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ESG Presentation

Sustainability Management of J. Front Retailing Group

November 25, 2020

J. Front Retailing Co., Ltd.

YOSHIMOTO Tatsuya

Director, President and Representative Executive Officer

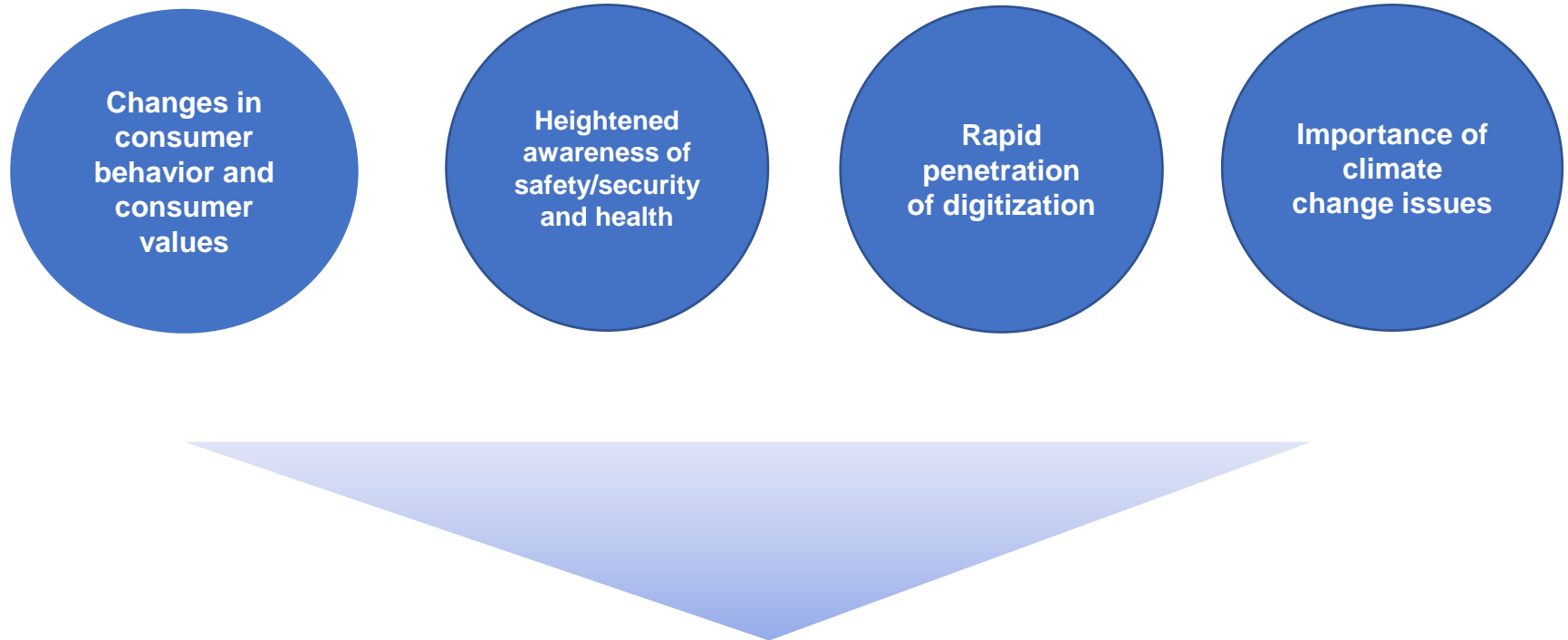
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- Full-scale synergy creation with Parco, which became a wholly owned subsidiary in March 2020

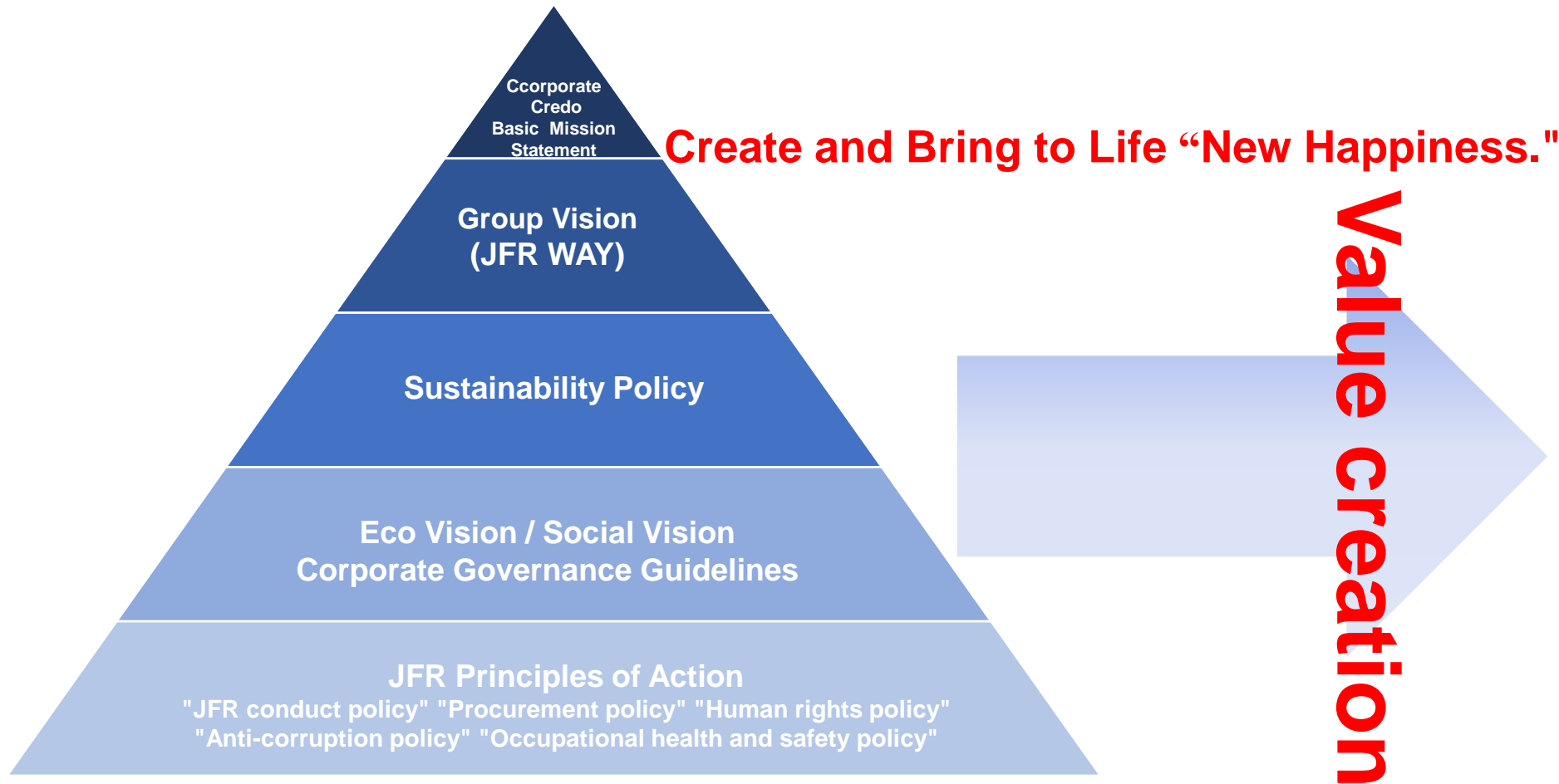


- COVID-19 shock substantially changed social structure and consumption structure



