
2nd

ESG Presentation

November 19, 2019

J. Front Retailing Co., Ltd.

YAMAMOTO Ryoichi

Director, President and Representative Executive Officer

Create and Bring to Life "New Happiness."



1. Profile of JFR Group

Origin of the Group



1717 Founded as a kimono fabric dealer



1611 Founded as a kimono fabric and fancy goods wholesaler

300+ years



400+ years



Management integration
September 2007

PARCO



J. FRONT RETAILING



Growth and development as a "Multi Service Retailer"
beyond the framework of retail

Service before Profit

Those who give priority to service over profit will prosper



Rephrased as:

"Customer-first principle" "Contribution to society"



Consistent with "Creating Shared Value (CSV)" to solve social issues through business activities incorporating ESG issues

2. ESG Initiatives and Risk Management

■ Rash of natural disasters caused by unusual weather



Increasing global demand for companies
to address ESG-related risks

Readiness toward the Future

■ Risk: Defined as “uncertainty”
Both **opportunity** and **threat** for companies





Readiness toward the Future

Risks particularly emphasized by JFR in FY2019

Risk associated with the progress of sharing economy

Risk associated with advanced technology

Risk associated with growing importance of ESG

Risk associated with disasters, etc.

Risk associated with consumption tax hike and post-Olympic recession

Risk associated with changes in customers, low birthrate and longevity

Risk associated with polarized income

Add next FY

Risk associated with maturing of existing business

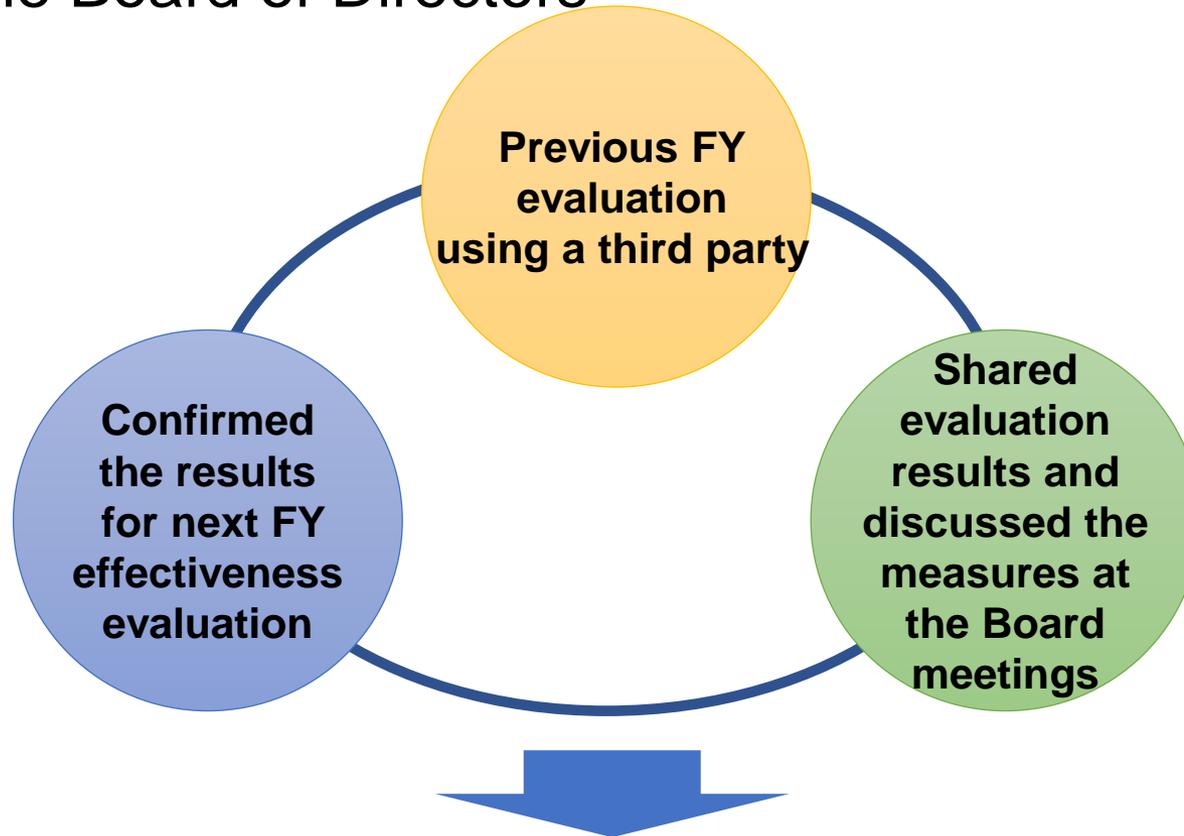
Risk associated with the conversion of suppliers

It is important to examine and address both "risk of existing business" and "risk of future business"

3. Corporate Governance Reform

Reform of the Board of Directors as an Integral Part of Governance Reform

- PDCA cycle using evaluation of the effectiveness of the Board of Directors



Reform has been promoted for four years and leveled off
⇒ Re-examine the method



Need a place to discuss issues concerning overall management strategy

(Constructively dissolved the Governance Committee)

Created the "Management Advisory Board"

【Composition】

A total of 8 members including President and Representative Executive Officer, Chairperson of Board of Directors and Outside Directors

(Chief of the secretariat: Senior Executive General Manager of Management Strategy Unit)

【Approach】

President and Representative Executive Officer recognizes issues concerning overall management



Advice from Outside Directors based on specialized knowledge and abundant experience

*Outside Directors can also raise issues.

-Matters discussed in FY2019-

- ICT strategy (Jan)
- Board resolution standards (Feb)
- HR strategy (Mar)
- Investment projects (May)
- IT governance (Oct)

4. Sustainability Policy and Materiality

**With People, with Local Communities,
with Environment**

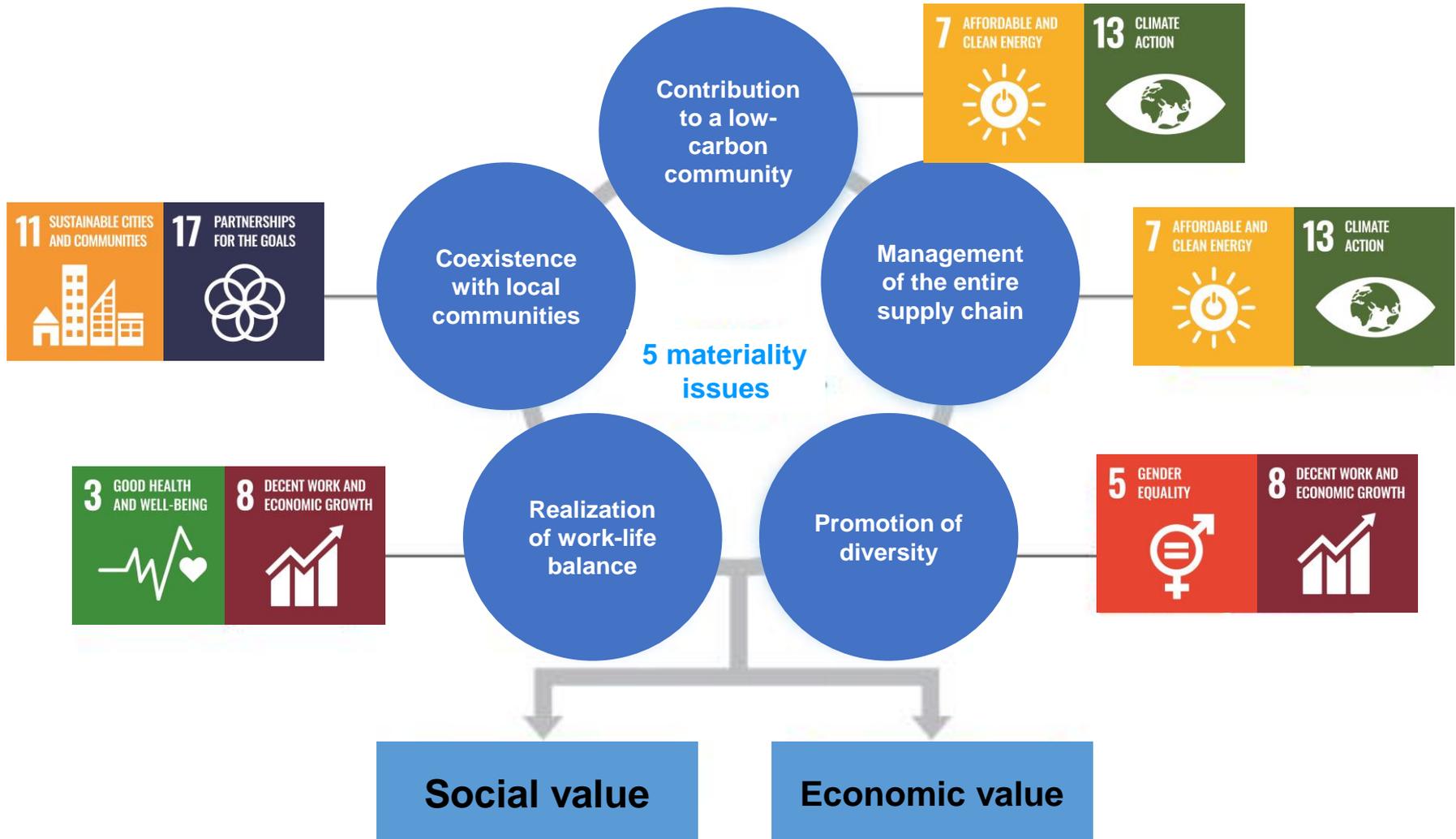
to Realize New Happiness in Sustainable Society and Life



Made it clear that we will create value for stakeholders and
contribute to creating a sustainable society
by solving social issues through business activities

5 Materiality Issues

■ 5 materiality issues of JFR



5. Creation of the Sustainability Committee



Creation of the Sustainability Committee

■ 2018 Created ESG Promotion Division

■ 2019 Created the Sustainability Committee

<Positioning>

- Advisory board directly under President and Representative Executive Officer

<Membership>

- Chairperson: President and Representative Executive Officer
- Members: Senior Executive Managers of supervisory units of JFR and presidents of operating companies

<Role>

- Formulation of policies and systems required to promote sustainability management
- Regular activity report to the Board of Directors (twice a year)

The 2nd Sustainability Committee



2nd

ESG Presentation

November 19, 2019

J. Front Retailing Co., Ltd.

SAWADA Taro

Managing Executive Officer, Senior Executive General Manager of
Management Strategy Unit, Senior General Manager of New Business
Division and in charge of Risk Management

Create and Bring to Life "New Happiness."



