

J. Front Retailing ESG Presentation

November 30, 2022



Create and Bring to Life "New Happiness."





- Promotion of Human Capital Management

YOSHIMOTO Tatsuya, Director, President and Representative Executive Officer

- Group Human Resources Strategy Initiatives

UMEBAYASHI Akira, Executive Officer, Human Resources Strategy Unit

NOMURA Taiichi, Group Digital Unit

SHIMOGAKI Noritaka, Management Strategy Unit

- Current State and Challenges of the Company's Governance from an Independent Outside Director's Perspective

KOIDE Hiroko, Outside Director

- Q&A Session

Promotion of Human Capital Management

YOSHIMOTO Tatsuya
Director, President and Representative Executive Officer

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Why Do We Address Human Capital Management Now?

Recognized again amid COVID-19: There is no future as an extension of the past



- ✓ **“Gear up” for full recovery and regrowth**
- ✓ **Aim for “unique evolution” through diversity and future orientation**

JFR WAY

Ideas we value

Create the Future!

Try without fear of failure!

Introduce new ideas!

Act for yourself!

Be sensible and honest!



The Company's Human Capital Management

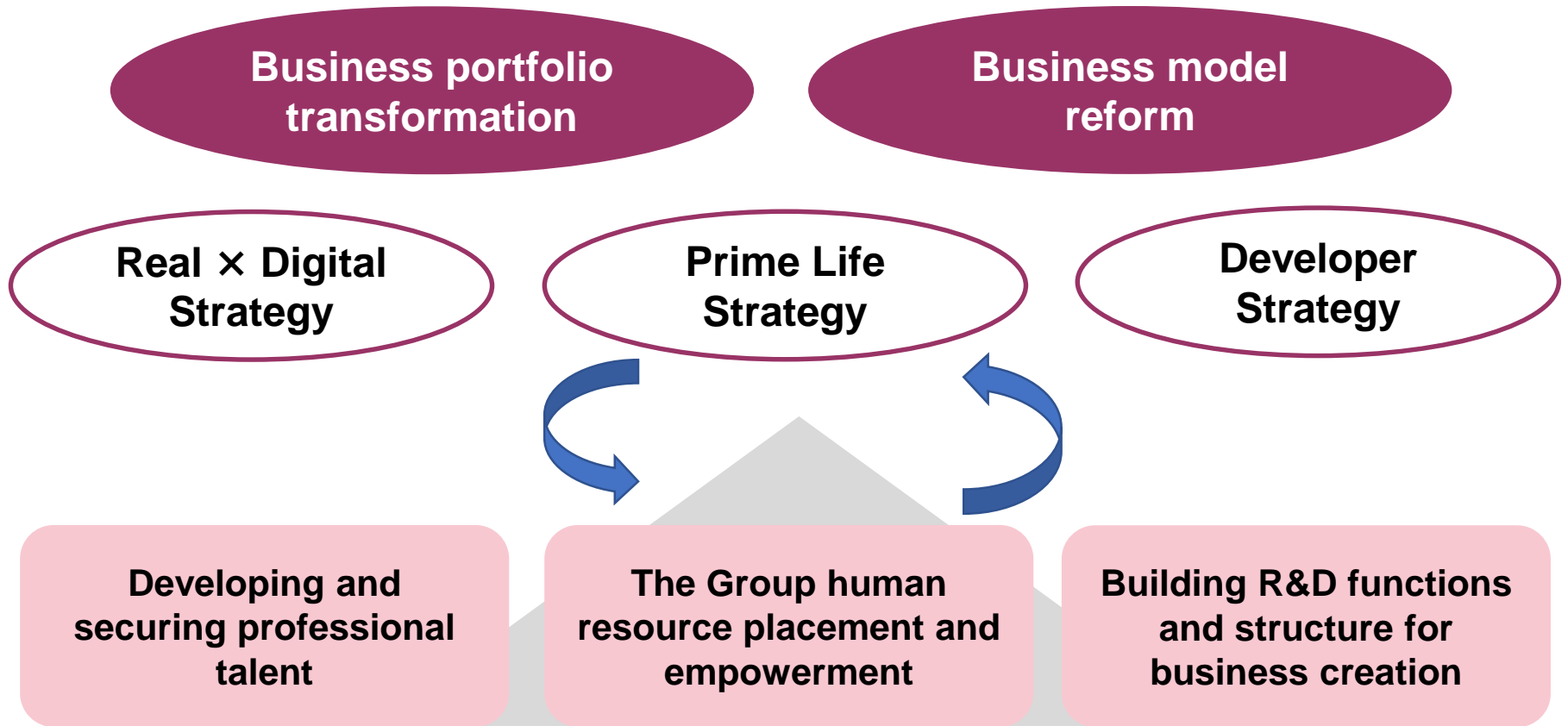
- **Business model obsolescence, lack of resilience in business portfolio**
- **The key to “transformation” and “regrowth” is human resource capabilities and organizational culture. Accelerate investment in human resources to enhance management effectiveness.**



