

Environment/Society/Governance [ESG Information]

Basic approach

J. Front Retailing strives to build and foster relations of trust with all stakeholders (customers, shareholders, business partners, employees and communities) through corporate activities in the spirit of the Basic Mission Statement and the Group Vision and positively and actively addresses the challenges related to sustainability including social and environmental issues for the sustainable growth of the Group and the medium- to long-term enhancement of corporate value.

Environment



Daimaru Kyoto store façade with a solar panel

Recently, various environmental issues arise on earth. In particular, the emission of greenhouse gases (CO₂, etc.) and biodiversity loss, which affects food and health, are issues common to all humankind because they affect the entire earth.

Since the Group mainly operates retail business, it can make the greatest contribution through product sales and other activities at stores and we believe that it is our social mission.

Any organizations consume energy and produce waste, whether on a large or small scale, when conducting business activities, and in addition to actions that can be easily

incorporated into daily operations including energy saving and resource saving, which are regulated by laws, we will consider and implement other unique approaches to the extent humanly, technologically and economically feasible.

Daimaru Matsuzakaya Department Stores 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 each company in the Group and strive for continuous improvement to reduce environmental load.
 - (1) Provision of environment-friendly products, services and information;
 - (2) Effective use of resources and energy;
 - (3) Reduction of CO₂ emissions;
 - (4) Waste reduction and recycling; and
 - (5) 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 each company in the Group and make the policy available to the public.

(1) Proposal for environment-friendly lifestyles

The main focus of the environmental activities of the Daimaru and Matsuzakaya stores is on making proposals to make customers' lives "ecological" and "ethical" in an effort to contribute to building a sustainable society. In the Environment Months in June and October, these stores offer environment-conscious products and make various lifestyle proposals to reduce environmental load.

Offering of good products and high quality products

Using high quality products for a long time forms the basis of environment-friendly lifestyles. The Matsuzakaya Nagoya store organized a store-wide fair "Japanese Good Products" focused on artisanship which shows Japanese aesthetics. Through limited-time shops and demonstrations by artisans, we showed excellence in Japanese manufacturing, and on each floor, we offered "good products" to which users become more attached with longer use.



Attractive traditional Japanese Arimatsu tie-dyed caddie bag

Promotion of recycling activities

Daimaru Matsuzakaya Department Stores conducts a recycling campaign "Ecoff." We receive disused clothing, shoes and bags from customers and give them shopping support tickets in exchange so that they can buy new items at a little lower prices. The collected articles are recycled into bioethanol, coke and the like.



(2) Contribution to creating a low-carbon society

The Group 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

By replacing existing lighting with LED units, we strive to reduce electricity consumption and CO₂ emissions. We actively install LED units in the Daimaru and Matsuzakaya stores, and by February 2017, 197,000 units, which account for about 46% of the total number of relevant lighting fixtures, were replaced with LED units.

At the Daimaru Kyoto store, a solar panel (rated output: 10kW), which is 11 meters long and 6.6 meters wide, was installed behind the peacock bronze sculpture. It is expected to generate approximately 6,000 kWh of electricity per year, which powers digital signage and external signs.



(3) Contribution to creating a resource-saving and recycling-based society

Reduction of water use

We save water by equipping our toilets with water-saving sensors, imitation sound devices or water-saving automatic flushing equipment and mounting automatic water faucets. Groundwater is used to flush the toilets at the Daimaru Kyoto, Kobe and Sapporo stores and the Matsuzakaya Nagoya store, and at the Matsuzakaya Ueno store, kitchen wastewater is used for the same purpose. The Daimaru Kyoto store introduced a "well water purifier" in 2003 and purifies groundwater with a filter for drinking.

Reduction of packaging materials

At the Daimaru and Matsuzakaya stores, workers are repeatedly trained based on a smart wrapping manual to promote economical and appropriate packaging. At checkout counters, salespersons 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.

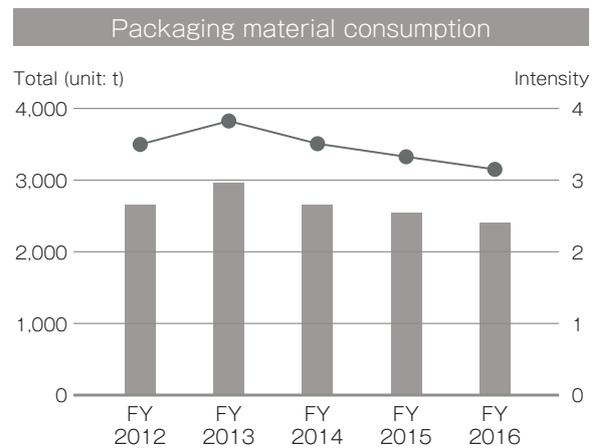
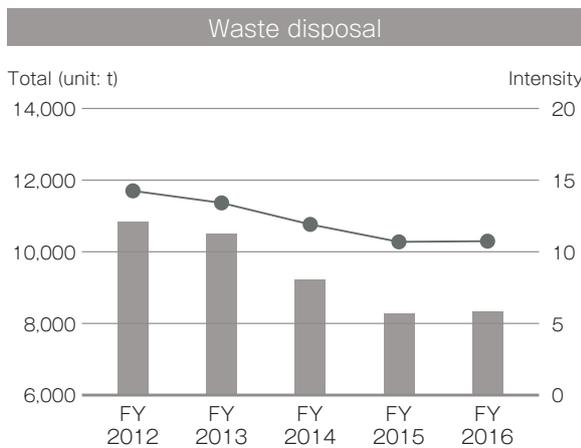
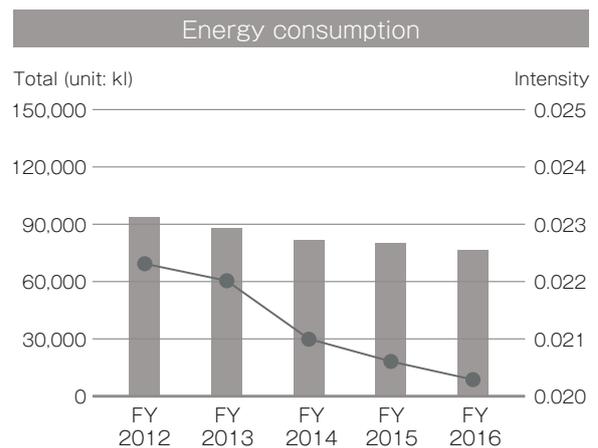
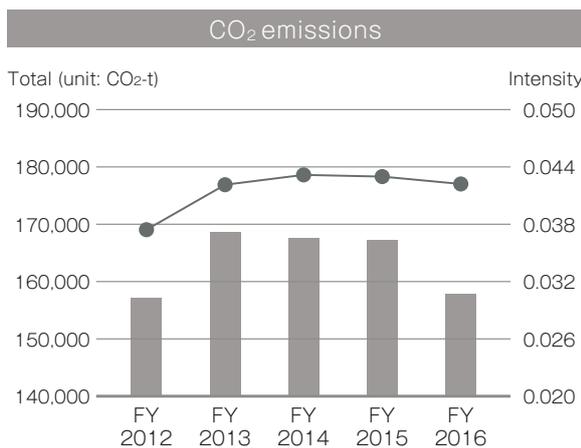


