Integrated Report 2019

Aiming for
"Multi Service Retailer"

Create and Bring to Life "New Happiness."

J. FRONT RETAILING

Integrated Report 2019

Contents

Editorial policy:

J. Front Retailing Group (the "Group") issued this integrated report in order to provide a deeper understanding of what actions it takes to change its business portfolio for sustainable growth of corporate value. The report explains at the beginning the values, vision, value creation process and business model of J. Front Retailing (the "Company") and it contains non-financial information including the Group's involvement in society and the environment through business activities and governance system that helps enhance corporate value in addition to financial information based on specific management strategy. We have referred to the "International Integrated Reporting Framework" established by the International Integrated Reporting Council (IIRC) and the "Guidance for Collaborative Value Creation" established by the Ministry of Economy, Trade and Industry to create this report.

Timeframe:

This report mainly reviews the fiscal year 2018 (March 1, 2018 through February 28, 2019) but it also contains the latest information available at the time of issue to the extent possible.

Scope:

J. Front Retailing Co., Ltd. and consolidated subsidiaries

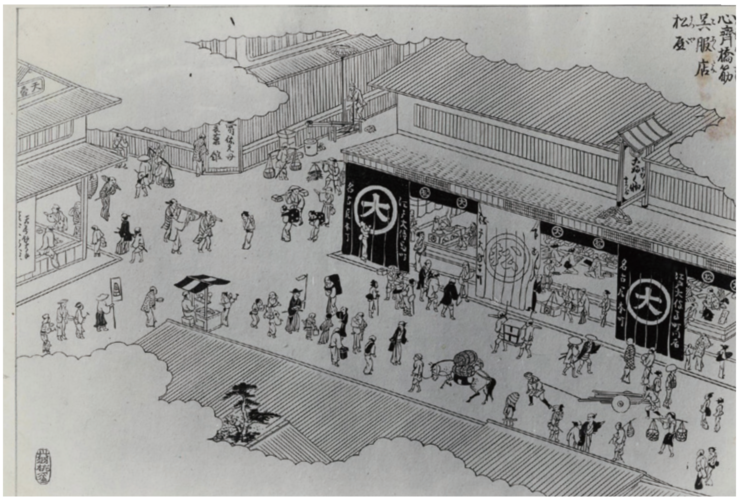
Cautionary statement regarding forward-looking statements:

Forward-looking statements in this integrated report represent our assumptions based on information currently available to us and inherently involve potential risks, uncertainties and other factors. Therefore, actual results may differ materially from the results anticipated herein due to changes in various factors.

Environment
Society
Governance

Guidance for Collaborative Value Creation

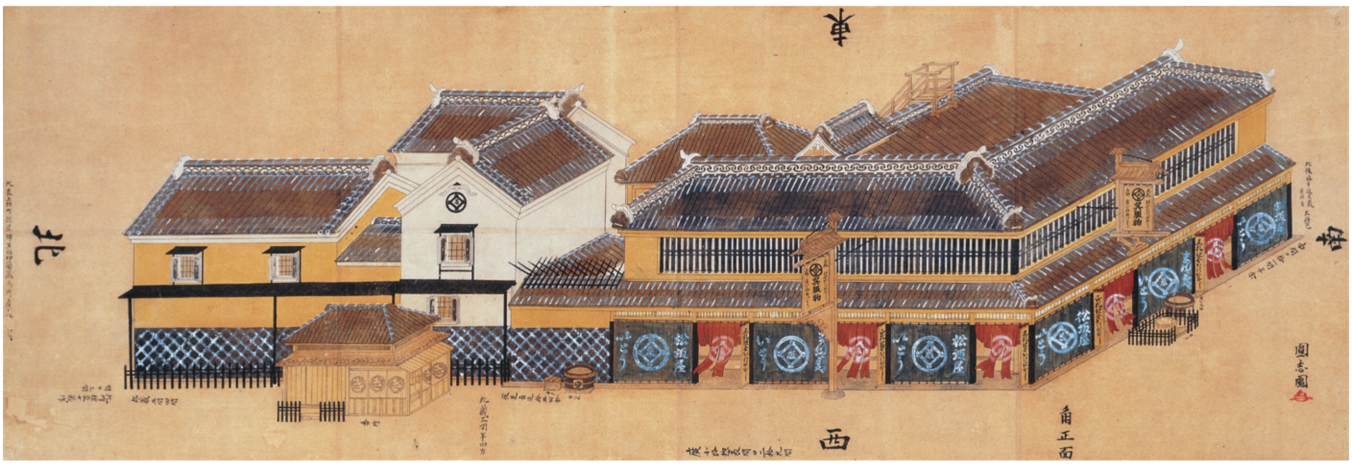
Shinsaibashisuji Osaka store



Corporate Credo

Service before Profit

Service before Profit – This phrase is from a passage from "Of Honor and Disgrace" written by Xunzi, a Chinese thinker in the Zhanguo period, "Those who give priority to service over profit will prosper." The most important thing is to approach things with sincerity and good faith. "Do not sell any products that are of no benefit to customers." "Do not rank customers." "Honesty and loving-kindness come first." "An unfaithful person is useless regardless of how gifted he/she may be." Thus Daimaru has told its employees to keep a humble attitude to serve customers. At Matsuzakaya, the spirit of "Abjure all evil and practice all good" has been valued. They can be modernized as "Customer-first principle" and "Contribution to society." Thinking of stakeholders thoroughly and acting accordingly will lead to business growth. We believe "Creating Shared Value (CSV)" to solve social issues through business activities is nothing less than practicing the Group's corporate credo simply and honestly.



