

[Translation]

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To whom it may concern

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## Notice Regarding J. Front Retailing FY2021-FY2023 Medium-term Business Plan

J. FRONT RETAILING Group (the “Group”) has prepared its “FY2021-FY2023 Medium-term Business Plan.” The overview of the plan is as follows.

### **1. The Group’s initiatives to date**

The Group positioned the period of the previous mid-term business plan starting in fiscal 2017 as a phase of changing the Group structure towards transforming its business portfolio. Under a new Group Vision, “Create and Bring to Life ‘New Happiness’,” we have steadily worked to expand our business domain and transform the business models of our existing businesses, as well as promoting ESG management and so forth.

In order to expand our business domain, we opened a luxury mall, “Ginza Six,” and a commercial complex with office function, “Ueno Frontier Tower” (PARCO\_ya Ueno and others) in 2017, and the Real Estate Business segment grew dramatically.

In order to transform the business models of our existing businesses, in 2019 we opened the “main building of the Daimaru Shinsaibashi store” as a full-fledged attempt at a hybrid department store business model combining directly operated and tenanted stores, as well as “new Shibuya PARCO,” which is a completely unique commercial facility with an innovative mix of tenants and culture. Then, in 2020 we opened “Shinsaibashi PARCO,” which expands the essence of Shibuya PARCO to target a more discerning class of customer.

In addition to these, in order to further increase the corporate value of the Group, we made PARCO a wholly owned subsidiary and transferred the Real Estate Business of Daimaru Matsuzakaya Department Stores to PARCO, and thereby created a structure to allow the entire Group to radically and flexibly transform its portfolio.

### **2. Preparation of the Medium-term Business Plan**

Meanwhile, the Group’s management environment is changing on a greater scale and at a greater speed than expected. In addition, the spread of the novel coronavirus disease (COVID-19) has had a significant impact on social and economic activity in Japan and overseas, and the Group was obliged to record heavy losses in its operating results for the fiscal year ended February 28, 2021. With these and other factors, the Group faces a severe situation.

In this unprecedented management environment, to promote the rapid recovery of earnings and improvement of our financial position in parallel with growth strategies, in preparing the medium-term

business plan, we determined specific strategies and measures that the Group should focus on for a three-year period after picturing the desired form of the Group in 2030, our corporate vision and the direction of our strategies for achieving it.

This medium-term business plan aims to achieve “complete recovery” from the COVID-19 pandemic by returning our financial figures to fiscal 2019 levels, while at the same time positioning this period as one for getting back on track for “regrowth” from fiscal 2024 onward and implementing speedy management.

### **3. Promoting sustainability management**

#### **(1) Achieving both social and economic value**

The Group has encountered countless crises over its 300-400 year history. Every time we have encountered these situations, we have returned to our corporate credo, “Service before profit,” faced the changes in our customers and society directly, and carried out our business activities honestly. We believe this is what has led us to the management that we have today.

Furthermore, in addition to generating economic value, companies also have a profound obligation to confront a large number of issues related to sustainability, such as environment, society, and human rights, and provide solutions through their businesses.

In accordance with the Group’s corporate credo, we conduct management that achieves both social and economic value by positioning sustainability at the core of management to conduct our business activities.

**Conceptual drawing of sustainability management**



#### **(2) Realizing a “lives of well-being” for stakeholders**

In this medium-term business plan, we have set seven materiality issues with the new addition of “realization of healthy, secure, and safe lives of customers” and “promotion of the circular economy.” By promoting business activities based on these materiality issues, we will contribute to the realization of “lives of well-being” for all of our stakeholders.

Seven materiality issues			
Highest priority issue	Contribution to a carbon-free society		
With people	Realization of healthy, secure, and safe lives of customers (new)	With local communities	Coexistence with local communities
	Promotion of diversity & inclusion		Management of the entire supply chain
	Realization of work-life integration	With environment	Promotion of the circular economy (new)

(Refer to attachment)

#### **4. Management direction looking ahead to 2030**

##### **(1) Corporate vision**

“A corporate group producing fulfilling lifestyles and unique urban development in coexistence with local communities”

Over the long term, trends such as the declining birthrate and aging population, population decline, technology advancement, and maturation of consumption will continue. Moreover, the awareness and behavior of consumers has changed due to the COVID-19 pandemic, creating a new normal. We recognize that the environment for corporations will not return to its pre-COVID-19 state.