Eco bags with Japanese traditional "Ise paper stencil" motifs

Reduction and recycling of waste

We thoroughly separate waste to decrease final waste and promote recycling. The Daimaru and Matsuzakaya stores strive to decrease the total amount of waste by promoting recycling systems such as the use of collapsible containers and standardized department store hangers, which helps reduce the amount of packaging, with the cooperation of suppliers. At the Daimaru Tokyo, Kyoto and Sapporo stores and the Matsuzakaya Ueno store, we recycle EPS waste generated in these stores after compressing and dissolving it to significantly reduce its volume.

◆Daimaru Matsuzakaya Department Stores reduction of energy consumption and waste disposal



*The increase in CO₂ emissions in FY2013 is attributable to an increase in thermal power generation.
 *The figures above include associated department stores (Hokkaido Daimaru, Shimonoseki Daimaru, Kochi Daimaru and Tottori Daimaru).
 *Energy consumption is the crude oil equivalent of the total consumption of electricity, gas, gasoline, and light/heavy oil (unit: kiloliter).
 *Packaging material consumption is the weights of wrapping paper, shopping bags and plastic bags for food products (unit: ton).
 *Waste disposal is the weights after subtracting the weights of waste recycled from the total weights of waste generated including general waste, raw garbage and industrial waste (unit: ton).

Intensity
 • Energy intensity: Amount used (kiloliter×1000) ÷ Total floor space (m²) × Business hours (h) (megajoule)/(m²×h)
 • Packaging material intensity: Amount used (ton×1000) ÷ Sales (¥million) (kiloton)/(¥million)
 • Waste disposal intensity: Amount disposed (ton×1000) ÷ Sales (¥million) (kiloton)/(¥million)

Society



(1) Employees

J. Front Retailing promotes the creation of the systems for revitalizing human resources including 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 through health care measures and the efforts to improve work conditions and environment.

Systems based on work-life balance

Work-life balance is becoming more important to keep employees healthy both mentally and physically with the backdrop of changes in society and family environment and changes in work environment. Therefore, we will develop and steadily implement relevant leave and work systems.

Human resource development

We address human resource development based on the two stances: "Individuals set their own career goals and take on challenges to achieve them." and "Individuals grow by getting their jobs done and companies actively provide such opportunities." By knowing the status of the human resources of the whole Group using the Talent Management System and putting the right people in the right jobs based on the information thus

obtained, we aim to "develop human resources through jobs" and "foster employees' sense of achievement and growth."

(i) Systems to support employee career formation

- The Group's three-year training school for new employees with college degrees (JES) thoroughly develops and strengthens "individual basic skills" required for leaders.
- The Group provides a "career development training" to employees aged 27. It gives them opportunities to review their experiences from the past to the present, confirm their future career visions and develop their future career.
- We invite applications for jobs at external companies, MBA programs and external training, provide employees with opportunities to show their intentions including the self-application system, milestone interviews and the career entry system. And as opportunities to obtain knowledge and skills, we hold study sessions for young employees and improve the expertise courses of the Career Support College (self-development school). (177 employees attended the Career Support College in the 1st half of 2016 and 293 in the 2nd half, totaling 470.)



Three-year training school for new employees

Major systems of Daimaru Matsuzakaya Department Stores

• Shorter working hours systems for childcare and nursing care

In addition to the "shorter working hours systems for childcare and nursing care" whose coverage is expanded based on law, the "optional working hours system" is in place to allow reduced hours of work for childcare until the child enters a junior high school and for nursing care during the period when relevant events exist.

• Extensive leave systems for childcare and nursing care

The systems of longer leave than required by law are in place.

• System to make available annual paid leave after the termination of the right to claim it

In case of fertility treatment in addition to long-term medical treatment and family care, employees are entitled to the number of days of paid leave that expired in the most recent two years (up to 40 days).

• System to encourage the use of annual paid leave

We encourage employees to take annual paid leave by introducing the half-day leave system (allowing a maximum of five full days of paid leave per year to be split into half-day leave) and the event leave system (granting three days of paid leave per year according to each employee's life event plan) and raising employee awareness.

• Flexible working hours system

This system is applied to the divisions where each employee can decide the start and finish times of work.

• Introduction of employees (area limited)

In response to diversifying sense of working, values and lifestyles, we created the status of "employees (area limited)" to increase work options and build a foundation on which employees autonomously think of their career formation and life balance and act accordingly. Employees can choose their place of work from among five areas including Sapporo, Tokyo, Kansai, Chubu and Shizuoka.