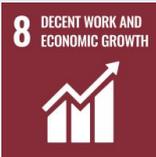
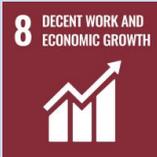
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JFR

ESG Initiatives in the Year



5 Materiality Issues Long-term Goals

Materiality issue	Long-term goals	SDGs they contribute to
Contribution to a low-carbon society	<ul style="list-style-type: none"> ● 2050 Zero CO₂ emissions (Scope 1 and 2 vs. 2017) ● 2030 40% reduction of CO₂ emissions (Scope 1 and 2 vs. 2017) 	 
Management of the entire supply chain	<ul style="list-style-type: none"> ● 2030 100% dissemination of the Principles of Action for Suppliers ● 2030 Aim to reduce CO₂ emissions by 40% (Scope 3 vs. 2017) 	 
Coexistence with local communities	<ul style="list-style-type: none"> ● Mutually cooperate with local communities in using our strong know-how of urban development and revitalizing local communities to create sustainable communities 	 
Promotion of diversity	<ul style="list-style-type: none"> ● Proportion of women in management positions 2025 30% 2030 Aim for 50% ● 2030 Aim for retirement at 70 ● 2030 Ratio of disabled employees: 3.0% 	 
Realization of work-life balance	<ul style="list-style-type: none"> ● 2030 Men taking child care leave: 100% ● 2025 Turnover due to child/family care: 0% 	 

Contribution to a Low-carbon Society

Current Status of CO₂ Emissions

■ Current status of CO₂ emissions of JFR Group (Scope 1 and 2)

CO₂ emissions in stores account for approx. 90% and approx. 90% of them are from electricity use (= **Approx. 80%** of CO₂ emissions are from stores)

The Group breakdown of CO₂ emissions



CO₂ emissions in stores account for approx. 90% of Scope 1 and 2 emissions



Approx. 90% of CO₂ emissions in stores are from electricity use
(The remaining approx. 10% are from gas use, etc.)

■ Store ■ Office ■ Transportation (the Group)

•Store

Daimaru
Matsuzakaya
Department Stores,
Parco, etc.

•Office

Head office
building,
offices of
associated
companies, etc.

•Transportation (the Group)

Company cars,
gaisho cars, etc.



Initiatives for Renewable Energy

■ Switch to renewable energy and switch to EVs

- March 2019

The head office of Daimaru Matsuzakaya Department Stores **switched to 100% renewable energy**

- September 2019

The "main building of the Daimaru Shinsaibashi store," which made its grand opening, switched to **100% renewable energy**

The Shinsaibashi store started to switch to EVs. **100% switch to EVs by FY2025**



Approx.
7,000
t- CO₂
reduction

ESG flagship store
New main building of Shinsaibashi store



Approx.
190
t- CO₂
reduction

Switch of company cars of new main building of Shinsaibashi store to EVs



Thorough Energy Saving

■ Promote the installation of energy-efficient equipments and LED lighting

- **Energy-efficient equipments** are installed on the occasions of facility replacement, renovation and new store opening.
- Reduce electricity consumption and CO₂ emissions by replacing existing lighting with LED units.

Approx. 206,000 units, or **approx. 48%** of the relevant lighting fixtures of all stores, were replaced with LED units by February 2019.

- The Daimaru Shinsaibashi store **achieved 100% LED lighting.**



Installed LED lighting on the ceiling when the store was renovated (Daimaru Tokyo store)



Installed LED lighting that can simultaneously control brightness and color ("Table Plus," food floor of Matsuzakaya Nagoya store)

Approx.
930
t-CO₂
reduction

■ Chosen as a leading project for sustainable building initiative (the Ministry of Land, Infrastructure, Transport and Tourism)



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- Creation of attractive outdoor space including roof top square and multi-level pathways
- Adoption of efficient energy system including a cogeneration system (CGS)
- Use of digital communication to promote efficient energy use

■ **CO₂ emissions: 26% less** than general buildings

Acquisition of Third-party Verification of CO₂ Emissions J. FRONT RETAILING

■ Obtained third-party verification of CO₂ emissions (Scope 1 and 2) of the entire Group for FY2017 and FY2018



LR独立保証証明書

J.フロントリテイリング株式会社の統合報告書 2019 に記載された
2017 年度及び 2018 年度環境データに関する保証

この保証証明書は、契約に基づいて J.フロントリテイリング株式会社に対して作成されたものであり、報告書の読者を参照して作成されたものである。

保証業務の条件

ロイドレジスター・ケオリアシエンティアンスリミテッド（以下、LR という）は、J.フロントリテイリング株式会社（以下、会社という）からの依頼に基づき、統合報告書 2019 に記載された 2017 年度（2017 年 3 月 1 日～2018 年 2 月 28 日）及び 2018 年度（2018 年 3 月 1 日～2019 年 2 月 28 日）の会社の環境データ（以下、報告書という）に対して、保証人の専門的判断による重要性水準において、ISAE3000 および、温室効果ガス排出量については ISO14064-3 を検証基準として用いて独立保証業務を実施した。

従々の保証業務は、会社とその国内外連結会社における運営及び活動、以下の要求事項を対象とする。

- 報告書が会社の定める報告手順に従っていることの検証
- 以下の選択された環境データの正確性及び信頼性の検証¹⁾
 - エネルギー使用量（稼働熱量および MWh）
 - スコープ 1 GHG 排出量（トン CO₂e）²⁾
 - スコープ 2 GHG 排出量（トン CO₂e）

保証業務の範囲は、会社のサプライヤー及び業務委託先、その他報告書で言及される第三者に関するデータ及び情報を除くものとする。

LR の責任は、会社に対してのみ負うものとする。附録で説明されている通り、LR は会社以外へのいかなる義務または責任も放棄する。会社は、報告書内のすべてのデータ及び情報の収集、集計、分析、公表、及び報告書の基となるシステムの効果的な内部統制の維持に対して責任を有するものとする。報告書は会社によって承認されており、その責任は会社にある。

検証意見

LR の検証手続きにおいて、会社が

- 上述の要求事項を満たしていない
- 正解で信用できる環境データを提示していない

ことを示す事実は認められなかった。

表明された検証意見は、限定的保証水準及び保証人の専門的判断による重要性に基づいて形成された。

限定的保証業務の検証政策は、各物の保証業務に比べて少ない範囲で行われ、各拠点を訪問してデータを確認するより集計されたデータに重点を置いている。従って、限定的保証業務で得られる保証水準は合理的保証業務が行われた場合に得られる保証に比べて相対的に低くなる。

保証手続

LR の保証業務は、ISAE3000 および、温室効果ガス排出量については ISO14064-3 に従って実施された。保証業務の証拠収集プロセスの一部として、以下の事項が行われた。

¹⁾ 統合報告書 2019 の財務・環境情報・ダイアログに記載された 2017 年度、2018 年度の温室効果ガス排出量、エネルギー使用量について限定保証業務を行った。
²⁾ GHG 排出量の算定は国産のデータを使用し、
³⁾ 検証業務の最終期間は、2017 年度分は 2017 年 4 月 1 日～2018 年 3 月 31 日に、2018 年度分は 2018 年 4 月 1 日～2019 年 3 月 31 日とする。

Build a system to gather information completely and correctly without duplication and correctly measure CO₂ emissions

- Scope of calculation
- Creation of calculation rules
- Calculation results

Consider introducing a new system to make the process correct and smooth

■ Approved as Science Based Targets (SBT) in October 2019

Targets for FY2030 (40% reduction) were approved as well-below 2°C-aligned targets

Scope 1, 2 and 3 emissions reduction targets of the Group (vs. FY2017)

FY2030

Scope 1 and 2: 40% reduction

FY2030

Scope 3: Aim for 40% reduction

*SBT:

Developed by Science Based Targets initiative (a joint initiative by WWF, CDP, the UN Global Compact and WRI).

