

To whom it may concern

Company name: J. FRONT RETAILING Co., Ltd.
Representative: YOSHIMOTO Tatsuya
President and Representative
Executive Officer
(Securities code: 3086, First Section of the Tokyo
Stock Exchange and Nagoya Stock Exchange)
Inquiries: INAGAMI Hajime
Senior General Manager of Investor
Relations Promotion Division, Financial
Strategy Unit
[TEL: +81-3-6895-0178 (from overseas)]

Notice Regarding Introduction of a New Stock-based Remuneration System for Officers

J. FRONT RETAILING Co., Ltd. (the “Company”), at the meeting of its Remuneration Committee, has resolved to replace the “stock-based remuneration system for officers utilizing trust” that has been introduced since fiscal 2017 as an incentive plan targeting the officers of the Company and the Company’s main subsidiary, Daimaru Matsuzakaya Department Stores Co. Ltd. (the “Former System”) by introducing a new stock-based remuneration system for officers which additionally targets the officers of the Company’s main subsidiary, PARCO Co., Ltd. (the “System”), as described below.

In this timely disclosure document, Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd. are referred to, individually or collectively, as the “Subject Subsidiary” or “Subject Subsidiaries,” the Company and the Subject Subsidiaries are individually and collectively referred to as the “Subject Company” or “Subject Companies,” and the Directors and Executive Officers of the Company and the Directors and Executive Officers of the Subject Subsidiaries are collectively referred to as the “Officers.”

1. Purpose of the introduction of the System, etc.

- (1) As mentioned in “Notice Regarding Revision of Officer Remuneration Policy” announced on April 13, 2021, the Company revised the Officer Remuneration Policy when it formulated the FY2021-FY2023 Medium-term Business Plan so that officer remuneration, also, could better function as an incentive for achieving and promoting sustainability management. In line with that policy, the Company will introduce the System.

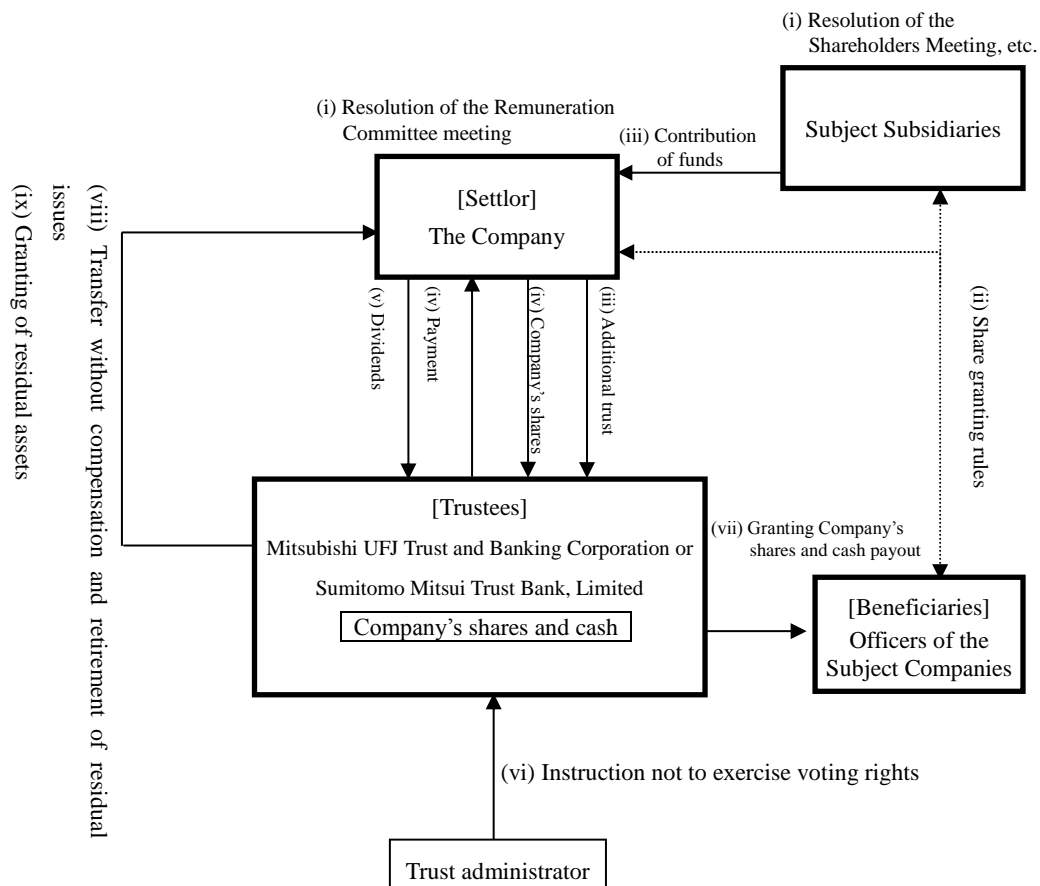
(Note) For details of the “Notice Regarding Revision of Officer Remuneration Policy,” please refer to the Company’s website.