(ii) System to develop the next top management

In fiscal year 2017, we opened "JFR Top Management School" (for candidates for the next top management), "JFR Management School" (for candidates for the next general managers) and "JFR Leader School" (for candidates for the next managers). Among them, "JFR Top Management School" aims to develop next generation leaders as soon as possible by fostering the perspective of management, sharing awareness of issues with the top management and applying strategies to specific action plans and implementing these plans with a focus on grit-based "strategic mindset," "reform-oriented leadership," "tenacity to achieve results," "organization development strengths" and "human resource development strengths," which are the qualities required of the Group's managerial talent.

Appointment of women to higher positions

Regardless of gender, we promote the assignment and use of human resources based on individual ability, performance, aptitude and motivation. Daimaru Matsuzakaya Department Stores, which is our core business, places women in 32.0% of total leadership positions. As for the career path after joining the company, we will actively appoint women to leadership positions and other important positions so that motivated women can play a more important role.

◆ Daimaru Matsuzakaya Department Stores female employees in leadership positions (as of March 1, 2017)

	Number of females	Percentage of females
General manager	12	12.1%
Other leadership positions	215	35.2%
Total	227	32.0%

*The figures above include workers temporarily transferred to J. Front Retailing and Daimaru Matsuzakaya Sales Associates.

*The number of "other leadership positions" is the total of Managers, Submanagers, Buyers (including Supervisors and Section Leaders from Daimaru Matsuzakaya Sales Associates).

Daimaru Matsuzakaya Department Stores has three female executive officers.

(i) Creation of a pleasant working environment for women

From the perspective of ease of working, various systems are in place as listed below and we will improve such systems and take measures to help women perform better and increase productivity.

Daimaru Matsuzakaya Department Stores childcare-related systems beyond legal requirements

- Childcare leave: Up to the last day of the month in which the child enters an elementary school (for children under a year old under the law)
- Reduced hours of work for childcare: Up to the last day of the month in which the child enters an elementary school (for children under three years old under the law). The "optional working hours system" allows shorter working hours until the child enters a junior high school.
- Sick/injured child care leave: Paid (unpaid under the law)
- Childcare support leave: Four days of paid leave for raising children under three years old (No such leave is granted by law.)
- Maternity leave for spouse: One day of paid leave (No such leave is granted by law.)

(ii) Dimples' support for women's active participation

The Group's staffing business Dimples' Co., Ltd. thinks it is essential to promote women's active participation in order to develop the company. Therefore, it promotes

the use of human resources based on individual ability, performance, aptitude and motivation and the percentage of women in section head and other leadership positions in the head office, branch offices and outsourcing departments reaches approximately 60%. As a company which actively strives to create a pleasant working environment for women, it received the certificates of "Leading Companies with Actively Participating Women" in Osaka City, "Aichi Josei Kagayaki Company (Aichi's Company with Active Participation of Women)" in Aichi and "Ishikawa Company Declaring the Promotion of Gender Equality" in Ishikawa.



Employment of the disabled

We established "JFR Create Co., Ltd." on April 3, 2017 to fulfill our social responsibility for the employment of the disabled and contribute to society. On the assumption of acquiring certification as a "special subsidiary company" pursuant to the law, it aims to secure a stable workplace environment as a place for participation in society where persons with disabilities can demonstrate their capabilities.

Human rights

We provide human rights education and strive 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.

◆Major initiative: Establishment of the "Human Rights Awareness Promotion Committee"

Composition

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

Activity themes

- (1) *Dowa* issues (Japan's historical caste-based discrimination issues)
⇒ Correct understanding of *dowa* 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

Specific 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

Health care measures

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. By dealing with mental health within the large framework of total mental and physical health care, living conditions surveys are provided as a self-care tool. We put importance on health guidance provided by health care teams based on the results of these examinations and surveys.

Labor-management relations

In Japan, the Labor Standards Act and other labor relations-related laws set forth basic rules regarding labor rights including employment opportunities, working hours and health and safety and require both labor and management to comply with them.

The common purposes of J. Front Retailing and J. Front Retailing Group labor unions are to grow and develop the Group companies and to improve the total welfare of the Group companies' union members by cooperating based on mutual respect for basic stances and mutual trust and increasing productivity.

(2) Customers

Thorough quality control

J. Front Retailing Group makes its operating companies use Consumer Product End-Use Research Institute, which specializes in quality control, to maintain and improve their quality control and thus makes efforts so that both companies and consumers can enhance the quality of life safely and securely.

Consumer Product End-Use Research Institute Co., Ltd. is the Group's total solution company of quality and hygiene control. Since it was inaugurated as the dyeing laboratory and hygienic laboratory of the Daimaru department stores in 1927, the company has conducted the activities that build relations of trust between companies and consumers as a pioneer in quality control services in the retail industry. It provides scientific and professional consulting services by meeting the requirement standards under relevant laws and regulations and from consumer's perspective so as not to cause disadvantage and health damage to consumers.

(i) Consultation Corner for Consumers

The "Consultation Corners for Consumers" are placed in a total of ten stores of Daimaru, Matsuzakaya and associated department stores and certified consultants for consumers' affairs appropriately respond to and handle complaints and requests for consultation from customers concerning the products they purchased and strive to resolve them through the eyes of consumers.

(ii) Daimaru Kogyo's initiatives to improve quality control

At the Quality Control Center that provides inspection services for the Vehicle Department, Daimaru Kogyo received an inspection-free manufacturer certificate from Nissan Research Center, Nissan Motor Co., Ltd. for the 26th consecutive year since 1992.

"The inspection-free manufacturer certification requires the non-defective rate of not less than 98% and the delivery date achievement rate of not less than 95%. At present, only two companies including Daimaru Kogyo receive such certification.



Creation of safe and secure store environment

At department stores and other stores and offices, we organize self-defense fighting teams and conduct emergency drills and BCP trainings¹ 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 with the participation of all workers including people from business partners to ensure that we can take prompt and appropriate actions including firefighting, 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-lower or more on the Japanese intensity scale occurs, is automatically broadcast in stores in real time².

AED (automatic external defibrillator) units are installed mainly in department stores and we continuously train employees in their use.



AED training

¹ BCP: 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 Suma stores and the Hakata Daimaru Tenjin and Kochi Daimaru stores and all the Matsuzakaya stores.