Develop the motivation and capabilities of “people” to raise the enthusiasm for transformation, and link organizational diversity to value creation



Synchronization of Management Strategy and Human Resources Strategy



Strengthened the structure of the holding company in March this year to accelerate strategic promotion

Group Digital Unit

Business Portfolio Transformation
Promotion Division

CRE Planning Division

Group Human Resources Strategy Initiatives

UMEBAYASHI Akira

Executive Officer, Senior General Manager of Group Human Resources Policy Division, Group Human Resources Development Division, and Group Welfare Division of Human Resources Strategy Unit

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Transition of Human Resources Strategy



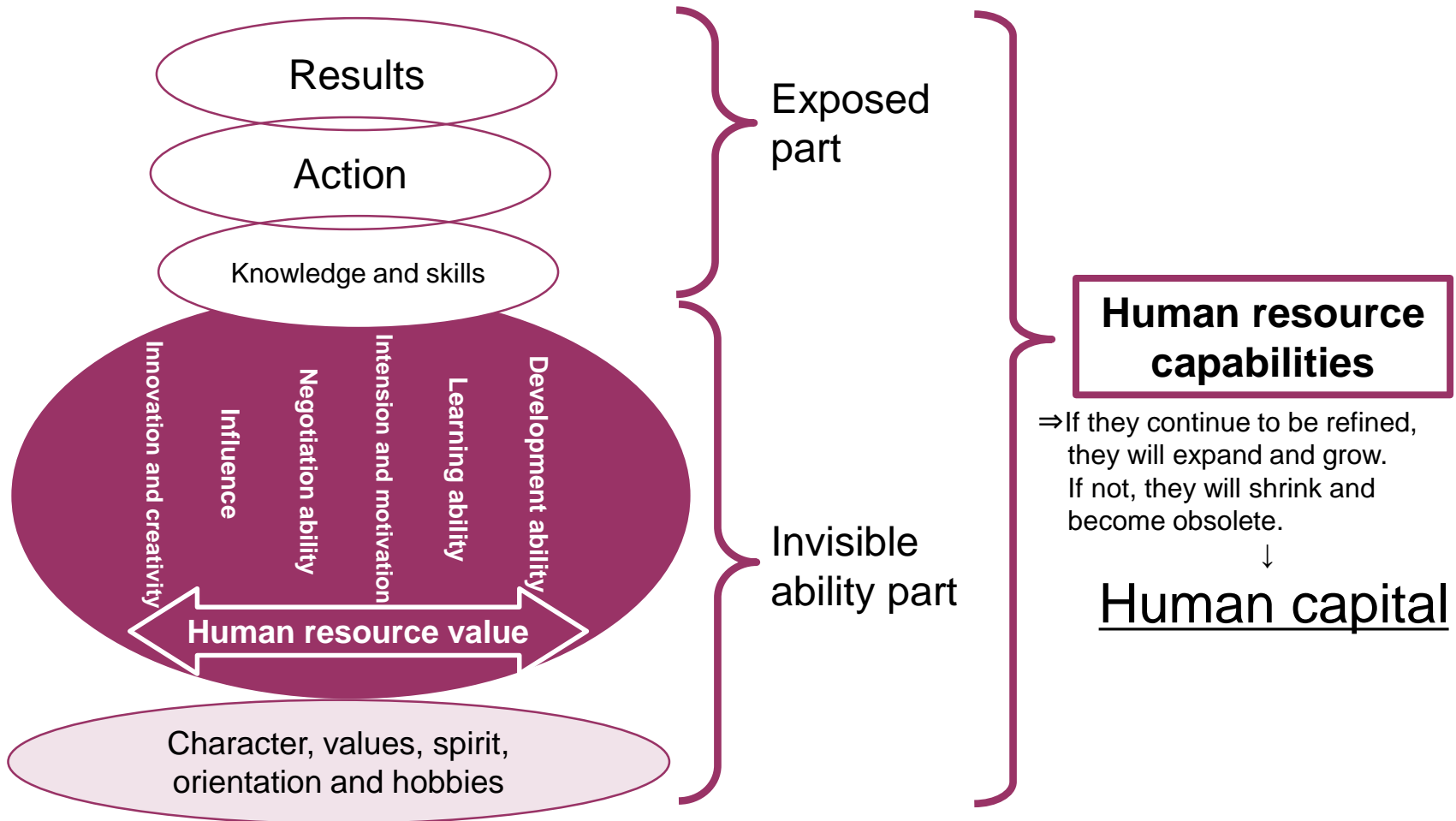
- FY2000	FY2000 - FY2018	FY2019 -
Phase of steady growth	Phase of low and negative growth	Unknown and uncertain growth
Long term × Expectation and dependence type	Short term × Management and control type	Long term × Development and investment type
Function-based	Job-based	Human resource capabilities-based
With recognition that job performance continues to improve over time as a result of work experience, focused on seniority-based ability based on "past" performance = "function"	Based on the premise of "job value," focused on "current" results	In addition to current results and contributions, focus on the ability to create new value in the "future" = "human resource capabilities"

