therefore, factual results may differ materially from the forward-looking statements due to changes in various factors.

Date of Issue

October 2023 (Next issue: October 2024, Previous issue: October 2022)

Third-Party Assurance

Environmental and social data in this report have received independent third-party assurance from LRQA Limited to ensure reliability.



Corporate Information Disclosure

The Group discloses a variety of information on its corporate activities to respond to the interests of shareholders, investors, and a wide range of stakeholders in local communities including customers.

● Reports

Integrated Report

<https://www.j-front-retailing.com/english/ir/library/annual.html>



Corporate Governance Report

<https://www.j-front-retailing.com/english/company/governance/governance01.html>



Annual Securities Report

<https://www.j-front-retailing.com/english/ir/library/statement.html>



Shareholder Information (Japanese Only)

<https://www.j-front-retailing.com/ir/library/report.html>



● Website

Corporate Information

<https://www.j-front-retailing.com/english/company/company.html>



IR Information

<https://www.j-front-retailing.com/english/ir/index.html>



Sustainability

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



For Inquires

Sustainability Promotion Division, Management Strategy Unit, J. Front Retailing Co., Ltd.
Shinagawa Season Terrace, 1-2-70 Konan, Minato-ku, Tokyo 108-0075
E-mail : esg_info@jfr.co.jp

TOP MESSAGE



TOP MESSAGE

Sustainability Management By Realizing CSV

Director, President and Representative Executive Officer
J. Front Retailing Co., Ltd.

YOSHIMOTO Tatsuya

J. Front Retailing Group is committed to putting sustainability management into practice. Since 2018, the Company has been building the foundation by identifying materiality, formulating sustainability policies, and working to reduce environmental and social risks. In the medium-term business plan which started in 2021, we are promoting Creating Shared Value (CSV), which aims to integrate sustainability with corporate and business strategies.

Looking back through our history, Daimaru and Matsuzakaya have been in business for 300 and

400 years, respectively, based on the spirit of their company credos: "Service Before Profit" (Those who give priority to service over profit will prosper) and "Abjure All Evil and Practice All Good." In today's terms, these credos mean, "Put the customer first" and "Contribute to society." They express the idea that acting with all stakeholders in mind will eventually prosper the business. I believe strongly that this approach is the very essence of CSV. I am reminded of the importance of continuing to practice our credos in

a straightforward manner, and I would like to pass this on as a cornerstone of our company that will never change.

— Reducing GHG emissions

The summer of 2023 was exceptionally hot, with average temperatures across Japan at their highest in more than 120 years. Numerous events brought about by the extreme weather were a stark reminder of the severe conditions that wait for us in the future due to climate change. In response to this past summer's heat, UN Secretary-General António Guterres stated that "The era of global warming has ended; the era of global boiling has arrived." He called on countries to accelerate their climate change countermeasures. The greatest global challenge is that the effects of climate change, including global warming, are upsetting the balance of the natural world and putting all life forms, including humans, at risk.

In response, what we in the retail business can contribute may not have a significant impact on society overall. But the Company has positioned the realization of a decarbonized society as an important issue and is committed to doing what we can now, one by one, rather than expecting someone else to make the effort.

The reason why the entire company has worked together without wavering is because our company credo is the foundation of everything we do. Fortunately, the direction of what is required to reduce our GHG emissions is clear. We are working on switching to renewable energy for electricity and saving energy through LED lighting, while setting ambitious medium-

TOP MESSAGE

and long-term goals. As a result, our Scope 1 and 2 emissions were reduced by 43.5% (vs. FY2017) and our renewable energy ratio was 33.6% in FY2022. In February 2023, we obtained SBT certification for our 2050 Net Zero Target for Scope 1, 2, and 3 GHGs emissions. I recognize that achieving net zero for the entire value chain will not be an easy task, but I am determined to move forward.

— Efforts toward a circular economy

One of the biggest changes since 2018, when we began to intensify our environmental efforts, is the accelerating movement toward a Circular Economy. The depletion of natural resources and the mass disposal of food and used clothing have become social issues, and the entire supply chain is required to address them. In addition, there has been a change in the way consumers think about waste, such as recycling, upcycling, and remaking. There is a need to build a recycling-oriented business model that involves individuals. The Company sees this change as an opportunity and a challenge for our business.

Based on the belief that clothes are not disposable, Daimaru Matsuzakaya Department Store launched the fashion subscription business “AnotherADdress” in March 2021. In the first two years, the business grew from 50 brands in the beginning to more than 200 with approximately 16,000 registered members. In spring 2023, we also began offering men's fashion items. In addition to the appeal of our products, which take advantage of our strength in the department store sector,

customer support for the sustainable business concept behind our business is growing. This is a representative example of our Group's CSV activities.

— Growing with local communities

JFR operates 15 Daimaru and Matsuzakaya department stores and 17 PARCO shopping malls and other commercial buildings in major cities throughout Japan, from Sapporo City in Hokkaido in the north to Fukuoka City in the south. We have been working with local customers, employees, business partners, communities, and governments to create sustainable towns, solve local problems, and revitalize local communities by making the most of local assets. This role has not changed over the 300 to 400-year history of our department stores. It is our pride and great strength that local communities and the JFR Group have grown together, with our stores as a focal point to enrich the places where people gather and interact with each other.

In March 2023, we established a new company, J. Front City Development, to engage in developer business. By leveraging the commercial property capabilities of Daimaru, Matsuzakaya, and PARCO, and by further utilizing the real estate assets held in the areas where the stores are located, we aim to achieve growth for the entire region and the Group as a whole. Development projects are taking shape in the Sakae district in Nagoya and the Shinsaibashi district in Osaka, and studies have begun for a large-scale development project in the Tenjin district of Fukuoka City.

— Respect for human rights is the foundation of our business activities

Human rights issues such as forced labor and discrimination that occur in the supply chain can have a significant impact on business. In our Group, we understand that our business directly and indirectly affects human rights at each step of the value chain, from product procurement to sale and use, and we are committed to respecting human rights.

The Company promotes human rights due diligence in accordance with the United Nations Guiding Principles on Business and Human Rights. We began by sharing and disseminating the JFR Principles of Action for Suppliers, including the Human Rights Policy, to our suppliers, and have held two supplier briefings in 2019 and 2022. In 2021, the Company also conducted a supplier assessment to check the penetration of the Principles of Action for Suppliers and the status of our suppliers' human rights initiatives, and held dialogues with suppliers as necessary. A second supplier assessment will be conducted in the autumn of 2023.

— Diversity for innovation

JFR recognizes that the diversity of human resources is the source of a company's competitiveness. We believe that new value and innovations are created when diverse human resources exchange their opinions and work together. We believe that this is essential for the sustainable growth of the Company.

To realize this goal, various initiatives are currently underway throughout the Group, including the promotion of women

TOP MESSAGE

empowerment, human resource exchanges within the Group, cross-group projects that mix gender, generations, and other factors, and the recruitment of specialized human resources from outside the group. I myself also regularly hold dialogues called “Catch Ball Meetings” with Group employees. When the meeting was held in April and May of this year, approximately 870 employees participated. These opportunities for dialogue, especially with younger employees, enable me to speak directly with them about my thoughts on the future and the direction we should take going forward.

We recognize that this stimulation is fostering a corporate culture for creating innovation, where dialogue is generated from diverse perspectives and different values, and where each person can demonstrate his or her abilities and play an active role.

I am committed to creating an environment and organizational structure that allows every employee to play an active role, maximizing their value, and linking human capital to the growth of the Company.

— Toward new medium- to long-term growth

After five years of sustainability efforts, we have had some opportunities to receive recognition from outside the Company. I am very pleased that the combination of employee awareness about the concept of sustainability in their daily work, and the understanding and cooperation of our business partners has led to improvements in our external evaluations. In addition, I am also aware that in our case, it is not only the department stores that are involved, but also PARCO and various other operating

companies which have come together as one, leading to a wider and richer range of initiatives.

On the other hand, I realize that sustainability initiatives take time to achieve results. There are many cases where we have not achieved the expected results within our desired timeframe because the efforts we are making have never been tried before. However, by setting ambitious goals and striving to achieve them, we have begun to change the way we think about our business.

Now, how can we go a step higher in the future to achieve both social and corporate sustainability? I tell our employees that I want them to pursue CSV as a part of their work.

As for our corporate social responsibility, I would like our Group to go one step further by taking initiatives to reduce risks related to environmental and social issues and achieve a better environment and more physically and mentally enriched lives for people. Also, I want our employees to think about what kinds of businesses are meaningful to the Group, and based on that to carefully consider what value they can provide to customers, other stakeholders, and society.

A hint may be found in our Group's ability to leverage the characteristics of being in the middle of the supply chain, where we can reach out to those both upstream (suppliers) and downstream (customers).

Unlike manufacturing businesses, our Group is primarily a retailer and thus has difficulty exercising strong influence or being directly involved upstream in the supply chain (raw materials), but the wide range of products and services we offer allow us to connect with a diverse range of business partners across a wide range of industries. We believe that we can leverage this position and realize a better society

by reaching out to our many business partners. By working with our suppliers to achieve sustainable procurement and providing ethical products and new services, we will offer new options that match the purchasing and consumption patterns of our customers. I believe that if we can work to change people's lives, we can achieve a better social circulation.

I am convinced that expanding our circle of suppliers, partners, and sympathetic customers who co-create value is essential to achieving CSV going forward.

Our sustainability efforts can be divided into two phases, laying the foundation during the three-year period between 2018 and 2020, and sowing the seeds for the realization of CSV during the current medium-term business plan that started in 2021. We will firmly integrate sustainability into our business strategy and seek to integrate the two so that the seeds we have sown are nurtured to sprout and grow.

JFR will realize the group vision of creating and bringing to life “New Happiness.” By embodying this as CSV and adhering to sustainability management that balances social value and economic value, we are committed to helping everyone realize a Well-Being Life and to contributing to the realization of a sustainable society.

Our Vision

The JFR Group has encountered numerous struggles over its 400-year history. Every time we have faced a crisis, we have returned to our Corporate Credos “Service before Profit” and “Abjure all evil, Practice all good.” We are convinced that our management today is the result of carrying out our business activities honestly while keeping abreast of changes in our customers and society. A company cannot develop without coexisting with society. It is now essential for management to take a longer-term perspective to create a vision of what the company should be in the future, a company of significance for society. Clearly, corporate activities cannot be conducted by turning a blind eye to environmental, social, and human rights issues. By incorporating the concept of sustainability into our corporate and business strategies to address those issues, we believe we can obtain a sustainable management framework for future business growth. With sustainability at the core of our management based on our corporate credos, we will strive to achieve both social and economic value by working to solve social issues through our business activities.

Corporate Credo

Service before Profit Abjure All Evil and Practice All Good

Basic Mission Statement

We will provide high quality products and services that respond to the changing times, and aim to realize satisfaction that exceeds our customers' expectations. As a fair and trustworthy company, we aim for the development of our group through contributions to society at large.

Group Vision

Create and Bring to Life “New Happiness”

Sustainability Policy

**With People, with Local Communities,
with the Environment**

Corporate Vision and Value Offered

**Producing fulfilling lifestyles and
creating unique towns to coexist
with local communities**



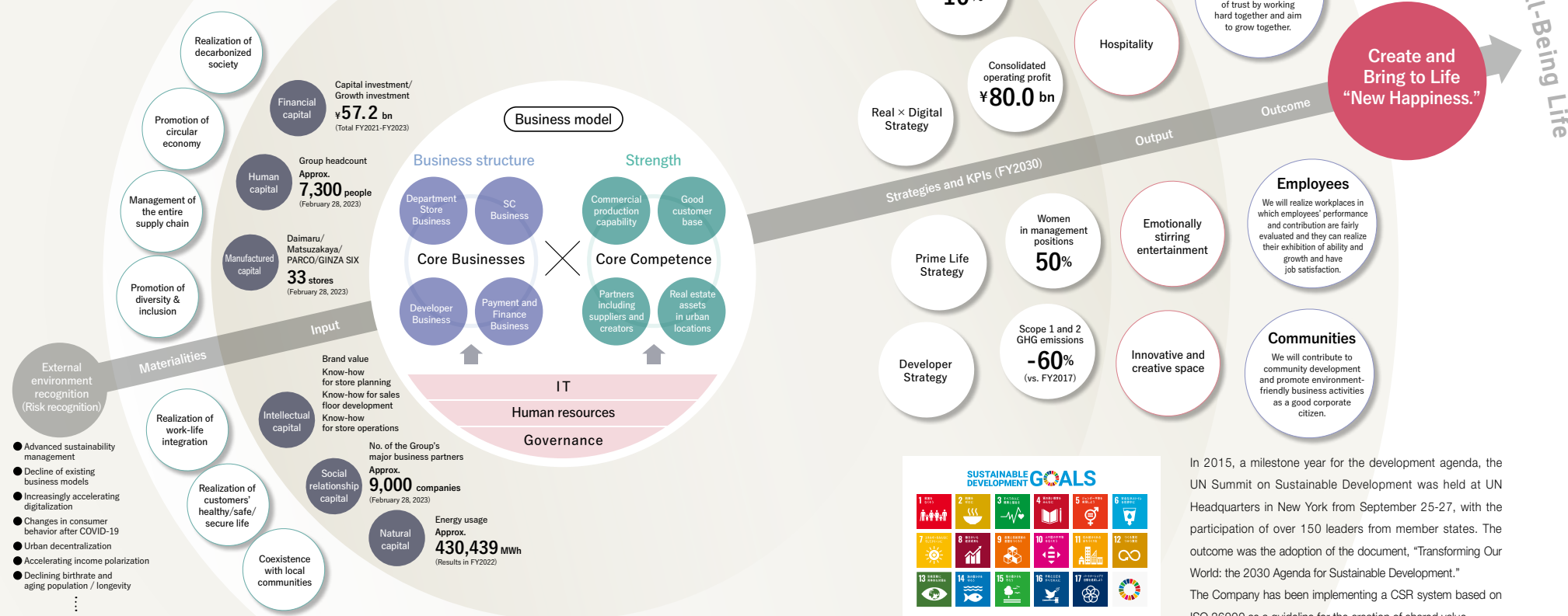
**Create and Bring to Life
“New Happiness”**

Value Creation Process

J. Front Retailing is committed to working together with its stakeholders to create high-quality, new, hospitable, and fulfilling lifestyles that respond to the changing times based on our Basic Mission Statement and Group Vision.

The business activities of J. Front Retailing, centered on its department stores and PARCO, continually seek to create an affluent market that grows together with local communities. As an institution trusted by society, this means creating new value that resonates with a wide range of stakeholders.

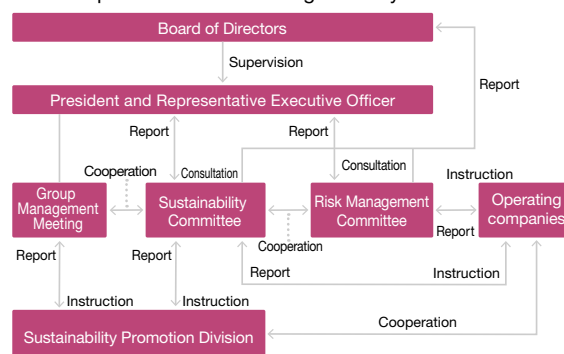
Implementing the Group's business model through the effective and efficient utilization of J. Front's six types of capital is the process by which we create J. Front Retailing brand value, and that results in new value shared by society at large. Through this initiative, we will aim to realize CSV management that achieves social value and economic value at the same time, contribute to society at large, and develop the Group.



Sustainability Promotion System

The Group's specific initiatives on social issues, including the environment and human rights, are discussed and decided in the Group Management Meeting, the highest decision-making body for business execution. Matters discussed and decided by the Group Management Meeting are shared with all operating companies through the Sustainability Committee, an advisory body to the President and Representative Executive Officer. The Sustainability Committee also monitors the implementation and progress of action plans at each operating company based on the Group's policies. The content of matters discussed and decided by the Group Management Committee and the Sustainability Committee are reported to the Board of Directors.

JFR Group environmental management system



[Sustainability Committee]

⟨Established⟩ March 2019

⟨Positioning⟩ Advisory body to the President & Representative Executive Officer

⟨Chairperson⟩ President & Representative Executive Officer

⟨Members⟩ JFR Executive Officers, Presidents of all operating companies

⟨Secretariat⟩ Sustainability Promotion Division (Management Strategy Unit)

⟨Frequency⟩ Twice a year (Spring/Fall) in principle

⟨Activities⟩

- Sharing of long-term plans and Group sustainability policies discussed/resolved by the Group Management Committee
- Formulation of action plans (annually) and monitor progress
- Dialogue with experts, etc.



Meeting of the Sustainability Committee

⟨Main topics discussed in Sustainability Committee meetings⟩

FY2022

- | | |
|-----------|--|
| April | <ul style="list-style-type: none"> ● Lecture by an external instructor on "ESG/sustainability management" ● How to advance the Women's Empowerment Promotion Project ● Report on results of supplier assessment (environment and human rights) ● Group-wide KPI progress report for FY2021 ● Action Plan for FY2022 |
| May | <ul style="list-style-type: none"> ● Lecture by an external instructor on "Diversity as a management strategy" |
| September | <ul style="list-style-type: none"> ● Progress report on Women's Empowerment Promotion Project and discussion of future direction ● Group-wide KPI progress report for 1H FY2022 |

FY2023

- | | |
|-----------|---|
| April | <ul style="list-style-type: none"> ● Lecture by an external instructor on "Business and Human Rights" ● Initiatives to Promote Diversity and Inclusion at Each Operating Company ● Report on results of employee awareness survey ● Group-wide KPI progress report for FY2022 ● Action Plan for FY2023 |
| September | <ul style="list-style-type: none"> ● Lecture by external instructor on "Overview and Necessity of Biodiversity Response" ● Conducted the 2nd Supplier Assessment ● Group-wide KPI progress report for 1H FY2023 |

Linkage with the Officer Remuneration Policy

The Company has established the following two non-financial indicators for performance-linked stock compensation in the Officer Remuneration Policy, which was revised in April 2021.

