Basic Ideas on CSR

With the aim of achieving the Group Vision, J. Front Retailing incorporates the concept of CSR into management by dividing it into seven subjects based on the international standards ISO 26000 and addressing these subjects. By strengthening CSR, we will ensure accountability to various stakeholders including customers, shareholders, investors, business partners, communities and employees. Through these efforts, we will build trust relationships to achieve a sustainable increase in corporate value and contribute to the sustainable development of society.

Human Rights

The Company provides human rights education and strives to raise employees’ awareness of human rights from the perspective that individual employees should correctly recognize and understand human rights issues and that we should further promote the creation of corporate culture and corporate social responsibility based on respect for human rights.

Establishment of the Human Rights Awareness Promotion Committee

◆Composition
Chairman (Senior General Managers of Human Resources Division and Business Coordination Division), promotion commissioners (division managers), promotion staff (members) and secretariat

◆Theme of activities
① Racial issues (Japan’s historical race-based discrimination issues) → Correct understanding of racial issues
② Disability issues → Correct recognition and understanding of disabilities
③ Women’s issues → Understanding and prevention of sexual harassment, etc.
④ Other human rights issues → Protection of the confidentiality of personal information and others

◆Contents of activities
① Participation in training → Training when joining the company, in-house human rights seminars and others
② Participation in outside training → Various seminars organized by governments
③ Hands-on activities → Distribution of various educational materials and notices of seminars

“Harassment” prevention

The department store chain and other companies in the Group are improving systems to prevent all harassment including power harassment as well as sexual harassment, take prompt action at the time of occurrence, and prevent a recurrence by setting up the Harassment Prevention Committee and the Harassment Consultation Desk.

Labor Practices

Through the efficient reform of organizational and human resources structure and the improvement of human resource systems underlying the structure as well as health care and the improvement of work conditions and environment, the Company strives to build systems to revitalize human resources. These efforts include the formation of an organization beneficial to both companies and employees, which takes into account work-life balance, the improvement of employee training programs and the creation of human resource development support programs.

Development and implementation of various systems based on work-life balance

Work-life balance is becoming more important to secure human resources and keep employees healthy both mentally and physically with the backdrop of changes in society and family environment and changes in work environment. We develop and steadily implement relevant leave and work systems.
Fair Operating Practices

The Company puts the "promotion of high quality management for healthy growth and development" in JFR Group Compliance and Risk Management Manual and the Manual advocates "fair, transparent and appropriate corporate activities, the maintenance of fair relations with business partners, which allow mutual growth, and the promotion of high quality management for healthy growth and development."

Specifically, we strive to comply with various relevant laws and regulations regarding fair trade, including the Antimonopoly Act, the Subcontract Act, the Act against Unjustifiable Premiums and Misleading Representations, insider trading regulations, the appropriate disclosure of corporate information and the severance of relations with antisocial forces.

Promotion of fair trade
We make a basic transaction contract with each business partner based on fair agreement while educating and enlightening all employees so that they understand and comply with relevant laws and regulations, including the Fair Trade Commission notice to large-scale retailers, the Subcontract Act and the Act against Unjustifiable Premiums and Misleading Representations, based on the fair trade manual developed by the Japan Department Store Association. And since recently, we provide training on corporate compliance using comprehensive e-learning programs.

Appropriate management and disclosure of corporate information
We provide financial data, important decisions and information related to shareholders meetings to relevant authorities including the Finance Bureau and the Tokyo Stock Exchange in a timely manner and promptly disclose such information on our website as needed. We also deliver IR information by email magazines to help investors in their investment activities. Concerning major store renovations and hot promotions and products, we issue press releases to the media in a timely manner.

Prohibition of Insider trading
Companies in J. Front Retailing Group have set rules for preventing insider trading under the Financial Instruments and Exchange Act to prevent all executives and employees from handling shares in an improper manner and raise their awareness by displaying posters in these companies and by other measures.

Severance of relations with antisocial forces
We have declared that we will sever all relationships with antisocial forces in accordance with the regulations of local government and seek guidance from police authorities and others to review our trade practices.