Emissions reduction targets aligned with the level of decarbonization required by science to limit global warming to less than 2°C



SCIENCE
BASED
TARGETS

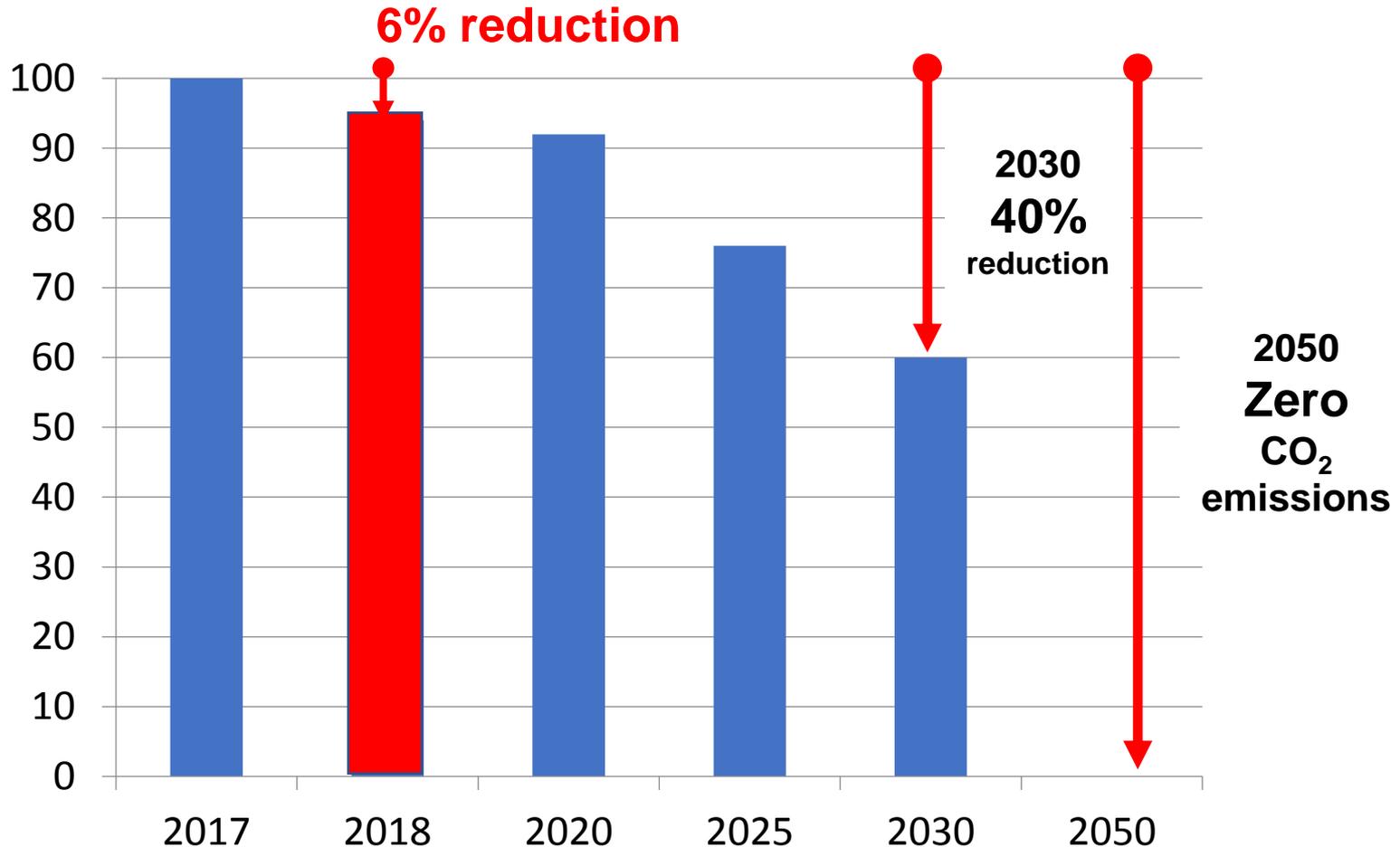
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



FY2018 JFR Group CO₂ Emissions Results

■ CO₂ emissions reduction from FY2017: 6%, 11,589 t-CO₂

FY2018 Scope 1 and 2 Reduced 6% YoY





Support and Initiatives for TCFD

■ Support for the Task Force on Climate-related Financial Disclosures (TCFD)

- Effective information disclosure using information disclosure frameworks recommended by TCFD (governance, strategy, risk management, indicators and targets) to meet investor needs for climate-related information
- Constructive dialogue with other companies and financial institutions that support the recommendations by participating in the TCFD Consortium

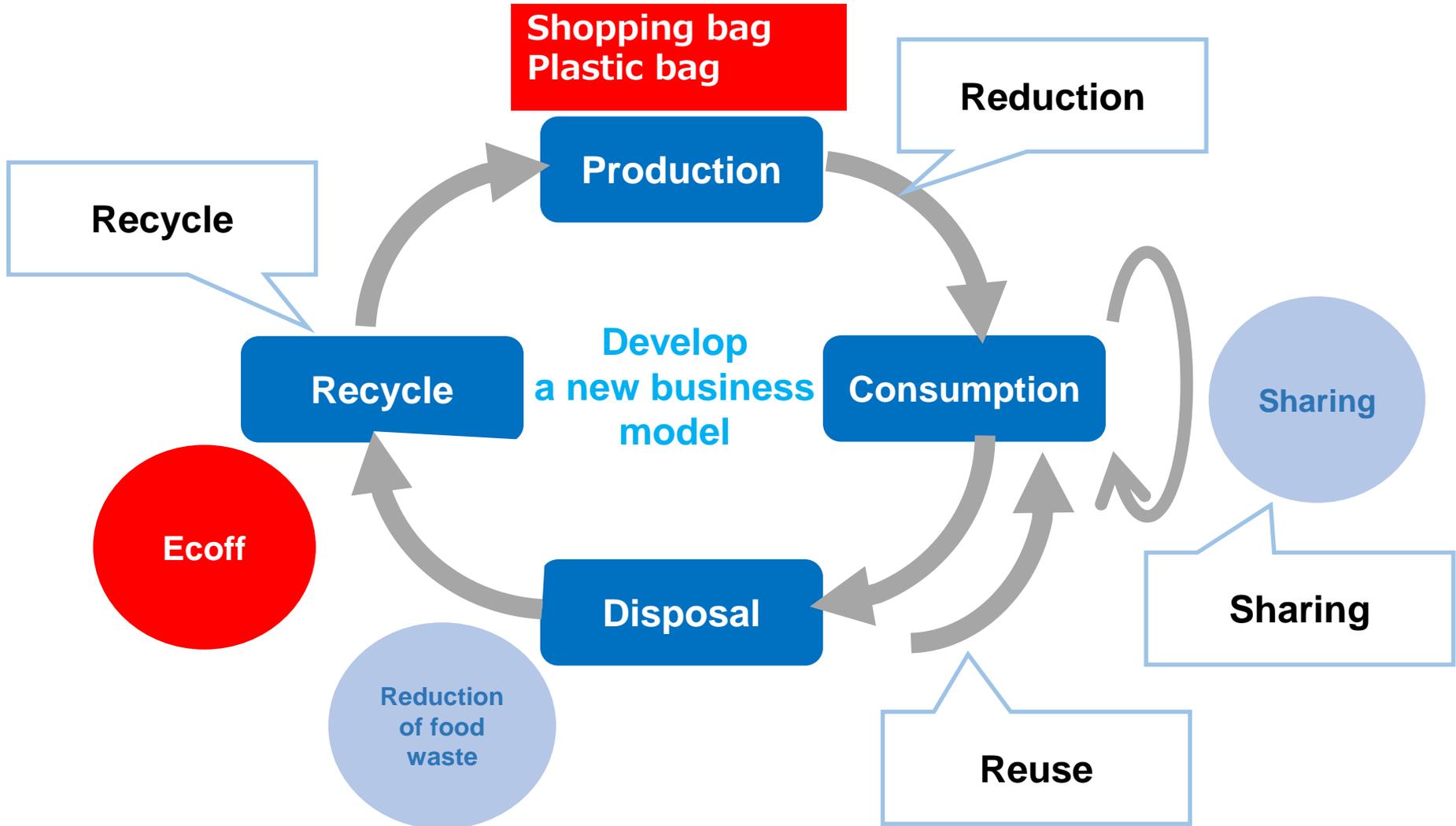


Realize constructive dialogue with financial institutions through disclosure that conforms to TCFD