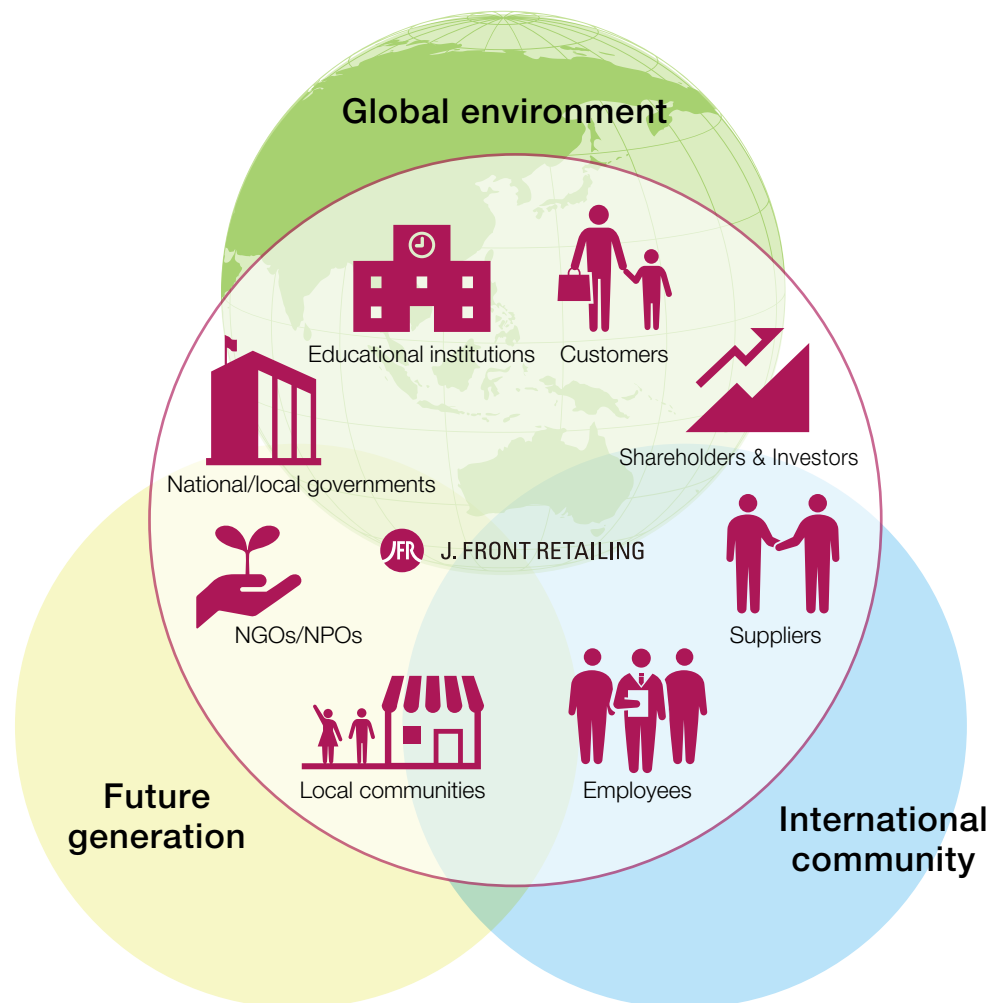
- ①Forty percent reduction in Scope 1 and 2 GHG emissions (compared to fiscal 2017)
- ②Increase in the share of women in management positions to 26%

(Both ① and ② are targets for the end of fiscal 2023)

These items are also linked to materiality KPIs for 2023 to clarify the responsibility of the management team.

Stakeholder Engagement

The JFR Group strives to understand the opinions and requests of its stakeholders through proactive information disclosure, dialogues, and surveys, and to reflect them in its business activities



| Stakeholder | Major ways of dialogue/communications |
|--|---|
| Customers We will provide genuine satisfaction that captures the hearts of our customers by proposing new value | <ul style="list-style-type: none"> ● Daily sales activities ● Customer surveys ● Inquiries to Customer Service Office |
| Shareholders & Investors We will increase corporate value over the long term through highly profitable and highly efficient management | <ul style="list-style-type: none"> ● Annual Shareholders Meetings ● Financial results briefings ● ESG briefings ● Integrated Report, Sustainability Report ● IR website |
| Suppliers We will build relations of trust by working hard together and aim to grow together | <ul style="list-style-type: none"> ● Meetings to explain the Principles of Action for Suppliers ● Daily communications with suppliers ● Supplier initiative meetings |
| Employees We will create workplaces in which employees are fairly evaluated on their performance and contribution and can demonstrate their ability and realize growth and job satisfaction | <ul style="list-style-type: none"> ● Employee training ● Employee surveys ● Internal portal site, internal social media ● Labor-management consultations ● JFR Group Compliance Hotline (including supplier workers in our stores) ● Harassment Consultation Desk |
| Local communities We will contribute to community development and promote environment-friendly business activities as a good corporate citizen. | <ul style="list-style-type: none"> ● Social contribution activities in local areas ● Collaboration with local communities such as local malls and local companies |
| NGO・NPO We will gain a deep understanding of the demands of society based on dialogue and collaboration and strive to solve global environmental and social issues through business activities. | <ul style="list-style-type: none"> ● Awareness raising events ● Fund raising activities ● Food drive activities |
| National/local governments We will participate in government organizations related to our business and exchange opinions. At the same time, we will cooperate with local governments in solving social issues. | <ul style="list-style-type: none"> ● Local comprehensive partnership agreements ● Participation in industry groups ● Provision of opinions to governments through industry groups |
| Educational institutions We will mutually collaborate in the fields of culture, industry, education, and academia and contribute to the development of local communities and the cultivation of human resources. | <ul style="list-style-type: none"> ● Comprehensive partnership agreements ● Industry-academia joint projects ● Education support for future generations, collaboration with educational institutions |

Progress Towards Achieving Sustainability

Laying the Foundation for Sustainability Management

The Challenge of Integrating Sustainability and Strategy

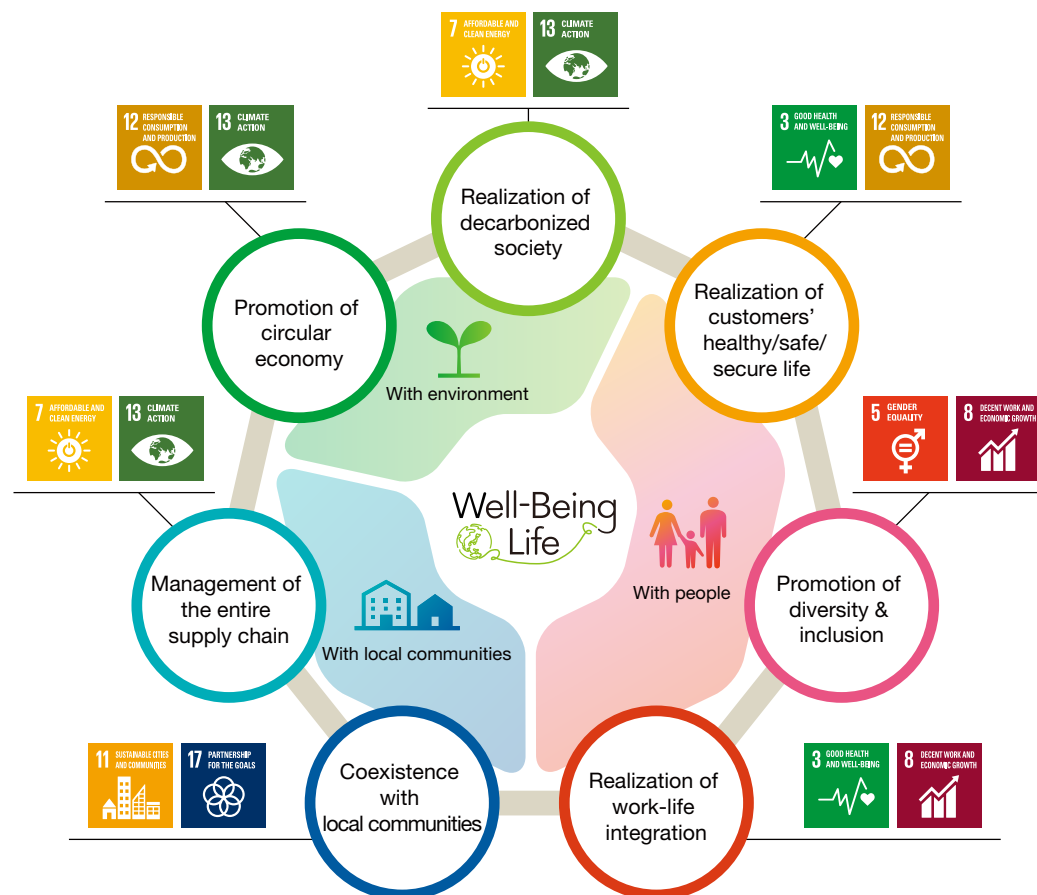
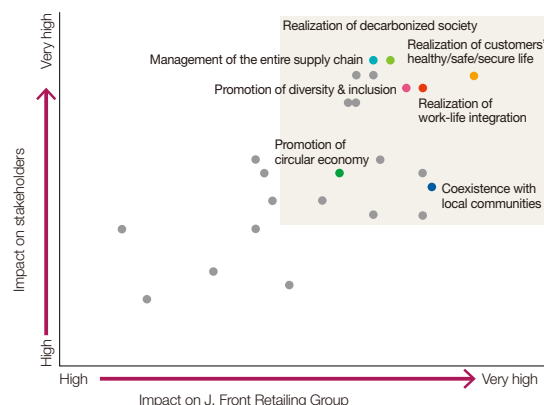
| | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 (as of the end of September 2023) |
|---------------------|-------------------------------|---|---|---|--|--|--|
| | Participation in initiatives | <ul style="list-style-type: none"> Endorsed UN Global Compact Endorsed Women's Empowerment Principles Endorsed the Climate Change Initiative | <ul style="list-style-type: none"> Endorsed TCFD recommendations Obtained SBT certification (<2°C) | <ul style="list-style-type: none"> Joined RE100 | <ul style="list-style-type: none"> Obtained SBT certification (1.5°C) | <ul style="list-style-type: none"> Obtained SBT Net Zero certification | |
| | Policy and structure | <ul style="list-style-type: none"> Formulated Sustainability Policy Formulated Eco Vision and Social Vision Identified materiality Established ESG Promotion Department | <ul style="list-style-type: none"> Established JFR Principles of Action Established JFR Principles of Action for Suppliers Established Sustainability Committee | | <ul style="list-style-type: none"> Changed name of ESG Promotion Division to Sustainability Promotion Division Incorporated non-financial indicators into executive compensation | | |
| | Stakeholders and investors | <ul style="list-style-type: none"> Started ESG briefings | | | | | |
| | Business partners | | <ul style="list-style-type: none"> Held briefing sessions for suppliers | | <ul style="list-style-type: none"> Began supplier assessments | <ul style="list-style-type: none"> Held briefing sessions for suppliers | <ul style="list-style-type: none"> Implemented scheduled supplier assessment |
| | Customers | | | | | <ul style="list-style-type: none"> Implemented customer survey | |
| | Employees | | <ul style="list-style-type: none"> Established an internal portal Sustainability training for management level employees started | | <ul style="list-style-type: none"> Implemented awareness survey on sustainability | <ul style="list-style-type: none"> Implemented Unconscious Bias Survey | <ul style="list-style-type: none"> Implement scheduled employee survey |
| | Disclosure | | <ul style="list-style-type: none"> Commenced publication of Sustainability Report | <ul style="list-style-type: none"> Commenced disclosing TCFD's annual securities report | | | |
| | Obtaining 3rd-party assurance | | <ul style="list-style-type: none"> Scope 1 and 2 | <ul style="list-style-type: none"> Scope 3 | <ul style="list-style-type: none"> Water Waste | <ul style="list-style-type: none"> Energy consumption, renewable energy consumption, food waste Social data (ratio of female managers, etc.) | |
| | Sustainable finance | | <ul style="list-style-type: none"> Positive Impact Finance concluded | | <ul style="list-style-type: none"> Issued Sustainability Bond | | |
| Initiatives | Environmental | <ul style="list-style-type: none"> Switched over store lighting to LED (continued from before 2018) | <ul style="list-style-type: none"> ESG model stores: Daimaru Shinsaibashi and Shibuya PARCO open Commenced switchover to renewable energy for stores Commenced switchover to EVs for company vehicles Switched over to environmentally friendly packaging materials | <ul style="list-style-type: none"> ESG model store: Shinsaibashi PARCO opens Commenced Think GREEN (Daimaru Matsuzakaya) | <ul style="list-style-type: none"> Launched fashion subscription business AnotherAddress | <ul style="list-style-type: none"> Formulated net-zero transition plan Demonstration experiment on reducing food loss through AI demand forecasting | <ul style="list-style-type: none"> Agreed to participate in "Fry to Fly Project" for the domestic production of SAF from waste cooking oil Introduced men's line to "AnotherAddress" |
| | Social | <ul style="list-style-type: none"> Started Kyushu expedition (Hakata Daimaru) | <ul style="list-style-type: none"> Crowd funding "BOOSTER" (PARCO) Shizuoka MIRUI Project | <ul style="list-style-type: none"> Commenced Think LOCAL (Daimaru Matsuzakaya) Introduced mandatory retirement age of 65 (JFR and some operating companies) Identified human rights issues | <ul style="list-style-type: none"> Healthcare wellness mall, Welpa, opens (Shinsaibashi PARCO) Established LBGT partnership rules J. Front Retailing Declaration of Health Declaration of Partnership Building | <ul style="list-style-type: none"> Incorporated healthcare area into investment area Implemented Women's Empowerment Program Project | <ul style="list-style-type: none"> Establishment of J. Front City Development HAB@Kumamoto opens |
| External assessment | Environment | <ul style="list-style-type: none"> CDP (D—) Selected for inclusion in S&P/JPX Carbon Efficient Index | <ul style="list-style-type: none"> CDP (A—) S&P/JPX Carbon Efficient Index | <ul style="list-style-type: none"> CDP (A) S&P/JPX Carbon Efficient Index | <ul style="list-style-type: none"> CDP (A) S&P/JPX Carbon Efficient Index | <ul style="list-style-type: none"> CDP (A) S&P/JPX Carbon Efficient Index FTSE Blossom Japan Sector Relative Index | <ul style="list-style-type: none"> S&P/JPX Carbon Efficient Index FTSE Blossom Japan Sector Relative Index |
| | Society | <ul style="list-style-type: none"> Selected as a constituent of MSCI Japan Empowering Women (WIN) | <ul style="list-style-type: none"> MSCI Japan Empowering Women Index (WIN) | <ul style="list-style-type: none"> MSCI Japan Empowering Women Index (WIN) 2020 Certified Health & Productivity Management Outstanding Organization | <ul style="list-style-type: none"> MSCI Japan Empowering Women Index (WIN) Quasi-Nadeshiko Brand 2021 Certified Health & Productivity Management Outstanding Organization Awarded Silver rating from PRIDE Index | <ul style="list-style-type: none"> MSCI Japan Empowering Women Index (WIN) Nadeshiko Brand 2022 Certified Health & Productivity Management Outstanding Organization Awarded Gold rating in PRIDE Index | <ul style="list-style-type: none"> MSCI Japan Empowering Women Index (WIN) |
| | Comprehensive | | | | | | <ul style="list-style-type: none"> FTSE Blossom Japan Index FTSE4Good Index Series Selected as a constituent of MSCI Japan ESG Select Leaders Index |

JFR's Materialities

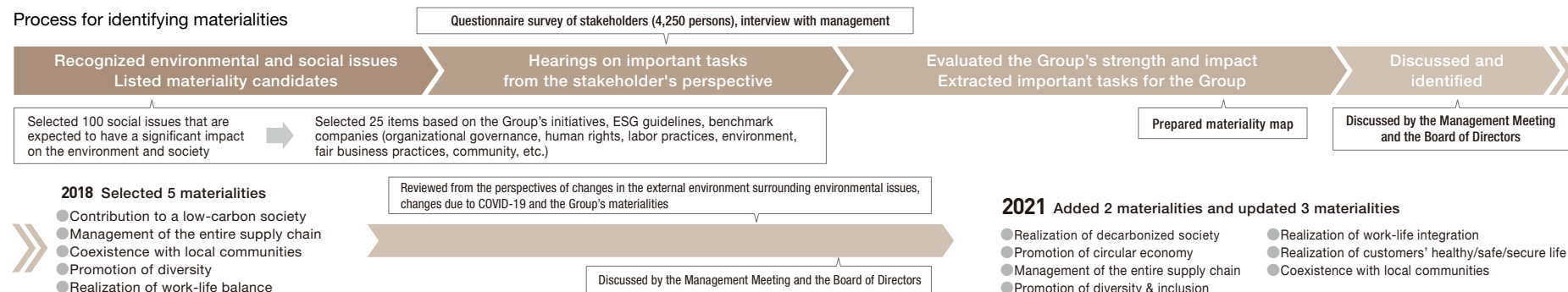
The entire JFR Group is promoting sustainability management. The Group's sustainability policy is "Together with people, local communities, and the environment to realize a sustainable society and new happiness in life."

In the medium-term business plan that started in FY2021, we have identified seven materialities to promote sustainability management and realize a "Well-Being Life" (a life that is fulfilling in both body and mind). In each materiality, we aim to realize CSV (Creation of Common Value), which is the achievement of both social and economic value, by creating business opportunities based on an understanding of both risks and opportunities.