Shift from a job-based approach to a human resources strategy focused on "human resource capabilities"



Definition of "Human Resource Capabilities"

- Define "human resource value" as "the ability to perform duties" and "the ability to create new value" and particularly focus on intension and motivation and learning ability



- In an uncertain business environment, the source of value creation is human resources

“Growth of human resources = Corporate growth”

- Individuals and companies are **“value creation partners”** to select and to be selected



《Human resources the Company seeks and actively invests in》

**Self-motivated human resources who
“voluntarily raise their hands” combining
intrinsic motivation, vision, and aspirations**



- **Creating a mechanism to increase intrinsic motivation**
 - Expansion of internal recruitment (inside and outside the Group)
 - Rebuilding support menu for career development and recurrent education

- **Cross-group human resource placement and empowerment**
 - Management and leadership development for the next generation, Women's Empowerment Promotion Project
 - Expansion of human resource exchanges and placement in the Group

- **Developing and securing professional talent**
 - Internal development of "core digital talent"
 - Acquisition of professional talent and skills according to each business strategy

- **Evolution of an organizational culture that encourages future orientation and challenges**
 - Creating new businesses through CVC, open communication

Set KPIs in synchronization with the Group's future vision

Development of Core Digital Talent

NOMURA Taiichi
Chief Digital Designer, Group Digital Unit

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NOMURA Taiichi

Digital Promotion Division
Chief Digital Designer
Group Digital Unit

- Designed a model for the procedures from reservation to ticketing and check-in at ANA
- Established Peach. Designed systems of aviation venture
- Promoted DX at ANA

2019 Data Management Grand Prize
Data Management Association

DX Grand Prix
The Ministry of Economy, Trade and Industry

2020 Information Technology Award of Excellence
Japan Institute of Information Technology

- April 2022 Joined J. Front Retailing
Current office

《Experience in DX》

- B2C business model based on data platform
- Business design using digital technology
- Digital mindset with culture-building awareness
- Design of DX promotion organization
- Digital talent development

Promotion of DX at the Company

When thinking of DX, some companies may take actions such as “introducing a cross-functional platform” or “skill training to develop scientists.”

However, I believe that what is important is the

soil and process for fostering DX.

Mechanism



Human resources training (scientists, etc.)