It is difficult to foresee the changes in society, economy, and lifestyle after the end of the COVID-19 pandemic. However, such times of great uncertainty provide a good opportunity for the Group to reexamine the values that it considers important and the significance of its existence for consumers and for the era, and to create a vision for its future.

When we consider our future management direction, the Group’s values to date will become even more important. These are “respect for human thought and individuality,” “coexistence with local communities,” and “continuing our traditional culture and communicating a cutting-edge culture.”

The Group has developed business with the commercial field at its core, such the Department Store Business and Shopping Center Business (PARCO Business). Looking forward, we will expand our business portfolio beyond the commercial field into areas such as the Real Estate Business, and provide consumers with cultural and fulfilling lifestyles through the Group’s distinctive unique urban development in coexistence with local communities.

##### **(2) Strategic direction**

In realizing our corporate vision for 2030, we consider the following external environmental changes will have a significant impact on the Group: 1) The firm bottom of the urban commercial area amid a shrinking national population, 2) the fusion of real and digital, in which information received through people and its reliability are reevaluated, and 3) continued polarization of income and consumption.

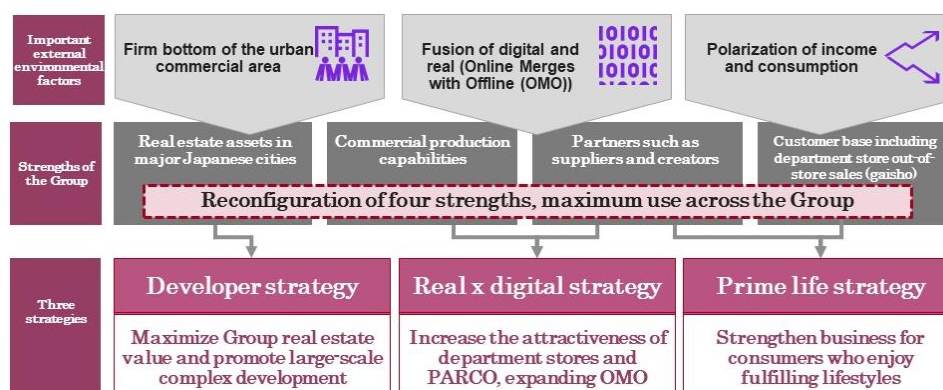
Moreover, we recognize that the Group’s four strengths are 1) store real estate assets in major Japanese cities such as Tokyo, Nagoya, Osaka, Fukuoka, and Sapporo, 2) commercial production capabilities developed through store and urban development, 3) partners such as suppliers and specialist stores with excellent content and original creators, and 4) a high quality customer base that enjoys active lifestyles.

##### **1) Three key strategies**

###### **Shift to a developer strategy**

We will take these long-term environmental changes as an opportunity to carry out business structure reforms and create new businesses. We will reconfigure the Group’s four strengths and concentrate on the Groups’ three key strategies: “developer strategy,” “real x digital strategy,” and “prime life strategy,” to make full use of them across the Group.

Among these, the “developer strategy” is positioned as a growth driver for the Group over the medium to long term, and we will concentrate our allocation of management resources in this area as our top priority strategy.



(i) Developer strategy

- Maximize the value of the Group's real estate assets. In complex redevelopment and so forth, adjust the scale of department stores and PARCO and make use of relaxed building volume restrictions. Increase the share of non-commercial applications to increase profitability.
- In the development of large-scale complexes in key areas, we will contribute to lively towns through attractive urban development that respects local individuality in terms of history and the environment, while increasing our share of consumer sentiment.
- We will diversify multiple revenue streams by acquiring and developing new real estate, organizing private subscription investment funds, and engaging in asset management. In addition, we will expand our development area to include suburban areas.