External layout of Ueno store in 1772

Group Mission Statement

We aim at providing high quality products and services
that meet the changing times and satisfying customers
beyond their expectations.

We aim at developing the Group
by contributing to society at large
as a fair and reliable corporation.

Group Vision

Create and Bring to Life "New Happiness."

Now is the time when lifestyles are changing speedily. To meet these changes quickly, and what is more, to find budding needs are J. Front Retailing's important missions. More women's social advancement. Changing lifestyles due to falling birthrate and aging population. Increasing globalization and digital consumption. Various factors bring you more new ways to enjoy your life as well as triggering concerns and stresses. Seeing both these "positive and negative" factors, we will evolve into a group that can serve you in all aspects of life. With regard to "enjoyment," we will not only "sell goods" but create new events and experiences to excite you. With regard to "concerns," we will cover "shortfall" such as "busyness," "uneasiness" and "hassle" and create services to clear the fog in your mind. Our domain will expand beyond the framework of "retail." And there should be creative ideas, or the creation of "new happiness." Now is the time for J. Front Retailing to drastically change. And we promise you to closely support your life in a "present progressive form" after 10 years and even 100 years by "changing all the time."

New employees in FY2018

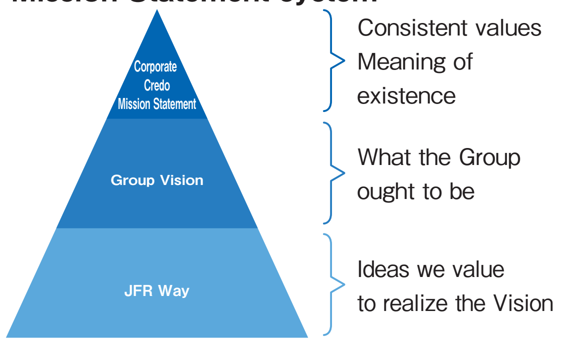
New cause assumed by J. Front Retailing

The main business of the Group was the offering of products and services mainly for "festive occasions" by the core businesses including department store chains Daimaru and Matsuzakaya and Parco to meet customer needs. With increasingly diversified lifestyles, however, customer needs are seen not just on festive occasions but also widely in daily life. By relieving customers of "concerns" and "frustrations" in daily life so that they can live more conveniently and more comfortably, we hope many customers will be able to spare more time for festive occasions. We think that is the social role we will have to fill, i.e., the cause.

In fact, as the means of seeking enjoyment are diversified, many customers cannot gain sufficient satisfaction from a stereotypical form of consumption as in the past. Consumers "want new and different experiences" or "want to enjoy with like-minded people." Thus the focus of consumption is shifting to experiences. Another recent big trend is heightened awareness of social contribution. People "want to care more about the environment and ethics" and "want to feel that their own existence is meaningful in society." The Group has to be able to offer something more enjoyable and more exciting in response to such diversification of the means of seeking enjoyment.

The Vision shows where we and the Company want to be in the future and helps clarify the organization's strategy, direction and decision-making process. It is each and every employee who will realize the Vision in a concrete manner and the sum of their performance will constitute our corporate value.

Mission Statement system



JFR WAY

Ideas we value to realize the Vision

Create the future!
We will create things that society and consumers have never before perceived as well as create new amazing and delightful things.

Try without fear of failure!
We will take action without fear of result, and we will all learn from the challenges we have faced.

Act for yourself!
We will think for ourselves when taking action without waiting to be told, and will enthusiastically accomplish our goals.

Introduce new ideas!
We will not succumb to an inward-looking approach, but instead will take a broader view developed by coming into contact with people, objects and events in the outside world.

Be sensible and honest!
We will take action as members of society in a manner commensurate with a sense of social decency, while unwaveringly conducting ourselves with sincerity and honesty at all times.


YAMAMOTO Ryoichi
Director, President and
Representative Executive Officer

Values and Vision > Top Message

We Will Continue to Challenge Changes and Aim for Sustainable Value Creation.

The “Reiwa” era has begun and expectations for the new era are raised. The current fiscal year is the halfway point of the five-year Medium-term Business Plan of J. Front Retailing (the “Company”), which started in fiscal year 2017 with the new Group Vision “Create and Bring to Life ‘New Happiness.’” At the same time, I think it marks a turning point for J. Front Retailing Group (the “Group”) to grow dramatically.

The growth of the Real Estate Business, which was newly created as an independent segment, as the result of our efforts during two years after the Medium-term Business Plan was launched, is a steady first step to change our business portfolio. In addition, governance reform and B/S-based management have made progress. Thus I think our foundations of business have been strengthened steadily. On the other hand, in terms of production of tangible results of growth strategy, I cannot say its progress during these two years has reached the management’s satisfactory level.

Currently in the business environment surrounding the Company, uncertainty and complexity are increasing. The global economy seems to be “at a turning point” and uncertainty about the future has been heightened since the end of last year. Many Japanese companies started to be impacted in various ways. Recently “uncommon” weather attributed to global warming trend occurs every year and is “becoming common.” And consumption tax hike is planned in October. In light of trends after consumption tax hikes in the past, I think increasingly polarized consumption and budget-minded consumer spending are unavoidable. Besides, transformation of social structure by digitalization and values shift from “possessing” to “sharing” will continue to progress in an accelerated manner.