Materiality map



Process for identifying materialities



Materiality KPIs and Progress: Environment

| | | | | | |
|---|--|---|---|---|--|
|  Realization of decarbonized society | 2030 Commitment | Leading a decarbonized society and creating a global environment for future generations In order to pass on the irreplaceable global environment to future generations, we will contribute to the realization of a decarbonized society by working together as one to expand procurement of renewable energy and thoroughly implement energy-saving measures, etc. | | | |
| | Background and View | In response to the global trend of “decarbonization,” which aims to end dependence on fossil fuels, the Group positions the “realization of decarbonized society” through the use of renewable energy and by other measures as its top priority issue. | | | |
| | Indicator | FY2021 results | FY 2022 Results | FY 2023 KPI | FY 2030 KPI |
| | ● Scope 1 and 2 GHG emissions | ● 36.7% reduction (vs. FY2017) (Scope 1 and 2 emissions 122,812t-CO ₂) | ● 43.5% reduction (vs. FY2017) (Scope 1 and 2 emissions 109,785t-CO ₂) ● Establishment of net zero transition plan ● Obtained SBT net zero certification ● Expansion of EV charging stations (Angle Park) | ● 40% reduction (vs. FY2017) | ● 60% reduction (vs. FY2017) ◎ FY2050 net zero |
| | ● Ratio of renewable energy to electricity used in business activities | ● 20.3% Up 10.0% (vs. FY2020) (Renewable energy-sourced electricity 62,156 MWh) | ● 33.6% Up 13.3% vs. FY2021 (Renewable energy-sourced electricity 102,676MWh) | ● 40% | ● 60% |
|  Management of the entire supply chain | ● Energy creation | — | — | ● Introduction of onsite generation of renewable energy in collaboration with new power companies | ● Expansion of onsite generation of renewable energy in collaboration with new power companies |
| | 2030 Commitment | Realizing decarbonization throughout the supply chain created along with suppliers We will engage in procurement, etc. of environmentally friendly products and services with our suppliers, while also working to shift to renewable energy and energy saving, so that we can contribute to the realization of a decarbonized society throughout the supply chain. | | | |
| | Background and View | To realize a decarbonized society, companies are required to identify and manage GHG emissions not only from their own business activities but also from activities in their supply chains, which is becoming more and more important. The Group aims to reduce Scope 3 GHG emissions in collaboration with suppliers. | | | |
| | Indicator | FY 2021 Results | FY 2022 Results | FY 2023 KPI | FY 2030 KPI |
| | ● Scope 3 GHG emissions | ● 17.3% reduction (vs. FY2017) (Scope 3 emissions 2,420,492t-CO ₂) | ● 5.7% reduction (vs. FY2017) (Scope 3 emissions 2,761,669 t-CO ₂) ● Explanatory meeting for suppliers (Held in April, attended by 253 companies, Daimaru Matsuzakaya Department Stores) | ● 10% reduction (vs. FY2017) | ● Aim for 40% reduction (vs. FY2017) ◎ FY2050 net zero |



Promotion of circular economy

2030 Commitment

Realizing a sustainable global environment for the future and corporate growth through the promotion of circular economy

We will cooperate with our suppliers and customers to create innovative business models for generating new environmental value and capture competitive advantages in a circular economy

Background and View

As we face globally challenging environmental issues caused by the conventional linear economy based on mass production and mass disposal, the Group in 2021 positioned as one of its new materialities the "promotion of circular economy" that maximizes the value of resources and products.

| Indicator | FY2021 results | FY2022 results | FY2023 KPI | FY2030 KPI |
|--|---|---|--|--|
| ●Waste disposal volume (including food waste) | ●30.0% reduction (vs. FY2019) | <ul style="list-style-type: none"> ●26.7% reduction (vs. FY2019) ●Demonstration experiment of food loss reduction by AI demand forecasting (Daimaru Tokyo) ●Received award for excellence in commercial waste management from the Environment Bureau of Osaka City (JFR Information Center) | ●15% reduction (vs. FY2019) | ●50% reduction (vs. FY2019) |
| ●Total weight of items collected via ECOFF for recycling | ●1,101 tons in total (265t in FY2021) | ●Cumulative total 1,468t (367t in FY2022) | ●Cumulative total 1,500t | ●Cumulative total 3,000t |
| ●Recycling and reuse | ●Initiated collection and recycling of gift catalogs | <ul style="list-style-type: none"> ●Participation in "Fry to Fly Project" for the domestic production of SAF from waste cooking oil ●Sustainable project with Osaka University of Arts using scrap wood (J. Front Design & Construction) ●Collection of contact lens cases (JFR Service) | ●Realization of recycling and remanufacturing of used products in collaboration with suppliers and customers | ●Expand recycling and remanufacturing of used products through collaboration with suppliers and customers. |
| ●Businesses including sharing, subscription, and upcycling | ●Launch of fashion subscription business AnotherAddress | ●Expansion of AnotherAddress business by introducing a men's line (Daimaru Matsuzakaya Department Stores in FY2023) | ●Entry into businesses including sharing and upcycling in collaboration with suppliers | ●Expansion of share in upcycling, sharing, and other businesses through collaboration with suppliers |

Challenges Toward a Decarbonized Society



The JFR Group aims to achieve net zero greenhouse gas emissions*¹ throughout its entire value chain by 2050 through the two materialities of “Realization of decarbonized society” and the “Promotion of circular economy” as we work on both the reduction of GHG emissions and recycling resources.

Towards Net Zero in 2050

Recently, climate change has progressed to a much more serious level, endangering not only future generations but all people, including the present generation. The Group has positioned climate change as an important issue in sustainability management and is taking countermeasures to address the risks and opportunities associated with climate change, based on the recognition that these risks and opportunities will have a significant impact on our business strategies.

Targets

The Company recognizes that setting ambitious medium- and long-term reduction targets and developing a roadmap to achieve them is a prerequisite for promoting climate change action throughout the Group. Based on this, we obtained certification through the Science Based Targets (SBT) initiative*² in 2019 for our Scope 1, 2, and 3 greenhouse gas emissions reduction targets. In 2021, we reacquired SBT certification with a "1.5°C target," raising our 2030 Scope 1 and 2 GHG emissions reduction target from 40% to 60%

| Target year | Targets with SBT certification |
|-------------|--|
| FY2050 | ● Scope 1, 2, and 3 GHG emissions reach Net Zero |
| FY2030 | ● 60% reduction of Scope 1 & 2 GHG emissions (vs. FY2017) |
| | ● Target 40% reduction of Scope 3 GHG emissions (vs. FY2017) |

(compared to base year 2017).

In February 2023, we obtained "Net Zero Target" certification for Scope 1, 2, and 3 GHG emissions by 2050.

Direction of Efforts Toward Net Zero Emissions

To achieve net-zero emissions by 2050, the Group will focus on “Reduction of GHG emissions” and “Resource recycling.

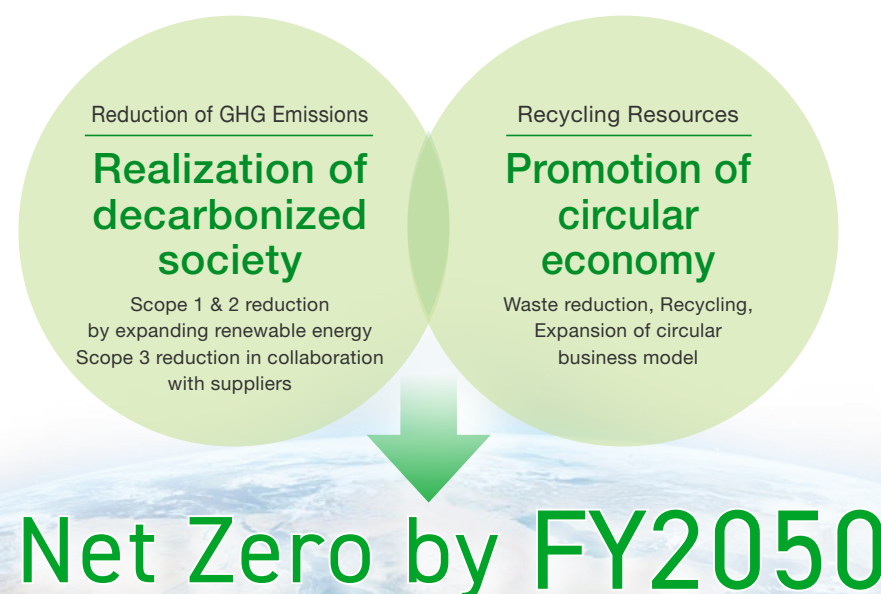
Specifically, we will work to reduce Scope 1 and 2 GHG emissions through extensive energy conservation and

increased use of renewable energy in our stores. Scope 3 GHG emissions will be reduced through collaboration with our suppliers and customers, while strengthening 3Rs*³ and expanding circular business.

*1. A thorough reduction of GHG emissions, with the remaining emissions being reduced to practically zero after subtracting the amount removed through forest absorption, CCS (CO₂ capture and storage), etc.

*2. The CDP was jointly established 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.

*3. Reduce, reuse, and recycle are collectively called the three R's.



Expanding use of renewable power for sustainable stores

The Group, whose main operating companies are the retailers Daimaru Matsuzakaya Department Store and PARCO, generates more than 90% of its Scope 1 and 2 emissions from those stores, and approximately 80% of these emissions are associated with the use of electricity. Therefore, we recognize the need to save energy, improve energy efficiency, and switch to renewable energy sources for the electricity used in our stores.

Stores in the Kansai and Kanto regions are gradually switching to renewable energy. This began with Daimaru Shinsaibashi, which opened in 2019 and operates on 100% renewable energy. As a result, the ratio of renewable energy

in FY2022 was 33.6%, and Scope 1 and 2 emissions were 43.5% lower than in FY2017, the base year.

In April 2023, we switched over to large-scale stores in the Chubu region, including Matsuzakaya Nagoya (excl. the North Bldg.) and Nagoya PARCO, in an effort to further improve the re-energy rate.

We believe that stores operated with renewable electricity will improve the environmental value of the buildings and win the support of our suppliers and customers who are highly conscious of environmental issues. Therefore, we will continue our efforts to switch to renewable power going forward.

Contributing to the spread of renewable energy

Solar panels have been installed on the rooftops of Shibuya PARCO and Kyoto Zero Gate to generate their own electricity. In the future, we will work to introduce additional* renewable power procurement and improve energy resilience by diversifying our procurement sources.



Solar panels installed on the roof of Shibuya PARCO

*Contribute to the spread and expansion of new renewable power sources and be effective in reducing CO2 emissions

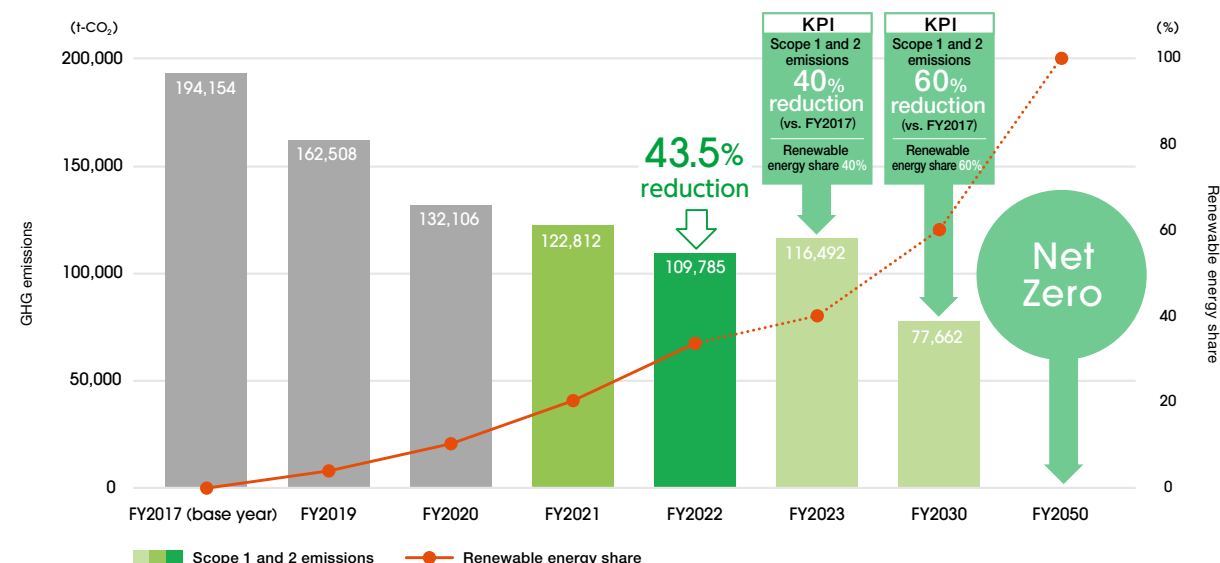
Expansion of electric vehicle (EV) charging stations

Angel Park, a Group company involved in the operation of parking facilities, has installed EV charging stations that customers can use free of charge. More stations were added in FY2022, bringing the total to 10. From April 2023, Angel Park will switch to 100% renewable energy for electricity throughout the building, which will not only improve convenience for customers using electric vehicles, but will also contribute to the decarbonization of society.



EV charging station in Angel Park parking lot

Scope 1 and 2 emissions and renewable energy ratio



Moving Towards a Circular Economy



The importance of the circular economy is growing as resource shortages, global warming, waste disposal, and other problems become more serious due to the linear economy, which is based on mass production, mass consumption, and mass disposal.

A fashion subscription business friendly to the environment —

AnotherADdress, a fashion subscription business started in March 2021, aims to shift to a business model with high sustainability for society and the environment by emphasizing the intrinsic value of fashion and sustainable initiatives based on the belief that clothes are not disposable.

In March 2023, we added men's fashion items to the lineup based on requests from many of our customers. By responding to the wide-ranging needs of not only male customers, but also those who enjoy genderless fashion, we will offer the joys of fashion “more freely” to “more people” in the future. In conjunction with business expansion, we have also introduced reusable garment bags, Japan's first recycling-based delivery system. This will eliminate the use of corrugated cardboard for customer deliveries and reduce the use of plastic by 30% (compared to our company). AnotherADdress will continue to pursue an environmentally friendly business model.



Traditional shipping method



Reusable garment bags

ECOFF—Working together with customers —

Daimaru Matsuzakaya Department Store is engaged in “Think GREEN” activities to propose sustainable products and lifestyles. Launched in FY2016, “ECOFF” is a sustainable initiative to collect unwanted clothing, shoes, bags, and other items from customers at department stores and recycle and reuse them into new materials and products.

The initiative has continued to grow every year thanks to the increasing environmental awareness of customers and their active participation. A record 367 tons was collected in FY2022 (cumulative total of 1,468 tons collected since FY2016), and a record number of people participated. We further expanded our efforts, such as the campaign in spring 2023, which was jointly held by Daimaru Fukuoka Tenjin and Fukuoka PARCO.

As part of our ECOFF donation initiative, we donated ¥2 million in FY2022 to four organizations working to solve environmental issues.



Recycling plastics —

Daimaru Tokyo and Matsuzakaya Ueno have been participating in “POOL PROJECT TOKYO*” since December 2021 to collect and recycle plastic covers incidental to clothing deliveries.



In this initiative, Recotech Inc. collects plastic covers generated by participating commercial facilities in Tokyo and conducts advanced material recycling. The recycled plastic is sold to manufacturers as PCR material* “POOL resin.” The PCR material is traceable from its origin to all processes including transportation, volume reduction, and processing.

Going forward, new productization and commercialization will be considered, and the Group will actively promote resource recycling by participating in such efforts.

*Post-consumer recycled materials, which are recycled materials collected after consumers have used the product.

Participation in the Fry to Fly Project, which aims to produce Sustainable Aviation Fuel (SAF) from waste food in Japan

Fry to Fly Project

Daimaru Matsuzakaya Department Store is participating in the “Fry to Fly Project,” an initiative for recycling waste cooking oil into sustainable aviation fuel (SAF). The aim is to establish the first large-scale production of SAF in Japan. This project promotes the creation of an environment in which waste cooking oil from households and stores is collected as a resource through the mutual cooperation of participating companies, local governments, and organizations that agree with the goal of the project.

In September 2023, Daimaru Matsuzakaya Department Store signed a basic agreement with JGC Holdings Corporation, Rainbow International Corporation, and SAFFAIRE SKY ENERGY, LLC to cooperate in the supply of waste cooking oil for domestic SAF production, a first in the department store industry. Daimaru Shinsaibashi and Daimaru Ashiya, which account for 15% of the total emissions of all stores, have begun supplying waste cooking oil as raw material for SAF. We will work to expand the number of participating stores in the future.

In addition, through events and other means to raise awareness and promote the use of domestically produced SAF, we will continue communicating to customers the importance of resource recycling, which contributes to decarbonization.



Building the supply chain JGC



*Revo International will collect waste cooking oil from our stores and deliver it to SAFFAIRE SKY ENERGY for SAF manufacturing planned at Japan's first large-scale domestic SAF production plant under construction in Sakai City, Osaka Prefecture. Saffaire aims to start production in the second half of fiscal 2024 or early fiscal 2025.

Reducing waste plastic

Daimaru Matsuzakaya is working to reduce the amount of disposable plastic emissions in response to the Law for Promotion of Recycling of Plastic Resources, which came into force in April 2022. For products that use specified plastics*, we are promoting the reduction of the amount used while gaining the understanding of customers by implementing one of the following measures in cooperation with our suppliers: (1) charging for cutlery, (2) providing cutlery only to customers who need it, or (3) changing the materials used for cutlery.

*Plastic products provided free of charge to consumers in connection with the sale of goods or the provision of services.



Reduction of single-use plastic products in FY2022

| Reduction target (vs. FY2021) | Actual | | |
|----------------------------------|-------------------------|----------------|------------------|
| | Amount used (per unit)* | Reduction rate | Achievement rate |
| -20% | 0.1623 | -48.7% | +243.7% |

*Unit setting: Total amount of single-use plastic products used at the stores of cooperating suppliers (kg)/Net sales at cooperating supplier stores (million yen)

In November 2022, Daimaru Hakata signed a “Comprehensive Collaborative Agreement on SDGs Promotion” with Tsushima City in Nagasaki Prefecture. To raise awareness about the problem of marine plastic waste in Tsushima, which is caused by various factors such as topography and ocean currents, Daimaru Hakata used marine plastic litter that had washed ashore to make Christmas tree ornaments. The tree was displayed in the plaza in front of the store. At the foot of the tree, we set up a panel display showing the current state of Tsushima City's beaches, and emphasized the need for each person to change their behavior to reduce plastic waste.