(ii) Real x digital strategy

- We will convert physical stores into spaces not only for making purchases, but also for encountering attractive products and services, and enjoying high quality customer experiences.
- With use of digital technology inspired by stores, we will transform the business model into one that provides new experience value beyond time and space.
- We will increase the sophistication of customer data analysis and use of digital tools to deepen the relationships between sellers, gaisho, and buyers with customers.
- In addition to sales revenue, we will diversify multiple revenue streams, such as real estate-related revenue and commission revenue through the use of digital technology.

(iii) Prime life strategy

- We will further strengthen our proposals for consumers who value culture and the arts and enjoy fulfilling, sustainable lifestyles.
- We will enhance our content by utilizing the Group's entertainment and arts, as well as developing new products and service that provide premium experiences through alliances with other companies.
- We will promote the acquisition of customers beyond department store gaisho, such as new generation affluent class customers in Japan and wealthy classes overseas in Asia, including through alliances with other companies.
- Using digital technologies to increase the sophistication of our customer management, we will maximize the lifetime value of high quality customers by capturing insight into our diversifying customers to strengthen our proposal capabilities.
- We will expand our pool of loyal customers by offering new payment methods and developing high added value financial services through customer life planning.

- 2) Area strategy bringing together the three key strategies
  - In Shinsaibashi district, Osaka and Sakae district, Nagoya, in which our department stores and PARCO are adjacent, we will bring together the three key strategies to promote unique urban development in coexistence with local communities. We will promote efforts to develop new stores and attract non-commercial facilities by engaging in large-scale complex development using our real estate holdings.
  - Our area customer strategy will be advanced by utilizing our Group integrated customer database, the “Lifetime Service HUB,” across multiple businesses such as new commercial and non-commercial facilities, and by promoting links with JFR Card Co., Ltd. customer services.
- 3) Policy on alliances, M&As, and wing expansion
  - We will aggressively engage in alliances with other company and business acquisitions to create new businesses and develop our capabilities with a view to expanding the scale and increasing the speed of our three key strategies.
- (3) Promotion framework
 

Three Strategy Committees

  - The three key strategies shall each have a newly established committee comprising members from across the Group to guide the proposal and execution of plans from an optimal Group perspective.
  - We will realize long-term, highly important Group strategies, such as alliances with other companies and business acquisitions.
  - We will promote cross-Group utilization of management resources such as the Group’s four strengths and accelerate management by maximizing Group synergies.
- (4) Approach to long-term profit growth and business portfolio
 

Target of consolidated operating profit of ¥80.0 billion, ROE of 10% in fiscal 2030

  - We will aim to achieve consolidated operating profit of ¥80.0 billion and ROE (profit/equity attributable to owners of parent) of 10% in fiscal 2030 through annualized profit growth of over 10% from fiscal 2024 onward.
  - We will increase the share of consolidated operating profit of the Developer Business and Payment and Finance Business in the business portfolio in 2030 from 20% in fiscal 2019 to 40%.
  - From fiscal 2021, the Group will have four business segments: the Department Store Business, the SC (Shopping Center) Business, the Developer Business, and the Payment and Finance Business.

## **5. FY2021-FY2023 Medium-term Business Plan**

### **(1) Positioning of the Medium-term Business Plan**

#### **Complete recovery and start on regrowth**

This medium-term business plan aims to achieve “complete recovery” from the COVID-19 pandemic by returning our financial figures to fiscal 2019 levels in the final fiscal year of the plan, fiscal 2023, while at the same time positioning this period as one for getting back on track for “regrowth” from fiscal 2024 onward.

Currently, the spread of COVID-19 continues to exert a significant impact on social and economic activity. During the period of this medium-term business plan, the pandemic is expected to continue impacting each business directly.

In this environment, to quickly recover earnings, we will focus on our key strategies, making investments in reforms of flagship stores and digital investments under our “real x digital strategy” and strengthening our customer base underpinned by department store gaisho in the “prime life strategy.”

In the “developer strategy,” we will increase our investment allocation in advance, starting during

the period of this plan as a medium- to long-term growth driver.

At the same time, we will carry out “management structure reforms” as a key measure towards complete recovery, reducing fixed expenses and interest-bearing debt.