Initiatives for Circular Economy



Initiative for a recycling society at the entire supply chain

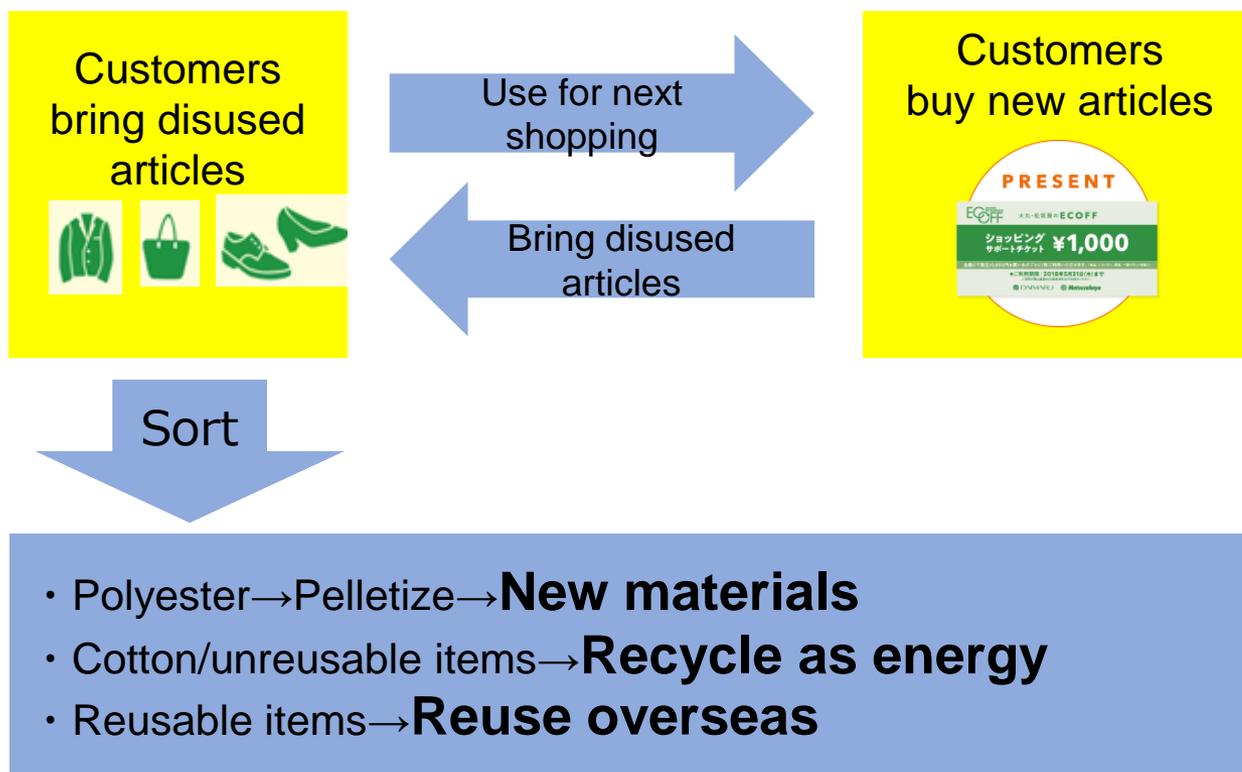


■ Project with the participation of customers "Ecoff activity"

Reduce both customers' shopping burdens and environmental burdens through environment-friendly recycle/reuse activity

ECOFF

Total no. of articles collected: **1.92 mn, approx. 578 t** As of April 2019

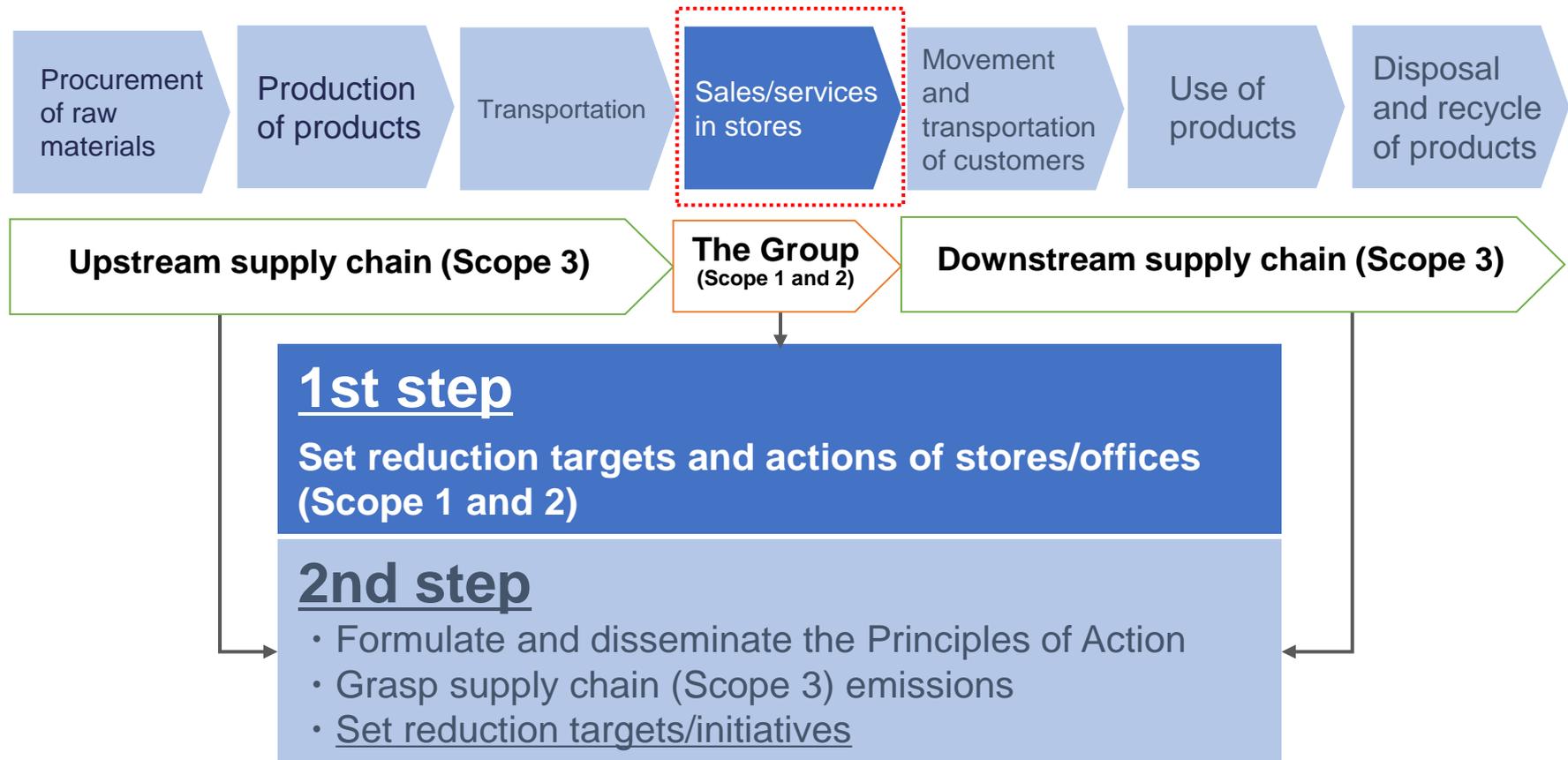


Management of the Entire Supply Chain



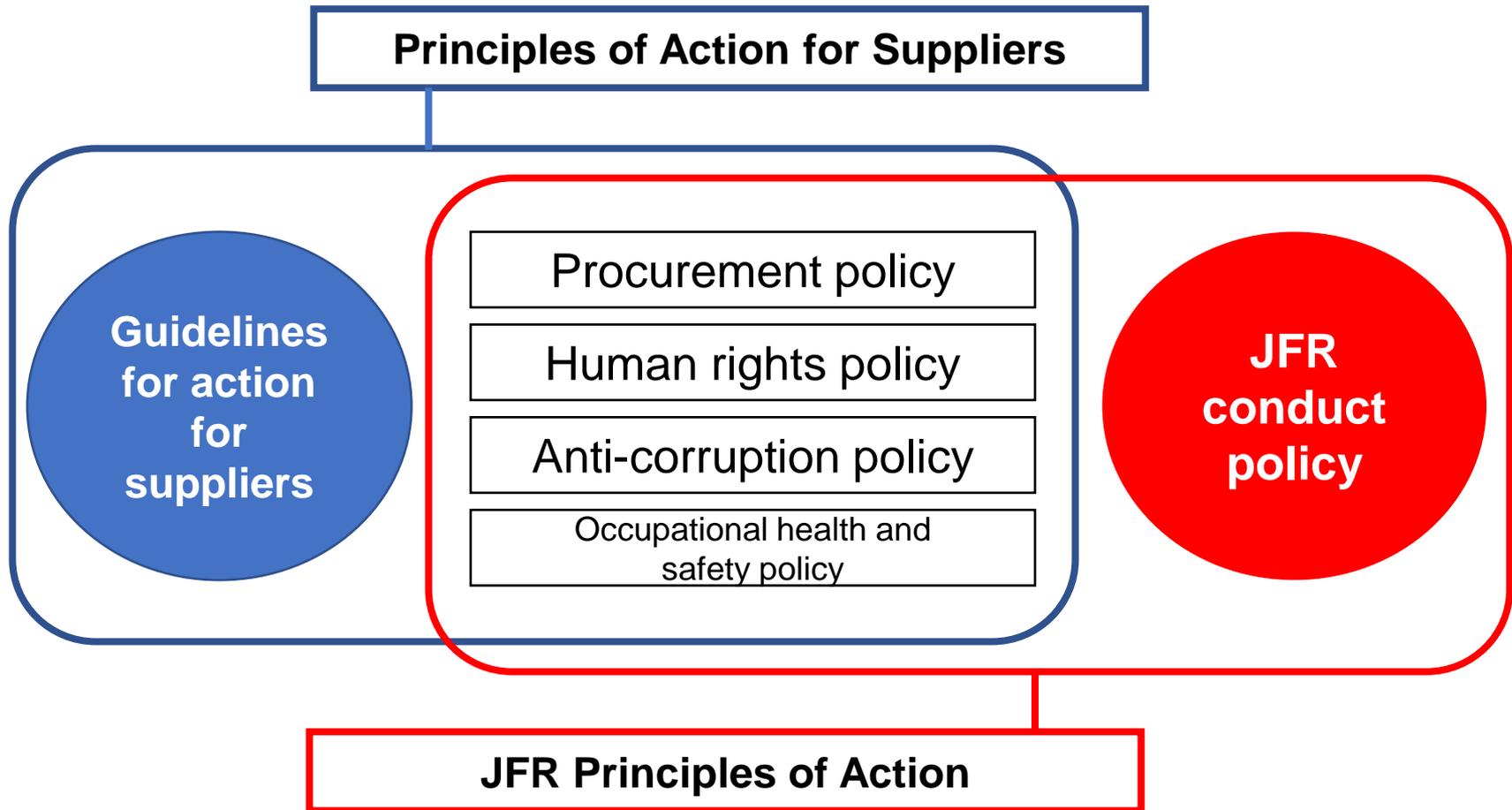
Management of the Entire Supply Chain

■ The Group's supply chain



Formulation of the Principles of Action

■ Initiatives for formulation and dissemination of the Principles of Action for Suppliers and JFR Principles of Action





Explanatory Meeting for Suppliers

- JFR Group sent the “Principles of Action for Suppliers” to **8,600 suppliers** with which we have direct transactions to share the rules and ideas.
- **Daimaru Matsuzakaya Department Stores, a major operating company, held the first “explanatory meeting on the JFR Principles of Action for Suppliers” in Tokyo and Osaka at the same time and 652 people from 530 companies attended it.**



Date: October 23, 2019

Speaker:

YAMAMOTO Ryoichi

Director, President and Representative Executive Officer
J. Front Retailing Co., Ltd.