It is important for a company to respond to changes and create new existence value

- Realizing the Group Vision that leads to a sustainable society

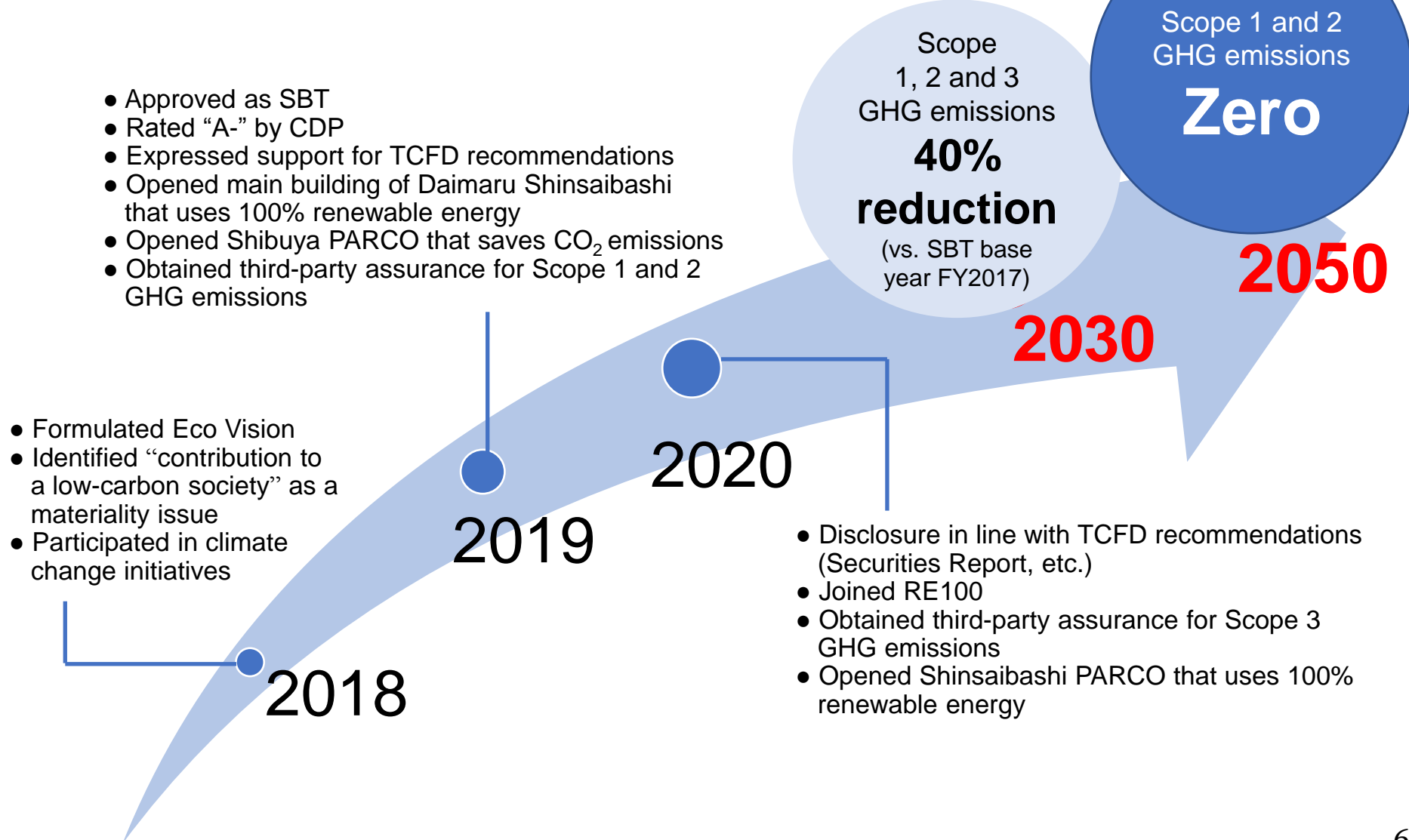


5 Materiality Issues

■ Realizing sustainability initiatives unique to JFR



■ Strengthening responses to climate change risks



■ Continuous promotion of advanced initiatives

Company with Three Committees (Nomination, Audit and Remuneration Committees)
(since May 2017)

2018

- Initiative to strengthen group governance
- Revised Corporate Governance Guidelines
- Dealt with individual companies based on the policy on exercising voting rights regarding cross-shareholdings

2019

- Established Management Advisory Board
- Appointed Outside Director as Chairperson of Audit Committee
- Revised criteria for proposals to Board of Directors
- Increased the number of Outside Directors from 5 to 6