(2) Overall composition

[Overall Composition of the FY2021-FY2023 Medium-term Business Plan]

Three key strategies for “quick recovery of earnings and regrowth”	i. Real x digital strategy (Department Store Business and SC Business (PARCO))
	ii. Prime life strategy (Department Store Business and Payment and Finance Business)
	iii. Developer strategy (Developer Business (PARCO))
Most important strategy for “full recovery”	Management structure reforms (reduce fixed expenses, increase management efficiency and asset efficiency)
Strengthening of management foundation	Financial strategy, human resource strategy, IT strategy, and governance

(3) Key performance indicator targets

- As a new indicator to manage capital profitability, return on investment capital (ROIC) will be applied from this medium-term business plan.
- For fiscal 2023, we will aim to achieve consolidated operating profit (IFRS) of ¥40.3 billion, ROE of 7%, and ROIC of 5%.
- Our sustainability targets are a 40% reduction in greenhouse gas emissions and a ratio of women in management positions of 26%.

	FY2019 results	FY2020 results	FY2023 targets
Consolidated operating profit (IFRS)	¥40,286 million	¥(24,265) million	¥40,300 million
Consolidated ROE	5.4%	(7.1)%	7.0%
Consolidated ROIC	—	—	5.0%
Greenhouse gas emissions*	(16.3)%	(Under calculation)	(40)%
Ratio of women in management positions	16.6%	19.9%	26%

\*Scope 1 and 2 emissions compared with FY2017

(4) Financial policy

- Over the three-year period we plan to generate over ¥190.0 billion in operating cash flows, ¥90.0 billion of which is to be allocated for growth investments and capital investments. Until fiscal 2023, investment allocation will be made giving priority to projects that contribute to profit and the “developer strategy.”
- We will reduce interest-bearing debt to ¥260.0 billion by the end of fiscal 2023.
- We will provide shareholder returns on the basis of maintaining a consolidated dividend payout ratio of at least 30% and also consider the option of purchasing treasury shares as appropriate.

	FY2021-FY2023 (cumulative)
Operating cash flows (IFRS) <sup>*1</sup>	¥190.0 billion
Growth investments and capital investments	¥90.0 billion
Interest-bearing debt <sup>*2</sup>	¥260.0 billion (end of FY2023)
Shareholder returns	We will consider the option of purchasing treasury shares as appropriate, on the basis of maintaining a consolidated dividend payout ratio of at least 30%.

\*1: Includes depreciation expenses for right-of-use assets.

\*2: Excludes lease liabilities.

## (5) Framework for the medium-term business plan

### [Key strategies]

#### 1) Real x digital strategy

In addition to raising the value of physical stores as a customer contact point, we will also move away from our current dependence on attracting customers at physical stores and work to create new experience value by merging real and digital.

#### <Department Store Business>

##### (i) Increase the attractiveness of stores and content

- We will focus on expanding the categories in which department stores have strengths, such as by further enhancing luxury, centered on flagship stores, and delving deep into cosmetics, watches and other item groupings that have a high share within the industry, aiming to establish a competitive advantage in each location.
- We will work to increase the value of the customer experience by increasing the attractiveness of stores, through efforts such as developing new content and sales floors that utilize a variety of customer contact points, such as physical stores, gaisho and e-commerce, improving the comfortable sales floors and store environment that are exclusive to physical stores, and developing high-quality service menus.

##### (ii) Expand businesses that utilize online spaces

- We will redefine physical stores, which are a customer contact point, and online spaces (website and in-house apps) as a media for communicating our products and their values and stories to customers.
- We will increase the attractiveness of our stores and develop original OMO sales spaces (merging physical stores with online) for cosmetics, art, and so forth, inspired by physical stores. At the same time, we will rebuild the department store online shopping website by increasing the number of foods, gifts and other products, developing brands, etc.

##### (iii) Conduct business activities from a CSV perspective

- We will develop business activities connected with increasing social value, such as development and sale of limited products created with local communities, entry into the subscription business that utilizes online spaces, and collaboration with suppliers to contribute to a carbon-free society.