(3) Business partners

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 including the Antimonopoly Act, the Subcontract Act, the Act against Unjustifiable Premiums and Misleading Representations, insider trading regulations, and laws

and regulations concerning the appropriate disclosure of corporate information and the severance of relations with antisocial forces. We make a basic transaction contract with each business partner based on prior agreement while educating and enlightening all employees so that they understand and comply with relevant laws and regulations based on the fair trade manual developed by the Japan Department Stores Association. Recently, we introduced compliance-related e-learning programs for more efficient education and awareness activities.

(4) Contribution to society

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

From December 2009, collection boxes are placed mainly in the Daimaru and Matsuzakaya stores and their employee facilities and the offices of the Group companies to collect unnecessary PET bottle caps. The collected caps are recycled through the non-profit organization "Re Lifestyle" and we donate the full amount paid for them to the authorized non-profit organization "Japan Committee Vaccines for the World's Children" to fund vaccines for children around the world.



PET bottle cap collection box

Since we started this initiative, 111.7 million PET bottle caps were collected by May 2017. The total amount donated is equivalent to polio vaccines for more than 210,000 children.

Pink Ribbon Campaign

Daimaru, Matsuzakaya, Parco and JFR Card are involved in the "Pink Ribbon Campaign," an educational activity to promote early diagnosis, detection and treatment of breast cancer. Mainly on "Mother's Day" and in "Pink Ribbon Month (October)," at the Daimaru and Matsuzakaya stores, we conduct educational activities including the distribution of awareness booklets and screening experience on a mammography van as well as donating proceeds from the sale of original pins and Pink Ribbon charity bread to a Pink Ribbon awareness organization.



Feel-a-breast-lump event

Love 49 Project

The 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 "Uterus Day." We hand out newsletters in stores in

cooperation with local cytotechnologists while selling button badges and collecting money in stores to donate to the authorized non-profit organization known as "Orange Clover," which is working to raise awareness of cervical cancer.



Charity button badges

Participation in the Table for Two program

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

Daimaru and Matsuzakaya join TFT's "One Million People to Share TFT Meals!" campaign on October 16, "World Food Day,"



"Table for Two" poster

every year and offer TFT meals at their restaurants and cafes. J. Font Foods develops menus in collaboration with neighboring university associations that support TFT.

Regional contribution activities

The Matsuzakaya Nagoya store and National University Corporation Nagoya University concluded a partnership agreement in May 2017.

The purpose of this agreement is to enable mutual collaboration between Nagoya University and the Matsuzakaya Nagoya store in the fields of culture, industry, education, academics and so on with the aim of contributing to the development of the local region and human resources. Beginning with the research on the revitalization of the Sakae area using ICT, we will implement various initiatives that contribute to service innovation and the development of local appeal toward the "creation of Nagoya, a hospitable city in information services."



Signing ceremony at Nagoya University [Executive Store Manager of Matsuzakaya Nagoya (left) and President of Nagoya University (right)]

Contribution to art and culture

J. Front Retailing Archives Foundation Inc. (the "Foundation") co-organized an exhibition titled "Kimono, au bonheur des dames" with the Japan Foundation and the Guimet National Museum of Asian Art in France (the "Museum") at the Museum for about three months from February 22 to May 22, 2017.

120 pieces of *kosode* (small-sleeved kimono), *obi* (sash belts), wedding furniture, *ukiyo*e (woodblock prints), etc. selected from the

collection of the Foundation and the Nagoya City Museum including more than 5,000 items were displayed abroad for the first time. The works of a renowned fashion designer influenced by kimono were exhibited to show the role of kimono in modern fashion.



Kosode in the Edo period

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

Support for disaster areas

J. Front Retailing and Parco donated ¥10 million each to people in the areas affected by the Kumamoto Earthquake. Using the core business, the Daimaru Kobe store and Hakata Daimaru supported their sales channels with the Kumamoto Prefectural Government and the Organization for Small & Medium Enterprises and Regional Innovation, Japan.

Support for Tohoku

The Matsuzakaya Ueno store conducts support activities for the Tohoku area in early spring every year since the Great East Japan Earthquake. In April 2017, the store held support events for the Tohoku area, including product sales, workshops and street rugby, during the store's Tohoku local products fair.

In addition, a donation box was placed at the information desk on the 1st floor of the main building during the fair in support of the Japanese Red Cross Society's "We Will Never Forget" campaign.



Ueno store Tohoku support event in Panda Hiroba

◆Major fundraising activities and charitable support in FY2016 (Daimaru Matsuzakaya Department Stores) (Unit: ¥1,000)

Name of fundraising / recipient organization	Description	Amount donated
Kumamoto Earthquake Disaster Relief Fund	Cooperated in the Japanese Red Cross Society's events and activities, donated a portion of proceeds from the sale of the charity straps of the Japan Department Stores Association, etc.	1,317
Scholarship funds to support children affected by the Great East Japan Earthquake (Note 1)	Donated a portion of proceeds from the sale of the charity pins at "Thanks Festivals," cooperated in the Japanese Red Cross Society's events and activities, etc.	242
Authorized NPO Orange Clover	Donated a portion of proceeds from the sale of original eco bags, etc. to support cervical cancer prevention awareness activities	588
Local Pink Ribbon support groups	Donated a portion of proceeds from the sale of original pins and heart bread, etc. to support breast cancer prevention awareness activities	788
Authorized NPO Table for Two International (Note 2)	Donated a portion of the sales of healthy meals, etc. to help provide school meals in developing countries	1,424

Notes: 1. Total amount donated to the scholarship funds for children affected by the Great East Japan Earthquake in Miyagi, Iwate and Fukushima
2. Total amount of donations collected at restaurants, cafes and staff cafeterias in the Daimaru and Matsuzakaya stores

Governance



Transition to a company with three committees

The Company resolved to change into a company with three committees at the annual shareholders meeting in May 2017. The purpose of this change is to further strengthen corporate governance from the following standpoints:

- (i) Strengthening the management oversight function by separating oversight from execution;
- (ii) Clarifying authority and responsibility in business execution and promoting agile management;
- (iii) Improving the transparency and objectivity of management; and
- (iv) Building a globally applicable governance system.

