We asked our Outside Director Mr. OTA Yoshikatsu, who has extensive experience and abundant insight as a manager of a business corporation, about J. Front Retailing’s initiative to strengthen corporate governance and his roles.

J. Front Retailing’s governance initiative

In the last year 2015, which is said to be the “first year of governance,” a governance code was published and many listed companies in Japan were forced to review their governance systems. While many of them remain reluctant to strengthen governance, I find it great and encouraging that the top management of J. Front Retailing takes the lead in actively implementing such initiative.

J. Front Retailing has worked on improving its structure and changing the consciousness of employees since its management integration in 2007 and its business performance is steadily enhancing. In the meantime, I think the Company asked itself whether its governance is in a desirable state in terms of management transparency, that is, from an outside perspective, particularly investors' perspective.

Let me take one example of the Company’s initiative to strengthen governance. The Board of Directors strives to increase its effectiveness based on a third-party assessment and the Governance Committee is extending the Company’s discussions to the organizational structure with a strong awareness of the state required by the governance code itself. In order to develop the Company’s new vision, which will start to be implemented in the next fiscal year, Inside and Outside Directors and Audit & Supervisory Board Members lodged together, and thus the Company is taking a broad view by involving outside members in early stage. If J. Front Retailing can develop firm growth strategy by strengthening governance with the aim of developing as a multifaceted retailer, the percentage of shareholding by foreign investors is likely to increase. Therefore, it may be said that such initiative is essential.

Challenges for sustainable growth of corporate value

The Company’s current business portfolio includes the provisions of goods and services selected by the multifaceted retailer whose main business is the department store business. However, I think it is necessary to develop so-called problem-solving “occasions” that transcend the traditional provision of goods and services and further pursues customer satisfaction in connecting with customers. Now we are in the Internet society where an enormous amount of information spreads instantly and people’s options are increasing. Therefore, the Company should go beyond just selecting and providing goods and services. Connection with people on the Internet will not be limited to only selling and buying but spread...
beyond that. Programming may be required as a compulsory subject in elementary schools. Thus the world is expected to move and more change. It will not be enough only to run physical stores and receive customers as in the past. With a stronger awareness of this than ever, the Company needs to develop strategies. The Company should not only expand occasions but also consider how it will be able to respond to the changing society itself that creates occasions and the changing recognition of people as a corporation. Since J. Front Retailing converges and gets a grip on a wide variety of management resources, I think the Company has reached a point where it should take some measures using them.

To strengthen governance will help widely boost investor confidence in the Company. Resulting good figures in the management indices are not enough. It is very important for investors that the management team manages the Company under the system that ensures future returns correctly on a sustainable basis always with an awareness of the eyes of investors. At the same time, that will bring a sense of security, a sense of satisfaction and a rewarding sense to customers, business partners, employees and other many concerned stakeholders. Simply stated, corporate growth may be an increase in economic value including sales and profits. I think it is also important to increase the number of underlying customers who have a sense of confidence and social value including the building of a strong relationship with stakeholders.

Roles I want to fulfill

Detailed comments on business strategies from an outside perspective of Outside Director do not necessarily hit the mark. Since the Company, as a listed company, pursues growth for many stakeholders, it needs to proceed with discussions in a to-the-point manner and from the standpoint of pursuing medium- to long-term development with a broad view. By adopting an outside perspective, matters thought to be nothing special in the Company may be found special. Inside members may think, “Why did that Outside Director say such a thing?” But on second thought, he may be correct.” That may be necessary to deepen discussions.

I worked abroad longer than in Japan and our company's ratios of overseas sales and overseas investors were 80% and 40% to 45%, respectively. Therefore, its focus of interest was always on trends in exchange rates, the economic trends of countries around the world, the development of the Internet and user trends. As a matter of course, legislation is different from abroad, but I was inevitably involved in governance, an investor perspective, management speed and M&A.

With respect to M&A in particular, I carried out many deals every year and it has become my second nature in a way. I think I will be able to use such experience.

Every company has a history and people who belong to the company tackle their individual tasks every day. Amid technological changes, competition and environmental changes, how to perceive, judge and do things is roughly finalized and determined over long periods. People often see environmental changes, but many of them seem to spend much time looking at their domestic peers. They do not find that completely different industry’s state of being, for example, technological evolution in the field of Internet, will inevitably urge them to greatly change their management, though they can find that if looking a little more broadly at changes in the overall economy and developments in the world economy. Some may understand that but it takes time before they move into action. When I find something that misses the point, like “what is considered common sense inside the company is something that is contrary to common sense outside the company,” I will point it out without hesitation. An outside perspective means to suggest through past experience and daily network that the Company's management needs to keep up with and adapt to the changing world. I think it is what is expected of me.