Soil = Mindset

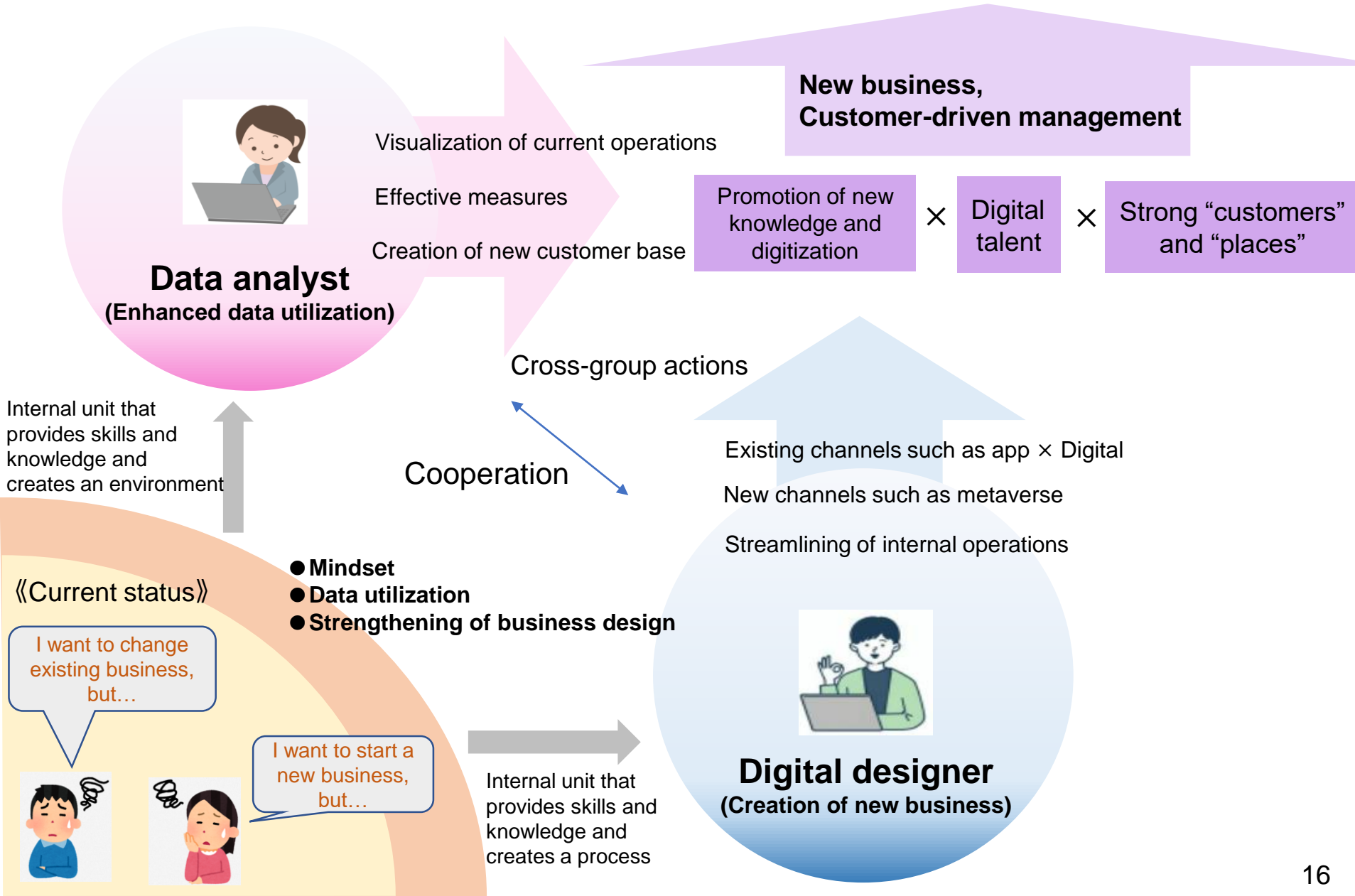


What We Are Doing

The following points are taken into consideration

- ✓ “System environment,” “human resource development,” and “business process transformation” are indispensable to realize DX, but **to link these elements**
- ✓ In human resource development, it is important to provide not only skills but also **“mind × skills × knowledge” training**, and **to integrate the developed human resources with organizational functions**