Such uncertainty can be restated as risk. And we have to note that risk has both positive (opportunity) and negative (threat) aspects. If we can actively take positive risks while hedging negative risks appropriately, it may lead to sustainable growth. Therefore, we will clarify the priority order of our initiatives against uncertainty and reflect them in our management strategy.

In the current fiscal year 2019, two ongoing big projects, which symbolize the turning point of the Group, will be completed. Specifically, the “new main building of the Daimaru Shinsaibashi store” and “new Shibuya Parco” are planned to open on September 20 and in late November, respectively. In the current era when e-commerce and sharing economy are rapidly spreading, we are asked “what is the meaning of the existence of real stores.” With these two projects, we would like to show the direction of our unique new retail business model leading to the future. They are bold challenges to changing times. However, I believe such ability to respond to changes is the DNA and strength of the Group with histories of 300 and 400 years of Daimaru and Matsuzakaya, which are the predecessors of the Company, respectively, and leads to sustainable management through the implementation of our corporate credo.

I think a sustainable society can be built if individual companies as public entities of society clarify the priority order of issues to be addressed through dialogue with stakeholders and play their roles. To this end, last year the Company identified five materiality issues after seeking opinions from stakeholders and discussing at the Board of Directors meetings. And we set long-term goals and announced them and brought our initiatives into full swing. In the current fiscal year, we will strive to manage the progress thoroughly and resolve issues promptly by forming a Sustainability Committee to further strengthen promotion systems.

Toward real growth beyond stakeholders’ expectations, we, at the turning point of the Group, will step up a gear to promote the Group’s business structural changes and strive to increase corporate value over the medium to long term while creating both economic value and social value. And at the same time, we will contribute to creating a sustainable society.

June 2019

Response to constant changes

We are a holding company established in September 2007 through the management integration of Daimaru and Matsuzakaya, both of which are department store chains. Daimaru and Matsuzakaya, which have long histories of 300 and 400 years, respectively, continue to practice sustainable management while properly responding to changes in customers and society.

Why could the Company maintain management for such a long time? I think it is because their philosophy has been persistently kept at the core of management despite significant changes of the times and all management activities have been integrated under this philosophy.

Our corporate credo "Service before Profit" is quoted from a passage written by Xunzi, one of the founders of Confuciasm in China. Service before Profit means those who give priority to service over profit will prosper. All management activities have been integrated under this credo.

The word "Service" in the credo means social justice, which describes attitudes to pursue the right way in business and contribution to the public. It can be rephrased as a "customer first principle" and "contribution to society," and that is a pursuit of both social and economic values in consideration of current ESG issues. In other words, they are consistent with the idea of Creating Shared Value (CSV).

When looking at the history of the Group, we can see that it is a repetitive cycle of crises and innovations. The biggest crises that we have faced so far are the "Rebellion of Oshio Heihachiro" in 1837 when our predecessors escaped burning and the financial crisis around 1907 when our business gradually worsened by increased bad debts after the collapse of the Edo Shogunate. On the other hand, the biggest innovation seems to occur about 100 years ago when our business model was transformed from "*zauri* or bringing products at customer's request to showcasing," in other words, from a kimono fabric dealer to a department store operator. In the long history of 300 or 400 years, our predecessors were hit by many crises. We can say that it is a miracle in a sense that the Group exists today thanks to their relentless efforts to weather these crises and reform and innovate themselves. We can tell from this history that a crisis occurs whenever we become arrogant, fail to respond to changes of the times and society, and stop innovating ourselves.

Stated differently, unchanged values or philosophy at the core of our management activities made it possible to respond to changes so far and this spirit continues to exist in our current Group Vision.

Business model needs to be changed

Increasing obsolescence of business models with changes of the times is unavoidable. The business model of a department store (*hyakkaten* in Japanese, which literally means a store selling hundreds of items) was created instead of a kimono fabric dealer about 100 years ago. As you may know, department stores do not deal in "hundreds of items" partly due to the rise of category killers. Department stores changed their product mix to the one overly dependent on clothes, in particular, women's clothes against the backdrop of the DC brand boom in the 1980s from a full line ranging from clothes to furniture, home appliances and food, which is the origin of the word *hyakkaten*. At the same time, their main business structure changed from selling after purchase called *kaitori* to purchase without inventory called *shoka shiire*, which accounted for around 80%. And the main business shifted from merchandising to marketing or brand assortment. It was then that department store sales peaked.

In the meantime, consumption in Japan has been changing rapidly since then. According to the Family Income and Expenditure Survey by the Ministry of Internal Affairs and Communication, the percentage of expenditure on clothing and footwear decreased to 3.8% in 2018, almost a half of 7.3% in 1991. However, department stores could not get out of former successful experience and too much floor area has been allocated to women's clothes. It increased gap in tastes between customers and department stores. When sales are increasing year after year, the business model centered on *shoka shiire* and women's clothes is low risk and can be expected to increase profit by ensuring that costs are thoroughly managed. In the current mature market, however, economic sensitivity becomes stronger and the risk increases accordingly. One of our strengths is large assets in prime urban locations. Under such risk, however, we fail to extract enough profits from them in terms of asset efficiency, which is recognized as a problem. In order to aim to achieve sustainable growth while generating revenue that matches the asset value, it has become inevitable to closely investigate the market of each area and redefine what our business model should be.