YOSHIMOTO Tatsuya

President and Representative Director
Daimaru Matsuzakaya Department Stores Co. Ltd.

and others

Meeting in Tokyo (Grand Hyatt Tokyo)



Feedback from Suppliers

“Very easy-to-understand presentation”
“Likely to generate synergy on sales floors, etc.”

What direction does the Company have concerning cost increase for investment and resources (people/money) associated with ESG initiatives?

Investment priority is placed on renewable energy. Costs will increase but we are trying to reduce costs in cooperation with power companies, etc.

There are many conflicts between operating profit and ESG/SDGs. Less business days and hours can cause the loss of sales. What do you think about the future?

Work-life balance is one of our five materiality issues and we think productivity growth is the most important. As for business hours, we would like to discuss with you.

■ Scope 3 CO₂ emissions reduction

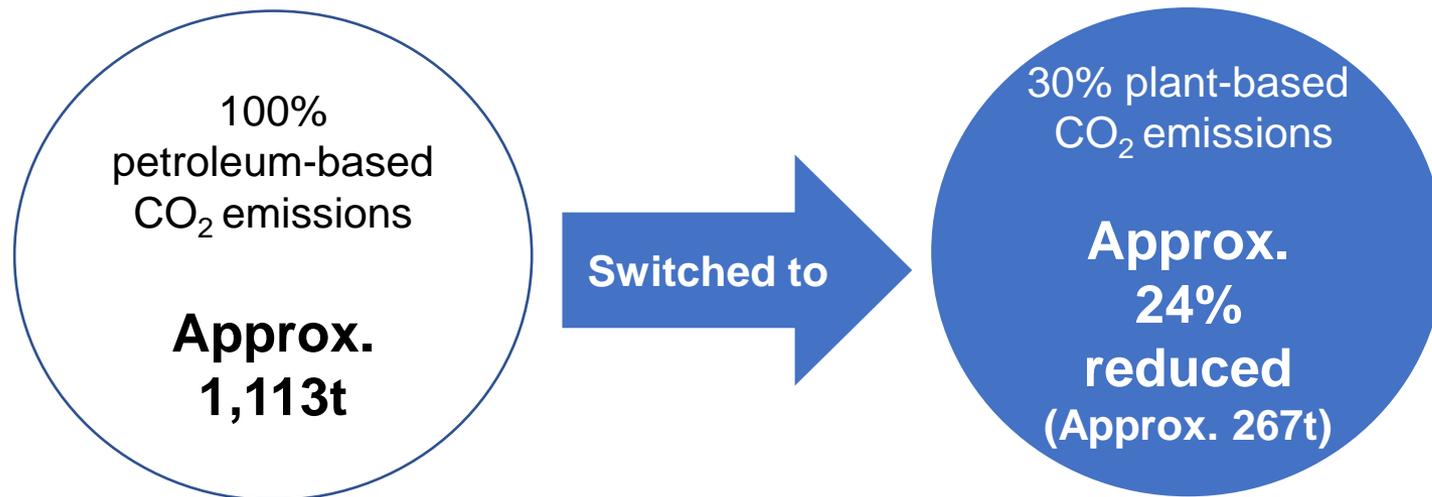
Daimaru Matsuzakaya Department Stores is switching wrapping materials to eco-friendly ones

- **Shopping bags were replaced with the ones made from eco-friendly FSC-certified paper to help protect forest**

*Approx. 23.16 mn pieces were used in FY2018

- **Plastic bags for food products are being replaced with the ones made from 30% plant-based materials to help reduce CO₂ emissions**

*Approx. 38.45 mn pieces were used in FY2018



Scope 3 CO₂ Emissions Results

■ FY2018 Scope 3 results: Increased 1.6% (vs. 2017)

Reason for increase: "Investment in emissions from construction and manufacturing of the Company's capital goods" increased 48% YoY

Category	2017 emissions t-CO ₂	2018 emissions t-CO ₂	Change %
① Purchased goods and services	2,701,018	2,704,488	0.1
② Capital goods	81,883	120,929	47.7
③ Fuel- and energy activities not included in Scope 1 and 2	17,966	17,712	(1.4)
④ Transportation and delivery (upstream)	7,400	9,727	31.4
⑤ Waste generated in operations	845	759	(10.2)
⑥ Business travel	627	627	0
⑦ Employee commuting	1,158	1,173	1.3
⑨ Transportation and delivery (downstream)	168,727	171,229	1.5
⑫ End-of-life treatment of sold products	68,423	69,679	1.8
⑬ Leased assets (downstream)	26,914	26,914	0
Total	3,074,960	3,123,236	1.6

Promotion of Diversity

"Job Satisfaction Reform" that Supports CSV Strategy

■ Promotion of job satisfaction reform

**Realization of
job satisfaction reform**

Creation of innovation

Promotion of diversity

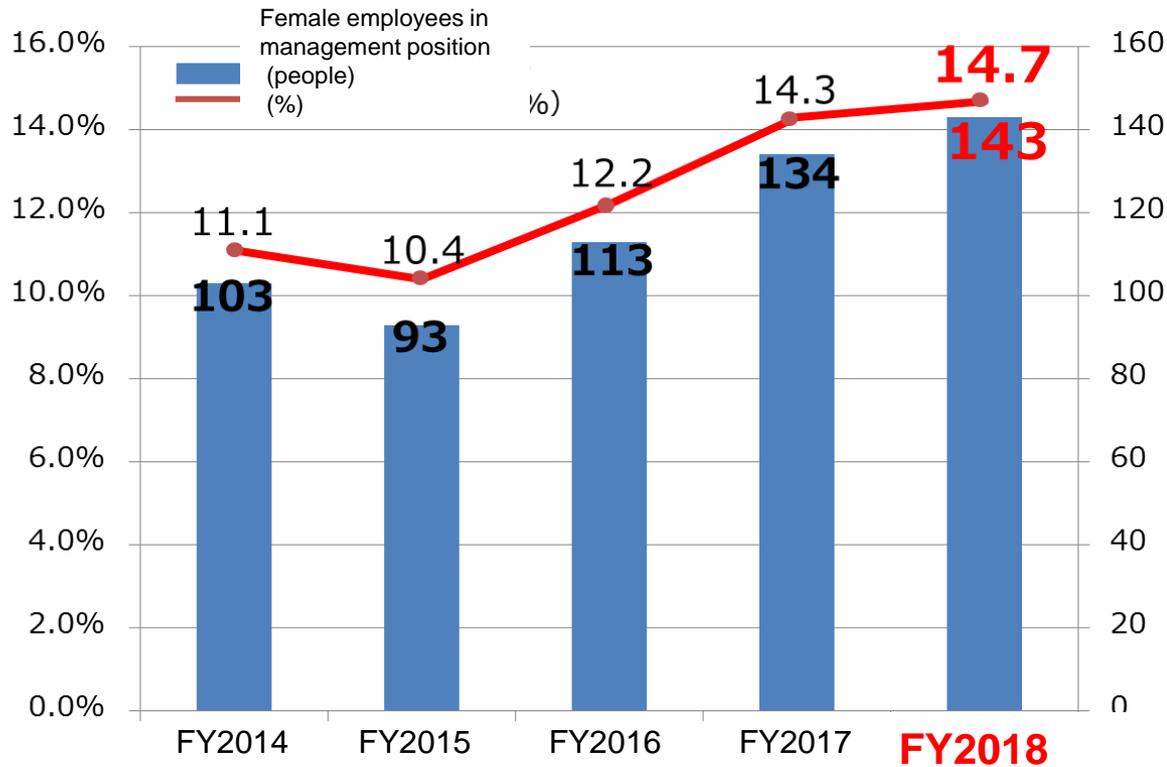
Productivity growth

Realization of work-life
balance

Productivity growth using technology

■ Promotion of women's empowerment

FY2018 proportion of female employees in management positions (consolidated): 14.7%
 (FY2017: 14.3%, 2025 target: 30%)



- **J. Front Retailing**
 Female Outside Director: 2 (15.4%)
 Female Executive Officer: 1 (7.1%)
- **Daimaru Matsuzakaya Department Stores**
 Female Outside Director: 1 (20.0%)
 Female Executive Officer: 3 (20.0%)

*Management position: Manager level or above

Promotion of Diversity

■ Women's empowerment

FY2018 Launched "Mother Recruitment"

9 employees (as of August 2019)

Working for legal, finance, real estate and other divisions using their expertise and skills

- Decided to change my jobs to expand my future career.
- Considered what I can do and thought I would be able to use my past experience here.
- Easy to work here due to various work systems.

