

Sustainability

Priority Initiative 2 Connecting a Sustainable Society and the Times

Concept

The impact on our business of environmental issues, especially the recent risk of disasters associated with climate change, and risks involving human rights in society, has been increasing year by year. In order to overcome such social issues and help create a sustainable society for the future, the Isetan Mitsukoshi Group is committed to reducing its environmental impact, including reducing greenhouse gas emissions and recycling resources. In addition, we will engage in procurement activities that take into consideration environmental and human rights issues, and provide safe and secure products and services.

Initiatives

◆Supply chain management	◆Achieving a carbon-neutral society
Efforts in the 4Rs toward a Recycling-Oriented Society ...P.40	Working to Achieve a Carbon-Neutral SocietyP.42
Responsible ProcurementP.41	Response to Climate Change and Information Disclosure According to the TCFD RecommendationsP.43

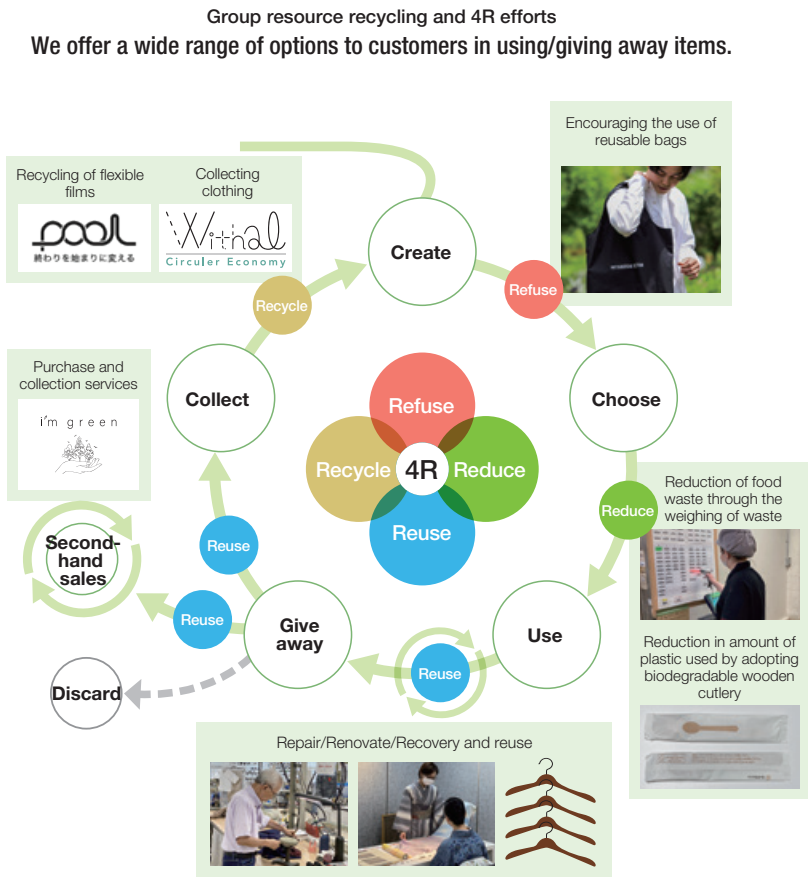
Efforts in the 4Rs toward a Recycling-Oriented Society

Mass production, mass consumption, and mass disposal have brought about a range of negative externalities, including climate change. To overcome these issues and build a sustainable society, we must make the transition to a recycling-oriented society. In addition, these issues are attracting increasing interest from customers and other stakeholders.

The Isetan Mitsukoshi Group is working to reduce its environmental impact, create new opportunities for services, and reduce costs through initiatives aimed at creating a recycling-oriented society.

4R=Refuse/Reduce/Reuse/Recycle

Refuse	We provide customers with choices that have been tailored to their individual purpose. Reduce total packaging materials by refusing shopping bags, opting for smart wrapping and online receipts, etc.
Reduce	We reduce the amount of waste by reviewing production and ordering processes. Achieving appropriate inventory through sales on orders, reducing the amount of plastic items, etc.
Reuse	We propose lifestyles that use products carefully over a long period of time. Repair and remake, repurchase and redistribute clothing, etc.; collect and reuse of hangers, etc.
Recycle	Instead of burning waste, we turn it into new resources. In addition to converting left-over food from stores into feed, fertilizer, and fuel, we are also involved in the material recycling of flexible films, collect secondhand clothing from customers, make original bags from recycled fiber, etc.



Responsible Procurement

In its corporate philosophy our Group pledges to always choose sound procurement methods and fulfill its social responsibilities. To this end, we are working with our partners to build a sustainable supply chain that takes human rights and environmental issues into consideration.

