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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 mediumterm 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-

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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

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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.