Health care measures

As our specific health care measures based on the basic idea that employees are the company’s greatest asset and that it is the most important of all things to keep employees healthy both mentally and physically in order to provide better services and a pleasant shopping experience to customers, we focus on primary disease prevention in light of changes in disease structure.

To this end, we conduct health examinations to prevent lifestyle diseases and gynecological examinations for all employees aged 35 and over, as well as legal regular health examinations. With respect to mental health, we have provided living conditions surveys as a self-care tool. We also offer stress checks under the stress check system, which companies are required by the Industrial Safety and Health Act to implement since December 2015. We put importance on health guidance provided by health care teams based on their results.

Maintenance and creation of employment opportunities and response to diversity

The Company reviews the system for reemploying its employees who have reached the mandatory retirement age based on the enforcement of the revised Law Concerning Stabilization of Employment of Older Persons to develop well-balanced systems and criteria for treating them according to their motivation and willingness and the degree of their contribution to performance.

Considering the diversity of human resources as a source of competitiveness, we assign and use people based on individual ability, performance, aptitude and motivation regardless of gender and nationality. In addition, we actively promote the employment of the disabled in the recognition that it is a corporate social responsibility.

Consumer Issues

In the belief that it is important to promote good consumption activities with consumers, the Company recognizes that the right way of resolving consumer issues is to earn consumers’ strong confidence by providing them with useful products and services while not just complying with laws and regulations but also widely practicing corporate ethics.

We believe that the creation of safe and secure store environment is another important aspect and several equipment management and disaster prevention and security experts are assigned to each department store.

Thorough quality control

Consumer Product End-Use Research Institute Co., Ltd., a company in the Group that specializes in quality control, contributes to strengthening product quality control by checking the quality of products and the legality of labeling at companies in the Group and conducting hygiene inspections at restaurants.

Persons in charge of compliance and hygiene at each department store provide guidance and monitoring concerning proper labeling and quality maintenance in a timely manner to ensure quality control.
Set up Consultation Corners for Consumers

We have set up the Consultation Corners for Consumers at a total of ten stores of Daimaru and Matsuzakaya and associated department stores to appropriately respond to and handle complaints and requests for consultation from customers concerning the products they purchased. Certified Consultants for Consumers’ Affairs are working to resolve them through consumers’ eyes.

Strengthen “food” quality control

In order to ensure food safety, department stores and food-related companies have formulated voluntary rules as well as comply with relevant laws and regulations to promote appropriate management. Consumer Product End-Use Research Institute and persons in charge of hygiene at stores work together to strengthen the monitoring system through periodic on-site inspections at retail floors and at restaurants and other measures. Thus we have in place a system that enables prompt and appropriate actions through cooperation among companies in the Group, stores and persons in charge of compliance promotion and legal affairs at the headquarters if a food-related accident or misrepresentation should be found.

Promote the creation of safe and secure store environment

At department stores and other stores and offices, we organize self-defense firefighting teams and conduct drills and BOP training1 in preparation for earthquakes and fires. We also promote the improvement of systems by introducing an earthquake early warning alert system, a safety confirmation system for all employees and satellite-based mobile phones.

Self-defense firefighting teams at stores carry out drills on a regular basis in preparation for emergencies such as fires and earthquakes with the participation of all workers including persons from business partners to ensure that we can take prompt and appropriate actions including fire fighting, evacuation guidance for customers and information collection. We adopt a system in which an earthquake early warning alert, which is received when an earthquake measuring 5 or more on the Japanese intensity scale occurs, is automatically broadcasted in stores in real time.2

AED (automated external defibrillator) units are installed mainly in department stores and we continuously train employees in their use to improve life saving measures in an emergency.

1 BOP: a plan that allows an organization to continue to operate or restore business early in the event of disaster
2 Currently this system is in place in the Daimaru Shinsaibashi, Umeda, Tokyo, Kyoto, Kobe, Sapporo and Soma stores and the Hakata Daimaru, Tenjin and Kochi Daimaru stores and all the Matsuzakaya stores.