#### <SC (Shopping Center) Business>

##### (i) Rebuild the PARCO store brand value

- We will combine elements from our development of the Shibuya PARCO and Shinsaibashi

PARCO stores with the local culture of each store's area centered on flagship stores, to rebuild the original brand value provided by each store.

(ii) Pursue a digital SC platform

- Through a digital SC platform developed in collaboration with our business partners, we will promote the construction of PARCO's proprietary OMO sales spaces, including the mutual transfer of customers between the physical world and the internet based on the stores' power of communication.

(iii) Develop alliance-based sales floors and new content

- We will work to develop sales floors, zones, and content that provide experience value such as health, beauty, food, and learning through real x digital.

(iv) Develop content from a CSV perspective

- We will work to enhance online events for art, theatrical performance, and music, hold cultural events in cooperation with towns, and develop businesses that cater to new values and lifestyles such as wellness and shared offices.

2) Prime life strategy

Based on department store gaisho, we will work to provide new services and advance customer communication, as well as expanding our customer base through the acquisition of new customers.

(i) Develop solution services

- We will deepen our mainstay categories while also taking steps to provide new content and experience value beyond the conventional framework by developing new categories and services, and so forth.

(ii) Evolve communication with customers

- We will strengthen online communication through measures such as digitalizing mainstay categories in department store gaisho activities and enhancing live shopping.
- We will work to increase the sophistication of CRM activities, including strengthening relationships with customers through full use of our customer database and retaining overseas customers who visit Japan.

(iii) Enhance products in the Payment and Finance Business

- Taking advantage of the opportunity afforded by card renewal and the introduction of the new points program (QIRA Point), we will collaborate with department stores to strengthen the customer base.
- We will develop new products aligned with customers' life stages, such as insurance and financial services.

3) Developer strategy

To achieve business growth over the medium to long term, we will transform our business portfolio, such as working on diverse applications that are not limited to the commercial field, starting operation of a circular investment scheme, and promoting large scale developments in key areas.

(i) Work on diverse applications that are not limited to the commercial field

- We will expand our applications into non-commercial fields in addition to the commercial field.



We will work together with other companies on development of residences, offices, hotels, and complexes that include combinations of them.

(ii) Promote the CRE strategy

- We will work to improve profitability through measures such as asset sales and asset replacement.

(iii) Start operation of a circular investment scheme

- We will organize a private subscription fund and start a circular investment scheme. We will diversify multiple revenue streams by entering the asset management business and earning proceeds from real estate sales and management fees, and so forth.

(iv) Expand into suburban areas

- We will work to develop next-generation complex facilities in suburban areas where needs for closely situated work, living, and commercial facilities are expected to increase due to society's wide embrace of new lifestyles.

(v) Promote development of key areas

- We will promote development of key areas, including development of large-scale complexes in the Group's key areas such as Shinsaibashi, Osaka and Sakae, Nagoya, looking ahead to 2030.

[Management structure reforms]

4) Management structure reforms

<Reduction of fixed costs through business model reforms>

We will reduce fixed expenses by ¥10.0 billion compared with fiscal 2019 and lower our break-even point.

(i) Organizational and personnel structure reforms

- We will promote organizational and personnel structure reforms in each business, including revision of department store and SC store operation methods and areas for business process outsourcing.

(ii) Cost structure reforms

- We will promote cost reductions, such as streamlining offices through work style reforms, use of digital media for advertising and promotion, and Group purchasing of material and supplies.

<Increase management efficiency and asset efficiency>

(i) Group business reorganization

- From a long-term strategy perspective, we will narrow down our businesses based on the future and growth potential of each business, and increase the efficiency of management.

(ii) Sale of non-business assets

- We will increase asset efficiency by identifying idle and low-yield assets.

[Strengthening of management foundation]

5) Group financial strategy

(i) Increase sophistication of financing

- We will respond flexibly to ensure liquidity of funds while monitoring the impact of the COVID-19 pandemic on business.
- We will procure financing by issuing sustainability bonds to promote ESG investment.