To this end, we have decided to study the two major directions of our new business model. One is the option "not to operate a department store," which means we 100% transform ourselves to a real estate rental business. Specifically, it includes Ginza Six, which was created by developing the two blocks including the former site of the Matsuzakaya Ginza store as one, and Ueno Frontier Tower, which was created by rebuilding the south wing of the Matsuzakaya Ueno store. Both opened in 2017 and contribute to the growth of the Real Estate Business segment by generating stable revenue as expected. The other is the establishment of a hybrid model with an optimally balanced mix of the advantages of real estate rental business and the advantages of *kaitori* and *shoka shiire* business under the department store brand. Its concrete example is the new main building of the Daimaru Shinsaibashi store, which is planned to open on September 20 this year. With the concept of "Delight the World. Shinsaibashi, Adored by the World," particularly on the 1st to 3rd floors, luxury items and cosmetics that have growth potential will be significantly expanded as the *kaitori* and *shoka shiire* business by "global standards". The 4th to 10th floors and basement floors, which account for approximately 65% of total sales floor area, will be operated under fixed-term lease. Without adhering to the floor layout according to traditional stereotypical merchandise classification, we will consciously incorporate the elements of experience-based consumption. Since it will have a completely different personnel structure from traditional department stores, an unprecedented low-cost operation model will be created. In spite of such great changes in the business model, customers will be able to enjoy shopping completely seamlessly between *kaitori* and *shoka shiire* floors and fixed-term lease floors. I hope you will look forward to the scalable and highly profitable new model, which will show one future direction of department stores.

Challenge of changing business portfolio

We could say department stores have much room for profit growth by these changes in the business model. However, I recognize we need to change the Group's business structure that is overly dependent on the Department Store Business in order to aim for more sustainable growth. The Company has strived to become a multifaceted retailer since its inception so that we can expand into retail business other than the Department Store Business. In 2011, we converted StylingLife Holdings Inc., which operates general merchandise shops named Plaza, into an equity method associate. In 2012, Parco Co., Ltd. was converted into a consolidated subsidiary. By implementing these initiatives, we have steadily spread our retail wings. The range of our retail business has been thus expanded steadily. However, consumption is shifting from goods to experiences and services. It is hard to avoid thinking it will be difficult to achieve dramatic growth that meet the expectations of stakeholders if we depend on business centered on physical stores. Therefore, we will take one step away from our past approach as a multifaceted retailer to act as a "Multi Service Retailer," thereby expanding our business domain to encompass endeavors in new fields extending beyond the retail industry framework. Meanwhile, we will actively reshuffle our portfolio of businesses by accelerating the identification of unprofitable business fields and other efforts. The major theme of the current Medium-term Business Plan is the expansion of the newly created Real Estate Business segment and building of the foundation of the Credit and Finance Business for medium- to long-term growth. As for the Real Estate Business, Ginza Six and Ueno Frontier Tower, both of which opened in 2017 by transforming the business model of department store assets, perform well as expected and we expect share of its operating profit to increase to around 12% from 0.8% before the current Medium-term Business Plan was launched. The Credit and Finance Business invited a person who accumulated experience in card companies and a mobile payment company from outside the Group as its top management and tackles structural reforms to achieve significant growth in the period of the next Medium-term Business Plan and beyond. With regard to respective portfolios of the Department Store Business and the Parco Business, we are considering streamlining their stores, mainly rural and suburban stores, which have bleak prospects, by converting their formats or reducing rental area, or closing their doors if it is difficult to improve even with these efforts. Under the current Medium-term Business Plan, we have already decided to close the Daimaru Yamashina store, Otsu Parco, Chiba Parco, Utsunomiya Parco and Kumamoto Parco. We will identify the commercial environment where each store is located and clarify our direction to pursue optimal portfolio.

Improve and use the value of information

In the current "era of 100-year life," lifetime value of each individual is expanding. Approximately 300 million customers visit our department stores and Parco's physical stores every year. In such a situation, we have many direct customer touch points through the provision of various products and services, which is of great advantage to the Group. It is needless to say that the "value of information" gained through these customer touch points will increasingly enhance.

Individual companies such as the department store chain and Parco in the Group have their own good customer assets. For example, however, the data currently accumulated by department stores are mainly customer profiles and purchasing information gained through ID cards such as our private label credit cards. The Group does not centralize such information and do not have in place an infrastructure to extract enough true value from our customer assets as "information." Therefore, we are building a new customer base called the "Lifetime Service Hub" to create a system for strengthening "lifetime engagement with customers." We will integrate and centralize the data base of good customers held by the Group and strengthen our "data economy" initiative using ICT such as AI and apps.

As the process of this initiative, in May this year, all Daimaru and Matsuzakaya stores released a "mobile app" that gives incentives according to the purchase amount. By using this app, we will identify customers and greatly expand our data base through department stores without depending on our private

label cards as we did before. In the next phase, we will use chat group-wide to improve the quality and quantity of customer information through accumulation of conversation and purchase history data. By adding the demonstration tests of AI analysis to upgraded data base, we will expand opportunities to provide optimal products and services, and furthermore, launch new businesses to create synergy among companies in the Group. I think medium- to long-term corporate value will vary according to the "quality of available information."