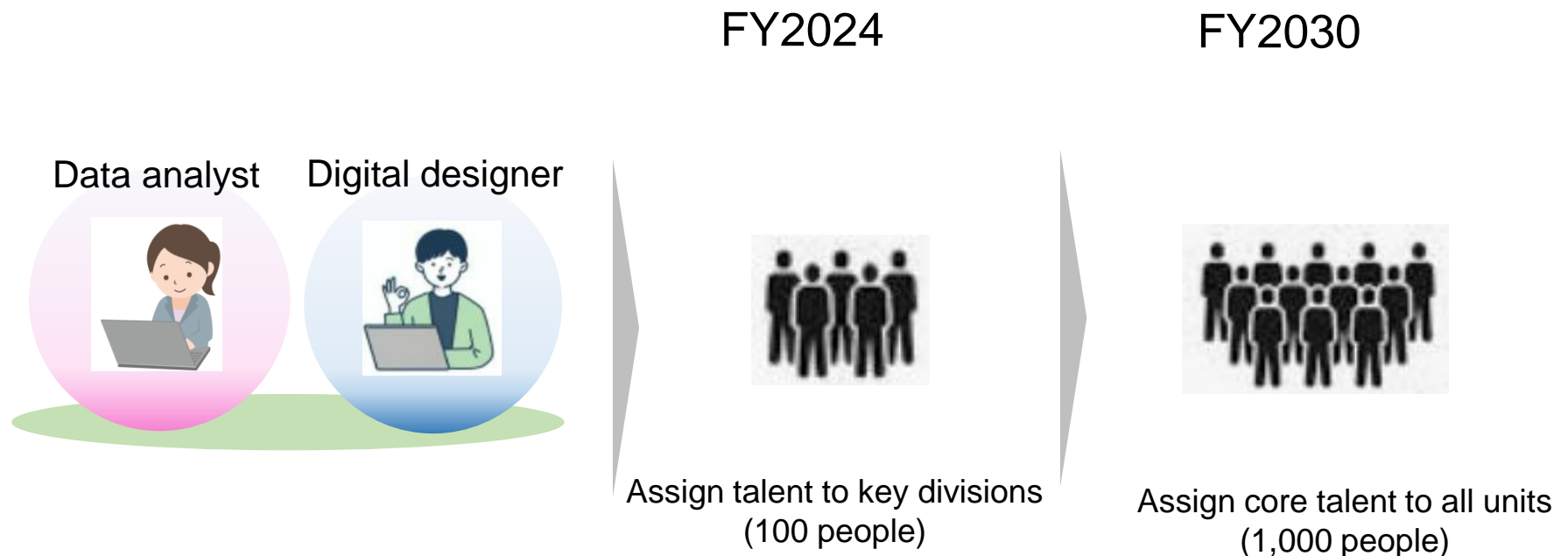
Future Scenario Diagram



Development of Two Types of Core Digital Talent

By assigning core digital talent to each division, it can be expected to **improve solution skills with practicality and mobility.**

On the other hand, the holding company will support business units by creating a community that connects core talent and in-house programs.

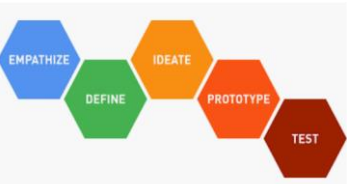
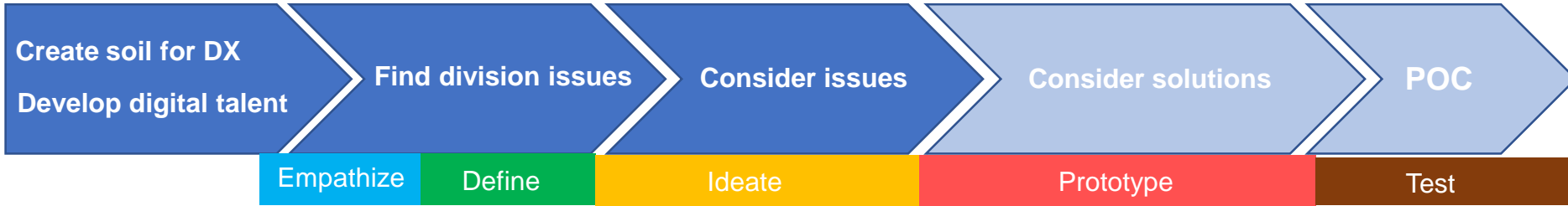


Holding of Workshops



We provide the following original workshop to digital talent to help them think and act on their own in each business.

By using familiar subjects (insects), we are also conscious of lowering the hurdle for employees to go digital.



Field observation



Identification of issues



Forced ideation



Value creation

JFR held this workshop in advance and in a timely manner. In October and November, the workshop was held 9 times and approximately 250 employees participated.



Here is the workshop we are actually working on.
The ladybug (forced ideation) workshop presents a combination of various elements and forces the participants to squeeze out ideas from them.