Efforts to help people who have difficulty returning home in an earthquake

From the experience of the Great East Japan Earthquake, the Tokyo Metropolitan Ordinance Covering the Measures for People Who Have Difficulty Returning Home was enacted in April 2013. In line with that, each store of Daimaru Matsuzakaya Department Stores has in place a system to open part of its floor space as temporary evacuation space to shoppers in the store who have difficulty returning home based on the ideas of “self-help,” “mutual help” and “public help.” In anticipation of shoppers and employees who will be forced to stay in a store for a considerable time, we store hardback and drinking water. We also gain agreement from more than 400 suppliers mainly including food-related ones concerning the offering of their products at the time of large-scale disaster.

Community Involvement and Development

The Company promotes social contribution activities through business activities to contribute to community revitalization and social issues as a corporate citizen with a focus on “support for the next generation,” “support for women,” “promotion of healthy food” and “close contact with communities.”

Activities leading to “support for the next generation”

Let’s Collect PET Bottle Caps to Fund Vaccines for the World’s Children!

Daimaru and Matsuzakaya stores have placed collection boxes in the stores and employee facilities to collect unnecessary PET bottle caps as a community-based social contribution activity since December 2009. The collected caps are recycled through a non-profit organization Re Lifestyle and we donate the full amount paid for them to an authorized non-profit organization Japan Committee Vaccines for the World’s Children (JCV) to fund vaccines for children around the world.

Since we started this initiative, the number of caps collected is increasing every year as the number of local groups that bring caps is increasing and the total number of caps reached 95 million by May 2016. The amount received from recycling them and the total amount donated to JCV are equivalent to polio vaccines for approximately 180,000 children.

Since September 2015, we sell Sakura Panda & My Melody Charity Eco Bags with donations to JCV and donate ¥20 per bag from their proceeds.

<table>
<thead>
<tr>
<th>All Daimaru and Matsuzakaya stores</th>
<th>Annual total no. of PET bottle caps collected</th>
<th>Annual total polio vaccine equivalent</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2010</td>
<td>10,200,000</td>
<td>19,600</td>
</tr>
<tr>
<td>FY2011</td>
<td>14,200,000</td>
<td>26,700</td>
</tr>
<tr>
<td>FY2012</td>
<td>16,300,000</td>
<td>31,200</td>
</tr>
<tr>
<td>FY2013</td>
<td>15,800,000</td>
<td>28,900</td>
</tr>
<tr>
<td>FY2014</td>
<td>17,100,000</td>
<td>31,000</td>
</tr>
<tr>
<td>FY2015</td>
<td>17,200,000</td>
<td>34,000</td>
</tr>
</tbody>
</table>

*The number of PET bottle caps collected is calculated at 40 pieces per kilogram.
*Polio vaccine equivalent is calculated at approximately ¥20 per child (unit: persons).
Sold Thanks Festival charity pins

At spring and fall Thanks Festivals held in March and September, respectively, Daimaru and Matsuzakaya stores sell charity pins and donate a portion of their proceeds to children’s scholarship funds in Miyagi, Iwate and Fukushima to help rebuild the Tohoku region. We donated ¥1,744,470 in spring 2015 (collaboration with My Melody of Sanrio) and ¥811,350 in fall (collaboration with Pompompuri), totaling ¥2,555,820, to (1) Higashi Nihon Daishinsai Miyagi Kodomo Iku ni Bokin ni Miyagi, (2) Iwate no Manabi Kibo Bokin in Iwate and (3) Higashi Nihon Daishinsai Fukushima Kodomo Kikunin in Fukushima.

Activities for “support for women”

Pink Ribbon Campaign

Daimaru and Matsuzakaya stores, Parco, JFR Card and Sennshuki are involved in the Pink Ribbon Campaign, an educational activity to promote early diagnosis, detection and treatment of breast cancer, as the sight social contribution activity for the companies that have many female customers and employees. Mainly on Mother’s Day and during Pink Ribbon Month (October), Daimaru and Matsuzakaya conduct educational activities including the distribution of awareness booklets for the early detection of breast cancer, an experience event using a breast model and screening experience on a mammography van as well as donate proceeds from sales of original pins and Pink Ribbon charity bread to a Pink Ribbon awareness organization.