Overview of corporate governance system

The Company is a pure holding company and, with the exception of authority for important matters relating to the management of the Group, it accordingly delegates authority to its respective business subsidiaries with respect to matters involving business execution by the business subsidiaries in order to speed up management decision making and to make managerial responsibilities clear.

The Company has four supervisory units (Management Strategy Unit, Affiliated Business Unit, Financial Strategy Unit and Administration Unit) as management bodies to clarify each unit's roles, responsibilities and authorities, thereby strengthening the oversight function and improving the internal control systems of the entire Group.

Board of Directors

(1) Basic roles and responsibilities of the Board of Directors

Directors who are appointed by shareholders and are entrusted with the management of the Company are to carry out the roles and responsibilities in the Board of Directors in accordance with their fiduciary responsibility and accountability to shareholders with the aim of realizing the Basic Mission Statement, the Group Vision, etc.

(2) Composition of the Board of Directors

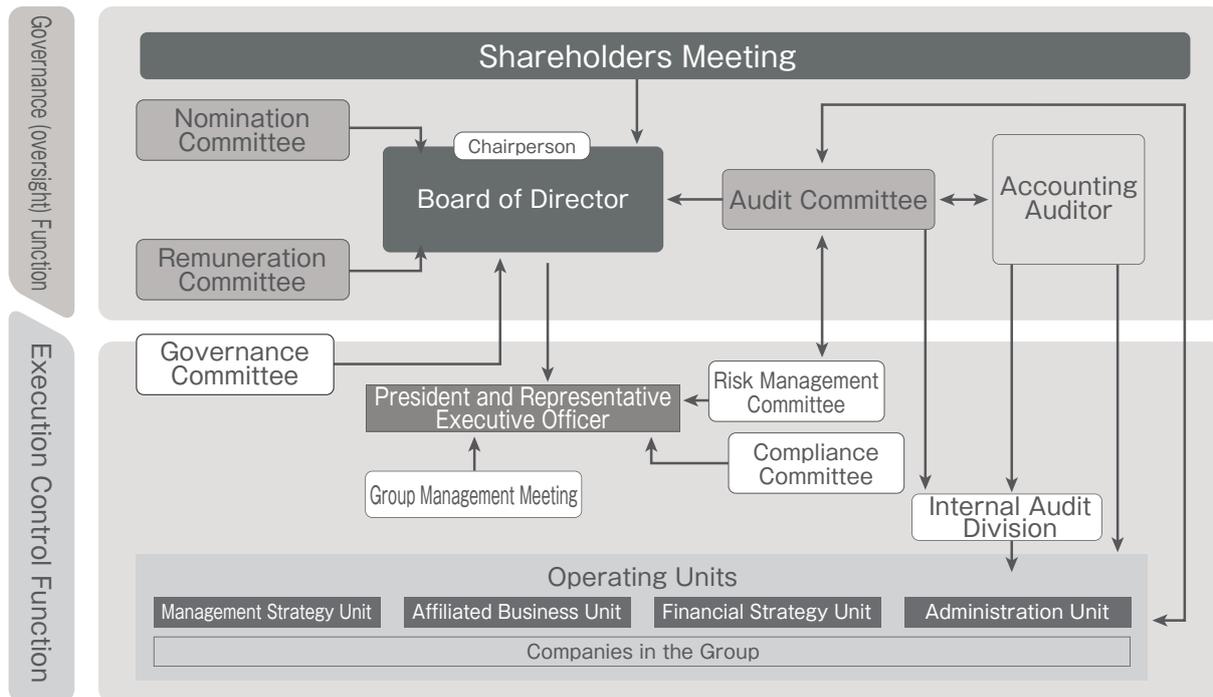
Currently the number of Directors is thirteen (five of whom are independent Outside Directors including one female Director) and the term of office is one year. From the standpoint of separating oversight from execution and enhancing the effectiveness of discussions at the Board of Directors meetings, one-third or more of Directors are independent Outside Directors and the majority of Directors are independent Outside Directors and internally promoted Directors who do not execute business. The Chairperson of the Board of Directors is chosen from among internally promoted Directors who do not execute business from the standpoint of separating oversight and execution and ensuring the smooth operation of the Board of Directors.

With regard to the agenda for discussion at the Board of Directors meetings concerning important policies related to the Group's overall management, we deliberate in advance at the "Group Management Meeting," which consists of Executive Officers and the Senior Executive General Managers of the supervisory units.

(3) Matters discussed at the Board of Directors meetings in FY2016

In fiscal year 2016, the Board of Directors had 15 meetings to deliberate and resolve the "Group Vision" and the "next Medium-term Business Plan" as strategic discussion

◆ Corporate governance structure chart



for the medium- to long-term growth of the Group, a “transition to a company with three committees,” the “validation of the rationale for cross-shareholdings and sales of such shares,” etc. as discussion concerning corporate governance, the “progress of the Shibuya Parco rebuilding project,” the “renovation plan of the Daimaru Kobe store” and the “reorganization of the Real Estate Business” as discussion concerning individual growth businesses, and the “closure of the Daimaru Urawa Parco store,” the “closure of Otsu Parco,” the “business transfer of JFR Online” and the “withdrawal from the business of JFR Plaza” to react to unprofitable businesses.

Nomination Committee / Audit Committee / Remuneration Committee

(1) Nomination Committee

The Nomination Committee is composed of three Outside Directors, the Chairperson of the Board of Directors who does not execute business and President and Representative Executive Officer. The chairperson is chosen from among independent Outside Directors from the standpoint of ensuring transparency and objectivity.

(2) Audit Committee

The Audit Committee is composed of three Outside Directors and two full-time Inside Directors who do not execute business and are well informed about the Company’s internal information to maintain and improve the accuracy of audit. In fiscal year 2017, an internally promoted Director who does not execute business chairs the Committee from the standpoint of achieving a smooth transition from the current structure of Audit & Supervisory Board system. However, the Company will

reconsider reviewing this system and establishing the most appropriate system.