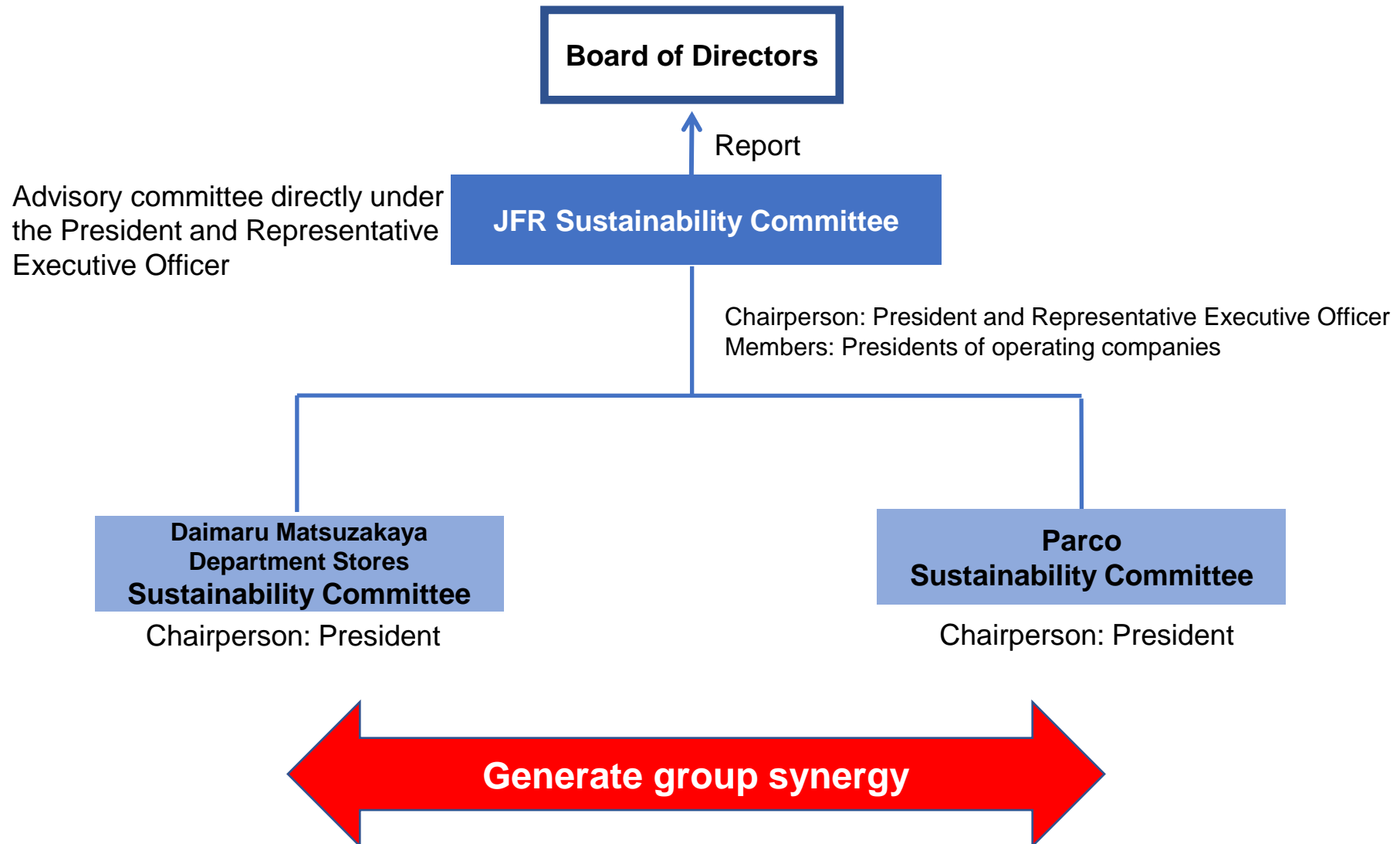
2020

- **Revised Officer Remuneration Policy**
- Expanded disclosure of officer remuneration

Revised Officer Remuneration Policy in April 2020

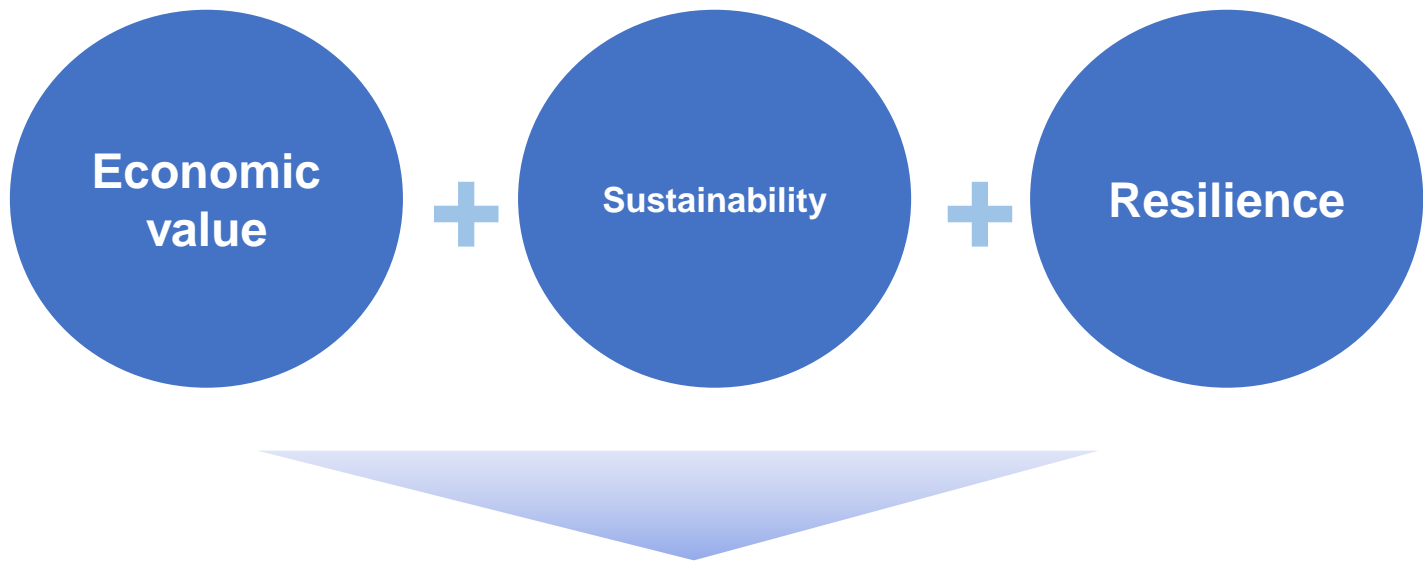
- Basic policy for officer remuneration is to achieve purposes to realize and promote sustainability management (= pay for purpose)
- Decide ESG-related tasks as important tasks linked to officer bonuses
(The status of setting these tasks are reported to Sustainability Committee held during the fiscal year)
- Established Governance Committee in October 2020

- The Group is working as one to strongly promote sustainability management



- Promotion of CSV management mentioned in the Corporate Credo

Achieving both social value and economic value together with stakeholders



Continue to grow with the aim of achieving inclusive growth and a sustainable society in which everyone can share the benefits of growth

3rd

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ESG Initiatives Report

November 25, 2020

J. Front Retailing Co., Ltd.

HIRANO Hidekazu

Managing Executive Officer
Senior Executive General Manager, Management Strategy Unit

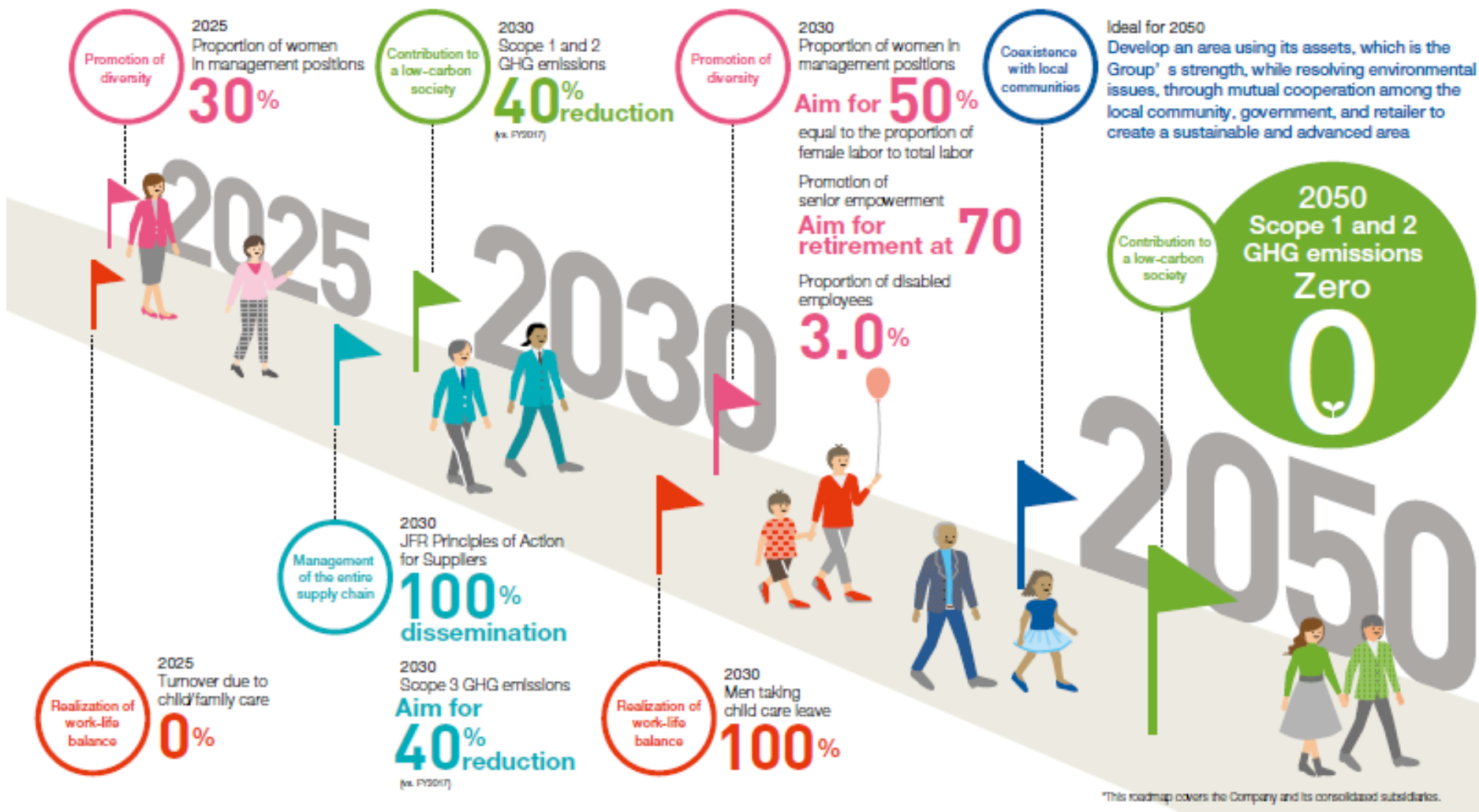
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J. FRONT RETAILING