Donations from proceeds from sales of original pins and Pink Ribbon awareness organization

Love 49 Project

Daimaru and Matsuzakaya stores participate in the prevention and awareness activities for cervical cancer implemented by the Love 49 Project that designates April 9 as Utsumi Day. We hand out newsletters in stores in cooperation with local cytotechnologists to promote educational activities while selling button badges and collecting money in stores to donate to an authorized non-profit organization known as Orange Clover, which is working to raise awareness of cervical cancer. Violin concert by Bloom Quartet & Ensemble and an educational talk show were held. (Daimaru Ashiya store)

Activities related to the promotion of healthy food

Participation in the Table for Two program

Daimaru and Matsuzakaya stores and Parco support the activities of an authorized non-profit organization Table for Two International (TFT), which helps provide school meals for children in developing countries, by donating a portion of proceeds from their restaurants and staff cafes.

Daimaru and Matsuzakaya join TFT’s “One Million People to Share TFT Meals!” campaign on October 16, World Food Day, every year and offer TFT meals at their 92 restaurants and cafes to help provide school meals for children in Africa. We also conduct activities in collaboration with the local members of the university association that supports TFT.

Charity bazaars and fundraising activities

Daimaru and Matsuzakaya stores continue the efforts to contribute to society at large using the department store’s capabilities to draw customers and transmit information. Each store organizes charity bazaars and raises money with customer participation in order to preserve the global environment and support the regions suffering from severe hunger and poverty. When great disasters occur, we collect money in our stores and offices and donate the money to disaster areas through the Japanese Red Cross Society and others.

Major fundraising activities in FY2015

<table>
<thead>
<tr>
<th>Name of fundraising</th>
<th>Donated to</th>
<th>Amount of donation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyclone Support for the Republic of Vanuatu in the South Pacific Ocean</td>
<td>Authorized NGO Japan Committee for the World's Children (ICV)</td>
<td>¥131,974</td>
</tr>
<tr>
<td>Support for Nepal Earthquake</td>
<td>Japanese Red Cross Society</td>
<td>¥587,135</td>
</tr>
<tr>
<td>Support for Heavy Rain by Typhoon No. 18</td>
<td>Japanese Red Cross Society</td>
<td>¥295,991</td>
</tr>
</tbody>
</table>

Major charitable donations in FY2015

<table>
<thead>
<tr>
<th>Donated to</th>
<th>Details</th>
<th>Amount of donation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scholarship funds to support children affected by the Great East Japan Earthquake (Nov 1)</td>
<td>Donated a portion of proceeds from the sale of charity pins at Thanks Festivals and the charity goods of Japan Department Stores Association, etc</td>
<td>¥6,398</td>
</tr>
<tr>
<td>Authorized NGO Orange Clover</td>
<td>Donated a portion of proceeds from the sale of original items, etc. to support cervical cancer prevention awareness activities</td>
<td>¥362</td>
</tr>
<tr>
<td>Local Pink Ribbon support groups</td>
<td>Donated a portion of proceeds from the sale of original items and meat, bread, etc. to support breast cancer prevention awareness activities</td>
<td>¥683</td>
</tr>
<tr>
<td>Authorized NGO Table for Two International (Nov 2)</td>
<td>Donated a portion of sales of healthy meals and other to help provide school meals in developing countries</td>
<td>¥2,102</td>
</tr>
</tbody>
</table>

Notes: 1. Total amount donated to scholarship funds for children affected by the Great East Japan Earthquake in Miyagi, Iwate and Fukushima
2. Total amount donated from restaurants, cafes and staff cafes in Daimaru, Matsuzakaya and Parco stores.
Contribution to the local community

The Company actively participates in recovery support activities involving the entire Ueno Okachimachi area, which has long made a deep connection with Tohoku as the "north gateway." On April 9 and 10, 2016, Ueno Tohoku Festival was held under the slogan of "Ganbaru Tohoku!" in the square Okachimachi Panda Hiroba in front of the Matsuzakaya Ueno store. On the stage created in the square, some local idol groups in Tohoku gave concerts and a female professional wrestling organization Sendai Girls was invited to perform an exciting show. In addition, various tent events were held to support Tohoku, including a special workshop by Tokyo University of the Arts “Decorate tote bags with felt for connection.”