https://www.j-front-retailing.com/_data/news/210413_remunerationpolicy_E.pdf

- (2) For the introduction of the System, the three trusts described below, including those already established under the Former System, will continue to be used as trusts of the System by making changes to parts of the trust so that they match the details of the System, extending the trust periods, and adding additional monetary trusts as required.
 - (i) The trust that issues the Company’s shares for Executive Officers of the Company and Directors and Executive Officers of Daimaru Matsuzakaya Department Stores Co. Ltd. to help the Group achieve sustainable growth and increase corporate value over the medium to long term (“Trust I”).

- (ii) The trust that issues the Company's shares in a way that it not linked to performance, with the objective of involving Non-executive Directors of the Company (Independent Outside Directors as well as chairperson of the Board of Directors, Audit Committee members and other internal Non-executive Directors; collectively, the "Non-executive Directors") in management with a medium- to long-term view in order that they should strengthen proactive and defensive governance of the Company from a different standpoint to the executives as representatives of stakeholders ("Trust II").
 - (iii) The trust that issues the Company's shares for Executive Officers of PARCO Co., Ltd. to help the Group achieve sustainable growth and increase corporate value over the medium to long term ("Trust III").
- (3) The System adopts the structure of a share granting trust. A share granting trust is a system that is designed to issue the Company's shares for the Officers (in certain cases, the Company's shares will be converted into cash within the trust and cash in the amount equivalent to their conversion value will be paid), in accordance with the mission grade or level of achievement of the Medium-term Business Plan, etc., which is similar to the performance share and restricted stock plans in the U.S.A. and Europe.
- (4) The introduction of the System has been resolved at the meeting of the Remuneration Committee, which comprises independent Outside Directors and the Chairman of the Board of Directors who does not execute business, and is chaired by an independent Outside Director. The Remuneration Committee fairly evaluates the adequacy of business performance targets, status of achievement thereof, etc., and ensures transparency and objectivity in the determining process and results concerning officer remuneration system.