(3) Remuneration Committee

The Remuneration Committee is composed of three Outside Directors, the Chairperson of the Board of Directors who does not execute business and President and Representative Executive Officer. The chairperson is chosen from among independent Outside Directors from the standpoint of ensuring transparency and objectivity.

◆ Committees to which Directors belong (© Chairperson)

Name	Nomination Committee	Audit Committee	Remuneration Committee	Remarks
KOBAYASHI Yasuyuki	○		○	Chairperson of Board of Directors
DOI Zenichi		◎		Non-executive
TSUTSUMI Hiroyuki		○		Non-executive
TACHIBANA FUKUSHIMA Sakie	◎		○	Independent Outside Director
OTA Yoshikatsu	○		◎	Independent Outside Director
TSURUTA Rokuro	○	○	○	Independent Outside Director
ISHII Yasuo		○		Independent Outside Director
NISHIKAWA Koichiro		○		Independent Outside Director
YAMAMOTO Ryoichi	○		○	President and Representative Executive Officer
YOSHIMOTO Tatsuya				Representative Managing Executive Officer
MAKIYAMA Kozo				Managing Executive Officer
FUJINO Haruyoshi				Managing Executive Officer
WAKABAYASHI Hayato				Managing Executive Officer

Governance Committee

The Company has a "Governance Committee" as a voluntary advisory committee since when it was a company with an audit & supervisory board. The Committee has had discussions and exchanges of opinions in a constructive manner concerning various issues to increase the effectiveness of the Board of Directors based on the results of the evaluation of the Board of Directors and the Company's organizational structure. At the Board of Directors meeting in October 2016, the Committee submitted a report concerning the transition to a company with three committees in fiscal year 2017, and after that, it studied the policy and approach of the new corporate governance structure and submitted a report to the Board of Directors.

After the Company transitioned to a company with three committees, the "Governance Committee" continues to serve as a voluntary advisory committee which consists of President and Representative Executive Officer, the Chairperson of the Board of Directors and all Outside Directors.

Evaluation of the Board of Directors

As the second evaluation by a third-party organization continued from 2015, the Company analyzed and evaluated each of the items including the Board of Directors' composition, operational status, agenda items and materials for deliberations in light of the roles and responsibilities of the Board of Directors from August to September 2016.

The evaluation was performed using a methodology whereby the third-party organization prepared a report containing summaries and analyses of the results of "individual interviews" and the "direct observation of the Board of Directors" and the Board of Directors carried out deliberations on the evaluation based on the report.

Based on the results of the evaluation in 2015, the Company has taken initiatives, including revising the Rules of the Board of Directors to clarify agenda proposals and benchmarks on agenda proposals, securing time for discussions by ensuring prior explanations and reducing explanations on proposals at the meetings of the Board of Directors, and improving materials on proposals, and has striven to secure the effectiveness of the Board of Directors as a whole.

As a result, the evaluation identified significant improvements with regard to the "Board's focus on management strategy agendas" and "setting up mechanisms to ensure effective discussions such as prior explanations for Outside Directors and Outside Audit & Supervisory Board Members and holding off-site trips for Directors and Audit & Supervisory Board Members." In addition, the evaluation concluded that the supervisory function is steadily improving as a result of changes to the decision-making process such as submitting important matters for consideration to the Board of Directors at an early stage.

On the other hand, there was an evaluation that problems still remain with regard to improving implementation (the speed of execution) in order to expedite the planning of the Group strategies, which came from further expectations for the reform of the Board of Directors. Therefore, we are trying some measures. For example, concerning the issues pointed out at the Board of Directors meeting, we confirm how and when we will address them at the beginning of

the next Board of Directors meeting. And we resumed our efforts to make improvements including the strengthening of the organizational structure of Management Strategy Unit. We will remain committed to securing the effectiveness of the whole Board of Directors.

Policy and procedures for determining executive remuneration

We formulated a new executive remuneration policy and began to apply it in May 2017 based on the standpoints including increasing the proportion of performance-based remuneration to total remuneration, introducing remuneration based on medium- to long-term performance with the aim of increasing corporate value over the medium to long term, and developing a uniform fixed-remuneration scheme covering non-executive Directors and Outside Directors.

In order to ensure that remuneration levels and remuneration amounts are appropriate and that their determination process is transparent, the determination of the specific remuneration amounts to be paid is made by a resolution of the Remuneration Committee chaired by an independent Outside Director, in which the majority of its members are independent Outside Directors.

◆ Remuneration of Executive Officers

The remuneration of Executive Officers comprises (i) "basic remuneration" (monetary remuneration) in accordance with position, (ii) "bonuses" (monetary remuneration) based on individual evaluations conducted each business year, and (iii) "performance shares" (trust-type stock-based remuneration) linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan as a stock-based remuneration system. In the Executive Officers' remuneration composition, the ratios of performance-linked remuneration and stock-based remuneration are set so as to function as a healthy incentive for sustainable growth. Specifically, "bonuses" and "performance shares" are each set at around 60% of "basic remuneration," which serves as the standard.

◆ Remuneration of non-executive Directors

The remuneration of Directors who do not engage in business execution consists only of fixed remuneration, which includes (i) "basic remuneration" (monetary remuneration) in accordance with position and (ii) "restricted stock" (trust-type stock-based remuneration), which is not linked to performance, as a stock-based remuneration system.

Succession planning

The selection of Chief Executive Officer is the most important strategic decision making, and accordingly the Company positions the drawing up and implementation of plans regarding successors (the next senior management team) as matters of particular importance in terms of management strategy.

