Materiality　→　Process for Materiality Updates

Process for Materiality Updates

JFR strives to build relationships of trust with our stakeholders (customers, shareholders, business partners, employees, local communities, etc.) through our business activities and is actively working to resolve sustainability issues including environmental and social issues based on the spirit of our Corporate Credo, the Basic Mission Statement, and Group Vision.
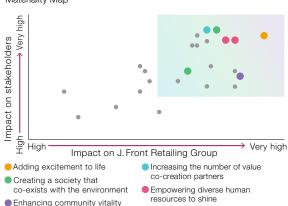
In clarifying the relationship between environmental and social issues and the Group's business activities, we have identified materialities that contribute to the "sustainable growth of the company and society" and to the realization of a "sustainable society." After identifying them for the first time in 2018, we review them at the time of formulating medium-term business plans, taking into account the JFR Group material risks and business environment. ∗Risk links of extreme importance to the Company's group management over the medium-term　　📄 P.55 List of Corporate Risks

At the time of formulating this medium-term business plan, we clarified the positioning of sustainability and our efforts regarding the issue since 2018. The following perspectives were reviewed while backcasting from our vision of society in 2030, identifying five materialities after discussions at the Group Management Meeting and the Board of Directors meeting.

Changes in the business environment surrounding the Company

Consumption	• Generational shift in the customer base, advance of globalization (inbound demand, etc.) • Growing desire for "connections through empathy, support, and trust" that revive the soul • Further raise in awareness of "circulation" from the cycle of production and consumption
Market	• Declining population and growing income inequality in Japan • Renewal of urban functions and the progression of consolidation and urban development • Decline in number of key players in regional economies, increased interest in unique regional traditions and cultures
Society	• Progress of climate change and other environmental issues, emergence of geopolitical risks • People and communities becoming less connected, growing digital communities • Deepening labor shortages, greater emphasis on self-realization and social contribution in choosing a job

Materiality Map

Impact on stakeholders (Very high ← High)
Impact on J. Front Retailing Group (High → Very high)

- 🟠 Adding excitement to life
- 🟢 Creating a society that co-exists with the environment
- 🟣 Enhancing community vitality
- 🔵 Increasing the number of value co-creation partners
- 🔴 Empowering diverse human resources to shine

Changes in Materiality

2018−2020	2021−2023	2024−2026
Laying the Foundation for Sustainability Management	**Challenging to Integrate Sustainability and Strategy = Sowing the Seeds for Realizing CSV**	**Integration of Sustainability and Business Strategy = Realizing CSV**
	Realization of customers' healthy/safe/secure life	Adding excitement to life
Contribution to a low-carbon society	Realization of a decarbonized society	Creating a society that co-exists with the environment
	Promotion of circular economy	
Coexistence with local communities	Coexistence with local communities	Enhancing community vitality
Management of the entire supply chain	Management of the entire supply chain	Increasing the number of value co-creation partners
Promotion of diversity	Promotion of diversity & inclusion	Empowering diverse human resources to shine
Realization of work-life balance	Realization of work-life integration	

Selected 5 materialities	**Added 2 materialities and updated 3 materialities**	**Reorganized into 5 themes**
• Questionnaire survey of stakeholders (4,250 people) • Interview with management • JFR Group major risks • Prepared materiality map • Discussion by the Management Meeting and Board of Directors	• Changes in the external environment surrounding environmental issues • Changes in society and people's attitudes due to impact of COVID-19 pandemic • JFR Group major risks • Reviewed from the perspective of upgrading efforts in light of social changes • Communications with stakeholders • Discussed by the Management Meeting and the Board of Directors	• Reorganization toward realization of the 2030 Future Vision (Co-creation of Excitement, Co-prosperity with Communities, Co-existence with the Environment) • JFR Group major risks • Review toward integrating sustainability and business strategy • Revision of wording to promote employee action • Communication with stakeholders • Discussed by the Management Meeting and the Board of Directors