■ Senior Empowerment

March 1, 2020

Daimaru Matsuzakaya Department Stores **decided to extend the retirement age to 65**

(2030 target: Aim for retirement at 70)

In the so-called “era of 100-year life”;

- Provide a place to show talent accumulated through job experience based on lifelong HR development
- Create systems and environment so that senior HRs are satisfied with their jobs and can contribute to company growth by evaluating and treating them appropriately for their performance and contribution

Promotion of Diversity

■ Initiatives for the employment of disabled people

Employment rate of disabled people as of June 2019*: 2.21%
(June 2018: 2.21%, 2030 target: 3.0%)

* In the special scope of the Group including Daimaru Matsuzakaya Department Stores

■ Initiative of a special subsidiary JFR Create

A special subsidiary JFR Create in the J. Front Retailing Group received the Heartful Company Vocational Education Contribution Award of the Osaka Prefecture Heartful Company Award Program 2019 just two years after it was founded in 2017.



Realization of Work-Life Balance

■ Initiatives to encourage male employees to take childcare leave

2019 Created short-term childcare leave system
15 male employees took childcare leave as of August 2019
(2030 target: 100%)

- Took when my second child was born. Thought it would be difficult for my wife to give birth and take care of the first son at the same time.
 - Talked to my boss early to coordinate work.
 - Felt a sense of gratitude for my wife.
 - Could share household chores and child rearing with my wife, which gave us more "elbowroom" than usual.
-
- Turnover due to child/family care: 0% in FY2025
→ Implement specific measures after finding out reasons for leaving job and making the needs of departing employees evident.

■ Initiatives for telework

May 2019 Launched telework

(J. Front Retailing)

Distribution of mobile devices / expansion of video conference system

- Possible to plan systematically and do work that can be done alone and work on which I want to concentrate, which are suitable for telework.
- Possible to have a meeting using a video conference system
- Allows me to work at home and make time for spending with my family, which pleases them.

Other systems

- Flextime system (super flextime without core time)
- Encourage employees to take consecutive leave and paid leave
and others

Recognition and Rating

Selected as the constituent of the MSCI Japan Empowering Women Index (WIN)

Assigned the DBJ Employees Health Management Ratings 2018

Recognized as a Health and Productivity Management Organization 2019 White 500

Received four stars in the 3rd Nikkei Smart Work Management Survey

Received a "silver rating" in the PRIDE Index



MSCI Japan Empowering
Women Index (WIN)



Systems to Support Work-Life Balance

<p>Maternity</p>	<p>Leave to protect expectant mothers (3 weeks before maternity leave. The portion absent is to be deducted from wage.)</p>	<p>Maternity leave (10 weeks before childbirth, 8 weeks after childbirth. 6 weeks before childbirth under law.)</p>	<p>Healthcare for expectant and nursing mothers</p>	<p>Accumulation of expired paid annual leave for fertility treatment</p>	
<p>Child care [Leave]</p>	<p>Childcare leave (Shorter work hours. Up to the final day of the month when the child enters an elementary school. Below the age of 2 under law.)</p>	<p>Childcare support leave (Both men and women are entitled. Until the child reaches the age of 3. 4 days of paid leave. Not required by law.)</p>	<p>Leave to care for sick/injured child (Paid. Up to the final day of the month when the child enters an elementary school. Unpaid leave is permitted by law.)</p>	<p>Spousal leave for childbirth (Men only. 1 day of paid leave. Not required by law.)</p>	<p>Short-term childcare leave (Up to 2 weeks. Paid)</p>
<p>Child care [Work]</p>	<p>Shorter work hours for child care (Up to the final day of the month when the child enters an elementary school. Below the age of 3 under law.)</p>	<p>Flexible work system (Up to the final day of the month when the child enters a junior high school)</p>	<p>Expectant and nursing mothers are exempted from overtime and work on a holiday up to the final day of the month when the child enters an elementary school.</p>	<p>Childcare hours (Women who has a child below the age of 1. Twice a day, 30 minutes each. Paid)</p>	<p>Shorter hours workers can work full time one day a week.</p>

Systems to Support Work-Life Balance



Child care 【Expense subsidy】	Maternity allowance (Health insurance)	Childbirth costs loan program (Health insurance)	Lump-sum allowance for childbirth and nursing (Health insurance)	Addition to lump-sum allowance for childbirth and nursing (Health insurance)	Nursery subsidy (Until the child reaches the age of 2. Mutual aid society)
	Subsidy to hire a domestic helper (Preschoolers. 30 days a year. Mutual aid society)				
Family care 【Leave】	Family care leave (Any number of times. Up to three times under law.)	Family care time off (5 days of paid leave. Unpaid leave is permitted by law.)	Accumulation of expired paid annual leave for family care		
Family care 【Work】	Shorter work hours for family care	Flexible work system (During the period when family care is needed)	Exempted from overtime and work on a holiday and late at night for family care		
Family care 【Expense subsidy】	Family care leave subsidiary (Up to 24 months) (Mutual aid society)	Subsidy to hire a domestic helper (30 days a year. Mutual aid society)	Family care leave benefits (Up to 3 months)		

Systems to Support Work-Life Balance



Various leaves	Consecutive refreshment leave	Event leave (3 days of paid leave)	Half-day leave (including shorter hours workers)	Transfer leave (3 to 7 days)	Marriage leave (5 days)
	Consecutive career planning leave (Consecutive 5 days)	Leave for preparing for second career (Up to 40 days)	Volunteer time off (Unpaid. 10 days)		
	Volunteer leave (Unpaid. 1 month to 1 year)	Shorter work hours for rehabilitation (80% of wage according to the length of service)	Leave for self training (Unpaid. 1 month to 1 year)		
Work systems, etc.	Flextime system (including shorter hours workers)	Area Limited Employee System	Variable working hours system	Free address	Telework



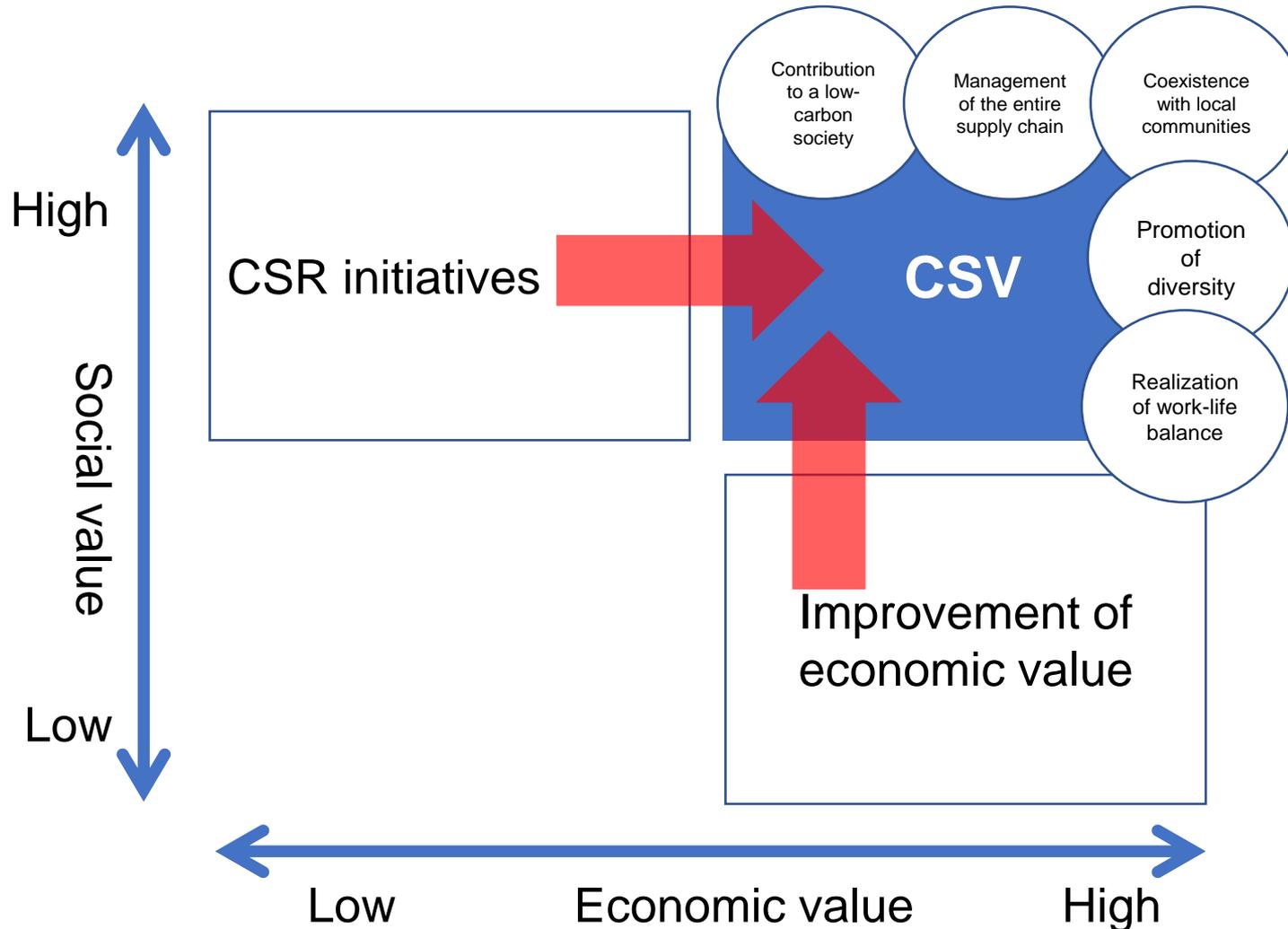
Systems to Support Diversity

Realization of diversity	Employment of disabled people (special subsidiary)	Mother Recruitment	Post-retirement reemployment program	Area Limited Employee	Conversion of fixed-term employees to permanent employees (After 1 year of service. 5 years under law)
Key HR development	JFR School (Business Management, Leader, Management)	JFR Women's School	The Group open training	Career development training	Career Support College

JFR Version of CSV

Value Creation through Promotion of CSV Strategy

Value creation by resolving 5 materiality issues through business activities





What Is "CSV Store"?