2. Structure of the share granting trust



- (i) The Company will obtain approval by the resolution of the meeting of the Remuneration Committee for the introduction of the System and officer remuneration. Each Subject Subsidiary will obtain approval by the resolution of their respective Shareholders Meetings or Board of Directors meetings for the System.
- (ii) Each Subject Company will establish “share granting rules” related to the officer remuneration at their respective meetings of the Remuneration Committee or the Board of Directors.
- (iii) The Subject Subsidiaries will each contribute cash to the Company, within the range approved by the resolution mentioned in (i) above as required. The Company (Settlor) will entrust cash, which consists of cash within the range of the amount approved by the resolution of the meeting of its Remuneration Committee as in (i) above and cash contributed from the Subject Subsidiaries, to trust banks (Trustees), and establish Trust I, Trust II, and Trust III, for which the Officers of each Subject Company who satisfy the criteria for beneficiary are the beneficiaries (the “Trust”).
- (iv) Trustees of the Trust will, in accordance with the instructions by the trust administrator, use funds contributed as in (iii) above as the source of funds to acquire the Company’s shares from the Company (disposal of treasury shares). The Company’s shares under the Trust will be managed in accordance with the amount contributed from each Subject Company.
- (v) Dividends will be paid for the Company’s shares under the Trust in the same manner as other Company’s shares.
- (vi) Voting rights will not be exercised during the trust period with regard to the Company’s shares under the Trust.
- (vii) During the trust period, pursuant to the share granting rules of each Subject Company, beneficiaries will receive a certain number of points. In addition, beneficiaries will receive the Company’s shares equivalent to a certain conversion ratio of the said points (In certain cases, the Company’s shares will be converted into cash within the Trust and cash in the amount equivalent to their conversion value will be paid.).
- (viii) If there are residual shares at the time of expiry of the trust period due to non-achievement of performance targets and other reason, the Trust will continue to be used as a type of incentive plan similar to the System by amending the trust agreement and placing additional trust, or if the Trust will not continue to be used, the said residual shares will be transferred from the Trust to the Company without compensation and the Company will retire the residual shares by the resolution of the meeting of its Board of Directors. If there are no more Company’s shares remaining in a trust due to the granting of the Company’s shares to the beneficiaries during the trust period, the trust will be closed before the trust period expires.
- (ix) Upon the termination of the Trust, residual assets remaining after distribution to beneficiaries will belong to the Company within range of reserve for trust expenses derived by deducting the funds for purchasing shares from the trust money. Any portion in excess of the reserve for trust expenses will be donated to organizations that have no special interests with any of the Subject Companies and the Officers thereof.

3. Details of the System

The System is an incentive plan that is designed to deliver a grant (payout, in case of cash payout; the “Grant, etc.”) of the Company’s shares (in certain cases, the cash in the amount equivalent to the conversion value will be paid; the “Company’s Shares, etc.”) as officer remuneration, in accordance with the mission grade or level of achievement of the Medium-term Business Plan, etc., over three consecutive fiscal years in line with the period of the Company’s Medium-term Business Plan from the fiscal year ending February 28, 2022 through the fiscal year ending February 29, 2024 (the “Target Period”).

Under the System, Trust I and Trust III are established for (i) Executive Officers of the Company, (ii) Directors and Executive Officers of Daimaru Matsuzakaya Department Stores Co. Ltd., and (iii) Executive Officers of PARCO Co., Ltd. (the “Executive Officers, etc.”) to deliver to them the Grant, etc. of the Company’s Shares, etc. at the end of each fiscal year during the Target Period and at the

end of the Target Period for the purpose of achieving the sustainable growth of the Group and improving its corporate value over the medium to long term, and Trust II is established for the Non-executive Directors to deliver to them the Grant, etc. of the Company's Shares, etc. upon their retirement for the purpose of involving them in management with a medium- to long-term view in order that they should strengthen proactive and defensive governance of the Company from a different standpoint to the executives as representatives of stakeholders (includes the continuous use of the existing trusts by changing those trusts and adding trusts as required instead of establishing a new trust; the same shall apply hereinafter).

4. Trust I and Trust III

(1) Target Period and the upper limit of amount of remuneration

Each Subject Company will contribute monetary remuneration to Executive Officers, etc. each with the following upper limit of amount during the Target Period as required, and will establish a trust with a trust period of three years and with the Executive Officers, etc. who satisfy the criteria for beneficiary as beneficiaries. The amount of trust money that is contributed will be calculated by adding trust fees and expenses after taking into account the balance between the basic remuneration and bonuses as well as the performance-linked range in the System. When the Company's shares and cash remain in the trust assets before the extension of the trust period (the "Remaining Shares, etc.," excluding that of a yet-to-be-completed Grant, etc. of the Company's shares corresponding to points awarded to Executive Officers, etc.), the upper limit shall apply to the total amount of the value of the Remaining Shares, etc. added to the amount of cash that is additionally contributed.

In addition, the upper limits of the Company's shares to be delivered as the Grant, etc. (including the Company's shares for which money of the amount equivalent to their conversion value is paid) to Executive Officers, etc. during the trust period are as follows.

As described in (8) below, the trust may continue to be used by amending the trust agreement and placing additional trust at the time of expiry of trust period.