【Example of idea card for problem solving】

In

there is a problem of

It is solved by

【Example of idea card for new business】

On

the needs of

It is realized by

Human Resource Development and Corporate Culture Reform through CVC

SHIMOGAKI Noritaka
Business Portfolio Transformation Promotion Division
Management Strategy Unit

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SHIMOGAKI Noritaka

Business Portfolio Transformation
Promotion Division
Management Strategy Unit

Also working in:
Investment Business Division
Ignition Point Inc.

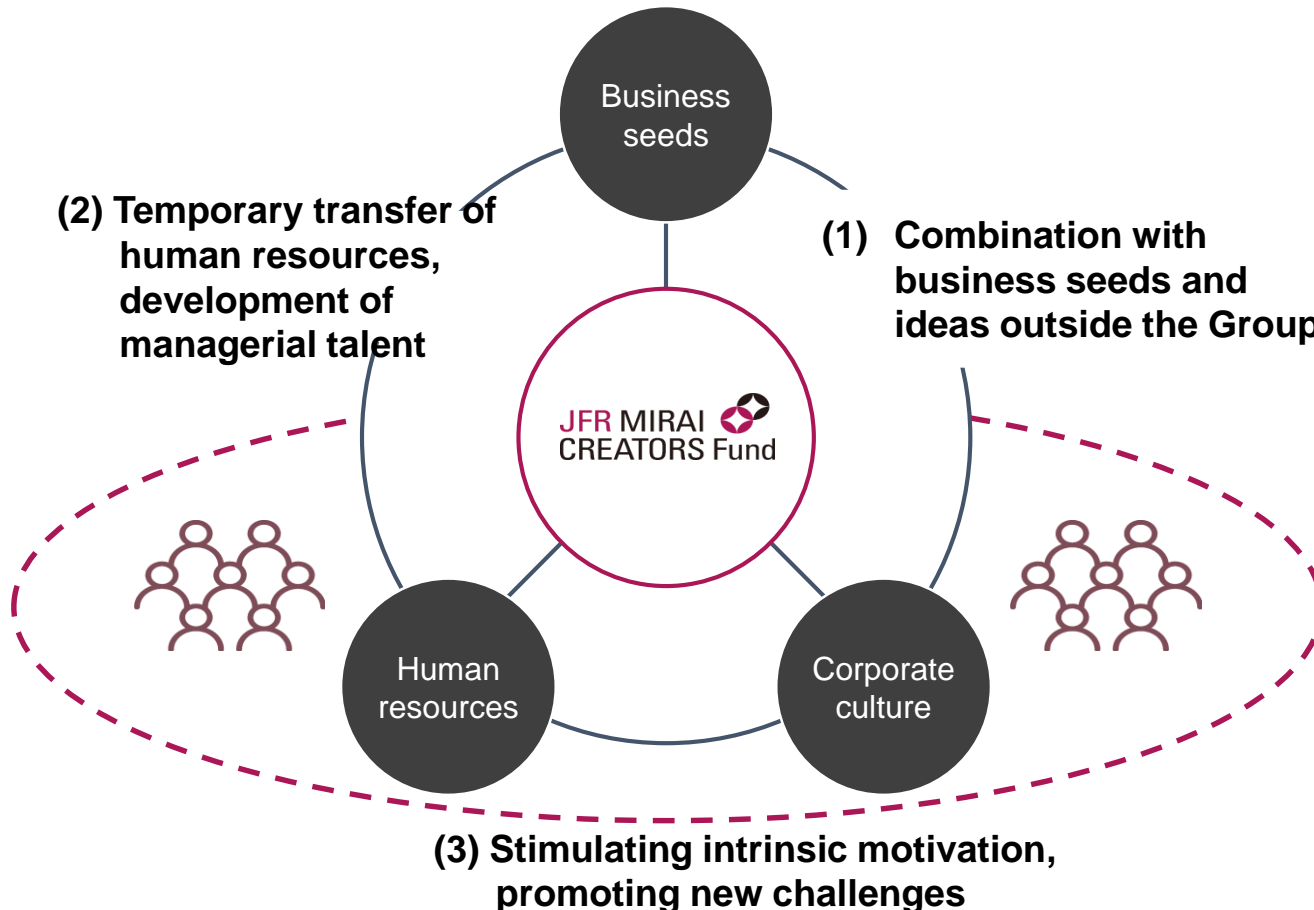
- Joined The Daimaru, Inc. in 2007
- Engaged in strategic planning, large-scale renewal, and a new project under the theme of Femtech, etc. at Daimaru Umeda store
- After working in Management Planning Div. and Business Portfolio Transformation Promotion Div. at JFR, planned and led the launch of the Company’s first CVC fund “JFR MIRAI CREATORS Fund”
- Currently, working concurrently for Ignition Point Inc. and JFR, engaged in new investments and fund management

