

Sustainability Initiatives

The Company newly formulated the “Sustainability Policy” and identified “materiality” after discussions at the Management Meetings and the Board of Directors meetings. Based on the premise that the medium- to long-term quantitative goals will be set, we have decided to formulate and release a specific action plan around October 2018 to achieve them.

In this Integrated Report, we show the five materiality issues selected by the Company and the process to identify these issues and the direction of future specific actions as well as reporting our past sustainability activities.

Sustainability Policy

With People, with Local Communities, with Environment to Realize New Happiness in Sustainable Society and Life

The society where we live, whether in Japan or overseas, faces various social issues including unusual weather, water resource crisis, resource depletion, widening gap, incomplete employment and human rights issues. Among them, environmental risks have been getting particularly remarkable in recent years. The environment surrounding us is changing significantly due to global warming and worsening global environment. Companies are increasingly expected to contribute to sustainable society including actions to address climate change under the Paris Agreement and social issues covered by the “Sustainable Development Goals (SDGs)” adopted by the United Nations as part of global initiatives. It is essential for companies to tackle environmental, social and governance (ESG) issues.

In the meantime, Daimaru and Matsuzakaya, which are the foundations of J. Front Retailing Group, have conducted business activities under the corporate credos “Service before profit” and “Abjure all evil and practice all good,” which show their commitment to pursuing the right path, over their long histories of 300 and 400 years. Based on this, we newly developed the Vision “Create and Bring to Life ‘New Happiness.’” And we always think of each and every customer’s life and conduct business activities to make their futures happy.

We have many places where we communicate with customers, including retail stores. Various people including customers, employees, business partners and local people get together and meet there. Local communities in which people root assume an important role in keeping these communication places rich. And we believe it is important to hand down the irreplaceable global environment that supports all to the next generation smoothly so that local communities will continue forever as contact points always filled with vitality. That is to say, it is important to keep communication places in order to create and bring to life new happiness, which we aim to realize. And this cannot be realized without a sustainable society.

We defined the places for communicating with customers as a focus area of J. Front Retailing’s sustainability management and we will unite and make proactive and serious efforts to realize a sustainable society. To this end, we have received various opinions from stakeholders through questionnaires and have had many discussions at the Management Meetings and the Board of Directors meetings since last year. As a result, we identified five materiality issues to be addressed by us including “contribution to a low-carbon society,” “management of the entire supply chain,” “coexistence with local communities,” “promotion of diversity” and “realization of work-life balance.” We believe our efforts to address these materiality issues will contribute to achieving the global “Sustainable Development Goals (SDGs).” Among these five materiality issues, the management team put the greatest focus on “contribution to a low-carbon society (action on climate change),” which is an urgent issue. We are addressing this issue as the mission of a member of society and working on developing the “JFR Eco Vision” with an eye to 2050 to help realize a sustainable society. Based on this vision, we will aim to achieve both the resolution of environmental issues and corporate growth.

As mentioned above, we will meet our environmental and social responsibilities to all customers to realize a sustainable society, and as a Multi Service Retailer, we will create new happiness to be brought to each and every stakeholder’s life. At the same time, we will continue sustainable growth by strengthening corporate governance to tirelessly continue this initiative.