To date, we have established the Isetan Mitsukoshi Group Human Rights Policy and the Isetan Mitsukoshi Group Procurement Policy, both in FY2018. In January 2022, we launched a supply chain working group to discuss how we can contribute to solving social issues in the supply chain. In FY2023, we decided on a policy based on discussions held in this working group, and are implementing the following initiatives.

Initiatives for FY2023	Target for FY2024
① Training for employees on supply chain management ② Notification and dialogue with business partners regarding the Isetan Mitsukoshi Group Code of Conduct for Business Partners ③ Construction of a human rights due diligence process	◆ Disclose and explain Isetan Mitsukoshi Group Procurement Policy to all business partners and encourage the holding of dialogues on information sharing and resolution ◆ Establish solid human rights due diligence processes

Overhaul of Policies

◆April 2023: Revised the Isetan Mitsukoshi Group Human Rights Policy and the Isetan Mitsukoshi Group Procurement Policy

We updated statements on social issues to be addressed by the Group in light of changing social trends, in addition to references to international norms and domestic and international guidelines.

◆June 2023: Established the Isetan Mitsukoshi Group Code of Conduct for Business Partners

We established this policy to specify items that we would like our business partners to address in order to implement sustainable procurement activities, and ask for their cooperation in this regard. This information is disclosed on our website and is being disseminated to all our stakeholders.

Isetan Mitsukoshi Group Sustainability Policy <https://imhds.disclosure.site/en/themes/197#1255>



◆Dissemination of policies to employees

We conducted training through e-learning to ensure that employees understand the contents of the updated policies, and are able to put the policies into practice in procurement activities, etc. Training resources explain the background of the need for responsible procurement, the initiatives our Group is involved in, and the importance of employees having a sense of awareness of these policies.



Conduct e-learning for employees

Communication with business partners

◆Notification of Isetan Mitsukoshi Group Code of Conduct for Business Partners

To elicit the understanding and participation of our business partners, we have sent the Code of Conduct for Business Partners and explanatory materials to approximately 6,000 companies, mainly those involved in the department store business, the main business of our Group.

◆Engage in dialogue with business partners

Buyers, mainly from the Isetan Shinjuku Main Store and the Mitsukoshi Nihombashi Main Store, hold dialogue with business partners. This dialogue is aimed at promoting understanding of our policies, helping us to better grasp the situation of business partners, and working with them to build a relationship that can respond to social issues that can affect supply chains.



Seminar for buyers on dialogue with business partners

Going forward, we plan to conduct a questionnaire on procurement among our major business partners to monitor the degree of penetration of our policies and the progress of their initiatives. Based on the analysis of the questionnaire results and dialogue, we will determine the order of priority of risks in the supply chain that should be addressed by the Group, which will help us to implement human rights due diligence and promote initiatives to realize responsible procurement activities.

Sustainability

Working to Achieve a Carbon-Neutral Society

The Isetan Mitsukoshi Group is working toward its Long-term Environmental Targets goal of achieving virtually zero greenhouse gas emissions by 2050, and is taking measures to combat climate change based on the three pillars of energy conservation, energy creation, and renewable energy.

We are further promoting energy conservation efforts at all Group companies by actively adopting new technologies while shifting investment priorities on the long-term, medium-term, and short-term time frames of our long-term maintenance plan. We also believe that the stable procurement of electricity and other energy sources is a very significant risk. As such, along with efforts to create energy and switch to renewable energy sources, we will work to strengthen our resilience.

Progress and Initiatives in FY2023

Greenhouse gas emissions
(under third-party verification)

FY2022 preliminary results (vs. FY2013) **Down 44.81%**

Our Group's efforts to combat climate change are centered on the three pillars of energy conservation, energy creation, and renewable energy. In addition to energy creation, the facilities for which will become fully operational in FY2023, we will focus on energy conservation, an effective way to reduce energy and greenhouse gas emissions.

Initiatives

● Conversion to LED lighting in back offices of department stores

● Introduction of AI smart air-conditioning system at Isetan Shinjuku Main Store

● Change to high-efficiency equipment through our long-term maintenance

● Promotion of energy creation on roof of Isetan Mitsukoshi Logistics Center (Tokorozawa)

Initiatives

● Energy creation

Following on from Isetan Shinjuku Main Store and Mitsukoshi Ginza Store, we commenced an initiative to create energy using the rooftop of Isetan Mitsukoshi Logistics Center (Tokorozawa City, Saitama Prefecture) in February 2023. We plan to generate a quarter of the electricity used at the Logistics Center. By taking this step, we expect to reduce approximately 230 tons of CO₂ per year.