Long-term Targets for Each Materiality Issue

Sustainability Roadmap



JFR

ESG Initiatives in the Year

Contribution to a Low-carbon Society

Strengthening green store initiatives since FY2019

- **Switch to renewable energy**
 - Daimaru Shinsaibashi, Shinsaibashi PARCO, Ikebukuro PARCO, Chofu PARCO
- **Building a highly efficient energy system**
 - Shibuya PARCO



Daimaru Shinsaibashi

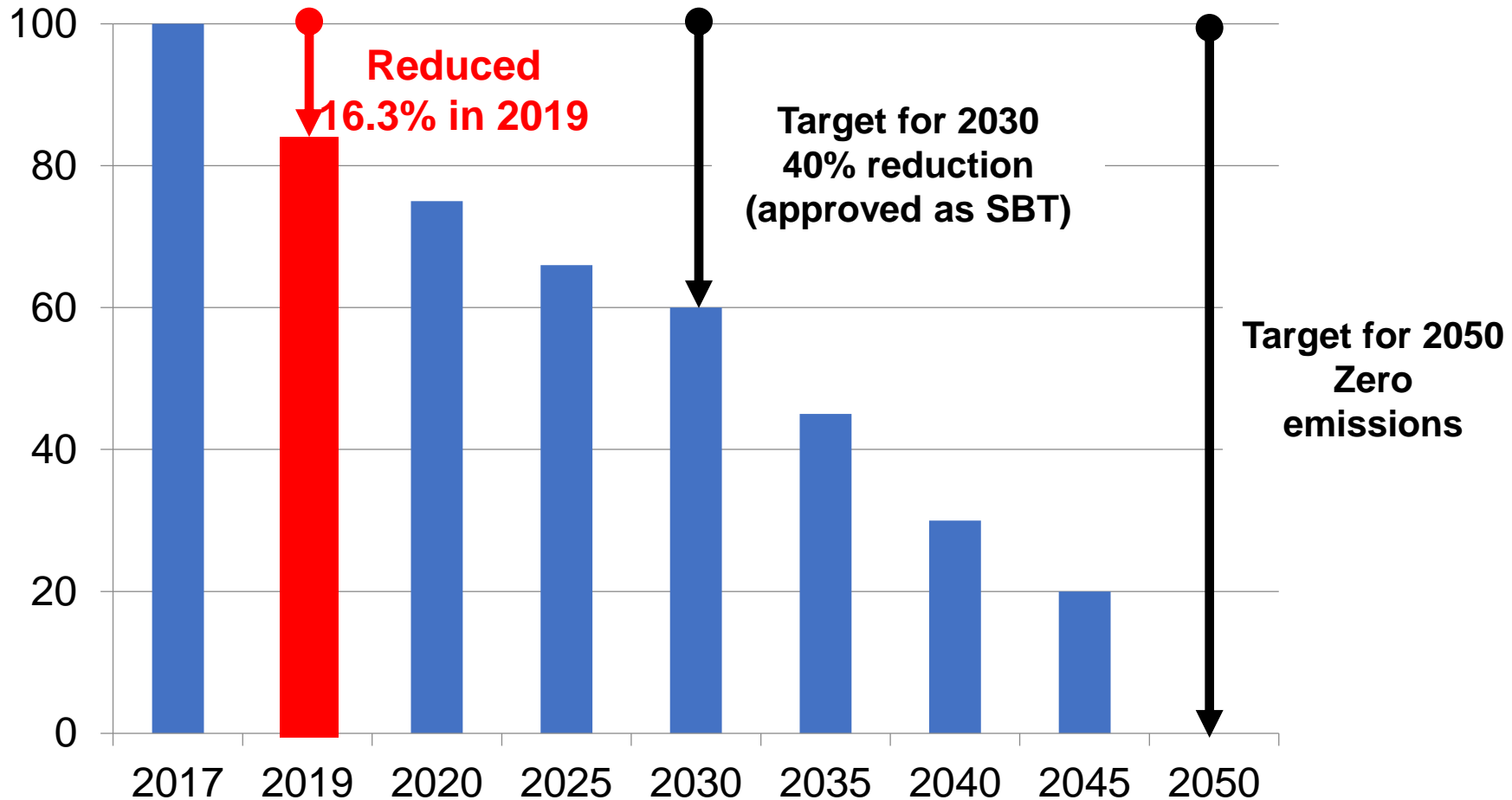


Shinsaibashi PARCO



Shibuya PARCO

Reduced Scope 1 and 2 emissions by 16.3% in FY2019 (vs. FY2017)



Disclosed information in line with “TCFD recommendations” in FY2020

■ **Expressed support for “TCFD recommendations” in May 2019**

- Using them as guidelines for evaluating appropriateness of our climate actions



■ **Conducted climate-related scenario analysis**

- Drew up 2 scenarios in 2030: below 1.5 to 2°C and 3°C

■ **Disclosed in Securities Report**

- Disclosed based on 4 disclosure items presented in “TCFD recommendations”

Joined RE100 (Renewable Energy 100%) in October 2020

Target of the Group

**Source 100% renewable energy
to power business activities by 2050**

(Interim target)