Exceeding cost of capital is a must

We are committed to achieving an ROE of at least 8%, which is the goal for the final year of the current Medium-term Business Plan (FY2021). At the same time, we disclose the range of cost of shareholders' equity recognized by the Company. If we set an ROE target, it should exceed cost of capital and the management should recognize it to implement initiatives. Since historically we have made a living by operating department stores while holding large assets in prime urban locations, we have kept ourselves within the structure where "it cannot be helped that it is difficult to increase ROE." However, it is natural for investors to expect return above cost of shareholders' equity. To be honest, it is undeniable that the Company lacked awareness of such cost of capital. Regrettably, even the management did not share the concept of cost of capital, let alone its amount.

This is why we have decided to disclose the current cost of capital recognized by the Company on the assumption that we aim to achieve an ROE of 8% or more. Since economic sensitivity is extremely strong in the department store sector of the stock market, cost of capital tends to become a little higher. In order for the Group with the Department Store Business at its core to achieve an ROE of 8% or more, it needs to reduce cost of capital as well as further increasing profit levels. As its process, we began considering reducing cost of capital by not only increasing profit levels by implementing growth strategy but also changing our business portfolio.

Concerning what I said now, the important point for the Group to realize ROE of at least 8% is how the Department Store Business at the core of the Group, which has large assets, will improve asset efficiency. To this end, we introduced a store level B/S to the Department Store Business to improve asset efficiency in each store. ROA of each store is broken down into indicators as a tree, which led to on-site improvement actions. ROA is one of the components of ROE. In order to achieve an ROE of 8% or more group-wide, each business sets an ROA target. Furthermore, for example, in the Department Store Business, it is broken down into store level ROA as a target, which is also used to evaluate a store manager. We are highly recognized by investors that it is revolutionary for a department store to draw up a store level B/S. I expect we will have deeper dialogue concerning asset efficiency as well as profitability at store level.

Contribution to creating a sustainable society

The Company identified materiality issues that contribute to realizing "sustainable growth of company and society" and a "sustainable society" while clarifying the relationship between business activities and social issues.

Specifically, firstly, we selected 25 candidate materiality issues from the perspective of the environmental and social issues that are meaningful for us to address and can produce results and the issues we can tackle using our core businesses. Secondly, we conducted a written survey of 4,250 stakeholders on these 25 issues to secure objectivity and diversity. And based on the results of the survey in which the GRI Standards, the assessment items of ISO 26000 and SRI, and SDGs are reflected and after internal discussions at the Management Meetings and others, we developed a materiality map. In the process of discussions, we incorporated the perspectives of growth potential, profitability and the Company's uniqueness and discussed in view of the importance of social issues rather than ease in addressing them to identify materiality issues. And finally, we narrowed down the list of materiality issues to and formally determined five issues including "contribution to a low-carbon society," "management of the entire supply chain," "coexistence with local communities," "promotion of diversity" and "realization of work-life balance" at the Board of Directors meetings. At the same time, we set long-term goals to be achieved and formulated an action plan.

The greatest importance is placed on "contribution to a low-carbon society" among them. Not only external factors such as adoption of the Paris Agreement and SDGs but also unusual weather and natural disasters that have occurred frequently recently in Japan and abroad actually affect our business activities. In view of the significance of negative risks from a long-term perspective, I cannot think it is good for us to stand back and do nothing or rely on others. To give an example, the head office building of Daimaru Matsuzakaya Department Stores already converted to 100% renewable energy in March this year. And the new main building of the Daimaru Shinsaibashi store and new Shibuya Parco, both of which are planned to open this fall, will become model stores for use of 100% renewable energy. As for reduction of CO_2 emissions, it is extremely important for the Company to reach out to the entire supply chain. It is a so-called "scope 3" initiative. Firstly, based on various policies concerning supply chain management including the Principles for Action for Suppliers formulated recently, we will share purposes and goals by disseminating them to and educating employees and providing briefings to suppliers. In the next phase, we will evaluate and select suppliers, and if needed, we will audit, monitor and feed back. By continuing them simply and honestly, we would like to produce tangible results.

"Coexistence with local communities" can be said to be the very core business of the Company. We promote the "Urban Dominant strategy" as the growth strategy of the current Medium-term Business Plan. It is aimed at growing with local communities with stores including department stores at its core. I think a community is a kind of ecosystem. That is to say, its large components and small components are all mutually connected to create the unique appeal of the area. Conversely, if our store works hard alone but part of the community is left weakened, the entire community will gradually run out of energy. Our initiative to attract shops to the areas around our department stores and develop shops in these areas, which started from the Daimaru Kobe store in the late 1980s, is the root of the Urban Dominant strategy and contributes to increasing the appeal of the communities, which spreads from "points" to "areas." As a matter of course, we cannot promote such initiative in all areas. We focus on the areas where the Group's flagship stores are presently located. By further developing and expanding know-how accumulated through the development of shops around the Kobe store, in the Shinsaibashi area, we would like to play our own role, which is indispensable in the area, to create the "Shinsaibashi area adored by the world" based on the main building of the Daimaru Shinsaibashi store, which will open this fall.

Once mindset changes, work styles will change

I said earlier that a community is a kind of ecosystem and I think entities that constitute a community are living things. This is because they will rapidly degenerate, be selected and cease to exist unless they always evolve in response to changes in the external environment. One of the key roles of the management is to instill healthy risk awareness in the entire company and to always respond quickly to changes in the market and customers. To this end, I, as a managerial person, would like to clarify our vision and continue to show employees the course the Company should take and new goals. In order to realize that permanently, firstly, we will change employees' mindset. Secondly, we will change the structures and systems of jobs. And we will clarify goals. By doing this, their work styles will change. We will evaluate their performance fairly and reflect it in their treatment. Furthermore, we will educate employees toward higher goals. I believe the constant repetition of this process is the only way to lead our reform to success.