Contribution to art and culture

Propose life with art

We organize a wide variety of topical exhibitions and events of paintings, crafts, photos and prints in museums and event halls in our major department stores to provide easier access to the works of popular Japanese and foreign artists ranging from traditional to contemporary art. Through them, we propose a spiritually rich life to visitors and make a cultural contribution to the local community.

The Matsuzakaya Museum in the south wing of the Matsuzakaya Nagoya store is the highest level of full-fledged museum in a department store and a leading museum with equipment comparable to well-known museums in Japan because it was designed and constructed for use as a museum only aiming at the same level as registered museums in terms of lighting, temperature and humidity control, fire protection equipment and carry-in and carry-out of exhibits from the time of planning. The museum continues to organize exhibitions in cooperation with other museums in Japan and around the world up to the present marking the 26th year and boasts a total of 10,574,430 visitors (as of the last day of February 2016). Thus it gains high reputations from visitors and the local people.

Matsuzakaya, which has a long history as a kimono fabric dealer, has collected dyed textile products including kosode (small-sleeved kimono) of the Edo period in order to use the excellent designs and dyeing techniques of antique dyed textile products to make original luxury kimono fabrics. The Foundation’s collection ranges widely from konose and Noh costumes to cloth including ancient cloth and foreign cloth and furniture.

The Foundation maintains and manages these valuable cultural assets and organizes their public displays and exhibitions to contribute to art and culture.

The Environment

Since the Company mainly operates retail business, it can most contribute to the environment through product sales and other activities at stores and we believe that it is our social mission.

Daimaru Matsuzakaya Department Stores, associated department stores, Daimaru Kagyo and Consumer Product End-Use Research Institute operate ISO 14001-certified environmental management systems and implement sustainable improvement measures with participation by all workers to reduce environmental impact.

J. Front Retailing Environmental Policy

Recognizing our roles and responsibilities to hand down the irreplaceable global environment to the next generation, we at J. Front Retailing Group (the “Group”) proactively promote “environment-friendly corporate management” toward the realization of a sustainable society, with customers, business partners and community members.

(1) Recognizing environmental impacts and their causes, we will establish structures and systems to promote environmental conservation activities through the business activities of the companies in the Group and strive for continuous improvement to reduce environmental load.

| Provision of environment-friendly products, services and information | Effective use of resources and energy |
| Waste reduction and recycling | Reduction of CO₂ emissions |

Promotion of environmental conservation activities and social contribution activities with customers, business partners and community members

(2) We will comply with the requirements of environmental laws, regulations and agreements and strive to prevent contamination.

(3) We will raise awareness of environmental conservation through educational and awareness activities to strengthen the foundation on which each worker in the Group will tackle environmental tasks voluntarily.

(4) We will make this environmental policy known to all workers of the companies in the Group and make the policy available to the public.

J. Front Retailing Archives Foundation

J. Front Retailing Archives Foundation Inc. (JFR Archives Foundation) was established in March 2011 with the aim of passing on the cultural assets of the Group to the future generations and making an academic and cultural contribution. Specifically, the Foundation maintains and manages: (1) kimono fabric designs, industrial designs and historical materials; and (2) materials on the foundation and history of Daimaru Matsuzakaya Department Stores Co., Ltd., which is the core of the Group.
Propose environment-friendly lifestyles

At Daimaru and Matsuzakaya stores, we provide ideas for smart "eco"-friendly living as a priority item of our environmental activities. In June and October, which have been designated as Environment Months, we offer environment-conscious products and make various lifestyle proposals to reduce environmental load at these stores.

Participated in a kick-off event for Super Cool Biz 2015

Daimaru Matsuzakaya Department Stores participated in the Super Cool Biz Fashion Show of the kick-off event for Super Cool Biz 2015 "Coolbiz Next" organized by the Ministry of the Environment and the Cool Biz Promotion Council and some employees acted as models to present summer styles. Under the keywords for 2015 of "Local Creation - Made in Japan" and "Technology," we presented comfortable and cool commuting styles.