- "CSV store" is a strategic store that combines the business models of Parco and Department Store for sustainable growth

5 materiality issues

Contribution to a low-carbon society

Management of the entire supply chain

Coexistence with local communities

Realization of work-life balance

Promotion of diversity

Initiatives of "CSV store" (examples)

(Contribution to a low-carbon society)

CO₂ emissions reduction / use of renewable energy

(Contribution to a low-carbon society)

Initiatives for circular economy

(Management of the entire supply chain)

Realization of eco-friendly supply chain

(Management of the entire supply chain)

Realization of supply chain with respect for human rights

(Coexistence with local communities)

Core role in the area economy

(Realization of work-life balance)

Realization of the environment that enables employees to work efficiently

Realization of “CSV Store”

- The main building of the Shinsaibashi store reborn as a CSV store



Approx.
7,000
t-CO₂
reduction

Strengthen Information Disclosure
Strengthen Internal Dissemination

Strengthen Internal Dissemination of ESG

■ Continue internal dissemination until individual employees understand

- Raise individual employees' awareness about ESG issues and obtain their understanding and empathy about the ideas on the resolution of social issues through business so that they address ESG issues as "their own issues."

Repeatedly communicate until they fully understand



Face to Face

Explanatory meeting,
training, internal
community, etc.

Use various internal media

Printed material

Booklet, pocketable
brochure, etc.

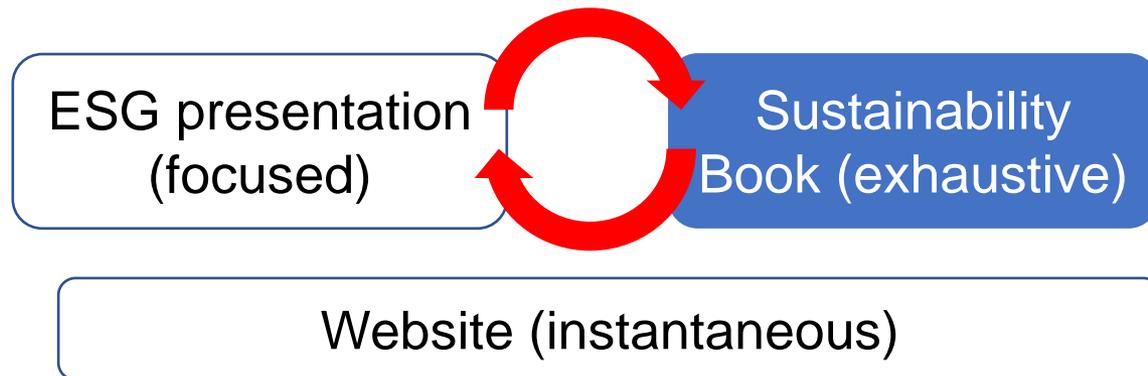
Website/SNS

Internal website,
internal SNS



■ Information disclosure outside the Company

- 2017 Issued an “integrated report” (financial information + non-financial information)
- Feb 2020 Plan to issue **“Sustainability Book”**
that includes all ESG initiatives of JFR
Meet information needs of a wide range of stakeholders
including investors



Comprehensive communication in different forms including Sustainability Book at the core, ESG presentation and website

2nd

ESG Presentation

Current status and future expectations of J. Front Retailing
from the perspective of an Independent Outside Director

November 19, 2019

J. Front Retailing Co., Ltd.

TACHIBANA FUKUSHIMA Sakie, Director

Create and Bring to Life "New Happiness."



J. FRONT RETAILING

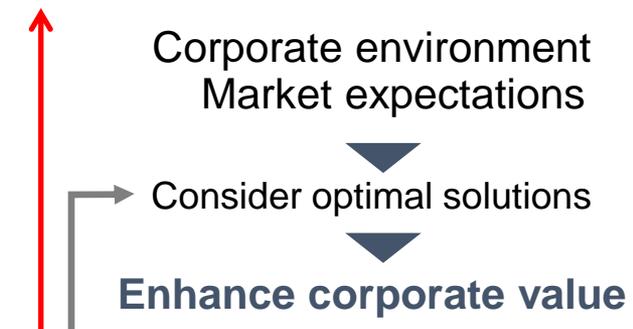
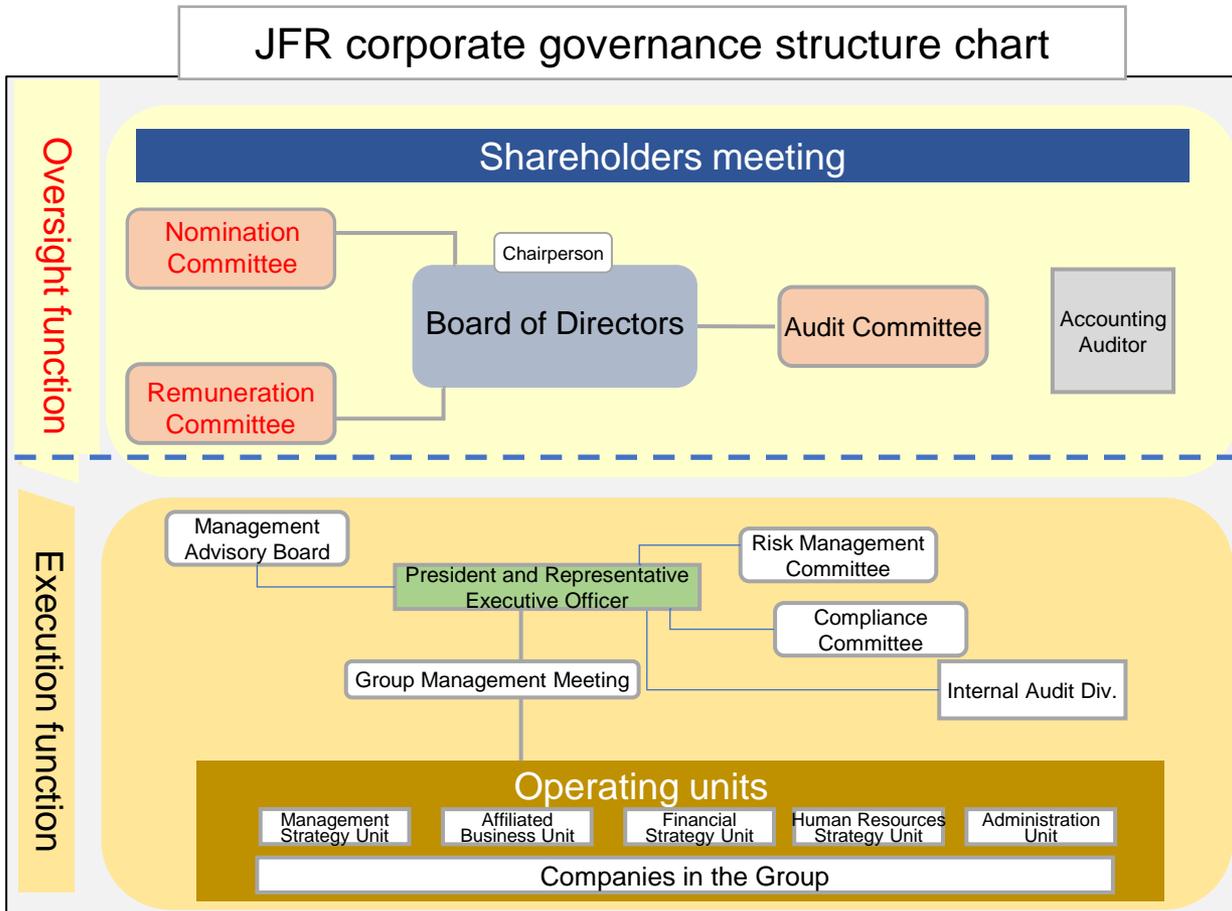


1. Introduction
2. Independent Outside Director
3. Corporate Governance Initiatives
4. Activities of Nomination Committee
5. Future Challenges
6. Closing

● Position of Oversight

- In order to ensure effective, independent and objective oversight of the management by the board, companies should consider utilizing directors who are neither involved in business execution nor have close ties with the management (Corporate Governance Code)
- Outside Directors are expected to furnish advice and perform the oversight function by drawing on points of view and perspectives that vary from Internal Directors (The Company's Corporate Governance Guidelines)

JFR corporate governance structure chart



- **Both “offensive” and “defensive” perspectives**
- **Common sense in the company ≠ Common sense in society**
- Avoid doing “what is contrary to common sense outside the company”**
- **Adopt benchmarks**



Offense: Corporate value = Response to future uncertainty

“Globalization”

Strategy to use “technology”

*Pay particular attention to new economic system arising from digitalization ⇒ **sharing economy**