Source 60% renewable energy to power business activities by 2030

RE100

**CLIMATE
GROUP**

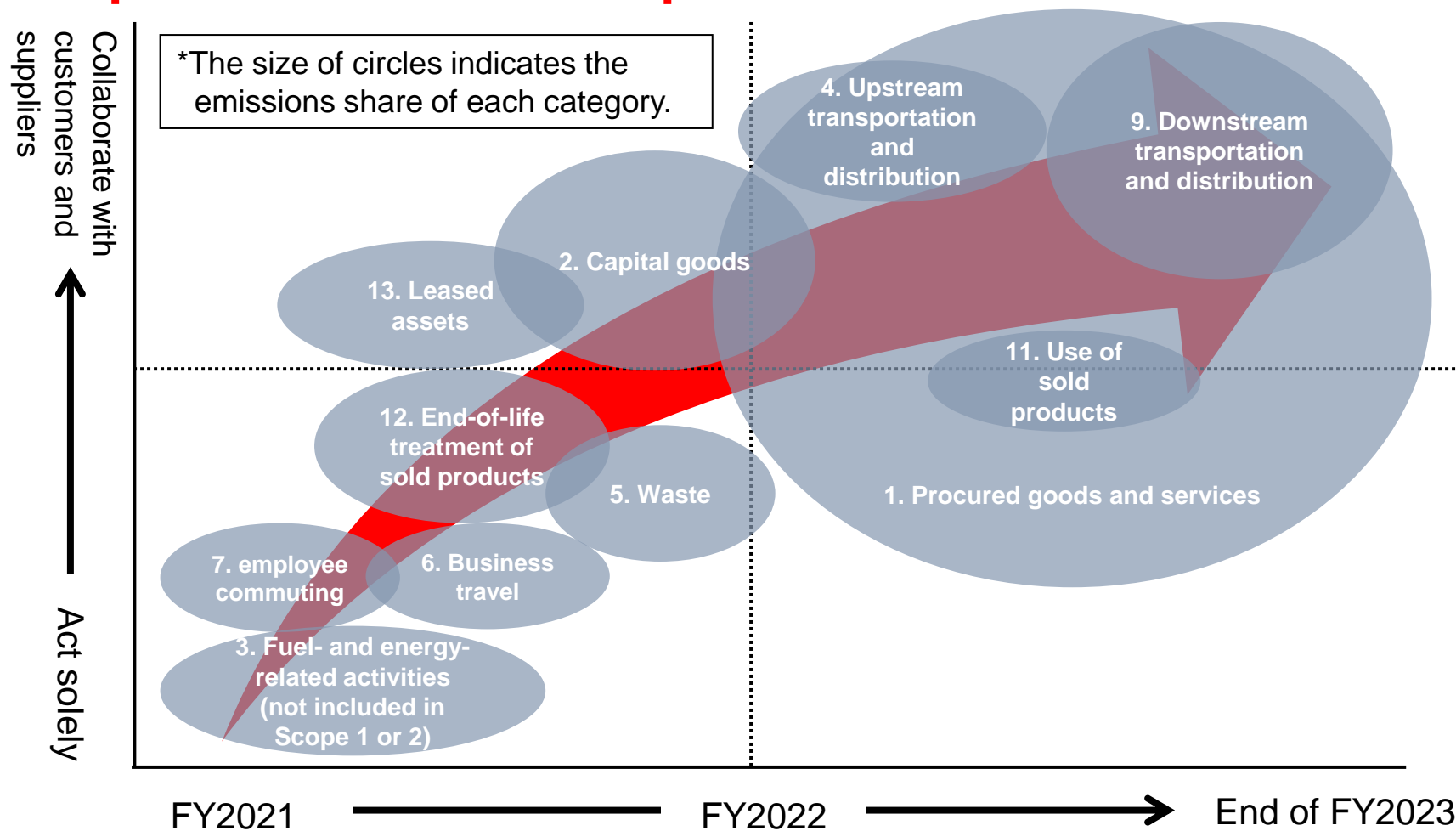


Management of the Entire Supply Chain

Scope 3 emissions in FY2019: 3,782,555 t-CO₂ *

*Obtained third-party assurance

■ Implement initiatives in phases to achieve SBT



Sent Principles of Action to 9,444 suppliers and 530 suppliers attended briefing sessions in FY2019

■ Formulated Principles of Action for Suppliers

Formulated together with JFR Principles of Action in June 2019

■ Sent Principles of Action for Suppliers

Sent to 9,444 suppliers with whom we do business directly
(As of the end of February 2020, consolidated)

■ Held briefing sessions for suppliers

October 2019

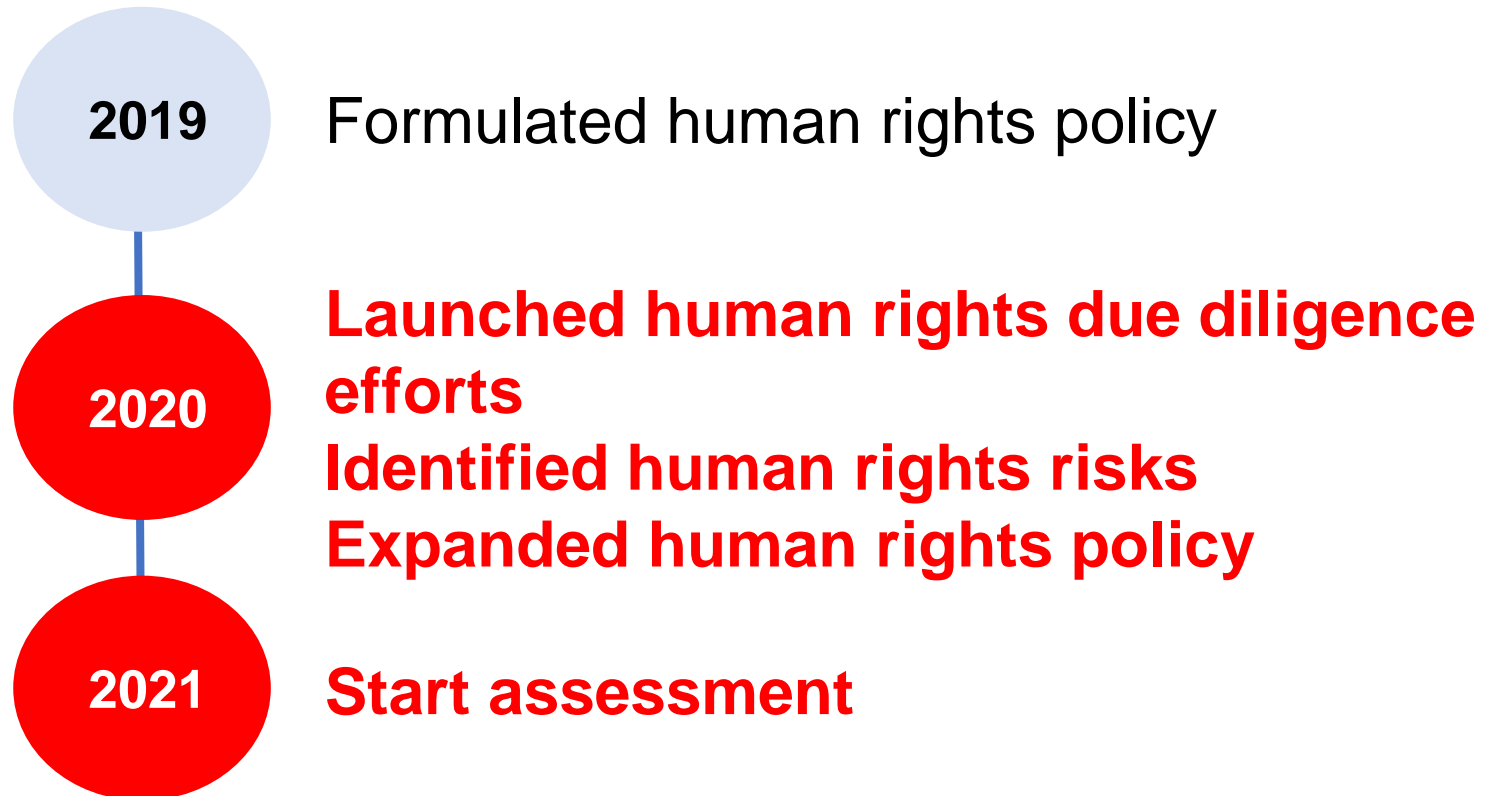
Daimaru Matsuzakaya Department Stores held “briefing sessions on JFR Principles of Action for Suppliers”
652 people from 530 companies attended