Promoting open innovation activities for a long time, and aiming to change existing businesses and create a more interesting future by organizing in-house business contests and utilizing his experience in co-creation with startup companies

Purposes of JFR MIRAI CREATORS Fund



- ✓ R&D function in new business creation
- ✓ Combining internal and external ideas to create new businesses, develop managerial talent, and evolve a corporate culture for creation
- ✓ Aiming to create an open ecosystem that combines inside and outside the Group with the participation of **about 4,800 employees** by 2030



3 purposes

- (1) Creation of new businesses
- (2) Development of managerial talent
- (3) Evolution of corporate culture for creation



- ✓ Clarifying the vision for 2030 and the roles of CVC
- ✓ Playing a role in encouraging and supporting employees to take on challenges

Vision for 2030

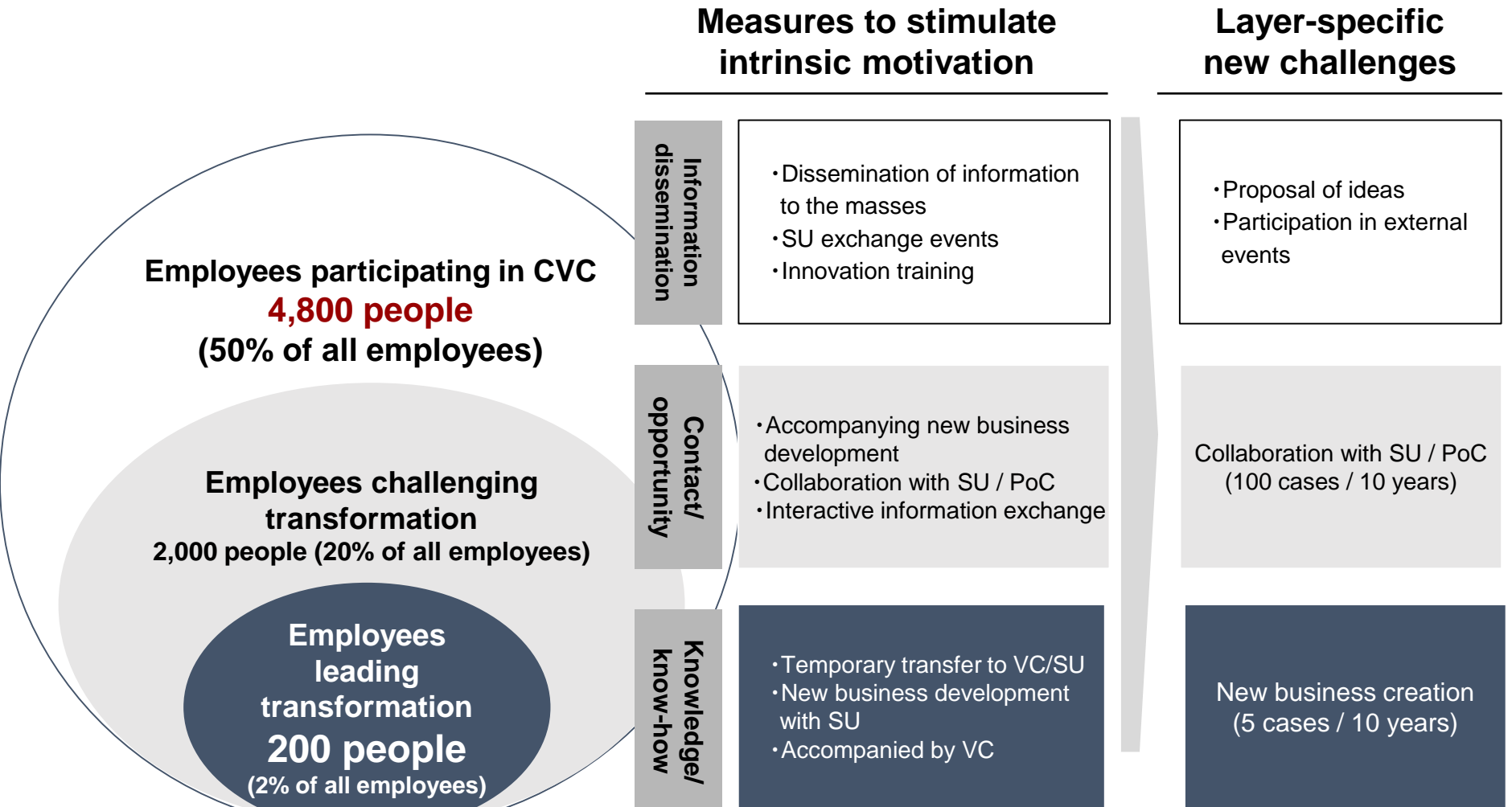
Innovative corporate group that continually creates new businesses