- (ii) Strengthen management of capital profitability
  - We will set targets for ROIC as medium- to long-term financial indicators by business area, and work to enhance capital profitability in terms of both business growth and capital efficiency.
- (iii) Tax policy
  - We will promote optimization of tax costs, such as strengthening of tax governance and introduction of the consolidated tax payment system.
- 6) Group human resource strategy
  - (i) Human resource management directed at regrowth
    - To secure human resources that will carry out the key strategies, we will strengthen employee skills development and external recruitment of specialists, while working to establish frameworks and systems that enable their maximum utilization throughout the Group.
  - (ii) Promote diversity & inclusion and realize work-life integration
    - We will conduct various measures based on materiality issues, such as assignment and education aimed at encouraging active participation of women, work style reforms, employment of people with disabilities, and initiatives related to LGBT issues, to enable employees to demonstrate their full individuality and capabilities.
- 7) Group IT strategy
  - (i) Rebuild backbone systems and increase management efficiency
    - We will promote revision and standardization of our business processes, such as rebuilding backbone systems and shifting to high-added-value business processes in order to increase the sophistication of management and administration, reduce IT risk, and increase management efficiency.
  - (ii) Continuously strengthen IT governance
    - We will continuously work to optimize costs in IT investment and strengthen security.
- 8) Increase sophistication of corporate governance
  - To expedite management decision-making and execution, we will work to increase the sophistication of corporate governance, such as further delegating business execution authority to executive officers and clarifying responsibilities, while strengthening the supervision function in the Board of Directors.

END

(Attachment)

<Seven materiality issues>

KPIs for FY2030

	Materiality issue	KPIs for FY2030
Highest priority issue	Contribution to a carbon-free society	<ul style="list-style-type: none"> <li>• 60% reduction of Scope 1 and 2 greenhouse gas emissions (compared to FY2017)</li> <li>• 60% ratio of renewable energy in electric power used in business activities</li> <li>• Expand onsite generation and consumption of renewable energy</li> </ul>
With people	Realization of healthy, secure, and safe lives of customers (new)	<ul style="list-style-type: none"> <li>• 80% customer recognition and support for JFR sustainability activities</li> <li>• Expand engagement with ethical consumption in overall lifestyle</li> <li>• Provide excitement to daily life by expanding the entertainment and wellness businesses</li> <li>• Store development with high level of resilience through disaster readiness and disease prevention, as well as provision of comfortable and pleasant spaces with consideration of health</li> </ul>
	Promotion of diversity & inclusion	<ul style="list-style-type: none"> <li>• Aim for a 50% ratio of women in management positions (equal to the ratio of women in non-management positions in the Group)</li> <li>• Aim for mandatory retirement at 70</li> <li>• 3.0% ratio of people with disabilities employed</li> <li>• Realize business growth by utilizing diverse capabilities</li> <li>• Develop sales floors, products, and services for diverse customers</li> </ul>
	Realization of work-life integration	<ul style="list-style-type: none"> <li>• 0% ratio of people leaving employment for childcare or nursing care</li> <li>• 100% ratio of people using childcare leave</li> <li>• 80% satisfaction in employee satisfaction survey</li> <li>• Improving productivity by having an organization in which people can work any time anywhere</li> </ul>
With local communities	Coexistence with local communities	<ul style="list-style-type: none"> <li>• Increase attractiveness of towns by leveraging local features and develop to contribute to the creation of lively towns</li> <li>• Lateral expansion of store adoption of CSV</li> <li>• Regional revitalization through links with local communities at all stores</li> </ul>
	Management of the entire supply chain	<ul style="list-style-type: none"> <li>• Implementation of self-assessment under the Principles of Action for Suppliers and 95% recovery of the questionnaire forms</li> <li>• Aim for 40% reduction of Scope 3 greenhouse gas emissions (compared to FY2017)</li> </ul>

	Materiality issue	KPIs for FY2030
		<ul style="list-style-type: none"> <li>• Firmly establish business activities with respect for the human rights of suppliers and employees</li> </ul>
With environment	Promotion of the circular economy (new)	<ul style="list-style-type: none"> <li>• 50% reduction of waste (including food) (compared to FY2020)</li> <li>• Total recycle and recovery volume of 3,000 t through ECOFF</li> <li>• Introduce and expand the sharing and upcycling business</li> <li>• Expand recycling and reuse of used products</li> </ul>