Defense: Preparation for the worst case

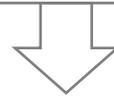
Development of “worst-case risk scenario”

—What I value as an Independent Outside Director—

“Consistency” and “balance between quantity and quality” in decision, “objectivity vs. affinity,” “time and commitment,” “confidentiality” and “integrity” as stance

- Stewardship Code
- Corporate Governance Code
- Governance System Guidelines

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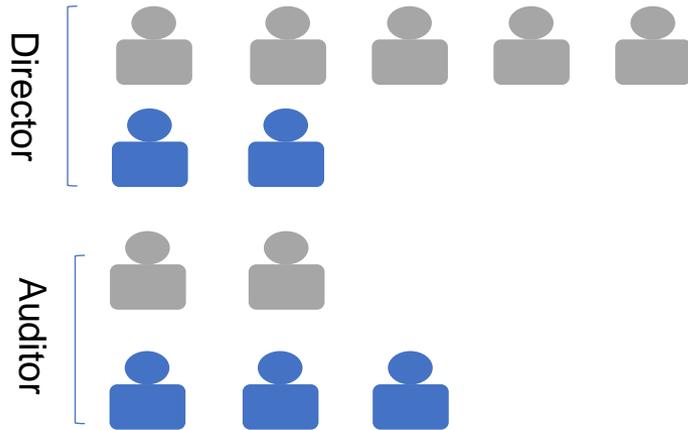
**Considered/
discussed
optimal
organizational
structure**



**2017
Transitioned to
a Company with
Three Committees**

Board of Directors

2012
(Company with an Audit & Supervisory Board)

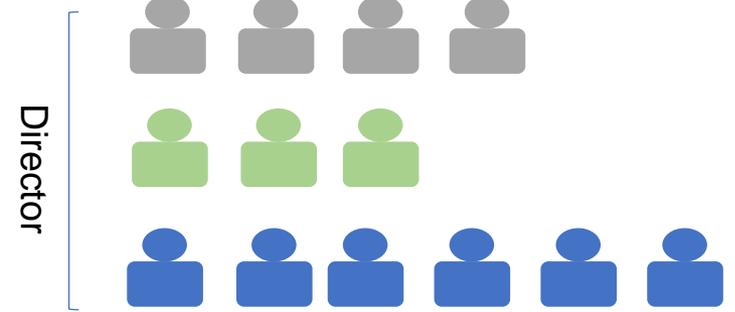


Inside Executive Directors: 5
Independent Outside Directors: 2
Inside Audit & Supervisory Board Members: 2
Outside Audit & Supervisory Board Members: 5

2/13

Mainly statutory agenda

Present
(Company with Three Committees)



Inside Executive Directors: 4
Non-executive Directors: 3
Independent Outside Directors: 6

6/13

Mainly strategic agenda



Remove the asymmetry of information

- ✓ Prior explanation to the Board of Directors
- ✓ Executive session

- Stewardship Code
- Corporate Governance Code
- Governance System Guidelines

• • •



**Considered/
discussed
optimal
organizational
structure**



**2017
Transitioned to
a Company with
Three Committees**



**Initiatives for
further
advancement**

● Nomination Committee

Composition and mission



Board of Directors



Understand the status of HRs
*Internal information + **Third party evaluation**

Assignment based on understanding



Put
"the right person in the right place"

● Nomination Committee

Ideas on HRs

Desirable qualities required of JFR managerial talent

(Required competency)

- ① Strategic mindset
- ② Reform-oriented leadership
- ③ Tenacity to achieve results
- ④ Organization development strengths
- ⑤ HR development strengths

● Nomination Committee

Major activities of Nomination Committee

Determination of Director candidates

- Determination of Director candidates to be proposed to shareholders meeting

Response to consultations from the Board of Directors

● Nomination Committee

Requirements and appointment: Example of balanced composition of the board of directors Matrix of requirements for independent directors: ABC Company

Requirements / independent director	#1	#2	#3	Candidate 1	#2	#3	#4	#5	#6
CEO/COO/president experience /skill	●	●	●	●	●	●	●		●
CFO/finance experience/skill				●				●	●
Industry experience/knowledge	●	●	●	●	●	●	●		●
Global experience/knowledge	●			●	●	●		●	●
M&A experience/knowledge				●		●		●	●
Public company director experience			●	●	●	●	●	●	●
Diversity	●		●			●	●		
Human capital performance evaluation experience/knowledge	●							●	
Intention to grow			●	●		●		●	●
Relation with investors/government	●							●	

● Nomination Committee

Major activities of Nomination Committee

Determination of Director candidates

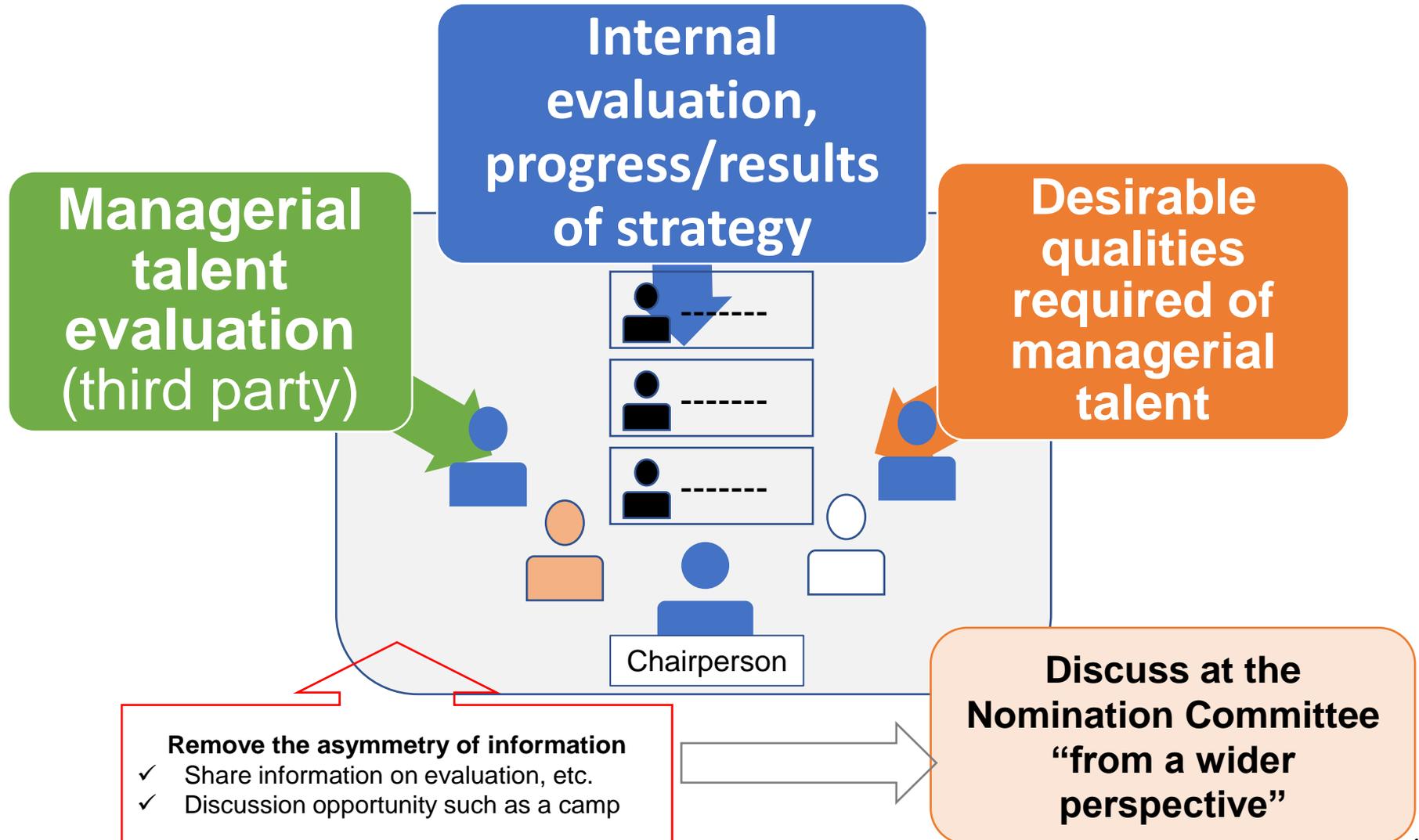
- Determination of Director candidates to be proposed to shareholders meeting
- Appointment and removal of Executive Officers and Officers of major subsidiaries

Response to consultations from the Board of Directors

- Selection and dismissal of Representative Executive Officer
- Selection and dismissal of Chairperson of Board of Directors
- Managerial talent allocation planning and development planning
- Managerial talent training planning
- Succession planning

● Nomination Committee

Succession planning: Ensure transparency and objectivity





● Future Challenges **Foster a Sense of Crisis**

“Offense”

- ✓ **Growth strategy in drastically changing corporate environment**
 - **New business model that takes the opportunities of new industrial revolution and globalization**
- ✓ **Secure and develop HRs who can make it possible**
 - **Enhance diversity (nationality, gender, generation, specialty)**
- ✓ **Productivity growth and new work style**

“Defense”

- ✓ **Compliance issues**
 - **Risks arising from diversification and mindset changes of employees (accident, misconduct, sexual harassment, power harassment, etc.)**
- ✓ **Identify and address risks**
 - **Cyber risk arising from promotion of ICT**
 - **Natural disaster risk**
 - **Geopolitical risk**

Stance on corporate governance

Iron fist in a velvet glove