- (i) The Company
The upper limit of the amount to be contributed to Trust I: ¥0.99 billion (*1)
The upper limit of the Company's shares to be delivered as the Grant, etc. to Executive Officers, etc. from Trust I: 1.42 million shares
- (ii) Daimaru Matsuzakaya Department Stores Co. Ltd.
The upper limit of the amount to be contributed to Trust I: ¥1.17 billion (*1)
The upper limit of the Company's shares to be delivered as the Grant, etc. to Executive Officers, etc. from Trust I: 1.68 million shares
- (iii) PARCO Co., Ltd.
The upper limit of the amount to be contributed to Trust III: ¥0.9 billion (*1)
The upper limit of the Company's shares to be delivered as the Grant, etc. to Executive Officers, etc. from Trust III: 1.29 million shares

(2) Eligible persons (criteria for beneficiary)

The Executive Officers, etc. of each Subject Company may receive the Grant, etc. of the Company's Shares, etc. corresponding to the number of each point (as specified in (3) below) on the condition that satisfying the following criteria for beneficiary.

- (i) Shall be the Executive Officer, etc. of a Subject Company during the Target Period
- (ii) Must not have conducted certain illegal activities
- (iii) Any other requirements necessary to achieve the purpose of the System

(3) The Company's Shares, etc. to be delivered as the Grant, etc. to beneficiaries

The Company's Shares, etc. to be delivered as the Grant, etc. to the beneficiaries will be determined by points received according to their one year performance (the "Short-term PS Points") and points received according to the achievement level of the Medium-term Business Plan (the "Medium-to long-term PS Points").

(i) Short-term PS Points

Short-term PS Points are calculated by multiplying the basic points set forth during the Target Period in accordance with the mission grade each year by the performance-linked coefficient corresponding to the performance of each business year. The Company's Shares, etc. are delivered as the Grant, etc. in about June every year according to the number of Short-term PS Points. One point will stand for one Company's share. (*2)

The performance-linked coefficient for the Short-term PS points is assessed by the performance achievement level of the forecast for consolidated operating profit (IFRS based) in the initial forecasts announced in the Company's consolidated financial reports each year in April, and the fluctuation range for remuneration in accordance with the performance achievement rate is between 0% and 200%.

(ii) Medium-to long-term PS Points

Medium-to long-term PS Points are calculated after the expiry of the Target Period by multiplying the accumulated amount of basic points, received during the Target Period in accordance with the mission grade of each year, by the performance-linked coefficient corresponding to the performance of the relevant Target Period. The Company's Shares, etc. are delivered as the Grant, etc. according to the number of Medium-to long-term PS Points in about June 2024. One point will stand for one Company's share. (*2)

The performance-linked coefficient of the Medium- to long-term PS Points is assessed by allocating 80% to financial indicators and the remaining 20% to non-financial indicators. Specifically, the Medium-term Business Plan targets (IFRS based) of consolidated operating profit, 40% weighting, and ROE, 40% weighting, are used for the financial indicators, and a materiality issue of the Company, the greenhouse gas reductions (Scope 1&2 emissions), 10% weighting, and achievement of the target for the ratio of women in management positions, 10% weighting, for the non-financial indicators. The fluctuation range for remuneration in accordance with the performance achievement rate is between 0% and 200%.

Target figures and evaluation weights for performance-linked stock-based remuneration

KPI			Target figures for medium to long term	Evaluation weights
Profitability	(i)	Consolidated operating profit	¥40,300 million (fiscal 2023)	40%
Efficiency	(ii)	ROE	7% (at the end of fiscal 2023)	40%
Non-financial	(iii)	Greenhouse gas reductions (Scope 1 & 2 emissions)	-40% (compared with fiscal 2017)	10%
	(iv)	Raise the ratio of women in management positions	26% (at the end of fiscal 2023)	10%

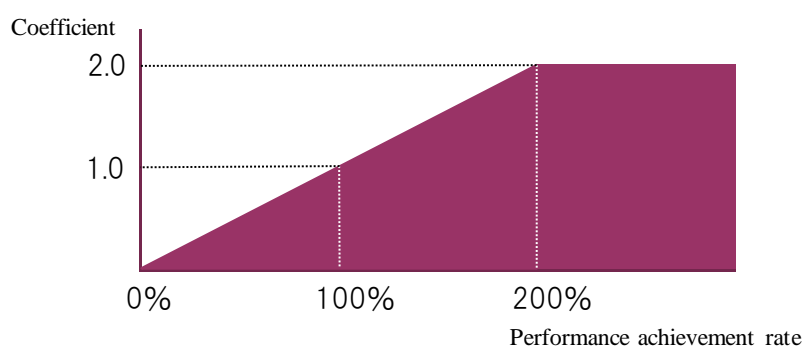
Note: KPI stands for Key Performance Indicator.

