

J. Front Retailing

Q & A summary at the 4th ESG presentation

Date and time: 15:00 – 16:30 on Thursday, December 2, 2021

Q: I would like to ask Ms. Sato. As an Outside Director of J. Front Retailing, did you see improvement in the Board of Directors meeting procedures during the two and a half year period after your appointment?

A: When I was appointed as an Outside Director, the Board mainly discussed the details of individual agenda items. However, our discussions have changed to the ones from a broader perspective. For example, they discussed what they should do with the retail business in the future and what they would be able to provide to customers to realize Well-Being Life. In this way, their discussions have changed to the ones from a broader perspective. They have come to discuss considering how each agenda item is positioned to enhance corporate value in the medium to long term. (Sato)

Q: I would like to ask Ms. Sato. Concerning the Board 3.0, what do you think it means to be an outside director as a neutral lawyer?

A: As lawyers are trained in “seeing facts,” a lawyer serving as an outside director provides a benefit in that respect. For various proposals and agenda items, while executive members provide wishful thinking and projections, a lawyer can raise questions in view of facts and the current reality partly because of his/her expertise of “seeing facts.” And a lawyer who has seen companies in various industries can give appropriate advice. (Sato)

Q: I would like to ask Mr. Yoshimoto. J. Front Retailing’s view of Well-Being Life and direction of sustainability were made clearer. On the other hand, have employees’ understanding of sustainability and specific actions accelerated or changed in the past one or two years? I would also like to know whether suppliers’ understanding of sustainability and collaborative actions have advanced or stagnated due to COVID-19 in the past year.

A: For employees including young ones as well as those in management positions, I created an opportunity to explain in person the Medium-term Business Plan after announcing it in April 2021. Approximately 1,500

employees attended and I not only explained but also held a Q and A session. In the session, I told them that sustainability management underlies the Company, which remains unchanged during the COVID-19 pandemic. Particularly, while environmental issues are strongly recognized as social issues, we share a common understanding that the Company addresses them directly as its top priority. Though we are in a severe business environment due to the COVID-19 pandemic, I feel sustainability initiatives will become large actions that unite the minds of all employees and help find hope for the future. As a result, I feel all employees and workers from suppliers in our stores as one are moving forward.

For suppliers, we held a briefing session in 2019 and conducted an assessment in October 2021. We assessed what they think about and how they address the JFR Principles of Action for Suppliers. We consider having dialogue with suppliers who have a problem based on the results of the assessment. We plan to hold the second briefing session for suppliers in April 2022. In the session, based on the results of this assessment, we will share the course to be taken and the challenges to be addressed and convey our intention to repeat assessments, briefing sessions and dialogues in the future.

Particularly important points are to respond to human rights and to reduce Scope 3 emissions, which cannot be solved only by the Company. Concerning human rights, we set relevant questions and asked suppliers to answer them. I think it is important to make joint efforts with suppliers in order to perform human rights due diligence. To reduce Scope 3 emissions, we selected about 500 major suppliers of the Department Store and conducted a survey concerning their current and future environmental efforts. The results are still being tabulated, but among about 500 suppliers, there are still few with whom we can collaborate in reducing Scope 3 emissions in particular. Going forward, we would like to promote assessments, briefing sessions and dialogues to increase such suppliers. (Yoshimoto)

Q: I would like to ask Ms. Sato. Could you tell me about challenges, if any, other than “to accelerate transformation,” about which you told?

A: I understand J. Front Retailing’s problem is that its Department Store has too much succeeded, though it may seem paradoxical. The conventional department store model has been a traditional and successful business

model. Therefore, I am afraid it will be difficult to depart from existing department store model. The same applies to Parco. It has succeeded as a cutting-edge fashionable shopping mall. I think how they will create next new models from them is the birth pangs.

On the other hand, their advantage is that employees are very sincere and value their values of valuing customers because they inherit the company's history and tradition. Similarly, Parco's advantage is that they very sincerely hope to provide better services and products to customers. (Sato)

Q: I would like to ask Mr. Tabata. I think young human resources will grow to the ones that support the future to realize corporate portfolio transformation by participating in open innovation and gaining inspiration from connection with external companies. Are employees like you increasing in the company?

A: I have been given various experiences in training and jobs since I was young. Many young human resources accumulate experience like me and they are doing excellent jobs, such as launching new businesses in various fields. In that sense, I feel young human resources are certainly growing in the company. (Tabata)

We invest more in human resources than before, for example, by providing opportunities to study outside the company. However, I feel we do not have enough successful experience to use directly for their activities. AnotherADdress, which built a new business model, is a good example for the future. We will continue to develop human resources to generate many practices like this. (Yoshimoto)

Q: Isn't it important to disclose to the public that human resources who will take the central role 20 or 30 years from now are growing because they are given opportunities and empowered?

A : This is the first time that a young employee spoke at the ESG presentation. I think it was a good opportunity to provide an understanding of part of our initiatives. Going forward, I would like to increase opportunities for human resources who are responsible for the next generation to have dialogue with people outside the Group. (Yoshimoto)

Q: Concerning Outside Director's view that you lack the speed, what do you think you need to do to speed up?

A: One of the reasons why we lack the speed is that it was difficult to change our mindset from the scheme we had when we were a Company with an Audit & Supervisory Board. It took time until we adapted to the system in which we speed up operations by authorizing executive members after making a transition to a Company with Three Committees (Nomination, Audit, and Remuneration Committees). Now our system has changed to the one in which we leave what we should leave to operating companies while the Board of Directors monitor so that we can speed up. I strongly hope that our lack of speed will not be noted in the future. (Yoshimoto)

Q: Is it right in thinking that AnotherADdress and other initiatives will become bigger in scale and have an economic impact on the performance, etc. of J. Front Retailing Group? I would like to know what you think about the impact of overall ESG initiatives on corporate value.

A: The business plan of the business model of AnotherADdress has become solid. Currently it is unprofitable but we will proceed with it seeing KPIs so that it will earn hundreds of millions of yen five years from now. If we launch many businesses like this, they will contribute to realizing the Well-Being Life of customers and lead to profitability. I would like to create a corporate culture in which we can grow in that way. I think it will be possible. (Yoshimoto)

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