The Company ensured clarity and transparency in the process of selecting successor

candidates through repeated reviews of successor candidates' individual evaluations based on assessments made by a third-party organization using internal data. The deliberations were conducted by the Human Resources and Remuneration Committee (a committee in existence until May 2017 while the Company was a company with an audit & supervisory board), in which the majority of its members are Outside Directors. With regard to the qualities required of successors, the Company has clearly defined the necessary values, capabilities and behavioral traits in the form of five qualities including "strategic mindset," "reform-oriented leadership," "tenacity to achieve results," "organizational development strengths" and "human resource development strengths." The Company has endeavored to ensure the impartial cultivation and selection of successors by sharing these qualities among all members of the Human Resources and Remuneration Committee to make them all aware of the measures used in cultivating and assessing successors.

Basic capital policy

The Company believes that any increase in free cash flow and improvement in ROE will help to ensure its sustainable growth and increase corporate value over the medium to long term. To such ends, the Company promotes a capital policy that takes a balanced approach to "undertaking strategic investment," "enhancing shareholder returns" and "expanding net worth" being equipped to address risks.

Moreover, in procuring funds through interest-bearing debt we aim to achieve an optimal structure of debt to equity in a manner cognizant of our funding efficiency and cost of capital, carried out on the basis of having taken into consideration our capacity for generating free cash flows and our balance of interest-bearing debt.

Appointment of Outside Directors

With the aim of separating oversight and execution, ensuring the effectiveness of the Board of Directors' discussions and ensuring transparency and objectivity, five of thirteen Directors are independent Outside Directors. In appointing Outside Directors, the Company confirms in light of its criteria for determining independence of Outside Directors that nominees are not susceptible to conflicts of interests involving the Company's shareholders and are in objective positions independent of the Company's management team that engages in business execution.

◆ Outside Directors after the transition to a "company with three committees" on May 25, 2017

Outside Director	Reasons for appointment	Number of attendance at the Board of Directors meetings during FY2016
TACHIBANA FUKUSHIMA Sakie President and Representative Director of G&S Global Advisors Inc.	TACHIBANA FUKUSHIMA Sakie has broad insight based on her abundant experience in internal and external governance as a director at a U.S. company's global headquarters and as an outside director at numerous Japanese companies. She has gained corporate management experience as a president of a foreign-owned human resource consulting company's local Japanese branch, and accordingly possesses in-depth knowledge regarding global human resources. Accordingly, since being appointed as an Outside Director of the Company in May 2012, she has adequately provided advice and oversight with respect to the direction of overall management and other such matters from an objective viewpoint independent of the management team that engages in business execution.	15/15
OTA Yoshikatsu Special Advisor of Konica Minolta, Inc.	OTA Yoshikatsu has abundant insight gained through his extensive experience acting as a manager of a company that, like the Company, is a holding company. In that capacity, he promoted the corporate merger between Minolta Co., Ltd. and Konica Corporation, and has served as a chairperson of the board of directors of a company with committees (currently a company with three committees). Accordingly, since being appointed as an Outside Director of the Company in May 2015, he has adequately provided advice and oversight with respect to promoting the Group management, change in the form of corporate organization of the Company and other such matters from an objective viewpoint independent of the management team that engages in business execution.	15/15
TSURUTA Rokurou Attorney at law	TSURUTA Rokurou possesses in-depth understanding of legal affairs as a person from legal circles. In his service up until now as an Outside Audit & Supervisory Board Member of the Company, he has actively and assertively furnished advice, recommendations and other feedback to the Board of Directors with respect to matters such as regulatory compliance in managing operations such as internal controls and audits and legal risks in managing business.	14/15*
ISHII Yasuo	ISHII Yasuo has long-standing overseas work experience and possesses insight based on his abundant experience in the field of global corporate management outside the retail industry such as special familiarity with business development in overseas countries. In his service up until now as an Outside Audit & Supervisory Board Member of the Company, he has actively and assertively furnished advice, recommendations and other feedback to the Board of Directors with respect to overall management strategy such as strengthening the holding company functions aimed at swift decision making for business execution.	15/15*
NISHIKAWA Koichiro Outside Director of Kyowa Hakko Kirin Co., Ltd.	NISHIKAWA Koichiro possesses suitably useful insight even with respect to financial matters from his practical experience in business alliances, M&A, business reforms, and his involvement in numerous important international negotiations. In his service up until now as an Outside Audit & Supervisory Board Member of the Company, he has actively and assertively furnished advice, recommendations and other feedback to the Board of Directors with respect to matters such as taking risks regarding new business and M&A, advancing progress management and results verification for corporate management strategies, and the suitability of numerical-target-based planning.	15/15*

*Tsuruta Rokurou, Ishii Yasuo and Nishikawa Koichiro attended the Board of Directors meetings as Audit & Supervisory Board Members in fiscal year 2016.

A “business strategy” where higher sales are accompanied by profits and a “financial strategy (encompassing the capital policy)” that heightens profitability of invested capital are essential elements with respect to improving cash flows and ROE. In addition, we believe it is crucial that we maximize our operating profit and continually improve our operating margin by strengthening our core businesses and concentrating management resources on initiatives such as business field expansion and active development of new businesses.

Shareholder return policy

The Company’s basic policy is to appropriately return profits. Hence, while maintaining and enhancing its sound financial standing, the Company strives to provide stable dividends and targets a consolidated dividend payout ratio of no less than 30%, taking profit levels, future capital investment, free cash flow trends and other such factors into consideration. The Company also gives consideration to the option of purchasing its own shares as appropriate, in accordance with the aims that include improving capital efficiency and implementing a flexible capital policy.

Policy on cross-shareholdings

The Group reduces its cross-shareholdings (which means the holdings of listed shares other than those of subsidiaries and associates which are not held for pure investment purposes) as appropriate considering the market environment, share price trends and other factors. However, this does not apply to shares with respect to which rationale for such holdings has been verified by means of validation conducted at the Board of Directors on a yearly basis from qualitative perspectives with respect to business strategies such as maintaining harmonious and favorable business relationships with corporate customers and business partners and securing supply chains and from quantitative perspectives such as dividend income and other economic rationale.