Ornaments made from upcycled marine plastic waste



Panel exhibition showing the current state of marine litter in Tsushima City

Upcycling for decorations

Daimaru Matsuzakaya recognizes the challenge of disposing of event decorations that are replaced seasonally.

For the 2022 Christmas season, the Nep Art Christmas Tree displayed at the Matsuzakaya Nagoya store was created by further upcycling the Tachineputa festival floats from Goshogawara, Aomori Prefecture. Those floats are made from paper recycled from waste cotton. After the display was over, the paper was carefully peeled off and used as labels for ciders brewed with out-of-spec apples produced in Aomori.



Christmas Tree from recycled Neb Art

Sustainable commercial facilities

The 4th floor of Shibuya PARCO underwent a major renovation in November 2022. Vintage stores and interior/art supply stores have newly opened, expressing "sustainability" with three themes: "reuse/inherit," "reproduce/remake," and "handcrafts/importance of making by hand."

The renovations have made the commercial facility more sustainable by reducing waste associated with interior renovations when replacing tenants, and by incorporating a system that allows stores to open at minimum cost while minimizing investment in interior design as much as possible. This has made it easier for young start-up brands and creators to open new stores.



Experimental project store by "Chim ↑ Pom from Smappa! Group" on the 4th floor of Shibuya PARCO

Project to breathe life into scrap wood

J. Front Design & Construction, which designs and builds hotel and office interiors, generates scraps of wood and unusable film in the process of creating interior construction materials. To make use of these materials, the company teamed up with Osaka University of Arts in the "Bringing Scrap Wood to Life" Project.

The students, with their rich imagination and flexible design skills, created unique works of art while dealing with irregularly shaped scraps of wood. The winning entries were exhibited at Daimaru Shinsaibashi.



This project was a perfect fusion of our Group's commitment to sustainability and the students' passion for craftsmanship.



Grand Prize Winning Entry

Utility Award Winning Entry

Materiality KPI & Progress: Social

| | | | | | |
|---|---|--|--|---|---|
|  <p>Promotion of diversity & inclusion</p> | 2030 Commitment | Realizing a highly diverse society in which everyone recognizes each other's diversity and flexibly demonstrates his/her individuality Based on the themes of diversity and flexibility, we will value the different individuality and perspectives of all our stakeholders, which form the essence of diversity, and create a company where diverse abilities can be demonstrated. We also aim to grow our business in line with the expectations of diverse customers by driving innovation through the mutual interaction and complementary functions of diverse individualities and abilities (inclusion). | | | |
| | Background & View | The decrease in the working population due to the declining birthrate and the aging population has become a social problem. The Group has an environment in which diverse human resources work together, such as women, elderly people, and mid-career workers. We have therefore taken one of our materialities a step further to the "Promotion of diversity and inclusion." We respect diverse abilities and create unity, which will lead to enhanced corporate competitiveness. | | | |
| | Indicator | 2021 results | FY2022 results | FY2023 KPI | 2030 KPI |
| | ● Share of women in management | ● 21.3% | ● 22.2% ● Implemented a project to promote empowerment of women ● Held "Career Forum" for female management candidates | ● 26% ● FY2025 30% | ● Aim for 50%, equal to female labor share |
| | ● Extension of retirement | ● Operating companies that introduced retirement at 65 (Daimaru Matsuzakaya Department Stores, JFR Card, Daimaru Kogyo, JFR Information Center) | — | ● Set retirement at age 65 in more operating companies | ● Aim to set retirement at age 70 |
| | ● Employment rate of people with a disability (special scope of associates) | ● 2.66% (June 2021) | ● 2.93% (June 2022) | ● 2.6% | ● 3.0% |
| | ● Fostering a corporate culture of diversity | ● Establishment of LGBT-related systems (Same-Sex Partnership Rules, gender change support leave), creation of LGBT Consultation Desk ● Held LGBT events (Daimaru Shinsaibashi, Daimaru Kyoto, Matsuzakaya Nagoya, Shibuya PARCO) | ● Unconscious bias survey (for employees) ● Held LGBT events (Daimaru Kyoto, Matsuzakaya Nagoya, Shibuya PARCO) | ● Employee penetration of diversity and inclusion 100% ● Provision of sales floors, products, and services tailored to diverse customers including LGBT people | ● Realization of business growth using diverse abilities stemming from diversity and inclusion ● Provision of sales floors, products, and services tailored to diverse customers |
|  <p>Realization of work-life integration</p> | 2030 Commitment | Realizing Well-Being for employees and their families through new work styles for a future of diversity and flexibility We promote new work styles in the post-COVID era, one in which diversity and flexibility are the key, while maintaining physical and mental health at the same time. This will lead to the Well-Being of Life for our employees and their families, and to increased productivity in the organization. | | | |
| | Background and View | Work styles are diversifying due to the evolution of IT, the increase in the number of people who want to balance work and childcare/caregiving, and the spread of telecommuting and other forms of work resulting from the COVID-19 pandemic. In 2021, the Group evolved one of its materialities into the "realization of work-life integration" so that employees will strive to improve both work and life, which will lead to increased productivity of the company. | | | |
| | Indicator | FY2021 results | FY2022 results | FY2023 KPI | 2030 KPI |
| | ● Turnover rate due to childcare and caregiving | ● 1.4% | ● 1.8% | ● Less than 1.0% | ● 0% |
| | ● Paternity leave usage rate | ● 43.6% | ● 68.0% | ● 100% | ● 100% regardless of gender |
| | ● Work style | ● Expansion of telework system ● Formulation of J. Front Retailing Health Declaration | ● Increase in number of annual holidays ● Shortened annual working hours (Daimaru Matsuzakaya Department Stores) | ● Establishment of systems and evaluations to build an organization that can work anytime, anywhere | ● Increasing productivity through an organization that allows employees to work anytime, anywhere |
| | ● Employee satisfaction (Employee satisfaction survey) | — | — | ● 60% | ● 80% |



Realization of customers' healthy/ safe/secure life

2030 Commitment

Realizing a Well-Being life that is future oriented and satisfies the mind and body of customers

We offer high-quality, comfortable products and services that help our customers live healthy and secure lives in mind, body, and spirit, thereby providing them with their own personal Well-Being and an exciting and fulfilling future.

Background & View

In the wake of the COVID-19 pandemic, consumer values and lifestyles have changed significantly, and there is a growing need for products and services that provide solutions for environmental and social issues and enhance health. Against the backdrop of these changes in the external environment, the Group has strengthened its effort to realize customers' health, safety and security as its new materiality since 2021.

| Indicator | FY2021 results | 2022 results | FY2023 KPI | FY2030 KPI |
|--|---|--|---|--|
| ● Ethical consumption | ● Attracted shops that deal in ethical products | ● Sales of products and services using certified products | ● Started to strengthen the offering of certified products related to food safety and environmental preservation | ● Expansion of ethical consumption in overall lifestyle |
| ● Mental and physical health | ● Opening of healthcare wellness mall Welpa (Shinsaibashi PARCO) ● Opening of showroom space "asumise" (Daimaru Tokyo) | ● Think Wellness: A Wonderful Marché for the Heart and Body (Daimaru Kobe) ● Opening of Smart Aquarium Shizuoka, the first permanent aquarium in a department store | ● Expansion of the entertainment business area, including traditional culture, art, and contemporary culture ● Launch of wellness business | ● Provision of excitement to daily life and creation of new customer experience by expanding entertainment and wellness business |
| ● Level of customer awareness and sympathy for sustainability activities | — | ● 66% (customer survey) | ● 30% | ● 80% |

2030 Commitment


Creating safe, secure, and resilient stores with an eye on the future


We will address disaster prevention, infection risks and a business continuity plan (BCP) to increase the resilience of our stores. At the same time, by building operational systems that utilize digital technologies, we will create new customer touch points with consideration for safety and security and promote the creation of stores that meet the expectations of society.

Background & View

In the wake of the COVID-19 pandemic, there is a growing need for safety and security with the aim of preventing infections. The Group will actively work on contactless communication so that customers can enjoy shopping in a safe and secure way.

| Indicator | FY2021 results | FY2022 results | FY2023 KPI | FY2030 KPI |
|---|--|---|---|---|
| ● BCP, disaster prevention, epidemic prevention | ● Formulation of JFR New Infectious Disease Response Manual ● Virtualization of events and gift centers | ● Continued to conduct BCP desk training based on the JFR Business Continuity Manual (Large-scale Earthquake Edition) | ● Enhancement of BCP and quarantine measures ● Strengthening contactless customer touch points through digital communication | ● Creation of highly resilient stores that incorporate state-of-the-art technology to prevent disasters and epidemics, and provide comfortable space health-conscious |

| | | | | | | |
|---|---------------------------------------|---|---|--|---|------------|
| <div><p>With local communities</p></div> <div>Coexistence with local communities</div> | 2030 Commitment | Together with local people, we are creating prosperous future-oriented communities in which people gather, centering on our stores | | | | |
| | Background & View | Together with local communities, governments, NGOs, and NPOs, we will use our stores as a base to contribute to the creation of sustainable communities that make the most of local assets. We will also identify and communicate the attractive qualities of each area to offer exciting new experience to visitors. | | | | |
| | Indicator | FY2021 results | FY2022 results | | FY2023 KPI | FY2030 KPI |
| | ●Community development | — | ●New entry into the residential business (PARCO) ●Construction of Nishiki 3-chome District Project (tentative name) started in Nagoya ●Shinsaibashi Project (tentative name) began in Shinsaibashi ●Establishment of J. Front City Development (2023) ●HAB@Kumamoto opens (2023) | | ●Making areas more attractive, leveraging local uniqueness including culture and history, developing in a way that contributes to drawing crowds to the areas ●Shift to CSV stores (making stores sustainable) throughout the Group | |
| | ●Collaboration with local communities | ●Opening of “city library” in Daimaru Suma ●Use of BOOSTER to increase Kyoto's attractiveness “Mikke! Kyoto” (Daimaru Kyoto) | ●Think LOCAL web magazine started (Daimaru Matsuzakaya Department Stores) ●“Tsushima City, Nagasaki x Kyushu Expedition” Umigomi Tile Art Project (Daimaru Matsuzakaya Department Stores) ●Signed a comprehensive agreement with Kyoto City (Daimaru Kyoto) ●Signed a comprehensive collaborative agreement with Kumamoto Prefecture (Hakata Daimaru) ●Signed an agreement with Taito City and Local Food Cycling Co. to transform to a recycling oriented lifestyle (Daimaru Matsuzakaya Department Stores) ●Started a plan to support the development of sales channels for small and medium-sized enterprises using the crowdfunding site BOOSTER (PARCO) | | ●Promotion of local revitalization in collaboration with governments, educational institutions, NGOs, and NPOs ●Promotion of local revitalization by finding and providing local content, including local production for local consumption | |

| | | | | | | |
|--|--|--|--|--|--|--|
| <div><p>With local communities</p></div> <div>Management of the entire supply chain</div> | 2030 Commitment | Realizing a sustainable supply chain created along with suppliers | | | | |
| | Background & View | We will share our concept of sustainability with our suppliers and work together with them to fulfill our social responsibilities, thereby contributing to the creation of a sustainable society for the future by the entire supply chain. In addition, we will work together with our suppliers to create a workplace environment where the human rights of the people working in our supply chain are protected and they will be able to continue to work in good health. | | | | |
| | Indicator | FY2021 results | FY2022 results | | FY2023 KPI | FY2030 KPI |
| | ●Dissemination of JFR Principles of Action for Suppliers | ●Supplier assessment: Response rate 40.6%, dissemination rate 60% ●Sharing of JFR Principles of Action for Suppliers (PARCO) | ●Dialogue with suppliers (Daimaru Matsuzakaya Department Stores) | | ●Assessment response rate 80%, dissemination rate 25% | ●Assessment response rate 95%, dissemination rate 100% |
| | ●Human rights | ●Human rights assessment ●Identification of human rights risks for FY2022 | ●Review of human rights risks ●Implementation of human rights education (PARCO and Daimaru Kogyo, 2023) | | ●Expansion of human rights due diligence initiatives ●Employee human rights education rate 100% | ●Establishment of business activities that respect the human rights of suppliers and employees |

Respect for Human Rights is the Foundation of Business Activities



Amidst growing concern about human rights issues such as forced labor and discrimination occurring in the supply chain, the JFR Group, together with its business partners, aims to realize business activities that respect human rights by engaging in human rights due diligence based on the UN Guiding Principles on Business and Human Rights.

Formulation of Human Rights Policy —

In 2019, the JFR Group developed a human rights policy in accordance with international human rights guidelines.* This policy, which is included in the JFR Principles of Action, sets forth the approach that all officers and employees should take to deepen their understanding of, and respond appropriately to, the various human rights issues that form the foundation of all our business activities.

* [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]

JFR Principles of Action JFR Principles of Action for Suppliers



- ① Basic approach to human rights
- ② Stakeholders and human rights
- ③ Implementation of human rights due diligence
- ④ Fostering a corporate culture of respect for human rights
- ⑤ Dialogue with stakeholders

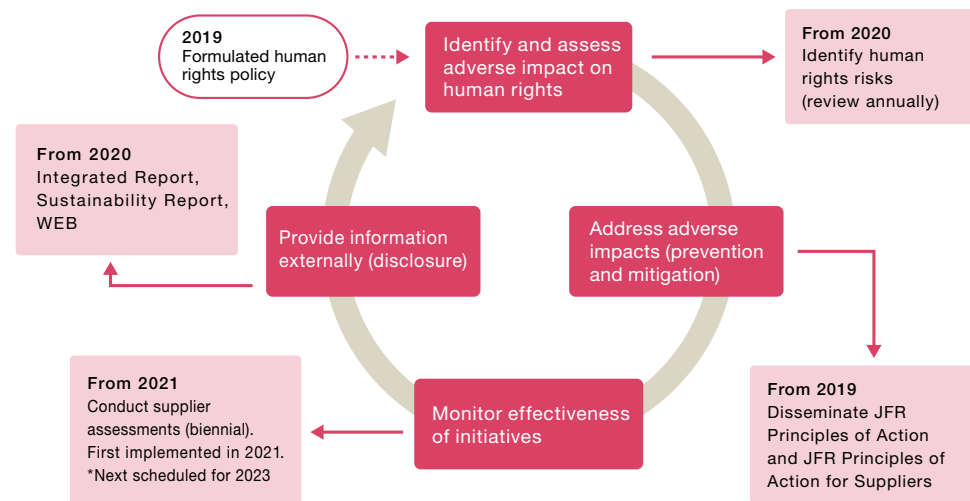


Human Rights Policy

Human Rights Due Diligence —

The Group identifies and assesses human rights risks in its corporate activities and conducts human rights due diligence to prevent and mitigate such risks.

Human Rights Due Diligence Cycle



● Identification and assessment of human rights risks

The Group has identified and assessed the human rights risks (potential negative impact on human rights) of stakeholders who could be affected in relation to the Group's business activities. Through this process we were able to identify and assess more substantive human rights risks through the participation and reviews by external experts, including the divisions in charge of the operating companies and lawyers.

Organizing the entire business value chain and exhaustively identifying the human rights issues that can be anticipated for each business line

Evaluate the identified human rights issues in terms of depth (scale, scope, and difficulty of remedy) and likelihood of occurrence, and identify human rights risks that are of high importance to the Group

Significant human rights risks

| Value chain | Upstream (Procurement) | Midstream (JFR Group business activities) | Downstream (Use of goods and services) |
|--|--|--|--|
| Stakeholder | Employees of supplier companies, store operators, cooperating companies of business partners | Employees of the JFR Group (including part-time workers in stores and temporary workers dispatched by suppliers) | Customers and local residents |
| Details | Manufacturing, wholesales, provision of services, construction | Commercial facilities, store operations (including remodeling, advertising, facility management, sales promotion, etc.), sales (including e-commerce), planning and construction | Use of goods and services |
| Significant human rights risks related to the Group's business | Forced labor Child labor Foreign labor conditions Long working hours Low wages Right to access remedies Discrimination (gender, LGBTQ, etc.) | <ul style="list-style-type: none"> Harassment Long working hours Discrimination (gender, LGBTQ, etc.) | <ul style="list-style-type: none"> Violation of customer privacy (personal information and right of publicity) Expressions of discrimination through advertisements Health and safety |

● Monitoring (Supplier assessment)

In the first supplier assessment conducted in 2021, we checked the status of compliance (including compliance with the Human Rights Policy) for suppliers who endorsed the JFR Principles of Action for Suppliers, and held dialogues with those suppliers for improvement.

In the assessment scheduled for autumn 2023, we will closely examine the survey targets and review the questions to improve the effectiveness of the survey based on the human rights risks we have identified.

Establishment of Harassment Consultation Desk and Whistleblowing System

Harassment Consultation Desk

In 2020, the Group adopted a Declaration on the Elimination of Harassment to stop and prevent harassment. In addition, a Harassment Prevention Committee and a Harassment Consultation Desk are in place at each group company to take prompt action at the time of occurrence and prevent recurrence.

*47 consultations in FY2022

Whistleblowing System

The Group's Whistleblowing System allows all directors, officers, employees, and anyone working for the JFR Group (including part-time employees and temporary staff from suppliers) to directly notify the Compliance Committee of compliance-related problems, including human rights violations and corrupt practices within the JFR Group, and request corrective action. The Compliance Committee is a contact point for reporting compliance issues. In accordance with the Whistleblower Protection Act, the Group's internal regulations strictly stipulate protecting the confidentiality of whistleblowers and the prohibition of any prejudicial treatment of whistleblowers.

*49 cases in FY2022

Well-Being Life for Customers



The JFR Group's concept of a Well-Being Life is a “life that is rich in mind and body,” one that is not only materially and economically rich, but also rich spiritually, socially, and environmentally. The JFR Group, in collaboration with its business partners, is committed to creating new customer experiences and attractive stores and towns that coexist in harmony with local communities.