At the same time as the Vision "Create and Bring to Life 'New Happiness'" was developed, we also showed the JFR Way, which sets forth the employee action guidelines: "Create the future," "Try without fear of failure," "Introduce new ideas," "Act for yourself," and "Be sensible and honest." Among them, it may have been unexpectedly difficult to "try without fear of failure." It is important for the Company to encourage employees with the Company's supportive programs and systems to change their mindset. One example is a new personnel program named the "Challenge Card." We help individual employees and teams realize their ideas and inspirations. It is based on the assumption that an employee who takes on a challenge will receive extra points in evaluation. A thought that "the way not to fail is to do nothing" should not happen. By clearly stating that we will positively evaluate the challenge to take concrete action even though it results in failure, their attitudes toward their jobs have changed remarkably. The number of the Challenge Cards has reached as many as 6,700 in a year and the number of employees who actively try to engage in interactions beyond individual divisions and companies is appreciably increasing. I think the spread of these changes in the mindset of individual employees will result in changes in a corporate culture and work styles, which will lead to major corporate changes. As a matter of course, however, managerial persons are not evaluated only for the process such as challenges and efforts. Needless to say, management is practice and only results matter.

Develop managerial talents

Three years have passed since we launched governance reform, mainly the reform of the Board of Directors. What I see through our initiatives is that strengthening of the Board of Directors and strengthening of managerial talents are inseparable. That is to say, we cannot activate the Board of Directors without strengthening managerial talents. In other words, the key is "people" after all. Investors may check the presence of vision and strategy with outlook for where the Group will go five and ten years from now and the presence of human resources who can accomplish them to make an investment decision. In that sense, I think strengthening of managerial talents is important. In my opinion, President should not have the exclusive power to shuffle personnel. Therefore, we created a Human Resources and Remuneration Committee to deliberate. After transition to a Company with Three Committees (Nomination, Audit and Remuneration Committees), the Committee was taken over by the Nomination Committee to clarify the process of appointment and secure transparency. For appointment and removal, we combine internal evaluation with the results of personnel evaluation by a third-party organization to ensure highly objective discussion. We rely on the Nomination Committee to determine not only the validity of the process of appointment but also appointment and removal of individual Directors and Executive Officers of J. Front Retailing and major operating companies.

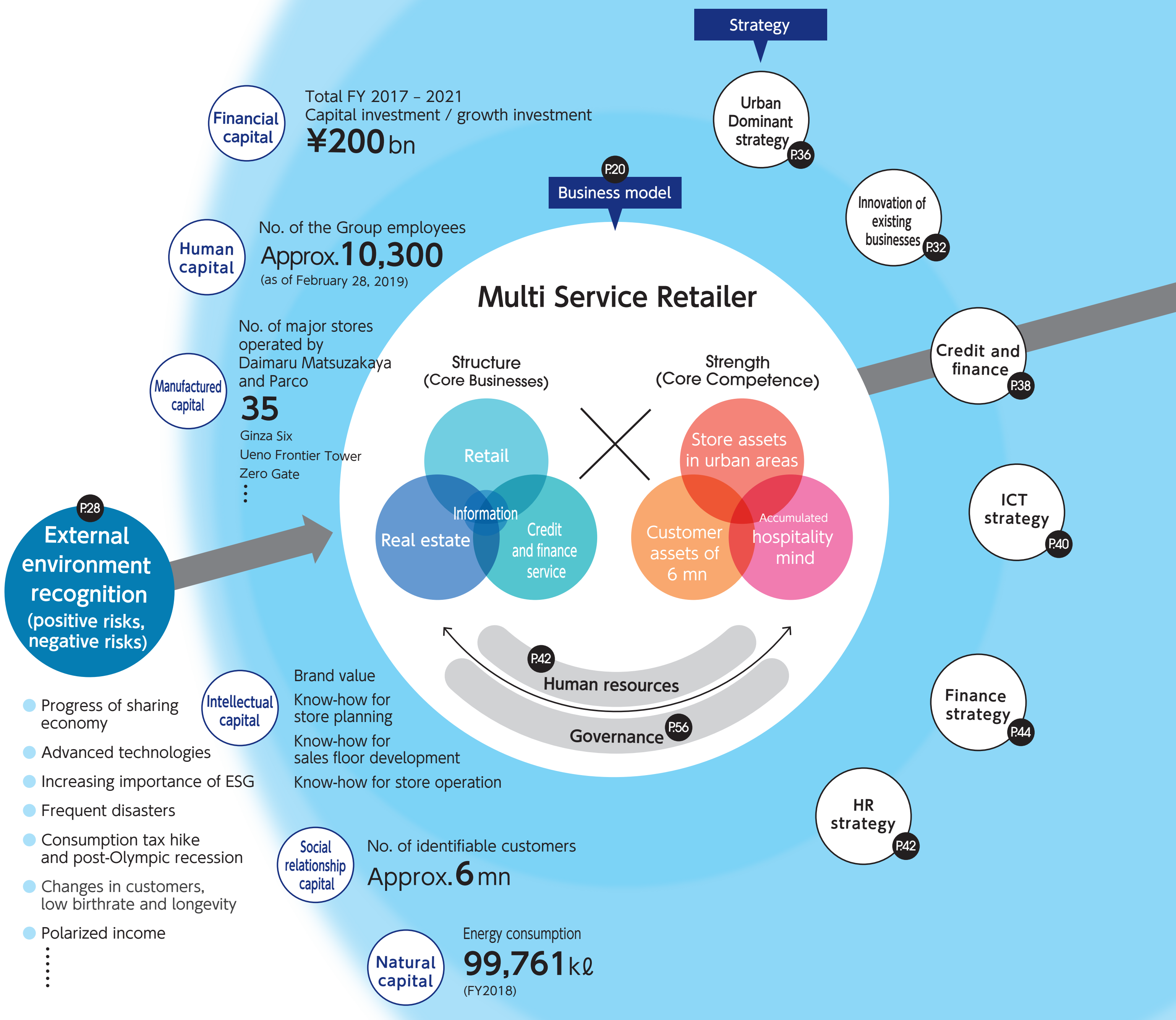
In terms of leadership, it is not too much to say that business management depends on top management. And I think a succession plan for President as a chief executive officer is the most important strategic decision making. A succession plan for top management requires assumptions for five and ten years ahead as well as an emergency plan for contingencies. We prioritize candidates and discuss since we voluntarily created a Human Resources and Remuneration Committee. Before that, I cast about only in my head. Currently we openly discuss and sometimes internal evaluation is different from evaluation by outside officers. I believe we take a larger view and make the best decision though we sometimes get into an argument of whether individual candidates are qualified for President or officers.

