

J. Front Retailing Group’s Approach to Sustainability Management

The Group has encountered numerous crises over its 300- to 400-year history. Each time, we returned to our Corporate Credo, “Service before Profit” and “Abjure All Evil and Practice All Good,” conducting our business activities honestly while quickly responding to the changing needs of our customers and society. This forms the foundation of our Group’s current management. Companies cannot develop unless they coexist with society. Today, it is essential for management to take an even longer-term perspective and envision what the company should be for the future, a company with enduring social

relevance and purpose. We cannot conduct business activities while ignoring issues such as the environment, society, and human rights. By incorporating the concept of sustainability, which aims to resolve these challenges, into our corporate and business strategies, we believe we can establish a sustainable management framework for future growth. Guided by our Corporate Credo, we place sustainability at the core of our management, and by working to resolve social issues through our business activities, we aim to achieve both social and economic value.



Materiality Centered on Co-Creation

The Company maintains numerous points of contact with our customers, including our retail stores. These places bring together people from diverse backgrounds and create opportunities for connection and interaction. To ensure that these spaces remain vibrant, the local communities, where our people are rooted, play an essential role. We also believe that, for these communities to remain vibrant and enduring hubs of engagement, it is vital that the irreplaceable global environment on which all life and economic activity depend be passed on intact to future generations.

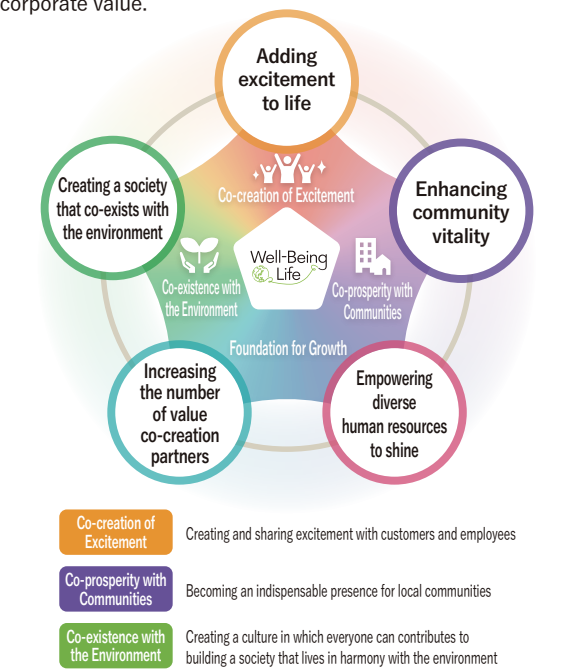
Guided by this belief, we formulated our Sustainability Policy in 2018: “With people, with local communities, with the environment to realize a sustainable society and new happiness in life.”

From 2018 to 2023, under this policy, we strengthened the foundations of our sustainability management by establishing governance structures and formulating key policies. We also identified our material issues and enhanced initiatives to address environmental and social challenges. In addition, from a CSV (Creating Shared Value) perspective, we advanced efforts to strengthen existing businesses and develop new business opportunities.

Through the steady implementation of initiatives within our business activities, we came to recognize the limitations of acting alone. Sustainability issues are shared by many people and organizations. As a result, we concluded that meaningful solutions and greater social impact can be achieved through “co-creation,” which means working together with stakeholders to create value, rather than through “competition.”

Accordingly, under our current medium-term business plan launched in 2024, we reassessed our materiality with co-creation at its core. By advancing materiality initiatives in tandem with our business strategy, we will work alongside our employees, customers, business partners, and local communities to deliver three core values to society: Co-creation of Excitement, Co-prosperity with Communities, and Co-existence with the Environment.

Through sustainability management that balances social and economic value, we will continue to create new business opportunities, achieve sustainable growth, and enhance our corporate value.



Materiality	Commitment (Our Vision)
Adding excitement to life	Amidst diversifying values, we will provide places and spaces for new encounters with goods and things that stir people’s hearts, and propose Well-Being and future lifestyles that are fulfilling and exciting for every consumer.
Enhancing community vitality	We will strengthen ties with local areas, including our seven key areas, and work with local communities, governments, NPOs, and others to enhance local vitality and conduct sustainable urban development. In addition, by discovering and communicating the appeal of the community, we will offer new and exciting experiences for people who gather there.
Creating a society that co-exists with the environment	To achieve the 2050 net zero target, we will work toward both decarbonizing the entire supply chain and promoting a circular economy. At the same time, we will provide opportunities for everyone to contribute to the creation of a sustainable society, not only through our independent efforts, but also by working with our value co-creation partners.
Increasing the number of value co-creation partners	We will share our thoughts and ideas on sustainability with others and establish a partner foundation to create the values of “Co-creation of Excitement,” “Co-prosperity with Communities,” and “Co-existence with the Environment” along with fulfilling our social responsibilities, such as human rights due diligence, toward the realization of a sustainable society.
Empowering diverse human resources to shine	We will realize the sustainable growth of our human resources and the company by creating an environment and structure, including diversity, equity, and inclusion, and work-life integration, that enables each employee to play an active role and maximize their intention, motivation, and ability.