Note: For the short term, only (i) consolidated operating profit is used. The target figure used is the forecast figure (IFRS based) for the fiscal year announced in the Company's financial reports each year in April. The target for fiscal 2021 is ¥11.0 billion.

Method used to calculate the performance-linked coefficient

Performance target achievement	Performance-linked coefficient
200% or more	2
0% or more, but less than 200%	Actual results ÷ Target
Less than 0%	0

Conceptual drawing of performance-linked coefficient fluctuation



Note: If the performance achievement rate is 0, the performance-linked coefficient is 0 (0%). If the performance achievement rate is 200% or higher, the performance-linked coefficient is 2.0 (200%).

(4) Method and timing of the Grant, etc. of the Company's Shares, etc.

(i) Short-term PS Points

The Executive Officers, etc. who have satisfied the criteria for beneficiary will receive the Grant, etc. of the Company's Shares, etc. corresponding to the Short-term PS Points in about June immediately after the end of each business year. (*3) (*4)

(ii) Medium-to long-term PS Points

The Executive Officers, etc. who have satisfied the criteria for beneficiary will receive the Grant, etc. of the Company's Shares, etc. corresponding to the Medium-to long-term PS Points in about June 2024. (*3) (*4)

(5) Method to acquire the Company's shares

The Company's shares will be acquired from the Company (disposal of treasury shares) at an amount not more than the upper limit set by each Subject Company stated in (1) above.

(6) Exercise of voting rights related to the Company's shares

Voting rights related to the Company's shares under the trust (the Company's shares before issuance to the Executive Officers, etc. of each Subject Company in accordance with (3) above) will not be exercised during the trust period in order to ensure neutrality of management.

(7) Treatment of dividends of the Company's shares

The trust will receive the dividends of the Company's shares under the trust and the dividends will be appropriated to trust fees and expenses. If there are residuals after dividends are appropriated to trust fees and expenses at the time of expiry of the trust period, the Company plans to donate to organizations that have no special interests with any of the Subject Companies and the Executive Officers, etc. thereof. Furthermore, if the trust continues to be used, the said residual funds will be used as funds to acquire shares.

(8) Treatment at the expiry of the trust period

If there are residual shares at the time of expiry of trust period due to non-achievement of performance targets and other reasons during the Target Period, and a proposal of continuation of the System is discussed and approved at the meetings of the Company's Remuneration Committee, etc. held after the expiry of the Target Period, the trust may continue to be used by amending the trust agreement and placing additional trust within the range approved by the said meetings of the Company's Remuneration Committee, etc. In case of terminating the trust upon the expiry of trust period, the said residual shares will be transferred from the trust to the Company without compensation and the Company will retire the residual shares by the resolution of the meeting of its Board of Directors as a measure for returning profits to shareholders.

(9) Grant, etc. of the Company's shares, etc., under the Former System

Through the formulation of the "FY2021-FY2023 Medium-term Business Plan," the granting of new Short-term PS points and Medium- to long-term PS points based on the Former System, which was introduced for the target five year period from the fiscal year ended February 28, 2018 until the end of the fiscal year ending February 28, 2022, corresponding with the Previous Medium-term Business Plan (the "Former Target Period"), ends with the points corresponding to the fiscal year ended February 28, 2021.