Decisions with respect to voting on matters regarding cross-shareholdings are made from both perspectives of whether or not the cross-shareholdings contribute to the sustainable growth of the company whose shares are held and the medium- to long-term improvement of its corporate value and of whether or not the cross-shareholdings contribute to the Group’s sustainable growth and the medium- to long-term improvement of its corporate value. We also consider the possibility of engaging in dialogue with companies whose shares we hold if necessary when we exercise voting rights.

Internal control systems

The Company has established the “Basic Policy on Developing Internal

Control Systems” with the aim of ensuring appropriateness of operations performed by the entire Group. Accordingly, we take steps to facilitate the Group’s sustainable growth and increase corporate value over the medium to long term through specific initiatives geared toward promoting the policy.

The operational status of the internal control systems of the overall Group is reported to the Board of Directors regularly and in a timely manner and the Board of Directors engages in appropriate oversight in that regard. Moreover, summaries of the operational status are disclosed in our convocation notices for shareholders meetings (in the Business Report section).

Risk management and compliance

The Company regrets that it has not so far considered positive risks adequately to ensure growth opportunities. Therefore, we have newly established the “Risk Management Committee” under our management execution framework to systematically manage and address strategic and other risks as a whole from a company-wide perspective. The Committee is chaired by President and Representative Executive Officer and consists of members including the Senior Executive General Managers of the supervisory units and the Presidents of major subsidiaries. Drawing on extensive specialized knowledge of the committee members, the Committee assesses a variety of risks, prepares necessary measures and monitors progress in that regard.

And the Company has established the “Compliance Committee” (whose membership includes corporate lawyers) for the purpose of appropriately addressing issues concerning the Group’s compliance management practices. The Committee draws up a policy for addressing matters involving serious compliance-related violations, and through close collaboration with departments in charge of promoting compliance, develops the foundation of compliance system (e.g. the preparation of promotion systems and plans) and continuously oversees the status of implementation to promote compliance with laws and regulations, corporate ethics and other such standards.

Both Committees report the details of their deliberations to the Audit Committee regularly and in a timely manner.

Whistleblowing system

The Company has established a whistleblowing system that enables all officers and employees of the Group as well as all individuals working at the Group (including part-timers and employees seconded from business partners) to notify the “Compliance Committee” directly with respect to compliance-related issues and seek corrective action. The Company has set up points of contact for whistleblowers both internally and outside the

Company (corporate lawyers).

The Group's internal company rules rigorously provide for the whistleblowing system in terms of protecting the confidentiality of whistleblowers and prohibiting disadvantageous treatment of whistleblowers.

Improvement of shareholders meeting

With the aim of engaging in constructive dialogue with its shareholders, the Company sends convocation notices for shareholders meetings as early as possible (at least three weeks prior to the date on which a shareholders meeting is to be held), and at the same time, the Company submits such content to financial instruments exchanges and posts it to the Company's website as early as practicably possible before sending its convocation notices to ensure that there is adequate time for its shareholders to consider matters with respect to which they will exercise their voting rights. The convocation notice of the 10th annual shareholders meeting was provided to financial instruments exchanges and made available on the Company's website before delivery of the printed version and four weeks prior to the date of the shareholders meeting.

The Company gives consideration to ensuring that its shareholders are able to conveniently exercise their voting rights, including domestic and overseas institutional investors. To this end, the Company has adopted online and other means of exercising voting rights and otherwise uses the Electronic Voting Platform. We also prepare English translations of our convocation notices and make them available on our website and the Electronic Voting Platform so that our overseas shareholders are able to properly exercise their voting rights.

At the 10th annual shareholders meeting in May 2017, we partially revised the Articles of Incorporation to allow an institutional investor that owns shares in the name of a trust bank, etc. and does not own shares in their own name to attend a shareholders meeting and exercise voting rights as a proxy. This clause will apply from the next shareholders meeting.

Disclosure and IR activities

Under the Basic Mission Statement "We aim at developing the Group by contributing to society at large as a fair and reliable corporation.," the Company promotes IR activities for

【Major dialogue activities with investors in fiscal year 2016】

<For domestic institutional investors>	
Results presentation	2
Small meeting	13
Individual interview	121
IR event	3
<For overseas institutional investors>	
Overseas IR roadshow	37
Domestic and overseas conference	53
Individual interview	55
<For individual investors>	
Company presentation	7

the purpose of maintaining and developing relations of trust with stakeholders including shareholders and investors. By accurately and plainly disclosing important information about the Company in a fair, timely and appropriate manner, we aim to improve management transparency and help stakeholders better understand the Company.

The Company discloses important company information to which the timely disclosure rules apply through the TDnet (Timely Disclosure Network) system provided by the Tokyo Stock Exchange, while posting the same information on the Company's website, etc. as quickly as possible. With respect to any information that is deemed to help stakeholders better understand the Company, even where the timely disclosure rules do not apply to it, the Company works to publicize such information on its website as well as by using SNS and publishing integrated reports. The Company releases information in a timely and appropriate manner by making use of the TDnet and EDINET platforms, the Company's website and other means in line with the attributes of the information being disclosed. Moreover, to ensure that we disclose information in an impartial manner, we prepare and release English translations of our convocation notices for shareholders meetings, integrated reports, timely disclosure information, financial information and the Company's website.

The Company's efforts to improve communication include timely disclosure and information transmission on its website in combination with various briefings and meetings and responses to inquiries from shareholders and investors are widely shared among the Company and related companies of the Group, and we refer to them in company management to increase corporate value.

Received the Best IR Award

The Company received the 2016 (21st) "Best IR Award" (hosted by the Japan Investor Relations Association). According to the news release of the Japan Investor Relations Association, the Company was selected for the award for the following reasons: "J. Front Retailing's top management is highly conscious of the importance of IR activities, which is shared company-wide. In addition to top management's attitude and presentation skills, the convincing argument regarding its management strategy earned high marks. The IR team is resourceful and highly accessible. The team promptly makes efforts related to governance-related matters, which include ensuring enough time for shareholders to consider agenda items of the General Meeting of Shareholders and enhanced fair information disclosure. Moreover, the company provides great IR tools, such as the Fact Book, Annual Report and Supplementary Data for Financial Results Briefing."