Process to identify materiality

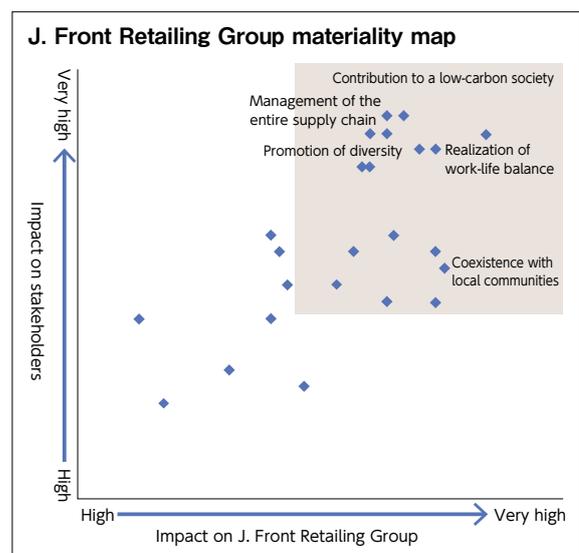
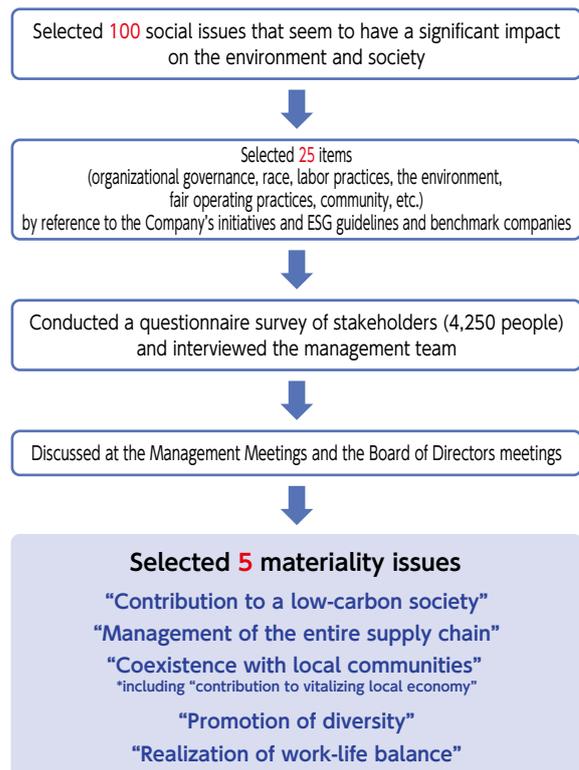


We strive to build a relationship of trust with all stakeholders (customers, shareholders, business partners, employees, local communities, etc.) through business activities and actively address sustainability issues including environmental and social issues based on the spirit of the Corporate Credo, the Basic Mission Statement and the Group Vision in order to achieve the Group's sustainable growth and medium- to long-term enhancement of corporate value.

With the aim of further deepening these efforts, we identified materiality that contributes to the realization of "sustainable growth of companies and society" and "sustainable society" in the process of clarifying the relationship between business activities and social issues.

Specifically, firstly, we selected 25 candidate materiality issues from the perspectives of: (i) the environmental/social issues that are meaningful for us to address and can produce results and (ii) the issues we can tackle using our core businesses. Secondly, we conducted a questionnaire survey of 4,250 stakeholders on these 25 issues to secure objectivity and diversity. And based on the results of the survey in which the GRI Standards (GRI: Global Reporting Initiative, a nonprofit organization that develops international sustainability guidelines), the assessment items of ISO 26000 and SRI (Socially Responsible Investment), SDGs (Sustainable Development Goals)* and review by the President are reflected and after discussions at the Management Meetings and others within the Company, we developed a materiality map. And finally, we narrowed down the list of materiality issues to and formally determined five items at the Board of Directors meetings.

Concerning these materiality issues, we will set long-term goals to be achieved and formulate an action plan to contribute to resolving social issues through business activities and develop as a company.



Five priority materiality issues to be addressed by J. Front Retailing



1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIP FOR THE GOALS	SUSTAINABLE DEVELOPMENT GOALS

***SDGs (Sustainable Development Goals)**

Global goals for the period from 2016 to 2030, which are included in the “2030 Agenda for Sustainable Development” adopted at the United Nations summit in September 2015. They contain 17 goals with 169 targets including “climate action,” “good health and well-being,” “gender equality” and “decent work and economic growth” and pledge to leave no one behind.