■ Start assessment of shared Principles of Action (FY2021)

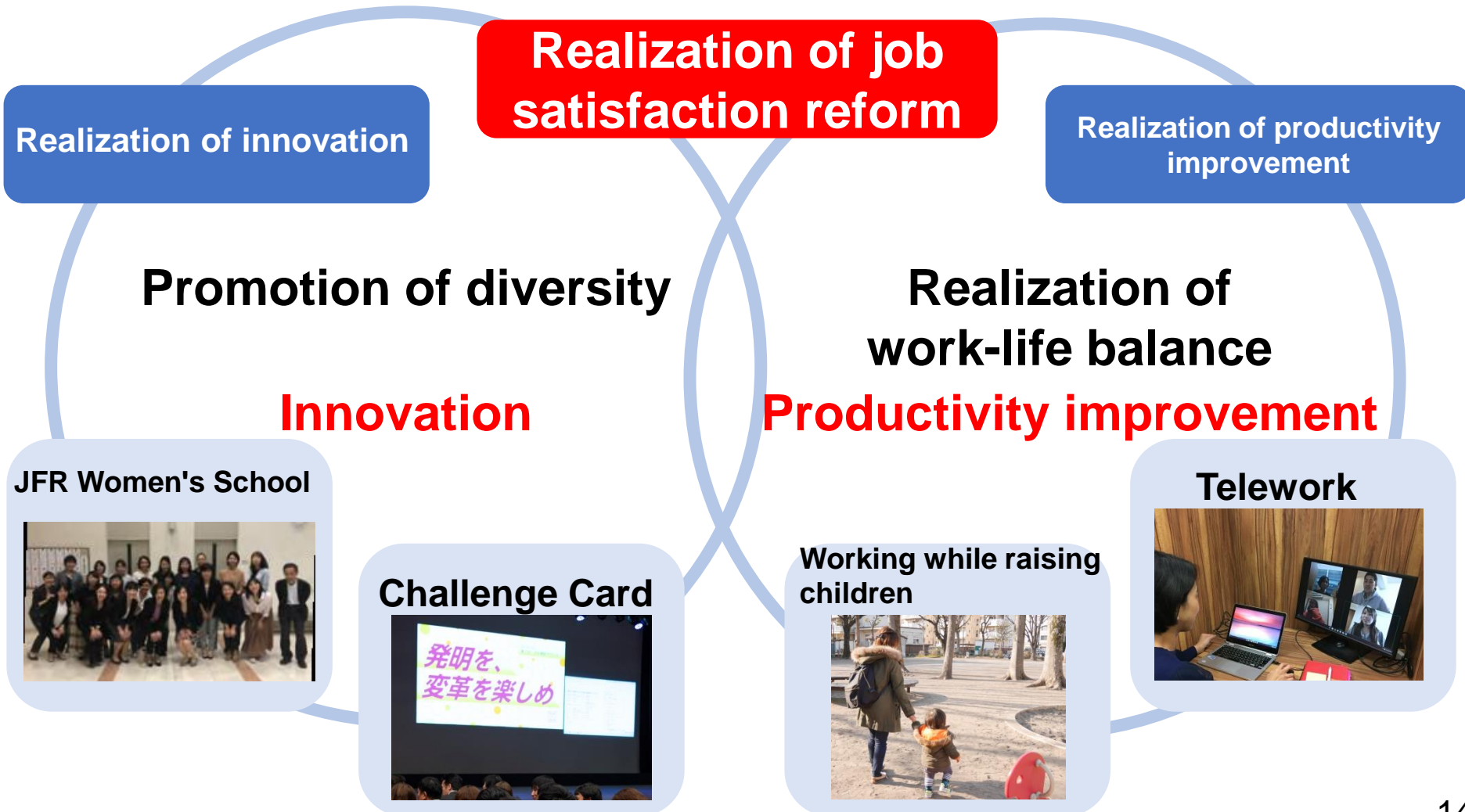
Launched human rights due diligence efforts in FY2020

Major initiatives related to human rights



Job Satisfaction Reform

■ Realization of “job satisfaction reform” through promotion of diversity and realization of work-life balance



Realization of Work-Life Balance

■ Promotion of telework



70%
teleworking
(JFR Head Office)

As of November 2020

**Work-life balance
Improved**

**Working hours / workload
sense of accomplishment
and motivation**

Unchanged

■ Promotion of health management

Efforts to prevent COVID-19

- Daily temperature checks and report (including teleworking employees)
- Information and online interviews provided by industrial doctors

- **Promotion of male participation in childcare**

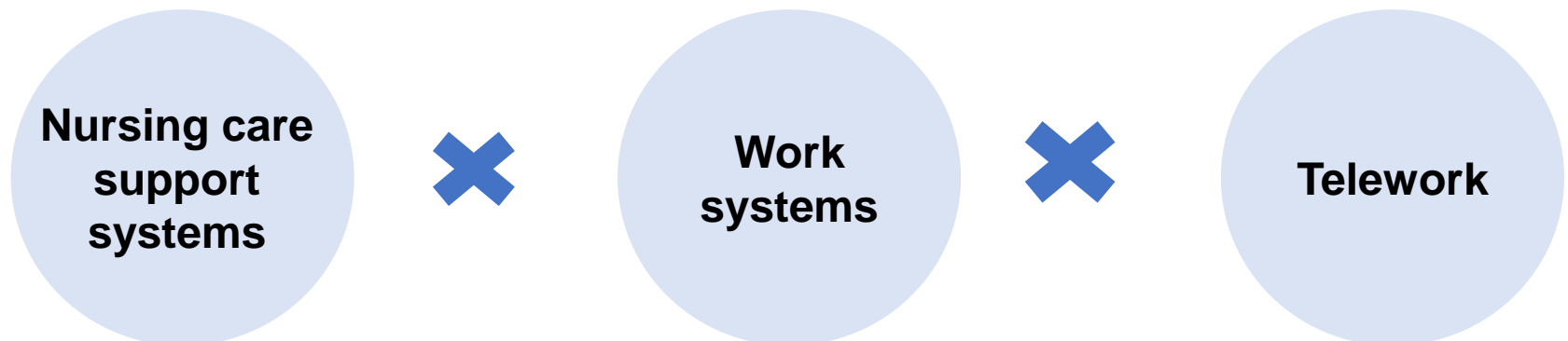
18 male employees took childcare leave in FY2019