The Medium- to long-term PS points under the Former System are calculated after the expiry of the Former Target Period by multiplying the cumulative number of basic points by the performance-linked coefficient corresponding to the performance of the relevant Former Target Period, and the Company's Shares, etc. corresponding to the number of Medium- to long-term PS points will be delivered as the Grant, etc. in about June 2022. Concerning the method for calculating that performance-linked coefficient, although the Company had initially decided that the performance-linked coefficient would be calculated as a blanket zero if the performance achievement rate was under 50%, based on the premise that the Remuneration Committee would deliberate on the review of the coefficient in the event of unexpected circumstances, the Company has considered the following factors: (1) unexpected and unavoidable changes in the environment have occurred, such as the request from the government to suspend business operations due to the spread of COVID-19; (2) the Company has adopted a basic policy of remuneration for officers to share a sense of profit with shareholders and to enhance management awareness that focuses on shareholders; and thus decided to revise the method for calculation as follows.

Method for calculating the performance-linked coefficient for the Medium- to long-term PS points under the Former System

Performance target achievement	Performance-linked coefficient
200% or more	2
0% or more, but less than 200%	Actual results ÷ Target
Less than 0%	0

Note: In the evaluation consolidated operating profit and basic earnings per share are each given a weighting of 50% and if free cash flow and ROE targets are not met, 25% is deducted from each indicator.

5. Trust II

(1) Target Period and the upper limit of amount of remuneration

The Company will contribute monetary remuneration during the Target Period to the Non-executive Directors of the Company each with the following upper limit of amount, and will establish a trust with a trust period of three years and the Non-executive Directors who satisfy the criteria for beneficiary as beneficiaries. The amount of trust money that is contributed will be calculated by adding trust fees and expenses after taking into account the balance with the basic remuneration. When there are Remaining Shares, etc. in the trust assets before the trust period is extended (excluding that of a yet-to-be-completed Grant, etc. of the Company's shares corresponding to points awarded to Non-executive Directors), the upper limit shall apply to the total amount of the value of the Remaining Shares, etc. added to the amount of cash that is additionally contributed.

Moreover, the upper limits of the Company's shares to be granted (including the Company's shares for which money of the amount equivalent to their conversion value is paid) to the Non-executive Directors during the trust period are as follows.

As described in (8) below, the trust may continue to be used by amending the trust agreement and placing additional trust at the time of expiry of trust period. Furthermore, even if the trust is not going to be continuously used, if a Non-executive Director who may satisfy the criteria for beneficiary is present at such time, until such Non-executive Director retires, and the Grant, etc. of the Company's Shares, etc. is completed, the Company may extend the trust period of up to ten years.

(i) The Company

The upper limit of the amount to be contributed to Trust II: ¥0.24 billion (*1)

The upper limit of the Company's shares to be delivered as the Grant, etc. to Non-executive Directors, etc. from Trust II: 0.19 million shares

(2) Eligible persons (criteria for beneficiary)

The Non-executive Directors of the Company may receive the Grant, etc. of the Company's Shares, etc. corresponding to the number of points (as specified in (3) below) from the trust on the condition that satisfying the following criteria for beneficiary.

- (i) Shall be a Non-executive Director of the Company during the Target Period
- (ii) Shall be retired from Non-executive Director of the Company
- (iii) Must not have conducted certain illegal activities
- (iv) Any other requirements necessary to achieve the purpose of the System

(3) The Company's Shares, etc. to be delivered as the Grant, etc. to beneficiaries

The Company's Shares, etc. to be delivered as the Grant, etc. to beneficiaries will be determined by points received in accordance with rank (position) (the "RS Points").

RS Points will be received every year throughout the Target Period, and at the time of retirement of the Non-executive Directors, the Company's Shares, etc. corresponding to the

accumulated number of RS Points (the “Number of Accumulated RS Points”) will be delivered as the Grant, etc. One point will stand for one Company’s share. (*2)

(4) Method and timing of the Grant, etc. of the Company’s Shares, etc.

The Non-executive Directors who have satisfied the criteria for beneficiary will receive the Grant, etc. of the Company’s Shares, etc. corresponding to the Number of Accumulated RS Points at the time of their retirement. (*3) (*4)

(5) Method to acquire the Company’s shares

The Company’s shares are acquired from the Company (disposal of treasury shares) at an amount not more than the respective upper limits stated in (1) above.

(6) Exercise of voting rights related to the Company’s shares

Voting rights related to the Company’s shares under the trust (the Company’s shares before issuance to the Non-executive Directors in accordance with (3) above) will not be exercised during the trust period in order to ensure neutrality of management.