Roles of JFR MIRAI CREATORS Fund

1. Stimulating the intrinsic motivation of the Group employees to encourage new challenges
2. Combining the challenges of the Group employees with people and companies outside the Group to increase the probability of success



- ✓ Providing opportunities for “external contacts and exchanges,” “knowledge and know-how,” and “information dissemination and sharing” through CVC
- ✓ Contacting **4,800 employees** and producing 200 employees to lead transformation



*SU stands for startup.

Fund vision



Fund Vision
Making the future better and more interesting

Subjects to create new value

- People's lifestyles**
(Quality of individual life and work style and how they spend their time)
- People-to-people relationships**
(Relationships, connections, and communication with others)

Investment areas

Group strategies

- ❖ Real × Digital (Metaverse/Web 3)
- ❖ Developer
- ❖ Prime Life



New business projects of the holding company and operating companies

- ❖ Healthcare (drugs, health checkup)
- ❖ Entertainment (esports)
- ❖ Asumise, influencers
- ❖ Art/NFT/rental
- ❖ Food (frozen food, agriculture and food)



5 investment areas

- Entertainment
- Healthcare
- Proptech
- Retail tech

Deep tech (metaverse, VR/AR, Web 3, AI, big data, etc.)

Current State and Challenges of the Company's Governance from an Independent Outside Director's Perspective

KOIDE Hiroko, Director

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1. The Company's Governance Initiatives
2. Future Challenges and Expectations
3. Expected roles of Independent Outside Directors



The Company's Governance Initiatives

- Steady progress on creating policies and frameworks for strengthening governance
 - Strong leadership and commitment of top management in governance
 - Frank exchanges of opinions in Committee meetings
 - Constructive discussions in Board meetings for increasing corporate value

- Reviewed the composition of the Board of Directors this fiscal year
 - Independent Outside Directors more than half of the Board (6 out of 10)
 - Of which 3 female Directors

- Continuing Highly effective monthly Executive Sessions
 - Dialogue among Outside Directors
 - Opportunities for stronger collaboration and partnership
 - Additionally, expanded Executive Sessions, when needed, with President in attendance

■ What we have achieved

- Clarifying the role & responsibility and strengthening the unifying power of the holding company(JFR) → Leading the company-wide transformation
- Organizational change to put it into action
 - Appointment of people of Parco to the holding company
 - Promotion of young managers to the division top positions of the holding company
- Establishment of a Developer business company

■ What we will have to achieve

- Monitoring of the current Medium-term Business Plan
- Thorough discussion to agree on the business growth strategy
 - Our vision in 5 years and 10 years?
 - Construction of totally new business models, not as an extension of the present
 - Business portfolio transformation
- Acceleration of the implementation of transformation
- Strategic HR/remuneration policy to support the realization of our growth strategy
 - Recruitment, development, retention, diversity

■ Expected roles

- To challenge the internal “common sense” -- “Is that really the right thing to do?”
- To add different perspectives to the discussion that are not bound by past ties or history
- To bring perspectives of stakeholders such as shareholders, investors, and customers/consumers to the discussion
- To support needed risk-taking through fact-based arguments
- To utilize the diverse experiences and networks that Outside Directors have

The logo for "Well-Being Life" features a green line-art globe on the left. A green line starts from the bottom of the globe, curves under the text "Well-Being", and ends with a small loop on the right side of the word "Life".

Well-Being Life

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The logo for J. Front Retailing, consisting of the letters "JFR" in white inside a dark red circle.

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