Providing Wellness Items

In January 2023, Daimaru Kobe held “Think Wellness – A Wonderful Marche for the Mind and Body.” This event offered customers the opportunity to encounter wellness items from the three perspectives of “exercise, rest, and nutrition” to help them lead healthier and more beautiful lives. More than 20 brands were on display, including a tent sauna exhibit, and there was a talk show and a space for hands-on experience with the latest massage equipment.

After the COVID-19 pandemic, we recognize that our customers have a growing interest in and need for healthcare and self-care. We need to propose solutions that meet these needs.



View of the event

Welpa Promotes Cervical Cancer Screening

In November 2022, PARCO held a campaign at the Welpa medical wellness mall in Shinsaibashi PARCO to promote cervical cancer screening. Although the cervical cancer screening rate is high in developed countries, the rate in Japan is extremely low*, in the 40% range. To address this situation, PARCO held the event to make it easier for women to receive medical checkups that they often avoid due to the “high cost” and a feeling that it is “inconvenient or unnecessary to go.”

Welpa offers a wide range of services and products, from medical care to food, cosmetics, and FemTech in a comfortable space to help women make it a habit to take care of themselves while having fun.

*OECD, OECD Health Data 2015, Nov 2015.



Creating New Customer Experiences Through e-sports

As we seek to expand our business domains to realize the Group vision of “Create and Bring to Life ‘New Happiness’,” discovering the seeds of the next era and providing new experiences and excitement has been one of our important missions. Among these, e-sports, which has been gaining momentum in recent years, mainly among the younger generation, is one of the categories attracting attention. In December 2022, the Company acquired XENOS Corporation (XENOS), which owns the e-sports team SCARZ.

Through e-sports, the Group aims to nurture the entertainment business of the future, acquire a next-generation customer base, and create new customer experiences through real x digital, while creating new value by generating synergies with existing businesses such as PARCO and department stores.



SCARZ eSports players at the match venue

Creating Bustling Communities



The JFR Group will strengthen ties with local communities and promote development that contributes to enhancing the attractiveness and liveliness of cities by making the most of local characteristics such as culture and history, mainly in cities where we have stores.

Accelerating regional development by establishing a developer company

In addition to its core department store and shopping center businesses, the Group has positioned the developer business as a priority for the Group's renewed growth, aiming to propose diverse urban lifestyles and create attractive towns.

In March 2023, J. Front City Development Corporation was established to maximize the value of Group-owned real estate by taking over the developer business that PARCO has operated to date.

J. Front City Development will promote development of

multi-use /mixed-use facilities that include hotels, offices, and residential units, with retail as the starting point. This will occur in seven key cities (Sapporo, Tokyo, Nagoya, Kyoto, Shinsaibashi, Kobe, and Fukuoka) where the Group has its foundation, to improve the attractiveness of those areas. In these development projects, we will bring together our various business bases, resources, and expertise, including expertise in department stores and shopping centers, and create new spatial value that is unique to our Group. Our aim ultimately is to add value to regions.

New commercial facility "HAB@"

In April 2023, PARCO opened "HAB@" in Shinsekai Shimotori GATE (B1F to 2F) in the center of Kumamoto City at the former site of Kumamoto PARCO, which closed in February 2020. Taking into consideration the recent changes in lifestyles and consumers, we are proposing the value of "going out and spending time in the city" once again.

With the keyword "Let's meet here again," HAB@ aims to become a new hub of activity in the city for those who value experiences that only a real place can offer, such as the pleasure of sharing a meal or shopping at a store you stopped by.

Major development properties



Nishiki 3-chome District 25 Project (tentative name)

Based on the concept of building a value-creation center in Sakae, Nagoya as a new landmark, we plan to develop a complex together with joint venture partners, and our group will own and operate the retail part.

Site: 2501-1, Nishiki 3-chome, Naka-ku, Nagoya City, Aichi Prefecture
Building scale: 41 floors above ground, 4 basement levels



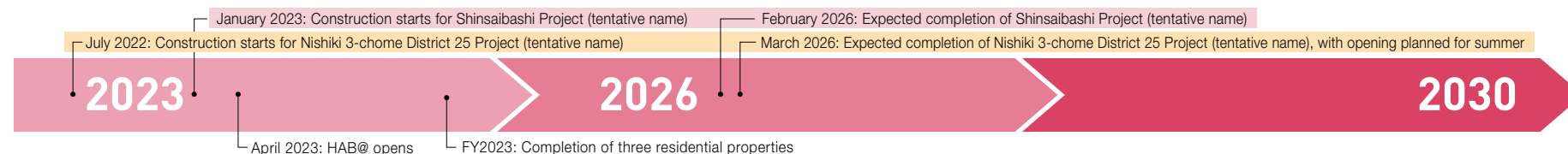
Shinsaibashi Project (tentative name)

The largest property in the area, located at the "Shinsaibashi" intersection, where Osaka's main streets Midосуji and Nagahori-dori intersect, the joint venture will be developed as a mixed-use facility.

Planned site: 3-8-4, Minami-Senba, Chuo-ku, Osaka City, Osaka
Building scale: 28 floors above ground, 2 basement levels



HAB@Kumamoto



Local Revitalization Through Collaboration with Local Communities



The JFR Group is working with local communities, suppliers, and other partners to revitalize local communities through activities aimed at solving environmental and social issues.

Daimaru Matsuzakaya Recycling resources with communities

The Daimaru Matsuzakaya Department Store's Future Standard Laboratory (Taito-ku, Tokyo) has been promoting demonstration experiments for food recycling and the formation of local communities based on composting, which converts food waste into compost. In June 2023, we signed an agreement with Taito City and Local Food Cycling Co. for shifting to a recycling-oriented lifestyle. Going forward, we will work together with third parties to promote initiatives in the Taito Ward area under the theme "Don't dispose of food scraps as garbage!"



JFR Card Fundraising for the Children's Cafeteria Support Program

JFR Card regularly conducts crowdfunding-type fundraising through credit card transactions. The company endorses the efforts of the Certified Nonprofit Corporation Nationwide Children's Cafeteria Support Center, Musubie, which is assisting children's cafeterias to realize a society where no one is left behind. JFR Card conducted a children's cafeteria fundraiser from February to March 2023, raising 646,500 yen to support those who operate children's cafeterias and those who gather at them through the activities of Musubie.



PARCO Supports Small and Medium Enterprises through Crowdfunding

In December 2022, PARCO, together with the Tokyo Metropolitan Small and Medium Enterprise Support Center, implemented a project to support the expansion of sales channels for small and medium enterprises by utilizing BOOSTER, a purchase-based crowdfunding service operated by PARCO.



Products and companies are selected from the "SME New Market Development Support Project," a sales channel development support program for SMEs conducted by a public corporation. A special website was launched on BOOSTER with dedicated crowdfunding advisors to provide support, and an exhibition was held at the Shibuya PARCO "BOOSTER STUDIO." This was an opportunity for SMEs that had never used crowdfunding before to feel at ease in developing new sales channels.

Consumer Product End-Use Research Institute × JFR Kodomomirai Special Science Lab Event

Consumer Product End-Use Research Institute held a special water and resource-themed event for the older classes at Kids Duo International Aobadai, a preschool operated by JFR Kodomomirai. Employees of the research institute, which conducts quality and hygiene control in a wide range of fields centering on the department store industry, served as instructors for the workshops. The children enjoyed and engaged in activities ranging from experiments for cleaning water with a simple filtration device, to recycling paper from milk cartons. Through collaboration among the Group's operating companies, we offer an opportunity for children, who will be responsible for the future, to think about the environment.



Diverse Human Resources to Support Operations



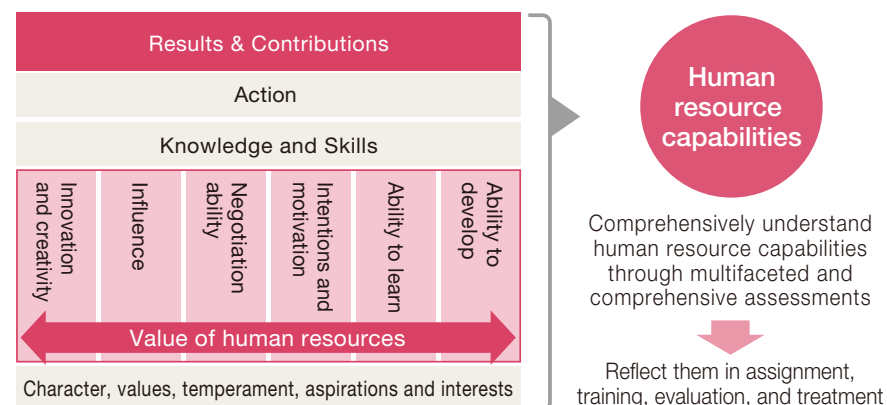
The JFR Group believes that “people” are the greatest resource for promoting sustainability management, and that without the growth of human resources, there will be no growth and development of the company. We recognize that our employees are a great asset. Therefore, we aim to be a “human resources development company” that maximizes their individuality and abilities and develops their capabilities.

Human Resource Capabilities

In the past, there as a job-based HR system. Starting in FY2019, the Group began to focus on each individual and take a unique approach to enhance “human resources capabilities,” a concept known as “human resource power-ism.” This HR management system not only understands the visible aspects of each individual's achievements, behavior, knowledge and skills, but also the invisible aspects of human resource value, namely character, values, temperament, orientation and interests, to develop them through appropriate job assignments, and to evaluate and treat their achievements appropriately.

By incorporating and developing the perspective of “human capital value,” we will be able to hone basic skills that will enable us to deliver results even in an uncertain business environment, and strategically assign human capital without regard to age or gender.

Human resource capabilities



《Issues in Group Strategy》 Business portfolio reform and shift to a new department store business model



Essential condition for sustainable growth (social requirement)

| Diversity & Inclusion | Diversified work styles | Work-life integration | Equal pay for equal work | Health management and human rights |
|--|--|---|--|--|
| <ul style="list-style-type: none"> •Women and senior empowerment •LGBT, people with a disability | <ul style="list-style-type: none"> •Effective work styles •Support for side work | <ul style="list-style-type: none"> •Support to balance work and childcare •Support for nursing care | <ul style="list-style-type: none"> •Balance between employment categories •Pension and retirement benefits | <ul style="list-style-type: none"> •Measures against mental illness •Measures against harassment |

Overhauling the HR management infrastructure

| | | |
|------------|--------------------------|-------------------------------|
| HR Systems | Talent Management System | HR Organization and Structure |
|------------|--------------------------|-------------------------------|

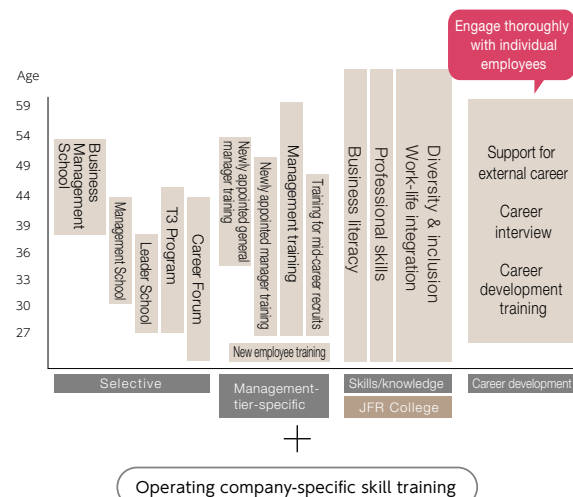
Renewal of organizational climate and corporate culture

Human Resource Development

The type of human resources that the Group wants to invest in are "autonomous employees," persons with an intrinsic motivation, a vision and goals, and the ability to actively undertake projects on their own initiative.

Our policy on human resource development is based on "selection and concentration," which means that we will streamline those programs that uniformly raise the level of our employees and invest heavily in selective, "self-initiated," publicly offered curricula.

Specifically, we will invest resources with emphasis on (1) early development and selection of younger workers, (2) revitalization through reskilling of middle and senior workers who are entering their second careers, and (3) development of management human resources with high versatility that is not limited to those within group operating companies.



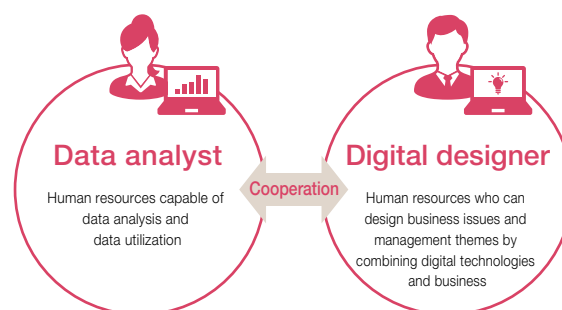
Digital Talent Development

Digital talent* is essential for future innovation. We have set the goal of developing 1,000 digital core human resources for the entire group by 2030, based on the assumption that at least one core digital talent will be assigned to each division of each group company.

In 2022, we began training core data analysts and digital designers, and 38 persons have completed the program as of August 2023.

Through this initiative, the Group aims not only to bring new value and change to day-to-day operations, but also to improve productivity through operational innovation and synergy creation through mutual collaboration across divisions and operating companies.

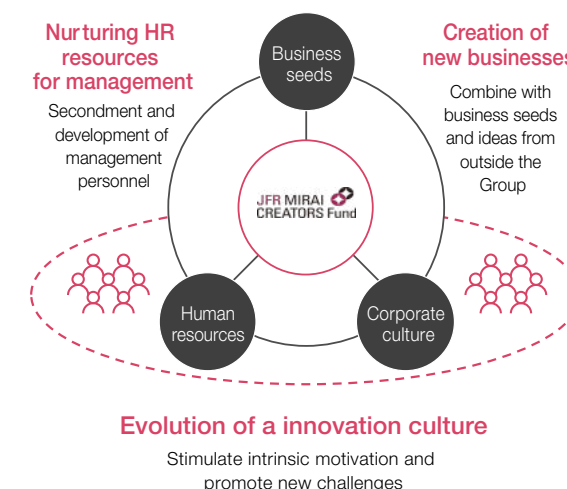
*Customer data-driven management that leverages data for business with data, digital technology, and business literacy, and human resources to support new businesses.



Establishment of JFR MIRAI CREATORS Fund

In October 2022, the Company jointly established the corporate venture capital JFR MIRAI CREATORS Fund with Ignition Point Venture Partners, Inc., which has extensive knowledge in venture capital business. This fund was set up primarily to strengthen the creation of new businesses through capital and business alliances with startup companies, and to reform the culture of the Minebea Group.

The vision of the Fund is to "make the future better and more interesting." By creating a system in which many Group employees can participate, we will develop future management talent and evolve into a corporate culture of "innovation" to realize the Group's vision.



Promotion of Women's Empowerment

As 52.9% of all employees are women, the Group recognizes that promoting the empowerment of women is as an important management strategy for achieving corporate growth. Therefore, we are stepping up our efforts. In FY2022, the "Women's Empowerment Promotion Project" was implemented under the direct control of the President.

In addition, selective training called "Career Forum" was held for women who are expected to play an active role in the future. Training was provided on leadership skills and the mindset required to become a manager.

Women's Empowerment Promotion Project

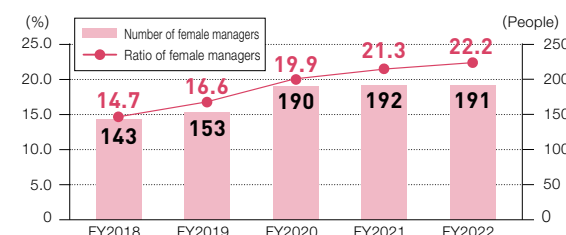
Project members, comprising of men and women selected from each operating company, discussed how to create an environment in which everyone can fully demonstrate their individuality and abilities. Recommendations were then made to the President.

Based on these recommendations, the Sustainability Committee members, including the presidents of each operating company, discussed the issues and the ideal state of the company, and finally, the President expressed his commitment to all employees to realize diversity and inclusion.

Appointment of Female Directors

J. Front Retailing has three female Directors (one Inside Director and two Outside Directors) out of a total of eleven Directors as of the end of May 2023, making the share of female Directors 27%.

Ratio of women in management positions (consolidated)



※The ratio of female managers from FY2021 onward has received independent third-party assurance from LRQA Limited.

Encouraging male employees to take childcare leave

The Group wants to realize an environment in which each employee can work with satisfaction while balancing work and family life without being bound by the traditional gender role divisions between men and women, and to realize Well-Being Life for employees.

J. Front Retailing and Daimaru Matsuzakaya Department Stores offer an "Incentive for participating in childcare" based on the number of days a father takes for postnatal childcare leave (childcare leave at time of birth), as well as childcare support leave (available for three days each year for employees with children up to the end of the first month of elementary school), which can be taken by any gender.

Percentage of male employees taking childcare leave (consolidated)

| FY2020 | FY2021 | FY2022 |
|-----------------------------------|------------------------------------|------------------------------------|
| 18.8% (8 employees took leave) | 43.6% (24 employees took leave) | 68.0% (34 employees took leave) |

*The rate of male employees taking childcare leave from FY2021 onward has received independent third-party assurance from LRQA Limited.

LGBT Initiatives

The Group's Human Rights Policy, developed in 2019, clearly prohibits discrimination and harassment against sexual orientation and gender identity.

In March 2021, the Group newly established the "Same-Sex Partnership Rules" and a new "Gender Transition Support Leave" program. We have also established an "LGBT Consultation Desk" within all operating companies for employees to consult anonymously in order to create a work environment in which diverse employees can play an active role.

Through management training, e-learning for all employees, and awareness-raising on the company intranet, we are working to promote understanding of LGBT issues among all employees and to foster an inclusive culture that respects diverse personalities.

Shibuya PARCO has been hosting "PRIDE" under the theme of diversity since 2022. The interior and exterior of the building were decorated in rainbow colors, and events and exhibitions were held to free people from all borders and focus on each person's individuality.