(7) Treatment of dividends of the Company’s shares under the trust

The trust will receive the dividends of the Company’s shares under the trust and the dividends will be appropriated to trust fees and expenses. If there are residuals after dividends are appropriated to trust fees and expenses at the time of expiry of the trust period, the Company plans to donate to organizations that have no special interests with the Company and the Non-executive Directors. Furthermore, if the trust continues to be used, the said residual funds will be used as funds to acquire shares.

(8) Treatment at the expiry of the trust period

If there are residual shares at the time of expiry of trust period due to the decrease of relevant Non-executive Directors and other reasons, and a proposal of continuation of the System is discussed and approved at the meetings of the Company’s Remuneration Committee, etc. held after the expiry of the Target Period, the trust may continue to be used by amending the trust agreement and placing additional trust within the range approved by the said meetings of the Company’s Remuneration Committee, etc.

In case of terminating the trust upon the expiry of trust period, the said residual shares will be transferred from the trust to the Company without compensation and the Company will retire the residual shares by the resolution of the meeting of its Board of Directors as a measure for returning profits to shareholders.

(*1) The amount is the sum of the share acquisition funds from the Trust, trust fees and expenses within the trust period.

(*2) In case the number of the Company’s shares under the Trust increases or decreases due to share split, allotment without contribution, consolidation of shares and other reasons, the number of the Company’s shares per point in which the Grant, etc. is delivered will be reviewed.

(*3) In case an Officer undertakes an assignment overseas, the Company’s Shares, etc. corresponding to each number of points received until the time of the assignment will be delivered as the Grant, etc. from the Trust promptly after the assignment is fixed.

(*4) In case an Officer retires as a result of deceasing, or deceases after retirement while the Grant etc. is incomplete, the Company’s Shares, etc. corresponding to each number of points received during office will be delivered as the Grant, etc. from the Trust to that Officer’s heir promptly after decease.

(Reference)

[Details of Trust Agreement]

	Trust I	Trust II	Trust III
(i) Type of trust	Monetary trust other than designated individually-operated monetary trust (third party benefit trust)		
(ii) Purpose of trust	To provide incentives to the Company's Executive Officers, and Directors and Executive Officers of Daimaru Matsuzakaya Department Stores Co. Ltd.	To involve the Company's Non-executive Directors in management with a medium-to long-term view from a different standpoint to the executives as representatives of stakeholders	To provide incentives to the Executive Officers of PARCO Co., Ltd.
(iii) Settlor	The Company		
(iv) Trustee	Mitsubishi UFJ Trust and Banking Corporation (Co-trustee: The Master Trust Bank of Japan, Ltd.)		Sumitomo Mitsui Trust Bank, Limited (Re-trust trustee: Custody Bank of Japan, Ltd.)
(v) Beneficiaries	Executive Officers of the Company and Directors and Executive Officers of Daimaru Matsuzakaya Department Stores Co. Ltd. who satisfy the criteria of beneficiary	The Company's Non-executive Directors who satisfy the criteria of beneficiary	Executive Officers of PARCO Co., Ltd. who satisfy the criteria of beneficiary
(vi) Trust administrator	Third party who has no special interests with the Company (certified public accountant)		
(vii) Trust agreement date	July 14, 2017 (Change scheduled for July 20, 2021)		July 9, 2018 (Change scheduled for July 27, 2021)
(viii) Trust period	From July 14, 2017 till the end of August 2022 (Due to changes to the trust agreement scheduled for July 20, 2021, an extension until August 31, 2024 is planned.)		From July 9, 2018 till the end of July 2023 (Due to changes to the trust agreement scheduled for July 27, 2021, an extension until August 31, 2024 is planned.)
(ix) Exercise of voting rights	Voting rights shall not be exercised		
(x) Class of shares to be acquired	Ordinary shares of the Company		
(xi) Total value of shares to be additionally acquired	No shares will be additionally acquired	¥17,850,000	¥365,505,000
(xii) Timing of acquisition of shares		July 27, 2021	
(xiii) Method of acquisition of shares		Acquisition of the Company's shares through third party allotment (disposal of treasury shares)	

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