The removal of President is determined by the Board of Directors after the Nomination Committee discusses and resolves based on the status of results achieved by successor candidates who are selected under the succession plan resolved by the Nomination Committee as well as the goals set and expected and actual results. Outside Directors comprise a majority of the Nomination Committee and Outside Director also chairs the Committee. Therefore, I recognize it is highly objective and transparent. In the meantime, I think I can manage the Company with a sense of tension under such strict governance.

The management itself needs to take the initiative in transformation without being tied to successful experiences and change the mindset and actions of employees in order to transform ourselves to the Group that enables discontinuous growth. In the process of changing the Company significantly, we will make every possible effort with tenacity to produce tangible results to increase corporate value over the medium to long term beyond stakeholders' expectations.

J. Front Retailing Value Creation Process

Under the Corporate Credo and the Basic Mission Statement, J. Front Retailing is committed to creating affluent lifestyles with its stakeholders to realize the Group Vision "Create and Bring to Life 'New Happiness.'"
The business activity of J. Front Retailing is to constantly seek to create rich markets that grow with local communities, which is led by department stores and Parco.
It is nothing less than to create, as a public entity of society, new values with which its various stakeholders empathize.
Circulating the Group's business model and creating new values using the six capitals of J. Front Retailing effectively and efficiently are the process to create the brand value of J. Front Retailing, which will result in the creation of new values with which society empathizes.
Through this initiative, we strive to create both social value and economic value.



*Figures of the Medium-term Business Plan are before application of IFRS 16.

Outcome

Customers
We will provide genuine satisfaction captivating customers by offering new values.

Contribution to a low-carbon society

7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION

Shareholders
We will increase corporate value over the long term through highly profitable and highly efficient management.

P.04

Group Vision

Create and Bring to Life “New Happiness.”

Output

FY2021 ROE
8% or more

Management of the entire supply chain

7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION

Business partners
We will build the relations of trust by working hard together and aim to grow together.

FY2021 Consolidated operating profit
¥56 bn

Coexistence with local communities

11 SUSTAINABLE CITIES AND COMMUNITIES
17 PARTNERSHIP FOR THE GOALS

Employees
We will realize workplaces in which employees' performance and contribution are fairly evaluated and they can realize their exhibition of ability and growth and have job satisfaction.

FY 2017 – 2021 Total FCF
¥60 bn or more

2021

2030

Communities
We will contribute to community development and promote environment-friendly business activities as a good corporate citizen.

Promotion of diversity

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

Realization of work-life balance

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

SDGs (Sustainable Development Goals)
Global goals for the period from 2016 to 2030, which are included in the “2030 Agenda for Sustainable Development” adopted at the United Nations summit in September 2015.

Blend of Tradition and Innovation – And Creation

1611 1717 1736 1757 1768 | 1837 1910 1920 1999 | 2007 2008 2009 2010 2011

Phase of founding

- Ito Genzaemon Sukemichi, a son of Ito Ranmaru Sukehiro who served Oda Nobunaga, opened a kimono fabric and fancy goods wholesale store in Honmachi, Nagoya (Foundation of Matsuzakaya)

- Shimomura Hikoemon Shokei opened a kimono fabric store "Daimonjiya" in Fushimi, Kyoto (Foundation of Daimaru)

- Announced store creed "Service before Profit" to all stores

- Kiba Villa was built near Han-ei Bridge, Kiba 4-chome, Fukagawa, Edo and a shrine of Han-ei Inari was set up in one corner of the property (still present on the premises of Daimaru Core Building)
- Edo store achieved the highest sales in Japan as a kimono fabric dealer

- Acquired Matsuzakaya in Ueno and renamed it "Ito Matsuzakaya" to enter into Edo

Phase of development/maturity

- The Oshio Rebellion broke out and Daimaru escaped burning due to its reputation as a philanthropic merchant

- Established "Kabushiki Kaisha Ito Gofukuten" with a capital of ¥0.5 mn and opened a department store in Sakaemachi, Nagoya