Stakeholders' Voice



Customer Survey

Daimaru Matsuzakaya Department Store has conducted a customer survey regarding the sustainability activities of Daimaru-Matsuzakaya.

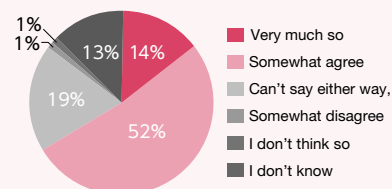
[Summary]

Survey period: October 12-31, 2022

Survey method: Internet responses via the Daimaru Matsuzakaya app, Daimaru Matsuzakaya mail magazine, and the ECOFF Recycling Campaign website

Number of respondents: 2,794

● Is Daimaru Matsuzakaya committed to the environment and human rights?



Sustainability awareness and empathy 66%.

Through communication with our customers, we will continue to further promote the Group's unique approach to sustainability and contribute to the realization of a Well-Being Life for our customers.

● Initiatives with high customer empathy (top ranking)

- ECOFF recycling campaign (recycling of clothing and other items)
- Promoting the use of renewable energy and LED lights in stores
- Store design with consideration for the elderly and people with a physical disability

Employee Awareness Survey

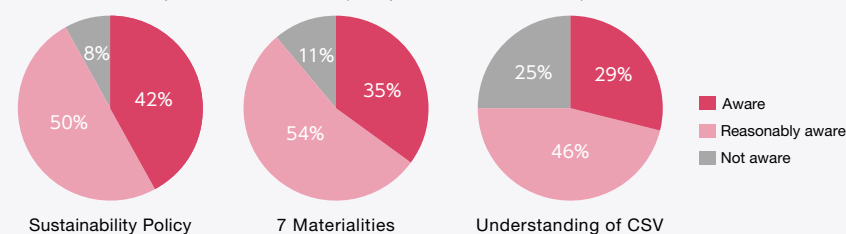
In promoting sustainability initiatives, we believe that it is essential for every employee to understand the concept of sustainability and practice it in their daily work as a matter of personal concern. Based on this recognition, we have been conducting an employee awareness survey since FY2022 to ascertain the status of understanding and penetration within the company.

[Summary]

Survey period: February 1 - 15, 2023

Target: JFR Group employees

Number of respondents: 4,830 (Response rate: 70.4%)



While awareness of the sustainability policy and the seven materialities is growing, about 25% of respondents were not aware of CSV (Creating Shared Value).

We will continue to provide opportunities for employees to think about how their daily work can lead to CSV in order to promote understanding and foster a corporate culture that leads to the creation of new value.

ESG Briefing Session

We have been holding ESG Presentations since 2018. In FY2022, we held a dialogue on the topic of human capital management, including the basic concept of our Group's human capital strategy and the development of our core digital talent. One outside director also participated in this presentation and engaged in a dialogue on the status of and challenges to the Company's governance.



TCFD Report

In 2019, JFR Group endorsed the final report (TCFD Recommendations) of the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD Recommendations are a global, comparable climate-related disclosure framework that recommends companies to disclose information according to four categories: governance, strategy, risk management, and metrics and targets. The Group will use the TCFD recommendations as guidelines for verifying the appropriateness of its climate change response, and will engage in active dialogue with institutional investors and others to carry out effective information disclosure.

Four recommended disclosure items required of companies in the TCFD recommendations

| Disclosure item | Specific disclosure details |
|---------------------|--|
| Governance | (a) Process by which the Board of Directors receives reports on climate-related issues, frequency with which these issues are placed on the agenda, and monitoring |
| | (b) Management's responsibility for climate-related issues, process for receiving reports, and monitoring methods. |
| Risk Management | (a) Details of the process for identifying and assessing climate-related risks |
| | (b) Details of the process for managing significant climate-related risks |
| | (c) Status of integration into the company-wide risk management framework |
| Strategy | (a) Details of short-, medium-, and long-term risks and opportunities |
| | (b) Nature and extent of impact of risks/opportunities on business, strategy, and financial plans |
| | (c) Risks/opportunities and financial impact based on relevant scenarios and strategies/resilience against them |
| Metrics and Targets | (a) Metrics used to manage climate-related risks and opportunities |
| | (b) Greenhouse gas emissions (Scope 1, 2, and 3) |
| | (c) Targets and results used to manage climate-related risks and opportunities |

Recommended Disclosure Item① Governance

a Process by which the Board of Directors receives reports on climate-related issues, frequency with which these issues are placed on the agenda, and monitoring

To promote sustainability management across the entire JFR Group, discussions on and decisions about specific measures to address environmental issues are made in the Group Management Meeting, the highest decision-making body for business execution. Furthermore, the Sustainability Committee, which meets at least twice a year, shares the policies on environmental issues discussed and decided by the Group Management Meeting, formulates action plans for the Group's environmental issues, and monitors the progress.

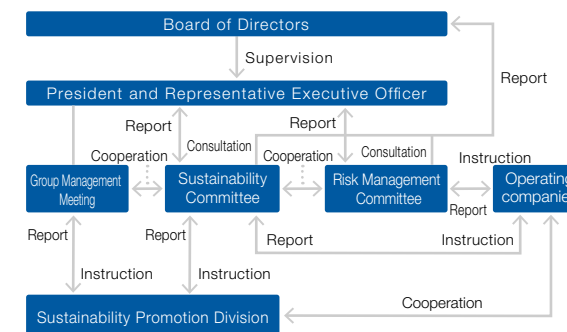
The Board of Directors receives reports on the discussions and decisions made by the Group Management Meeting and the Sustainability Committee, and discusses and oversees the Group's policies and action plans for addressing environmental issues.

In selecting candidates for the Board of Directors, we use a skill matrix to clarify the expertise and experience we expect from directors, and "environment" is one of the items. By appointing directors capable of providing appropriate supervision of 1) specific action plans, 2) regular reviews, and 3) the status of initiatives for continual improvement regarding environmental plans, including the setting of medium- to long-term targets, we are enhancing the effectiveness of our efforts to address environmental issues.

b Management's responsibility for climate-related issues, process for receiving reports, and monitoring methods.

The President and Representative Executive Officer chairs the Group Management Meeting as well as the Risk Management Committee and the Sustainability Committee, which are both advisory panels under his direct control. He thus bears final responsibility for management decisions related to environmental issues. Details of matters discussed and decided by the Group Management Meeting and the Sustainability Committee are reported to the Board of Directors for final approval.

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 those who execute business. Meets monthly. |
| | Group Management Meeting | Discusses measures related to 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 measures against them. The decisions are reported to the Board of Directors. Meets as needed. |
| | Sustainability Committee | Discusses and decides 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, reports 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. |

Major agenda items in the Sustainability Committee Meetings

| | | | | |
|--------|-----------|--|-----------------------------|--|
| FY2022 | April | <ul style="list-style-type: none"> ●Lecture on "ESG/sustainability management" by an external instructor ●Group-wide KPI progress for FY2021 | ●Action Plan for FY2022 | ●Report on results of FY2022 supplier assessment (including environment) |
| | September | <ul style="list-style-type: none"> ●Group-wide KPI progress for first half of FY2022 | | |
| FY2023 | April | <ul style="list-style-type: none"> ●Action Plan for FY2023 ●Group-wide KPI progress for FY2022 | | |
| | September | <ul style="list-style-type: none"> ●Lecture on "Outline and Necessity of Biodiversity Response" by external instructor | ●Second supplier assessment | ●Group-wide KPI progress for first half of FY2023 |

Recommended Disclosure Item② Risk Management

a Details of the process for identifying and assessing climate-related risks

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 positive and negative sides.” We believe that appropriate handling of risk leads companies to sustainable growth.

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

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

Risk management system

| Risk management process | Responsible meeting bodies and executing entities |
|---|---|
| Identification/assessment/narrowing down of risks | <ul style="list-style-type: none"> Board of Directors Group Management Meeting Risk Management Committee (Overall management risk) Sustainability Committee (Environmental risks) |
| Response to risks | <ul style="list-style-type: none"> Operating companies (Management Meeting, Risk Management Committee, Sustainability Committee, etc.) |
| Monitoring/reporting | <ul style="list-style-type: none"> Board of Directors Group Management Meeting Risk Management Committee (Overall management risk) Sustainability Committee (Environmental risks) |

b Details of the process for managing significant climate-related risks

The Group is working to share environmental-related risks with each operating company through a more detailed study of these risks within the Sustainability Committee. Each operating company incorporates climate change initiatives into their action plan and checks the progress of the action plan through discussions in meetings headed by the president of each operating company. Progress is monitored by the Group Management Meeting, the Risk Management Committee, and the Sustainability Committee, and is finally reported to the Board of Directors.

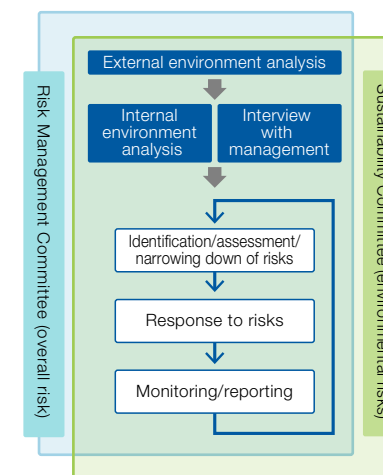
c Status of integration into the company-wide risk management framework

The Group has established the Risk Management Committee based on the importance of building a Group-wide structure for managing risk. The Risk Management Committee identifies comprehensive risks and opportunities, including climate-related risks, and discusses countermeasures from the perspective of the likelihood and timing of potential risks and the business impact, based on environmental analysis conducted annually. Also, those risks that are extremely important to the Group's management over the medium term are reflected in the medium-term business plan as

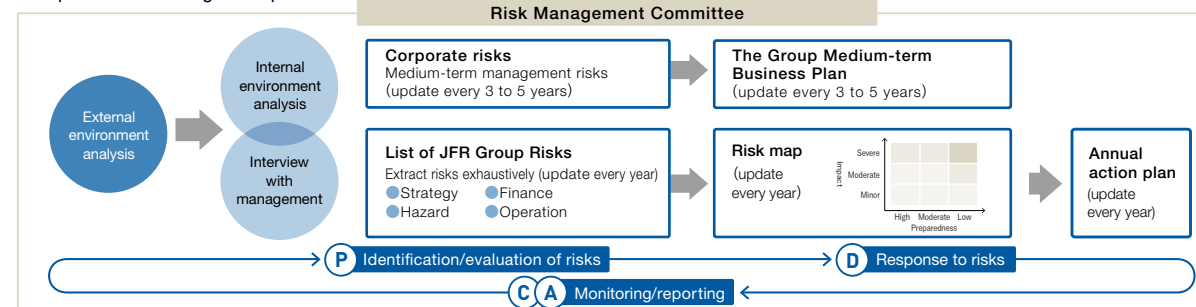
“corporate risks” and are addressed accordingly. The discussions of the Risk Management Committee are reported to the Group Management Meeting and shared with the Sustainability Committee.

The contents of discussions by the Risk Management Committee and the Sustainability Committee in the above series of processes, as well as resolutions by the Group Management Meeting, are reported to the Board of Directors in a timely manner, and are reflected and addressed in the Group's strategies under the supervision of the Board of Directors.

Environmental risk management process



Group-wide risk management process



Recommended Disclosure Item③ Strategy

a Details of short-, medium-, and long-term risks and opportunities

The Group considers it important to examine climate-related risks and opportunities at the appropriate milestone occasions because of the potential impact on its business activities over the long term. Accordingly, the Group has positioned the implementation term of the Medium-term Business Plan up to FY2023 as the short term, the period up to FY2030, which is set by SBTi, as the medium term, and the period to FY2050, which is the SBTi net zero target year, as the long term.

The Group has formulated the group strategy for climate-related risks and opportunities by backcasting from fiscal 2050, the target year for realizing net zero, and is working to implement the strategy.

b Nature and extent of impact of risks/opportunities on business, strategy, and financial plans

The Group conducts scenario analysis to understand the risks, opportunities, and impact of climate change on the Group, and to examine the resilience of the Group's strategies and the necessity of further measures by envisioning the world in fiscal 2030.

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

Based on these two scenarios, the Group extracted climate-related risks and opportunities according to the TCFD recommendations for each activity in its supply chain process. In addition, we defined the transition risks (technology, market, reputation, policy regulation) 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.

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

| Periods for considering 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 target year for Scope 1, 2, and 3 emissions |
| Long term | Until FY2050 | Period until the SBT net-zero target year for Scope 1, 2, and 3 emissions |

Existing scenarios referenced

| Possible world | Existing scenarios |
|--------------------------|--|
| Below 1.5°C/2°C scenario | "Net-Zero Emissions by 2050 Scenario (NZE)" (IEA, 2022) |
| | "Representative Concentration Pathways (RCP2.6)" (IPCC, 2014) |
| 4°C scenario | "Stated Policy Scenario (STEPS)" IEA, 2022) |
| | "Representative Concentration Pathways (RCP6.0, 8.5)" (IPCC, 2014) |

Overview of climate-related risks and opportunities in the Group

| Types of climate-related risks and opportunities | | | Timing of occurrence | | | Overview of JFR Group's climate-related risks and opportunities |
|--|-----------------------|-----------------------|----------------------|-------------|-----------|--|
| | | | Short-term | Medium-term | Long-term | |
| Risks | Transition risk | Policy and regulation | ● | ● | | <ul style="list-style-type: none"> • Increase in energy costs associated with the introduction of policies to control GHG emissions, such as carbon taxes and the strengthening of regulations • Increase in energy procurement costs due to geopolitical risks |
| | | Technology | ● | ● | ● | <ul style="list-style-type: none"> • Increase in costs due to decentralization of renewable energy procurement and energy generation (e.g., PPA) • Increase in costs associated with the development of properties with high environmental performance and the installation of equipment • Increased investment for the introduction of high-efficiency energy-saving equipment |
| | | Market | ● | ● | | <ul style="list-style-type: none"> • Increase in costs for procurement of renewable energy due to increased demand for electricity derived from renewable energy • Loss of growth opportunities due to delayed response to market changes such as increased demand for low-carbon products |
| | | Reputation | ● | ● | | <ul style="list-style-type: none"> • Risk of lost reputation due to delayed response to environmental issues and diversification of consumption behavior • Negative impact on financing due to inadequate response to investor requests for environmental information disclosure • Negative impact on recruitment of new employees and employee engagement due to loss of reputation among stakeholders |
| | Physical risk | Acute | ● | ● | | <ul style="list-style-type: none"> • Disruption of distribution routes due to natural disasters • Decrease in revenues due to store closures caused by natural disasters |
| | | Chronic | | ● | ● | <ul style="list-style-type: none"> • Increase in procurement costs due to unstable yields and quality of agricultural, livestock, and fishery products resulting from changes in rainfall and other weather patterns • Increase in health risks to employees due to infectious disease risks caused by climate change |
| Opportunities | Resource efficiency | | ● | ● | | <ul style="list-style-type: none"> • Decrease in energy procurement costs due to strengthening of energy-saving measures • Decrease in energy procurement costs due to conversion to stores and business sites with high environmental value |
| | Energy sources | | ● | ● | ● | <ul style="list-style-type: none"> • Decrease in energy procurement costs through the introduction of the latest high energy efficiency equipment • Decrease in energy procurement costs through the introduction of energy-creating equipment • Decrease in renewable energy procurement cost associated with the development of new policies and systems related to renewable energy |
| | Products and services | | ● | ● | | <ul style="list-style-type: none"> • Increase in revenue due to acquisition of new customers by proposing sustainable lifestyles • Decarbonization of the entire supply chain and increased earnings by responding to increased demand for environmentally friendly products and services |
| | Market | | ● | ● | ● | <ul style="list-style-type: none"> • Expansion of financing sources through green bonds, etc. • Expansion of new growth opportunities by entering new circular-type businesses • Improvement in profitability by restructuring the business portfolio beyond retailing and by entry into and expansion of the market for low carbon products • Increase in earnings through increased opportunities to acquire new tenants by converting to stores with high environmental value |
| | Resilience | | | ● | ● | <ul style="list-style-type: none"> • Improvement of energy resilience through promotion of renewable energy, energy conservation, and energy creation and diversification of procurement sources |

Short-term: Until FY2023 (implementation period of the medium-term business plan)

Medium-term: Until FY2030 (period set by SBTi)

Long-term: Until FY2050 (period until SBTi's target year for Net Zero)

C Risks/opportunities and financial impacts based on relevant scenarios and strategies/resilience against them

The Group exhaustively extracted climate risks and opportunities and assessed their importance based on two assessment criteria: the “degree of impact on the Group and the probability of occurrence” and the “degree of impact on stakeholders.” For items that were evaluated to be particularly important, the Group has conducted both quantitative and qualitative analyses of the financial impact in fiscal 2030 assuming a 1.5°C/less than 2°C scenario and a 4°C scenario.

The qualitative financial impact is presented in three levels by the direction of the arrow symbols.