- **Prevention of employee turnover due to childcare and nursing care**

Checked reasons for retirement in FY2019

- **Efforts to prevent employee turnover due to nursing care**

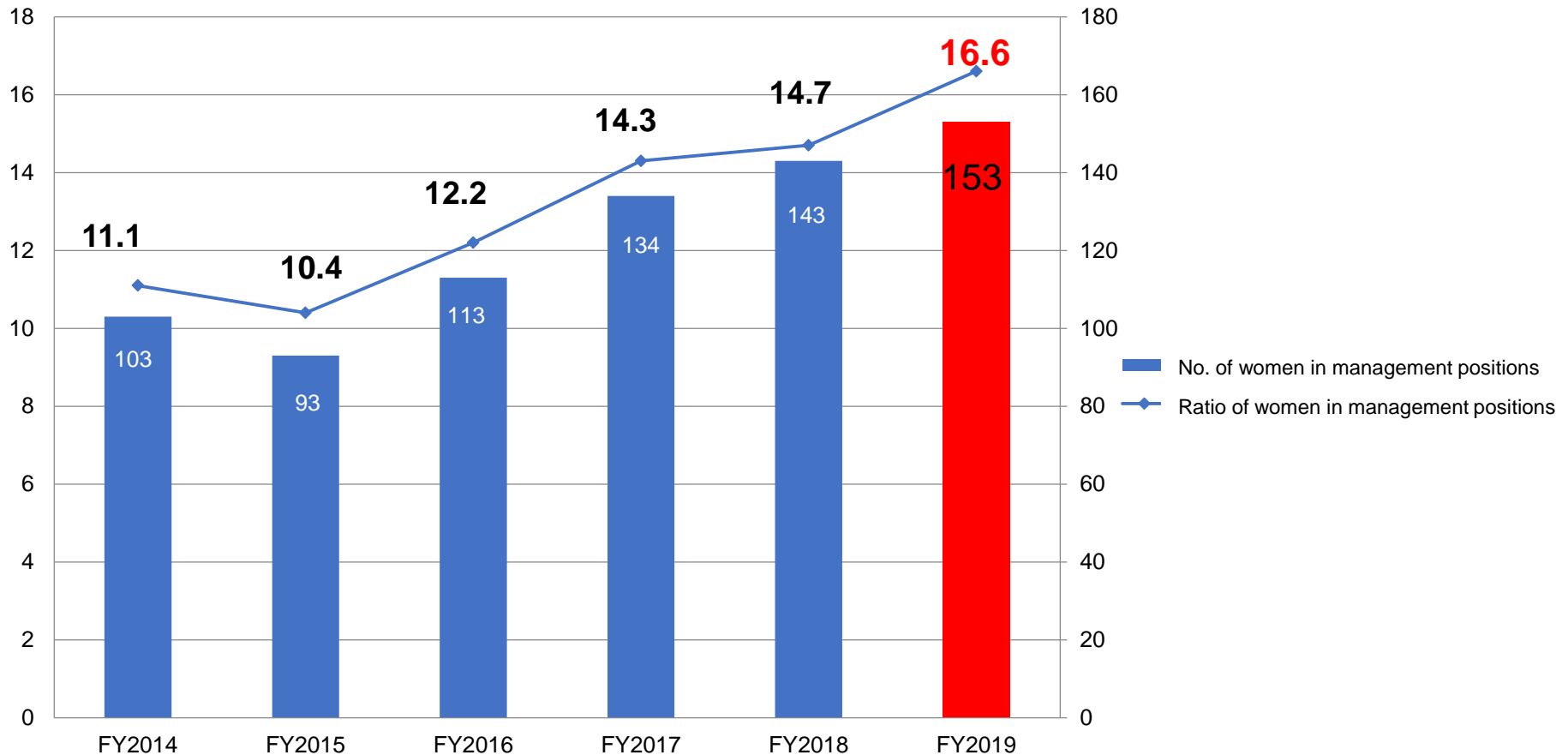
Balancing work and nursing care through flexible work styles that combine various systems



Promotion of Diversity

Ratio of women in management positions in FY2019: 16.6%

■ Increased 1.9% compared to FY2018



- **Promotion of Senior Empowerment**

Extended retirement age to 65 (5 companies) in FY2020

- **Promotion of employment of disabled people**

Employment ratio of disabled people in June 2020: 2.21%

Special subsidiary company JFR Create
Work styles considering the status of
disabilities

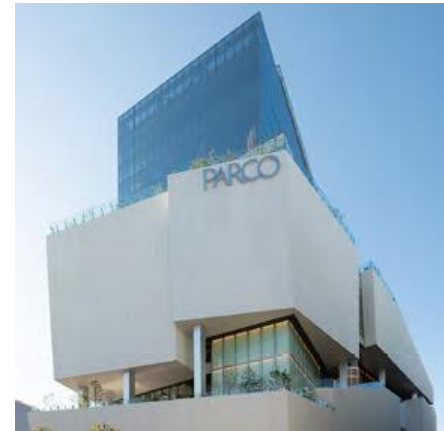


Coexistence with Local Communities

Opened main building of Daimaru Shinsaibashi and
Shibuya PARCO in FY2019



Daimaru Shinsaibashi



Shibuya PARCO

■ **Opened BINO Sakae and Shinsaibashi PARCO in November 2020**



BINO Sakae



Shinsaibashi PARCO

Next 3-year Targets

■ 2021-2023 targets

Long-term targets	2018-2020 forecast	2021-2023	Progress
Scope 1 and 2 2050 Zero CO ₂ emissions 2030 40% reduction of CO ₂ emissions	21% reduction of CO ₂ emissions (vs. FY2017)	30% reduction of CO ₂ emissions (vs. FY2017)	Steady
Scope 3 2030 40% reduction of CO ₂ emissions	11% reduction of CO ₂ emissions (vs. FY2017)	Under consideration linked to the Medium-term Business Plan	-
2030 100% penetration of JFR Principles of Action for Suppliers	Formulated Principles of Action and asked suppliers to support	25% penetration through monitoring	Steady
2050 Achievement of sustainable and advanced urban development through mutual collaboration between local communities, governments and retailers by combining urban development that makes use of the area's assets, which is the strength of the Group, with solutions to environmental issues	Main building of Daimaru Shinsaibashi Shibuya PARCO Shinsaibashi PARCO BINO Higashinotoin BINO Okachimachi BINO Sakae	Under consideration linked to the Medium-term Business Plan	-

Next 3-year Targets

■ 2021-2023 targets

Long-term objectives	2018-2020 forecast	2021-2023	Progress
Ratio of women in management positions 30% in 2025 Aim for 50% in 2030	FY2020 20%	26%	Steady
2030 Aim for retirement at 70	Introduced retirement at 65 in 2020 5 companies	Aim to introduce retirement at 65 in stages in the Group	Steady
2030 Employment ratio of disabled people: 3.0%	June 1, 2020 2.21%	June 1, 2023 2.4%	Steady
2030 Ratio of men taking childcare leave: 100%	Actual number of takers 26 people	Usage rate: 100%	Steady
2025 Turnover rate due to childcare and nursing care: 0%	2.1% (Calculated since 2020)	Less than 1.0%	Steady

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ESG Presentation

Current Status of JFR Governance Seen by Independent
Outside Director and Expectations for the Future

November 25, 2020

J. Front Retailing Co., Ltd.
UCHIDA Akira, Director

Create and Bring to Life “New Happiness.”