Materiality principles and specific actions

 <p>Contribution to a low-carbon society</p>	<p>Principles We will aim to contribute to preventing global warming and air pollution and make the global environment sustainable by developing the long-term environmental vision and working by ourselves to reduce energy consumption, increase the efficiency of energy use and use renewable energy and working with business partners to achieve zero emissions.</p> <p>Specific actions</p> <ul style="list-style-type: none"> Reduction of energy consumption <ul style="list-style-type: none"> Installing LED lighting in stores, rooftop greening, paperless operations, promoting telework, etc. Shift to low-carbon energy <ul style="list-style-type: none"> Shift to renewable energy in directly managed stores Energy shift <ul style="list-style-type: none"> Shifting company cars to electric cars Other <ul style="list-style-type: none"> Reducing and recycling food waste Expanding ethical consumption and promoting awareness activities
 <p>Management of the entire supply chain</p>	<p>Principles We will enhance the corporate values of both the Company and its suppliers by fulfilling social responsibilities and promoting environment-friendly initiatives at the entire supply chain to eliminate risks at the entire supply chain and providing the products that customers can use pleasantly and securely in terms of society and the environment.</p> <p>Specific actions</p> <ul style="list-style-type: none"> Supply chain policy <ul style="list-style-type: none"> Developing and sharing supply chain initiatives to address social issues including human rights, the environment and safety and security Promoting initiatives with the suppliers who agree to the policy Evaluating the CSR of suppliers CSR for procurement and delivery <ul style="list-style-type: none"> Working with suppliers to promote the improvement of fuel efficiency and the reduction of delivery frequency in the entire business activity including product procurement
 <p>Coexistence with local communities</p>	<p>Principles We will aim to contribute to revitalizing the area and grow with local communities over the medium to long term by combining the realization of sustainable society and the realization of pleasant shopping unifying stores and communities in the area through coexistence with local communities to increase the appeal of the area.</p> <p>Specific actions</p> <ul style="list-style-type: none"> Urban Dominant Strategy <ul style="list-style-type: none"> Increasing the appeal of the area by developing shops around a store as its core Enhancing the strength of area brand by realizing services through collaboration between stores and areas Contribution to vitalizing local economy <ul style="list-style-type: none"> Promoting initiatives to revitalize the area using know-how to operate a retail business (e.g. expansion of products produced locally for local consumption) Other <ul style="list-style-type: none"> Supporting post-disaster recovery Promoting industry-government-academia partnership that contributes to the development of the area and human resource development
 <p>Promotion of diversity</p>	<p>Principles Realizing a company in which people with different cultures and customs, ages, genders and disabilities exist together and diversity is respected and accepted as a source of growth, J. Front Retailing Group will make contact points with various stakeholders diverse and attractive.</p> <p>Specific actions</p> <ul style="list-style-type: none"> Diversity initiatives <ul style="list-style-type: none"> Developing diversity policy Developing a policy to address women's empowerment, LGBTs, people with disabilities, etc. and providing trainings Improving systems to receive employees (improvement of the work environment) Increasing the ratio of women in leadership positions Providing seniors with opportunities to take active roles and revising or abolishing the retirement benefit scheme Lifting the ban on second jobs and side jobs Respect for human rights <ul style="list-style-type: none"> Developing human rights policy, providing in-house trainings and installing service environment equipment (e.g. the one to cater to LGBTs)
 <p>Realization of work-life balance</p>	<p>Principles With the aim of realizing true work-life balance that meets changes in lifestyles and diversified values, J. Front Retailing Group will innovate work styles using technologies, streamline operations, shift to creative operations and realize the work environment in which employees and their families feel happy.</p> <p>Specific actions</p> <ul style="list-style-type: none"> Promoting work-life balance <ul style="list-style-type: none"> Work style reform including the institutionalization of homeworking and remote working using IoT, etc. Improving operations and promoting RPA at each operating company Expanding support for the work styles of employees with small children regardless of gender (developing a paid child care leave system and a system to secure replacement workers) Developing a nursing care leave system Employee healthcare <ul style="list-style-type: none"> Formulating a "plan for realizing health and productivity management" and establishing PDCA cycle



Planning to set the medium- to long-term quantitative goals to be achieved around October 2018