Climate change risks and opportunities of particular importance to the JFR Group and their financial impacts in FY2030

| | | | | | ↑ Impact on JFR Group's business and finance expected to be very large | ➡ Impact on JFR Group's business and finance expected to be somewhat large | ➡ Impact on JFR Group's business and finance expected to be negligible |
|---|---|--|--|--|--|--|---|
| Climate-related risks and opportunities of particular importance to the JFR Group | | | | | Financial impact | | Measures |
| | | | | | Below 1.5°C/2°C scenario | 4°C scenario | |
| Risks | ● Increased costs associated with introduction of carbon tax, etc. | | | | Approximately ¥1,400 million ^{*1} | Approximately ¥900 million ^{*1} | ● Reduction of GHG emissions through aggressive energy conservation measures in stores and expansion of renewable energy switching to achieve the 2050 net-zero target |
| | ● Increased costs associated with the development of properties with high environmental performance and the installation of equipment | | | | ↑ | ↑ | ● Financing through Green Bonds, etc. ● Cost-effective equipment installation |
| | ● Increased investment for introduction of high-efficiency energy-saving equipment | | | | ➡ | ➡ | ● Consideration of introducing internal carbon pricing ● Cost-effective and well-planned investment considerations |
| | ● Increase in renewable energy procurement costs due to increased demand for electricity derived from renewable energy | | | | Approximately ¥700 million ^{*2} | Approximately ¥300 million ^{*2} | ● Reduction of renewable energy procurement risk and mid- to long-term costs through diversification of renewable energy procurement methods ● Improvement of energy self-sufficiency through installation of renewable energy equipment in the company's facilities, etc. |
| | ● Decrease in revenue due to store closures caused by natural disasters | | | | Approximately ¥5,200 million ^{*3} | Approximately ¥10,300 million ^{*3} | ● Increased resilience of stores and business sites through BCP preparation ● Improvement of disaster prevention performance of stores |
| Opportunities | ● Decrease in energy procurement cost due to introduction of high-efficiency energy-saving equipment | | | | Approximately ¥500 million ^{*4} | | ● Replace with high-efficiency energy-saving equipment at the appropriate time |
| | ● Expansion of earnings by acquiring new customers by proposing sustainable lifestyles | | | | ↑ | ➡ | ● Expansion of circular businesses such as sharing and upcycling |
| | ● Decarbonization of the entire supply chain and expansion of earnings by responding to increased demand for environmentally friendly products and services | | | | ↑ | ➡ | ● Expansion in handling of environmentally friendly products and services, including switching to environmentally friendly packaging materials ● Collaborating with suppliers to decarbonize, including the introduction of AI demand forecasting services to reduce waste |
| | ● Expansion of new growth opportunities through new entry into the circular businesses | | | | ↑ | ➡ | ● Launching circular businesses through effective use of M&A and CVC* investments ● Diversification of sales channels through promotion of Real × Digital Strategy formulated in the Medium-term Business Plan |
| | ● Expansion of earnings due to increased opportunities to acquire new tenants through conversion to stores with high environmental value | | | | Approximately ¥1,000 million ^{*5} | — | ● Acquisition of environmental certifications for newly developed properties (ZEB, CASBEE, etc.) ● Promoting the use of renewable energy in stores to achieve RE100 |

*CVC (Corporate Venture Capital): A mechanism to efficiently and effectively promote business co-creation through investment in promising start-ups. In FY2022, the Company established the “JFR MIRAI CREATORS Fund” to promote open innovation.
Basis for calculation of quantitative financial impacts expected in FY2030

*1 Calculated by multiplying JFR Group Scope 1 and 2 GHG emissions as of FY2030 by the carbon price per t-CO₂

*2 Calculated by multiplying the JFR Group's electricity consumption in FY2030 by the price per kWh of electricity derived from renewable energy compared to the regular electricity rate.

*3 Calculated by multiplying the amount of sales loss due to store closures caused by past natural disasters by the frequency of flooding

*4 Calculated by multiplying energy procurement costs by the amount of energy saved by the JFR Group as of FY2030.

*5 Calculated by multiplying the JFR Group's real estate revenues as of FY2030 by the rate of change in new contract conclusion fees for buildings with environmental certification.

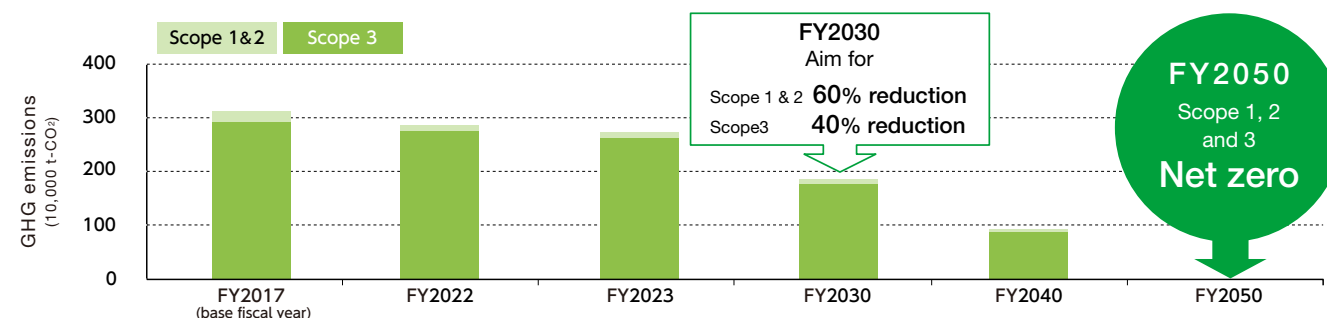
To achieve the materiality issue of “Realization of decarbonized society,” the Group analyzed the impact of climate change on the Group's business activities, based on the above scenarios, then examined our countermeasures to verify the Group's strategy resilience.

JFR Group FY2050 Net Zero Transition Plan

The Group believes that it is necessary to strengthen its strategic resilience from a medium- to long-term perspective under both the 1.5°C/less than 2°C scenario and the 4°C scenario to achieve net-zero emissions in 2050.

To this end, we have formulated a transition plan that identifies specific initiatives from short-, medium-, and long-term perspectives to capture new growth opportunities such as proactively responding to market changes in response to positive opportunities while developing appropriate measures to avoid negative risks in our business strategy.

JFR Group FY2050 Net Zero Transition Plan



| Phase | Results (FY2017 to FY2022) | | 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 FY2022 43.5% reduction | Scope 1 & 2 FY2030 60% reduction | | Scope 1 & 2 FY2050 Net zero |
| | Scope 3 FY2017 2,927,320 t-CO ₂ | Scope 3 FY2022 5.7% 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 2023, and may be revised depending on business strategies going forward.

Recommended Disclosure Item④ Metrics & Targets

a 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 GHG emissions and the ratio of renewable energy to total electricity used in business activities.

Also, to clarify the responsibility of executive officers regarding the issue of climate change, Scope 1 and 2 GHG emission reduction targets were set as one of the non-financial indicators for determining performance-linked remuneration in officer remuneration.



→ Executive compensation and non-financial information

c Targets and results used to manage climate-related risks and opportunities

Since fiscal 2018 the Group has set long-term GHG emission reduction targets to achieve the global below 1.5 °C /2°C target, and its Scope 1, 2, and 3 emission reduction targets were certified by the SBTi in fiscal 2019. In fiscal 2021, in line with the advancement of our materialities, we raised our target for reducing 2030 Scope 1 and 2 emissions from the previous 40% reduction to a 60% reduction compared with fiscal 2017 (base year), and it was approved as the 1.5°C target that is the new standard set by the SBTi. Moreover, in February 2023, we also obtained certification for the 2050 Net Zero Target for Scope 1, 2, and 3 greenhouse gas emissions.

To achieve these long-term targets, the Group started procuring renewable energy-sourced electricity for its own facilities in fiscal 2019, and in October 2020 we joined 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.

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

Since fiscal 2017, the Group has been calculating its total emissions. Our Scope 1 and 2 emissions in fiscal 2022 were 109,785t-CO₂ (down 10.6% from fiscal 2021 and down 43.5% from fiscal 2017). Furthermore, our Scope 3 emissions in fiscal 2022 were 2,761,669t-CO₂ (up 14.1% from fiscal 2021 and down 5.7% from fiscal 2017). The ratio of renewable energy was 33.6%.

The Group has received third-party assurance for its Scope 1, 2, and 3 GHG emissions and renewable electricity consumption in FY2022.

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

| | | FY2017 | FY2021 | Forecast in FY2022 | |
|---------------------------------------|-------------------|-----------|-----------|--------------------|---|
| | | Results | Results | Forecast | Compared with FY2017 (compared with base fiscal year) |
| Total Scope 1 and 2 emissions | | 194,154 | 122,812 | 109,785 | -43.5 % |
| Breakdown | Scope 1 emissions | 16,052 | 14,004 | 13,714 | -14.6 % |
| | Scope 2 emissions | 178,102 | 108,808 | 96,071 | -46.1 % |
| Total Scope 3 emissions* ² | | 2,927,320 | 2,420,492 | 2,761,669 | -5.7 % |
| Ratio of renewable energy (%) | | — | 20.3 | 33.6 | — |

*1 Obtained third-party assurance from LRGA Limited.

*2 Calculated in accordance with "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain ver. 3.3 (March 2023, Ministry of the Environment and Ministry of Economy, Trade and Industry)" IDEAv2.3 (for supply chain GHG emissions calculation).

Targets used by the JFR 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 |

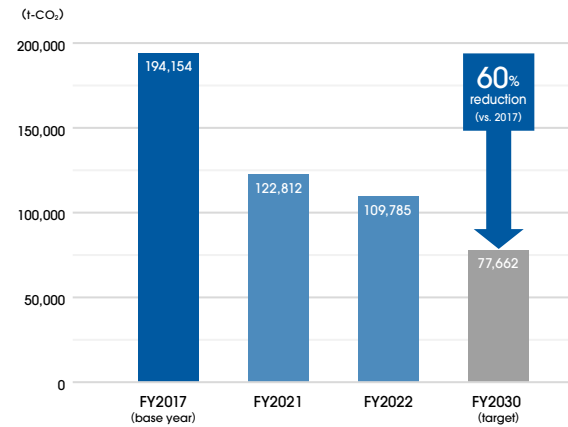
*1. Certified by SBT

*2. Joined RE100 in 2020.

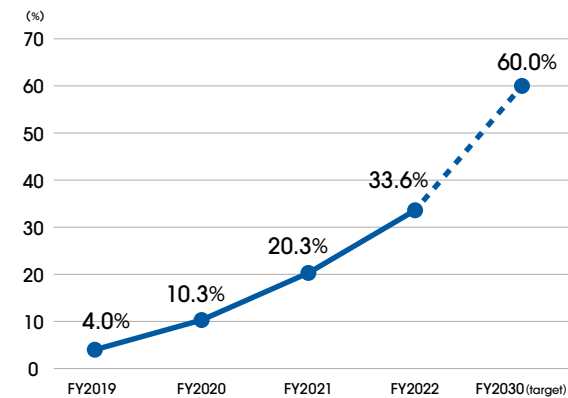
*A global initiative with the goal of 100% renewable energy for electricity used in business activities.

FY2022 Results and Future Targets

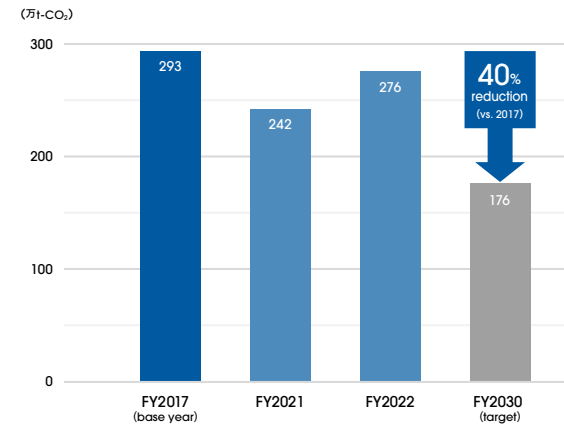
Scope 1 and 2 emissions



Ratio of renewable energy



Scope 3 emissions



Briefing Session for Suppliers to Realize a Decarbonized Society (Held in April 2022, 253 companies participated)



FY2022 Scope 3 Emissions by Category (Unit: t-CO₂, %)

| Category | | Emissions | Percentage of emissions |
|----------|--|-----------|-------------------------|
| 1 | Purchased goods and services | 2,596,485 | 94.02 |
| 2 | Capital goods | 47,246 | 1.71 |
| 3 | Energy excluding Scope 1 and 2 | 23,566 | 0.85 |
| 4 | Upstream transportation and distribution | 27,892 | 1.01 |
| 5 | Waste from operations | 1,262 | 0.05 |
| 6 | Business travel | 2,755 | 0.10 |
| 7 | Employee commuting | 1,644 | 0.06 |
| 8 | Upstream leased assets | — | 0.00 |
| 9 | Downstream transportation and distribution | 15,862 | 0.57 |
| 10 | Processing of products | — | 0.00 |
| 11 | Use of sold products | 1,209 | 0.04 |
| 12 | End-of-life treatment of sold products | 12,499 | 0.45 |
| 13 | Downstream leased assets | 31,249 | 1.13 |
| 14 | Downstream franchising | — | 0.00 |
| 15 | Investments | — | 0.00 |

*Category 8 is excluded from the calculation because it is calculated under Scope 1 and 2.

*Category 10, 14, and 15 are excluded from the calculation because they are not applicable to the JFR Group's business processes.

External Assessment

Selected as a constituent of FTSE Blossom Japan Index for the first time (index used by GPIF)



**FTSE Blossom
Japan Index**

Selected as a constituent of FTSE Blossom Japan Sector Relative Index for second consecutive year (index used by GPIF)



**FTSE Blossom
Japan Sector
Relative Index**

Selected as a constituent of FTSE4Good Index Series for the first time



FTSE4Good

Selected as a constituent of MSCI Japan ESG Select Leaders Index* (index used by GPIF)

**2023 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX**

Selected as a constituent of MSCI Japan Empowering Women Index (WIN)* for six consecutive years (index used by GPIF)

**2023 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)**

Selected as a constituent of S&P/JPX CARBON EFFICIENT INDEX (index used by GPIF)



Included in A List in 2022 CDP climate change survey for the third consecutive year



Selected as a constituent of SNAM Sustainability Index



Selected as an Environmentally Sustainable Company at the Fourth ESG Finance Awards Japan



Received the Highest Rating under the DBJ Employees' Health Management Rated Loan Program



Certified Health and Productivity Management Outstanding Organization 2023 (Large Enterprise Category)



Received "Gold" rating in PRIDE index for the second consecutive year



Named "Digital Transformation Certified Operator" by the Ministry of Economy, Trade and Industry



Rated 4.5 stars in "Nikkei SDGs Management" Survey 2022



Rated four stars in the 6th "Nikkei Smart Work Management Survey"



Sustainable Finance

Issued sustainability bonds

In April 2021, the Company issued sustainability bonds* for the first time, which were externally evaluated by Japan Credit Rating Agency (JCR) for conformity with the Sustainability Bond Guidelines and other principles.

*Bonds that have both (1) an environmental improvement effect (environmental and green characteristics) and (2) a contribution to solving social issues (social and social characteristics).


Signed an agreement for Positive Impact Finance

The Company has signed a loan agreement with Sumitomo Mitsui Trust Bank, Limited for Positive Impact Finance in an alignment with the Principles for Positive Impact Finance established by the United Nations Environmental Programme Finance Initiative. This was a first for the retail industry. To sign the agreement, the Company has received a third-party opinion from JCR concerning the evaluation procedures.

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Third-Party Assurance

Independent assurance statement



LRQA Independent Assurance Statement

Relating to J. Front Retailing Co., Ltd.'s Environmental and Social Data for the Fiscal Year 2022

This Assurance Statement has been prepared for J. Front Retailing Co., Ltd. in accordance with our contract.

Terms of engagement

LRQA Limited ("LRQA") was commissioned by J. Front Retailing Co., Ltd. ("the Company") to provide independent assurance on its environmental and social data within its Integrated Report 2023 and Sustainability Report 2023 ("the reports") for the fiscal year 2022 (1/3/2022-28/02/2023), against the assurance criteria below to a limited level of assurance and the materiality of the professional judgement of the verifier using ISAE3000(Revised)/ISO14064-3:2019 for greenhouse gas (GHG) emissions.

Our assurance engagement covered the Company and its consolidated subsidiaries' operations and activities in Japan and overseas and specifically the following requirements:

- Verifying conformance with the Company's reporting methodologies
- Evaluating the accuracy and reliability of data for the selected indicators listed below:¹

Environmental indicators:^{2 3}

- Energy usage (MWh)
- Renewable energy usage (MWh)
- Scope 1 GHG emissions (tonnes CO₂e)
- Scope 2 GHG emissions (Market-based) (tonnes CO₂e)
- Scope 3 GHG emissions (tonnes CO₂e)
- Amount of water use (m³) and amount of waste water (m³)
- Amount of waste generation (tonnes), recycled waste (tonnes) and finally disposed waste (tonnes)⁴
- Amount of food waste generation (tonnes), recycled food waste (tonnes) and finally disposed food waste (tonnes)

Social indicators:

- Share of female employees (%)
- Employment rate of disabled people (%)
- Number of employees who took child care leave (person)
- Female return rate after childcare leave (%)
- Paternity leave usage rate (%)
- Number of occupational fatal accidents (person)

Our assurance engagement excluded the data and information of the Company's suppliers, contractors and any third-parties mentioned in the report.

LRQA's responsibility is only to the Company. LRQA disclaims any liability or responsibility to others as explained in the end footnote. The Company's responsibility is for collecting, aggregating, analysing and presenting all the data and information within the report and for maintaining effective internal controls over the systems from which the report is derived. Ultimately, the report has been approved by, and remains the responsibility of the Company.

LRQA's Opinion

Based on LRQA's approach nothing has come to our attention that would cause us to believe that the Company has not, in all material respects:

- Met the requirements of the criteria listed above
- Disclosed accurate and reliable environmental and social data

¹ LRQA undertook a limited assurance engagement of the environmental and social data marked with "-" within its Integrated Report 2023 and Sustainability Report 2023.
² GHG quantification is subject to inherent uncertainty.
³ LRQA also reviewed the Company's GHG emissions for the fiscal year 2022 against its 2021 to confirm the year-on-year change in Scope 1 and 2 GHG emissions.
⁴ Including food waste

Page 1 of 2



The opinion expressed is formed on the basis of a limited level of assurance⁵ and at the materiality of the professional judgement of the verifier.

LRQA's Approach

LRQA's assurance engagements are carried out in accordance with ISAE 3000 (Revised) and ISO 14064-3:2019. The following tasks were undertaken as part of the evidence gathering process for this assurance engagement:

- Auditing the Company's data management systems to confirm that there were no significant errors, omissions or misstatements in the report. We did this by reviewing the effectiveness of data handling procedures, instructions and systems, including those for internal verification.
- Interviewing with those key people responsible for compiling the data and drafting the report.
- Sampling datasets and traced activity data back to aggregated levels;
- Verifying the environmental and social data and records of for the fiscal year 2022; and
- Visiting Daimaru Sapporo and Sapporo PARCO in Japan to confirm the data collection processes, record management practices, and to physically check their facilities.