J. FRONT RETAILING

1. Introduction
2. Corporate Governance Reform Efforts
3. Activities of Remuneration Committee
4. Role of Independent Outside Directors
5. Future Expectations and Challenges

Company with an Audit & Supervisory Board

CG Code was published

2015

- Started to evaluate Board of Directors
- Started to evaluate managerial talents
- Prior explanation to Outside Directors

2016

- Studied optimal organizational structure
- Reviewed criteria for proposals to Board of Directors (Clarified details of each large category, reviewed quantitative criteria)
- Started Board retreat

2017

- Changed organizational structure (May)
- Reviewed criteria for proposals to Board of Directors (Expanded delegation to the execution side)
- Added “matters to be consulted” to Board agenda
- Formulated Officer Remuneration Policy

Company with Three Committees (Nomination, Audit and Remuneration Committees)

2018

- Reviewed annual agenda plan and strengthened discussions on strategic PDCA
- Initiative to strengthen group governance

2019

- Appointed Outside Director as Chairperson of Audit Committee
- Reviewed criteria for proposals to Board of Directors (Related to adoption of IFRS 16)
- Increased the number of Outside Directors from 5 to 6

2020

- Revised Officer Remuneration Policy
- Expanded disclosure of officer remuneration

● Realized highly effective discussions

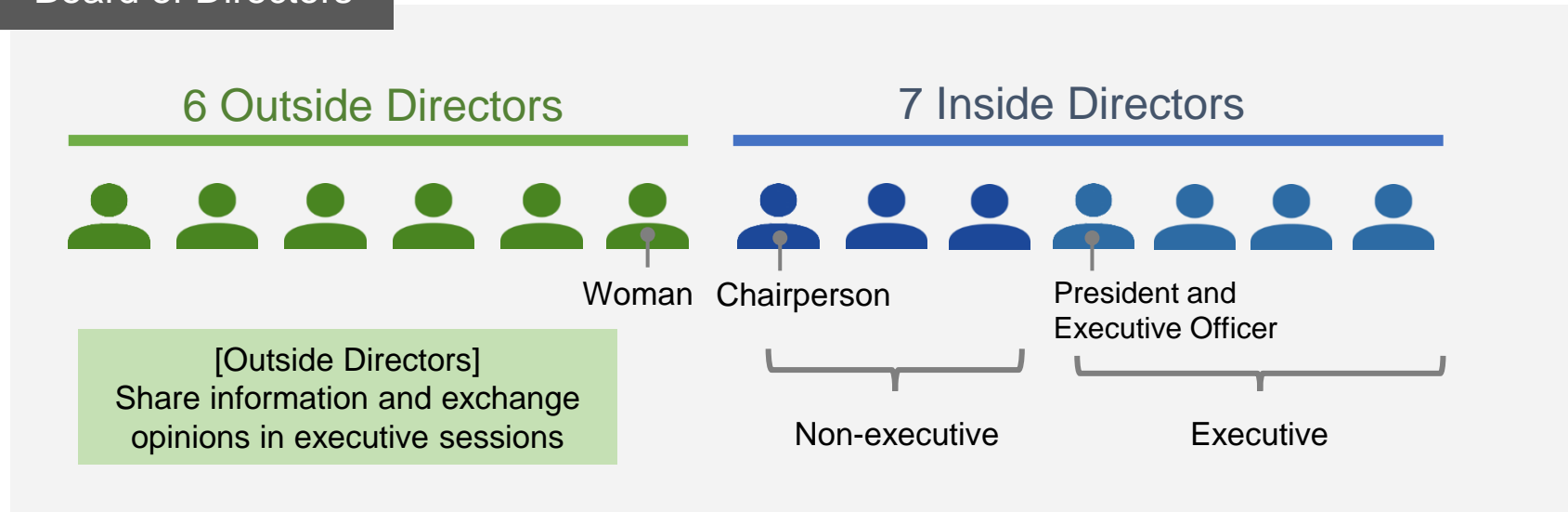
■ Top priority agenda for FY2020

- ◇ Clarification of what the Group should be 10 years from now
- ◇ Next Medium-term Business Plan starting in FY2021
- ◇ Business structure reform to survive amid COVID-19

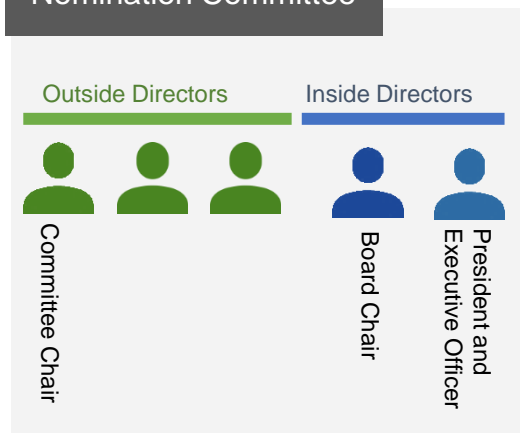


A lot of discussions with full focus on both urgent issues and management direction / strategic issues

Board of Directors



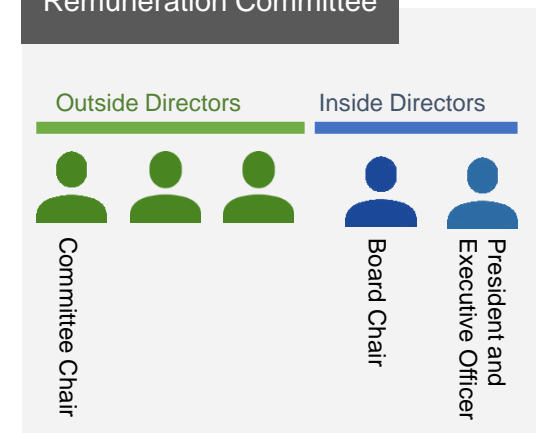
Nomination Committee



Audit Committee



Remuneration Committee



Revised Officer Remuneration Policy (April 2020)

- ◇ Clarified our approach to sustainability management
(Explicitly states Corporate Credo, the Group Vision, materiality policy, etc.)
- ◇ Explicitly states that important tasks of individual officers are connected to materiality issues in the process to determine their bonuses
- ◇ Added statement concerning forfeiture of remuneration, etc. (clawback and malus)

Started to disclose individual amounts of remuneration of officers (May 2020)

- ◇ Disclose the amounts of individual remuneration of all officers in Securities Report, even if the total remuneration does not exceed ¥100 million

■ Major agenda items for FY2020

- ◇ Integrated review of officer remuneration system of JFR, Daimaru Matsuzakaya Department Stores and Parco
 - ◇ New remuneration policy linked to next Medium-term Business Plan
 - ◇ Examination of remuneration system
 - Ratio of fixed portion to performance-linked portion
 - Ratio of basic remuneration and bonus to stock-based remuneration
- } To remain competitive

New remuneration policy and revised officer remuneration system are scheduled to be announced in April 2021

- Providing guidance and advice from a high and broad medium- to long-term perspective in formulating management strategies and making important management decisions
- Judgment on the ideal business portfolio that is not constrained by the past
- Appointment of qualified Representative Executive Officers and involvement in succession planning

Expectations for people who execute business

- ◇ **To complete business structure reform**
- ◇ **To speed up execution**

Challenges for Board of Directors

- ◇ **Subjects that need to be discussed in more depth**
 - Roles of JFR Board of Directors and its composition
 - Medium- to long-term growth strategy in anticipation of post-business structure reform



Thank you for your attention.