Contribution to creating a low-carbon society

The Company adopts various energy saving measures to reduce CO2 emissions and prevent global warming. High energy efficient equipments are installed on the occasions of facility replacement, store renovation and new store opening.

Increase LED lighting and install solar panels

Daimaru and Matsuzakaya stores strive to reduce electricity consumption and CO2 emissions by replacing existing lighting with LED units. By February 2016, 189,000 units, which account for about 44% of the total number of relevant lighting fixtures, were replaced with LED units. In fiscal year 2016, we are planning to install 7,000 units or more.

At the Daimaru Kyoto store, a solar panel, which is 11 meters long and 6.6 meters wide, was installed behind a peacock bronze sculpture when its exterior was renewed in October 2014. It generates electricity of approximately 6,000 kWh per year, which powers digital signage and external signs.

Power saving measures

In addition to the replacement of store lighting with LED units, the company-wide efforts of back-office sections include: (1) to keep the air conditioning at set temperatures of 28 degrees centigrade or above in summer and 20 or below in winter (installing electric fans in high temperature areas); (2) to turn off lights by replacing existing lighting fixtures with LED units; (3) to curtail the use of computers and other office equipments (cabinets, use of high-power consuming computers and other appliances in offices); (4) to promote the use of stairs (two up and three down campaigns).

Contribution to creating a recycling-based society

Creating a recycling-based society is an important task to facilitate sustainable social growth. Recognizing the environmental impacts of business activities and their causes, J. Front Retailing is engaged in various efforts to reduce environmental load, including the "reduction of the usage of packaging materials," the "reduction and recycling of waste" and the "reduction of food waste.

Reduction of packaging materials

At Daimaru and Matsuzakaya stores, workers are repeatedly trained based on a smart wrapping manual. At checkout counters, salespeople ask for shoppers' cooperation for simple packaging such as packing their purchases with their baggage in one bag. We also develop and sell beautifully designed and high value added "eco bags" to propose department store worthy shopping styles.

Reduction and recycling of waste

At Daimaru and Matsuzakaya stores, we implement thorough waste separation to decrease final waste and promote recycling. These stores promote recycling systems by using collapsible containers and standardized department store hangers with the cooperation of suppliers to reduce packaging and the total amount of waste. At the Daimaru Tokyo, Kyoto and Sapporo stores and the Matsuzakaya Ueno store, we greatly reduce the volume of EPS waste generated in these stores by compressing and dissolving it to recycle it. In our staff cafes, we use chopsticks that can be repeatedly washed and reused instead of disposable wasabi chopsicks.

Historical performance data

Daimaru Matsuzakaya Department Store energy saving and reduction of waste disposal

<table>
<thead>
<tr>
<th>Energy consumption</th>
<th>Packaging material consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (kWh)</td>
<td>Total (ton)</td>
</tr>
<tr>
<td>100,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Basis unit</td>
<td>Basis unit</td>
</tr>
<tr>
<td>0.01</td>
<td>0.004</td>
</tr>
</tbody>
</table>

Waste disposal

<table>
<thead>
<tr>
<th>Waste disposal</th>
<th>Food waste disposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (ton)</td>
<td>Total (ton)</td>
</tr>
<tr>
<td>FY 2011</td>
<td>FY 2012</td>
</tr>
<tr>
<td>12,000</td>
<td>6,000</td>
</tr>
<tr>
<td>Basis unit</td>
<td>Basis unit</td>
</tr>
<tr>
<td>20</td>
<td>10</td>
</tr>
</tbody>
</table>

Power saving measures

- Energy basic unit: usage (kWh)/1000 = total floor space (m²) / business hours (hr) / (expected/actual)
- Packaging material basic unit: usage (ton)/1000 = sales (millions) / (ton)/store
- Waste disposal basic unit: disposal (ton)/1000 = sales (millions) / (ton)/store
- Food waste disposal basic unit: disposal (ton)/1000 = sales (millions) / (ton)/store