Observations

It is hopefully expected that the Company would intensively use the functions of the data collecting system to collect environmental data of many items with enhanced efficiency and accuracy.

LRQA's Standards, Competence and Independence

LRQA implements and maintains a comprehensive management system that meets accreditation requirements for ISO 14065 Greenhouse gases – Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition and ISO 17021-1 Conformity assessment – Requirements for bodies providing audit and certification of management systems – Part1: Requirements that are at least as demanding as the requirements of the International Standard on Quality Control 1 and comply with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants.

LRQA ensures the selection of appropriately qualified individuals based on their qualifications, training and experience. The outcome of all verification and certification assessments is then internally reviewed by senior management to ensure that the approach applied is rigorous and transparent.

This is the only work undertaken by LRQA for the Company and as such does not compromise our independence or impartiality.

Signed



Dated: 25 June 2023

Yoshinori Shibata
LRQA Lead Verifier
On behalf of LRQA Limited
10th Floor, Queen's Tower A, 2-3-1 Minatomirai, Nishi-ku, Yokohama, JAPAN
LRQA reference: YKA00000726

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⁵ The extent of evidence-gathering for a limited assurance engagement is less than for a reasonable assurance engagement. Limited assurance engagements focus on aggregated data rather than physically checking source data at sites. Consequently, the level of assurance obtained in a limited assurance engagement is lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Page 2 of 2

The environmental data contained in this report

- Energy consumption
- Renewable energy consumption
- Scope 1, 2, and 3 emissions
- Water consumption
- Waste (amount generated, amount recycled, and amount for final disposal)
- Food waste (amount generated, amount recycled, and amount for final disposal)

and the Social data

- Percentage of female managers
- Percentage of employees with a disability
- Number of employees taking childcare leave
- Return rate after childcare leave for female employees
- Percentage of male employees taking childcare leave
- Number of work-related deaths

...has obtained independent third-party assurance from LRQA Limited to ensure reliability.



→ Third-party guarantees obtained

Sustainability Bond Reporting (9th unsecured bond)

In May 2021, the Company issued sustainability bonds of ¥15.0 billion to contribute to resolving both environmental and social issues through business activities.

| Project category | Output | Outcome | Impact | Use and amount of funds | |
|--|---|--|--|---|--|
| Realization of decarbonized society | | | | | |
| Green buildings | <ul style="list-style-type: none">● Overview of eligible projects● Construction of main building of Daimaru Shinsaibashi (FY2019)● Construction of Shibuya PARCO (FY2019) | <ul style="list-style-type: none">● Status of building certification/confirmation (timing/certification level)<ul style="list-style-type: none">・Main Building of Daimaru Shinsaibashi: Osaka City building environmental plan system, ranked A (FY2019)・Shibuya PARCO: Tokyo building environment plan system, graded 3rd (FY2021)● Electric power reduction<ul style="list-style-type: none">・Daimaru Shinsaibashi Main Building 1,940MWh increase (FY2014*)・Shibuya PARCO 2,730MWh reduction (compared to 2014*)● Scope 1 & 2 GHG reductions<ul style="list-style-type: none">・Daimaru Shinsaibashi Nitori Main Building 7,895t-CO₂ reduction (vs. FY2014*)・Shibuya PARCO 869t-CO₂ reduction (vs. FY2014*) <p>*Estimated values for FY2014, the last full year of operation before reconstruction (due to reconstruction, the building structure is not identical)</p> | Leading a decarbonized society and creating a global environment for future generations | Amount already allocated Total allocation | ¥6,000 million ¥6,000 million |
| Renewable energy | <ul style="list-style-type: none">● Purchased renewable energy-sourced electricity: 102,633MWh | <ul style="list-style-type: none">● Share of electricity derived from renewable energy sources in total electricity consumption: 33.6% (up 13.3 %pt YoY) | | Amount already allocated FY2022 allocation Total allocation | ¥1,353 million ¥1,687 million ¥3,040 million |
| Green procurement | <ul style="list-style-type: none">● No. of leased EVs: 11 in FY2022 (156 in total, 41.7%) | <ul style="list-style-type: none">● Reduction in CO₂ emissions by electrifying corporate fleet: Approx. 343t-CO₂ a year (Calculated by comparison with the emissions of gasoline-powered vehicles in the same category) | | Amount already allocated FY2022 allocation Total allocation | ¥170 million ¥91 million ¥261 million |
| Energy efficiency | <ul style="list-style-type: none">● No. of LEDs installed for replacement: Approx. 16,000 in FY2022 (172,000 in total) | <ul style="list-style-type: none">● Reduction in CO₂ emissions by switching to LED lighting: Approx. 8,600t-CO₂ a year | | Amount already allocated FY2022 allocation Total allocation | ¥839 million ¥391 million ¥1,230 million |
| Coexistence with local communities | | | | | |
| Socioeconomic improvement and empowerment (Community) | <ul style="list-style-type: none">● No. of tenants operating near Daimaru Kobe in the Former Foreign Settlement in Kobe: 49 in FY2022 | <ul style="list-style-type: none">● Initiatives to revitalize communities<ul style="list-style-type: none">・Kobe Market to introduce and sell attractive local products from Hyogo and Kobe・Traveling sales service using bus waiting areas for long-distance customers (Shinki Bus Cargo and Passenger Consolidation Business)・Local revitalization through collaborative events with companies and organizations using the Old Settlement area● Customer traffic to Daimaru Kobe store: 8,831,000 people | Together with local people, creating prosperous future-oriented communities in which people gather, centering on our stores | Amount already allocated FY2022 allocation Total allocation | ¥3,137 million ¥1,303 million ¥4,440 million |
| Promotion of diversity and inclusion | | | | | |
| Socioeconomic improvement and empowerment (Women/people with a disability) | <ul style="list-style-type: none">● No. of times JFR Women's School was held (4 times in FY2022)● Cost for Mother Recruitment ¥6,551,000 in FY2022 | <ul style="list-style-type: none">● Status of appointment of women to management positions (consolidated) Share of women in management positions in FY2022: 22.2%● No. of participants in JFR Women's School (annual): 33 people in FY2022● No. of people employed through Mother Recruitment (annual): 5 people in FY2022 | Realizing a highly diverse society in which everyone recognizes each other's diversity and flexibly demonstrates his/her individuality | Amount already allocated FY2022 allocation Total allocation | ¥23 million ¥6 million ¥29 million |

〈Status of asset allocation〉 Amount of issue: ¥15,000 million; amount already allocated: ¥11,522 million; amount allocated in FY2022: ¥3,478 million; total amount allocated: ¥15,000 million

→ Environmental Data Social Data Corporate Governance Data

Environmental Data

| | | Boundary | Unit | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | |
|--|---|---|---------------------------------------|-----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Scope 1 greenhouse gas (GHG) | ★ | CO ₂ emissions | Consolidated | t-CO ₂ | 14,548 | 13,824 | 13,074 | 11,170 | 12,368 | 11,958 |
| | | HFC emission | Consolidated | t-CO ₂ | 1,504 | 2,137 | 2,140 | 813 | 1,636 | 1,756 |
| | | Scope1 emissions | Consolidated | t-CO ₂ | 16,052 | 15,961 | 15,214 | 11,983 | 14,004 | 13,714 |
| Scope 2 greenhouse gas (GHG) | ★ | CO ₂ emissions | Consolidated | t-CO ₂ | 178,102 | 166,605 | 147,294 | 120,123 | 108,808 | 96,071 |
| Scope 1+2 greenhouse gas (GHG) | ★ | Scope1 and 2 emissions | Consolidated | t-CO ₂ | 194,154 | 182,566 | 162,508 | 132,106 | 122,812 | 109,785 |
| | | vs. SBT base year FY2017 | Consolidated | % | - | -6.0 | -16.3 | -32.0 | -36.7 | -43.5 |
| Scope 3 greenhouse gas (GHG) | ★ | Scope3 emissions | Consolidated | t-CO ₂ | 2,927,320 | 3,123,238 | 3,782,555 | 2,470,411 | 2,420,492 | 2,761,669 |
| | | vs. SBT base year FY2017 | Consolidated | % | - | - | - | - | -17.3 | -5.7 |
| Scope 1 and 2 greenhouse gas emissions intensity | | Per consolidated sales | Consolidated | t-CO ₂ /¥Million | 0.17 | 0.16 | 0.14 | 0.17 | 0.14 | 0.11 |
| Energy | ★ | Electricity usage | Consolidated | MWh | 333,514 | 328,900 | 327,851 | 288,691 | 305,752 | 305,287 |
| | | City gas usage | Consolidated | MWh | 70,353 | 67,118 | 64,095 | 58,064 | 64,632 | 63,516 |
| | | Gasoline, light oil, heavy oil A, natural gas usage | Consolidated | MWh | 6,888 | 6,379 | 5,537 | 3,083 | 3,165 | 2,292 |
| | | Steam, cold water, hot water usage | Consolidated | MWh | 64,758 | 65,969 | 68,730 | 54,133 | 54,500 | 59,344 |
| | | Total energy usage | Consolidated | MWh | 475,513 | 468,366 | 466,214 | 403,973 | 428,049 | 430,439 |
| Renewable energy | ★ | Usage (purchased/generated) | Consolidated | MWh | 0 | 0 | 13,046 | 29,647 | 62,156 | 102,676 |
| | | Ratio of renewable energy to electricity usage | Consolidated | % | 0.0 | 0.0 | 4.0 | 10.3 | 20.3 | 33.6 |
| | | YoY change | Consolidated | % | - | - | 4.0 | 6.3 | 10.0 | 13.3 |
| Water | ★ | Tap water usage | Consolidated* ² | m ³ | - | 1,317,230 | 1,260,594 | 1,407,531 | 1,719,788 | 1,796,295 |
| | | Groundwater usage | Consolidated* ² | m ³ | - | 480,731 | 452,702 | 459,054 | 570,760 | 613,303 |
| | | Gray water usage | Consolidated* ² | m ³ | - | 136,804 | 125,989 | 198,882 | 158,848 | 151,017 |
| | | Total usage | Consolidated* ² | m ³ | - | 1,934,765 | 1,839,285 | 2,065,467 | 2,449,396 | 2,560,615 |
| | | Emissions* ¹ | Consolidated* ² | m ³ | - | 1,934,765 | 1,839,285 | 2,065,467 | 2,449,396 | 2,560,615 |
| Waste* ³ (including food waste) | ★ | Amount generated | Consolidated* ² | t | 18,532 | 17,202 | 17,597 | 21,694 | 26,637 | 29,855 |
| | | Amount recycled | Consolidated* ² | t | 10,863 | 9,938 | 10,453 | 12,479 | 12,845 | 15,421 |
| | | Final disposal amount | Consolidated* ² | t | 7,669 | 7,264 | 7,144 | 9,216 | 13,792 | 14,434 |
| Food waste* ⁴ | ★ | Amount generated | Consolidated* ⁵ | t | 4,497 | 4,312 | 4,379 | 2,886 | 4,394 | 4,753 |
| | | Amount recycled | Consolidated* ⁵ | t | 2,416 | 2,477 | 2,610 | 1,857 | 3,027 | 3,598 |
| | | Final disposal amount | Consolidated* ⁵ | t | 2,081 | 1,835 | 1,769 | 1,029 | 1,367 | 1,155 |
| Packaging material usage* ⁶ | | Usage | Daimaru Matsuzakaya Department Stores | t | 2,370 | 2,236 | 2,030 | 1,075 | 1,129 | 1,200 |

★ Third-party assurance obtained: Third-party assurance obtained by LRQA Limited (water and waste from FY2020; energy, renewable energy, and food waste from FY2021)

*1 Water emissions are equal to the amount of water used.

*2 Daimaru Matsuzakaya Department Store until FY2019

*3 Waste: General waste, industrial waste, and food waste

*4 The calculation method for food waste was changed, and the data for FY2021 was revised.

*5 Daimaru Matsuzakaya Department Store until FY2020

*6 Weight of wrapping paper, shopping bags, paper bags, plastic food bags, etc.

Environmental Data → Social Data Corporate Governance Data

Social Data

| | Boundary | Unit | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|---------------------------------------|--------|--------|--------|-------|-------|-------|-------|
| Number of employees | Consolidated | People | 10,429 | 10,276 | 9,844 | 9,635 | 8,148 | 7,258 |
| Share of female employees | Consolidated | % | 57.2 | 56.8 | 57.0 | 56.3 | 55.6 | 52.9 |
| Share of women in management positions*1 | ★ Consolidated | % | 14.3 | 14.7 | 16.6 | 19.9 | 21.3 | 22.2 |
| Number of new graduate hires | Consolidated | People | 79 | 94 | 76 | 94 | 68 | 107 |
| Men | Consolidated | People | 36 | 44 | 38 | 41 | 33 | 38 |
| Women | Consolidated | People | 43 | 50 | 38 | 53 | 35 | 69 |
| Share of female new graduate hires | Consolidated | % | 54.4 | 53.2 | 50.0 | 56.4 | 51.5 | 64.5 |
| Employment rate of people with a disability | ★ Consolidated*2 | % | — | 2.21 | 2.21 | 2.21 | 2.66 | 2.93 |
| Number of foreign employees | Consolidated | People | — | 15 | 14 | 40 | 42 | 50 |
| Share of foreign employees | Consolidated | % | — | 0.1 | 0.1 | 0.4 | 0.5 | 0.7 |
| Employee turnover rate*3 | Consolidated | % | 3.6 | 3.3 | 3.9 | 1.9 | 10.5 | 5.3 |
| Involuntary turnover rate | Consolidated | % | 0 | 0 | 0 | 0 | 0 | 0 |
| Number of employees taking childcare leave | ★ Consolidated*4 | People | 175 | 203 | 161 | 139 | 88 | 75 |
| Return rate of women after childcare leave | ★ Consolidated*5 | % | 93.0 | 97.4 | 89.5 | 94.4 | 95.3 | 93.4 |
| Paternity leave usage rate | ★ Consolidated | % | — | — | — | 18.8 | 43.6 | 68.0 |
| Number of employees working shorter hours for childcare | Daimaru Matsuzakaya Department Stores | People | 137 | 166 | 157 | 209 | 304 | 298 |
| Number of employees taking long-term caregiver leave | Daimaru Matsuzakaya Department Stores | People | 2 | 10 | 3 | 2 | 5 | 8 |
| Number of employees taking short-term caregiver leave | Daimaru Matsuzakaya Department Stores | People | 31 | 42 | 30 | 30 | 4 | 40 |
| Number of employees working shorter hours for caregiving | Daimaru Matsuzakaya Department Stores | People | 0 | 1 | 0 | 0 | 1 | 4 |
| Percentage of employees earning minimum wage by region*6 | Daimaru Matsuzakaya Department Stores | % | 0 | 0 | 0 | 0 | 0 | 0 |
| Health examination participation rate | Daimaru Matsuzakaya Department Stores | % | 99.7 | 99.9 | 99.6 | 100 | 99.8 | 100 |
| Stress check response rate | Daimaru Matsuzakaya Department Stores | % | 95.9 | 96.4 | 96.5 | 97.4 | 97.1 | 96.3 |
| Number of labor accidents (work accidents) | Consolidated*7 | Cases | 40 | 38 | 68 | 81 | 51 | 40 |
| Number of labor accidents (commutation accidents) | Consolidated*7 | Cases | 26 | 17 | 23 | 38 | 31 | 31 |
| Number of fatalities at works | ★ Consolidated | People | — | 0 | 0 | 0 | 0 | 0 |
| Number of harassment cases | Consolidated | Cases | 14 | 22 | 50 | 40 | 37 | 47 |
| Number of usages of JFR Group Compliance Hotline | Consolidated | Cases | 28 | 24 | 36 | 24 | 46 | 49 |
| Data security: Number of data breaches*8 | Consolidated | Cases | 0 | 0 | 0 | 0 | 0 | 1 |

★ Third-party assurance received from LRQA Limited. (Have received assurance for social data since 2021.)

*1 Manager level or above

*2 As of June each year, special exception scope for affiliates.

*3 Number of employees who retired during the fiscal year/Number of employees at the beginning of the fiscal year x 100%.
(The number of retired employees excludes those who retired due to mandatory retirement age, transfer, or appointment as an officer.)

*4 Daimaru Matsuzakaya Department Stores until FY2020. (Number of employees taking childcare leave continuously after the year of childbirth.)

*5 Daimaru Matsuzakaya Department Store until FY2020.

*6 Grade 1 and 2 dedicated employees paid according to a wage table by region.

*7 Daimaru Matsuzakaya Department Store until FY2018.

*8 Confidential information breaches and personal data breaches.

Corporate Governance Data

| | Unit | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--|--------|------|------|------|------|------|------|------|
| Directors | People | 13 | 13 | 13 | 13 | 12 | 10 | 11 |
| Men | People | 12 | 11 | 11 | 12 | 9 | 7 | 8 |
| Women | People | 1 | 2 | 2 | 1 | 3 | 3 | 3 |
| Independent Outside Directors | People | 5 | 5 | 6 | 6 | 6 | 6 | 7 |
| Men | People | 4 | 3 | 4 | 5 | 4 | 4 | 5 |
| Women | People | 1 | 2 | 2 | 1 | 2 | 2 | 2 |
| Share of Independent Outside Directors | % | 38.5 | 38.5 | 46.2 | 46.2 | 50.0 | 60.0 | 63.6 |
| Combined Directors and Executive Officers | People | 5 | 5 | 4 | 4 | 4 | 2 | 2 |
| Share of combined Directors and Executive Officers | % | 38.5 | 38.5 | 30.8 | 30.8 | 33.3 | 20.0 | 18.2 |
| Share of female Directors | % | 7.7 | 15.4 | 15.4 | 7.7 | 25.0 | 30.0 | 27.3 |



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