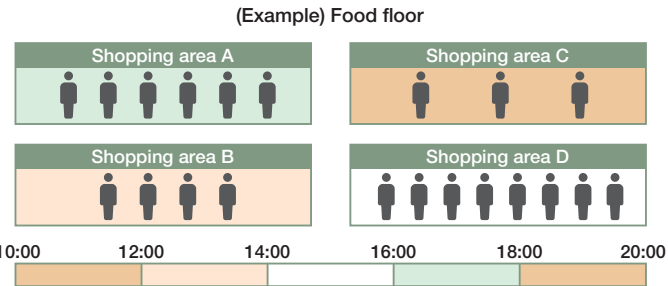


Solar power generation through on-site PPA on the roof of Isetan Mitsukoshi Logistics Center

● Energy conservation

At the Isetan Shinjuku Main Store, we are working to introduce an AI smart air-conditioning system to reduce annual energy consumption for air conditioning on each floor by 50% compared to the previous system.

We will gradually expand this system after completing the tests to verify its effectiveness on the basement food floor.



AI analyzes congestion and time of day, and adjusts the air conditioning environment to suit each sales floor



Environmental measurement sensors, Isetan Shinjuku Main Store
Left: CO₂ sensor Right: Temperature and humidity sensor

Response to Climate Change and Information Disclosure According to the TCFD Recommendations

The Isetan Mitsukoshi Group regards action on climate change as an important issue for continuous operation of our business. In FY2018, the Group identified Priority Initiatives (Materialities) for helping realize a sustainable society through its business. In FY2021, we have declared our support for the Task Force on Climate-related Financial Disclosures (TCFD), and make disclosures in accordance with this framework.



Governance	Important matters concerning sustainability are discussed and resolved by the Board of Executive Officers, and then reported to the Board of Directors. The Sustainability Promotion Meeting, chaired by the CEO, checks the progress of initiatives and spreads awareness of them throughout the Group. In addition, the Sustainability Promotion Section Meeting, chaired by the CAO (concurrently CRO and CHRO),* has been established to examine specific measures to be taken for each issue. Furthermore, six working groups have been established under the umbrella of the Sustainability Promotion Section Meeting to enhance the effectiveness of our efforts. <small>CAO: Chief Administrative Officer CHRO: Chief Human Resource Officer</small>
Strategy	We envisioned a world where temperatures have risen by 4°C, representing an extension of the current situation where climate change countermeasures have not progressed as far as expected, and a world where temperatures have risen by less than 2°C, indicating that climate change countermeasures have progressed and the goals of the Paris Agreement have been realized. In our analysis of the scenarios, we have made reference to several existing scenarios.
Risk management	We evaluate, analyze, and decide how to deal with both the climate-change risks and opportunities of individual processes. In addition, risks and opportunities related to climate change are discussed at the Sustainability Promotion Meeting and Sustainability Promotion Section Meeting, and are shared with each company and division.
Indicators and targets	We have set out two indicators for managing climate-change-related risks and opportunities: Scope 1 and 2 greenhouse gas emissions, and the ratio of renewable energy introduction. 2030: 50% reduction in greenhouse gas emissions from 2013 levels Ratio of renewable energy introduced (Percentage of electricity used at domestic department store business) 60% 2050: Virtually zero greenhouse gas emissions Ratio of renewable energy introduced (Percentage of electricity used at domestic department store business) 100%

The world in 2030		Impact on business operation	Average global temperature rise	
			Less than 2°C	4°C
Risks	Physical risks	Extreme and abnormal weather events ■ Financial risk of loss incurred due to Group stores being damaged by extreme weather events ■ Risk of reduced sales due to stores being unable to operate because of typhoons and other weather events ■ Risk of reduced sales because products cannot be procured due to disruption of the supply chain	▼▼	▼▼▼
	Transitional risks	Advancement of global warming ■ Risk of reduced sales of cold protection and other goods ■ Risk of reduced sales due to reduced customer traffic as consumers avoid going out in the heat	▼	▼▼▼
		Introduction of carbon pricing ■ Increase of energy costs ■ Additional capital expenditure and other costs required for reducing greenhouse gas emissions ■ Increase of product procurement costs	▼▼▼	▼▼
Opportunities	Changes in consumer behavior	■ Rise in interest in environmentally conscious consumption and responses to that rise	△△△	▼
	Achievement of energy conservation	■ Financial effect of reduced energy costs	△△	△
	Evaluation of corporate value	■ Improved reputation among stakeholders and the public by striving to become an environmentally friendly business	△△	△

▼: Increase of business risk △: Increase of business and revenue opportunities

Scenarios referenced

Scenario title	Publisher	Scenario title	Publisher
Representative Concentration Pathway 8.5/2.6°C-4.8°C	IPCC 2015	Beyond 2°C Scenario	IEA
Stated Policies Scenario	WEO	Representative Concentration Pathway 2.6/0.3-1.7°C	IPCC 2014
Reference Technology Scenario	IEA	World Energy Outlook	IEA
Sustainable Development Scenario	WEO	Recommendations on Flood Control Planning in Light of Climate Change	MLIT