Revision of Materialities

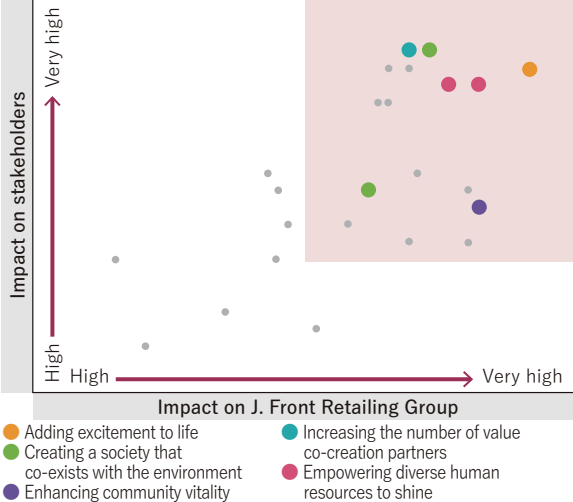
We have identified themes contributing to the realization of “sustainable growth for both business and society” and “a sustainable society” as materialities (important issues) while clarifying the relevance between environmental and social issues and the Group’s business activities. Since 2018, we have reviewed them each time we formulate a new Medium-term Business Plan. In

formulating the medium-term business plan that began in FY2024, we conducted a review based on the JFR Group’s key risks and changes in the social and business environment, with the aim of integrating our materiality initiatives into our business strategy so that they not only address challenges but also contribute to corporate growth. As a result, we identified five themes.

Changes in the environment surrounding the Group

Consumption	- Generational shift in the customer base, advance of globalization (inbound tourist 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 shortage, greater emphasis on self-realization and social contribution in choosing a job

Materiality Map



Changes in materialities

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 coexists 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	
Identified five materialities	Added two materialities and updated three materialities	Reorganized into five themes
- Questionnaire survey of stakeholders (4,250 people) - Interview with management - Discussion topics in the Management Meeting and the Board of Directors - Important risks of JFR Group - Materiality map preparations	- Discussion topics in the Management Meeting and the Board of Directors - Changes in the external landscape surrounding environmental challenges - Changes in society and people's attitudes due to impact of COVID-19 pandemic - Important risks of JFR Group - Enhancing initiatives in light of social changes - Communications with stakeholders	- Reorganization toward realization of the 2030 Future Vision (Co-creation of Excitement, Co-prosperity with Communities, Co-existence with the Environment) - Discussion topics in the Management Meeting and the Board of Directors - Important risks of the JFR Group - Integration of sustainability and business strategy - Wording to encourage employee action - Communications with stakeholders

Materialities and targets

Materiality	Output	Metrics		Results		Target	
				FY2024	FY2025	FY2026	FY2030
Adding excitement to life	High-quality products and services Engaging and inspiring content	Number of Group member customers (vs. FY2023)		15.7% increase	32.5% increase	25% increase	*1
		Customer survey (Excitement/emotional engagement)		Baseline survey	70.5%	—	75%
Enhancing community vitality	Vibrant city life Revitalization of local communities	Customer traffic (vs. FY2023)		5.4% increase	8.8% increase	10% increase	*1
		Customer survey (Contribution to the community)		Baseline survey	92.9%	—	80%
Creating a society that co-exists with the environment	Reduction of GHG emissions Circular business models	Reduction of GHG (vs. FY2017)	Scope 1 & 2	-65.4%	-69.5%	-70%	-73%
			Scope 3	-23.2%	-23.8%	—	-40%
		Percent of energy used in business activities from renewable electricity		67.2%	75.2%	72%	75%
		Food recycling rate		88.3%	92.9%	80%	85%
		Percentage of newly developed properties with environmental certification		No matching properties	No matching properties	—	100%
		Customer survey (Customer commitment to the environment)		Baseline survey	63.8%	—	55%
Increasing the number of value co-creation partners	Broad cross-sector partnerships Sustainable supply chains	Number of stakeholder co-creations		351	371	over 400	over 500
		Human rights assessment results		Dialogue based on FY2023 Results (112 companies) Web seminar held (63 companies participated)	Business partner information briefing (233companies/ 336 participants)	35% (B rating or higher)	45% (B rating or higher)
Empowering diverse human resources to shine	Workplace comfort and job satisfaction	Employee engagement	Employee satisfaction	68.9%	68.3%*2	70%	Set based on achievement status in FY2026
			Work recommendation level	59.9%	62.0%	60%	
		Ratio of women in management positions		26.2%	27.7%	31%	40%
		Gender wage gap	All employees	66.5%	65.1%	Narrowing of difference*3	Set based on achievement status in FY2026
			Regular employees	75.0%	74.0%		
			Non-regular employees	75.5%	69.2%		
Paternity leave usage rate		132.5%	95.5%	95%			

*1 To realize our materiality, we will consider metrics and targets that can be more closely linked to our business strategy.
*2 Beginning in FY2025, following the introduction of a new employee survey, employee satisfaction is measured with the question item “Satisfaction (Sense of Achievement Derived from Work).”
*3 The gender pay gap for FY2023 was as follows: 65.3% for all employees, 74.4% for regular employees, and 72.7% for non-regular employees.