- Established "Kabushiki Kaisha Daimaru Gofukuten" with a capital of ¥12 mn

- Fully launched management reform [store-based sales reform / *gaisho* (out-of-store sales) reform] (In 2000, HR reform and back-office reform were launched)

Phase of business integration and reorganization

J. FRONT RETAILING

- The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd. integrated management and established J. Front Retailing Co., Ltd.
- Phase I relocation and expansion of Daimaru Tokyo store

September 2007
Established J. Front Retailing

- Daimaru Credit Service, Inc. was renamed JFR Card Co., Ltd.
- Daimaru Design & Engineering Co., Ltd., Daimaru Mokko Co., Ltd., Matsuzakaya Seiko Co., Ltd. and Refix Japan, Inc. merged into J. Front Design & Construction Co., Ltd.
- Dimples' Co., Ltd. absorbed Daimaru Sales Associates Co., Ltd.
- Integrated the information systems of The Daimaru, Inc. and Matsuzakaya Co., Ltd.

- Restaurant Peacock Co., Ltd. absorbed Shoei Foods Co., Ltd. to form J. Front Foods Co., Ltd.
- Matsuzaka Service Co., Ltd. was renamed JFR Service Co., Ltd.
- The north wing of Daimaru Shinsaibashi store opened
- JFR Service absorbed Daimaru Lease & Service Co., Ltd.

November 2009
North wing of Daimaru Shinsaibashi store opened

DAIMARU
Matsuzakaya

- The Daimaru, Inc. and Matsuzakaya Co., Ltd. merged into Daimaru Matsuzakaya Department Stores Co. Ltd. ("Daimaru Matsuzakaya")
- J. Front Design & Construction Co., Ltd. absorbed DHJ Co., Ltd.
- The Daimaru Tomonokai, Inc. absorbed Matsuzakaya Tomonokai Co., Ltd. to form Daimaru Matsuzakaya Tomonokai Co., Ltd.

March 2011
Larger Daimaru Umeda store opened

2012 2013 2014 2015 2016 2017 2018 2019 2020 2021

Phase of building foundations

FY 2014 to 2016 Medium-term Business Plan started

2012

PARCO

- Acquired a 33.2% stake in Parco Co., Ltd. ("Parco") and converted it into an equity method associate
- Reached a basic agreement with Shanghai Xin Nan Dong Project Management Co., Ltd. and Shanghai New World Co., Ltd. to provide technical support and cooperation in opening and operating a new department store in Huangpu District, Shanghai, China
- Jointly established JFR Plaza Inc. with StylingLife Holdings Inc.
- Increased a stake in Parco to 65% through TOB and converted it into a consolidated subsidiary
- Dimples' Co., Ltd. spun off Daimaru Matsuzakaya Sales Associates Co. Ltd.
- Phase II expansion of Daimaru Tokyo store

October 2012
Phase II expansion and opening of Daimaru Tokyo store

2013

- Sold all shares of Peacock Stores Ltd., which operated a supermarket business, to Aeon Co., Ltd.
- Acquired a 70.52% stake in Forest Co., Ltd. and converted it into a consolidated subsidiary

2014

- Became affiliated with Rakuten R-Point Card service
- Nagoya Zero Gate opened
- The new building of Fukuoka Parco opened
- Invested in Cool Japan Fund

2015

- Fukuoka Parco increased floor space of main building
- Acquired a 22.6% stake in Senshukai Co., Ltd. and converted it into an equity method associate
- Shanghai New World Daimaru Department Store opened
- Decided to rebuild the main building of Daimaru Shinsaibashi store
- Decided to rebuild Shibuya Parco
- Invested in Scrum Ventures

2016

- Sapporo Zero Gate opened
- Phase III renovation and grand opening of Matsuzakaya Nagoya store
- Sendai Parco 2 opened
- Hiroshima Zero Gate 2 opened

Phase of dramatic growth / changing the Group structure

FY 2017 to 2021 new Medium-term Business Plan started

2017

April 2017
Ginza Six opened

November 2017
Ueno Frontier Tower opened

- Voluntarily applied the International Financial Reporting Standards (IFRS)
- Transferred the business of JFR Online Co. Ltd.
- "Ginza Six" opened
- Transitioned to a "Company with Three Committees (Nomination, Audit and Remuneration Committees)"
- Transferred shares of Forest Co., Ltd.
- Kyoto Zero Gate opened
- Parco_ya opened
- Ueno Frontier Tower opened
- JFR Plaza Inc. was dissolved and liquidated

2018

- Harajuku Zero Gate and Sannomiya Zero Gate opened
- Accepted purchase of own shares by Senshukai Co., Ltd.

2019

- Kinshicho Parco opened (Mar)
- San-A Urasoe West Coast Parco City opened (Jun)
- New main building of Daimaru Shinsaibashi store will open (Sep)
- New Shibuya Parco will open (Nov)

2020

- Commercial complex "Nihon Seimei Sakaemachi Building" (tentative) will open (Nov)

2021

- The new main building of Daimaru Shinsaibashi store will be connected with the north wing (spring)
- Parco will open in the north wing of Daimaru Shinsaibashi store

Create and Bring to Life "New Happiness."

Rendering of new main building of Daimaru Shinsaibashi store

November 2019 Rendering of Shibuya Parco
©2019, Takenaka Corporation

Great Transformation of Department Store Business Model

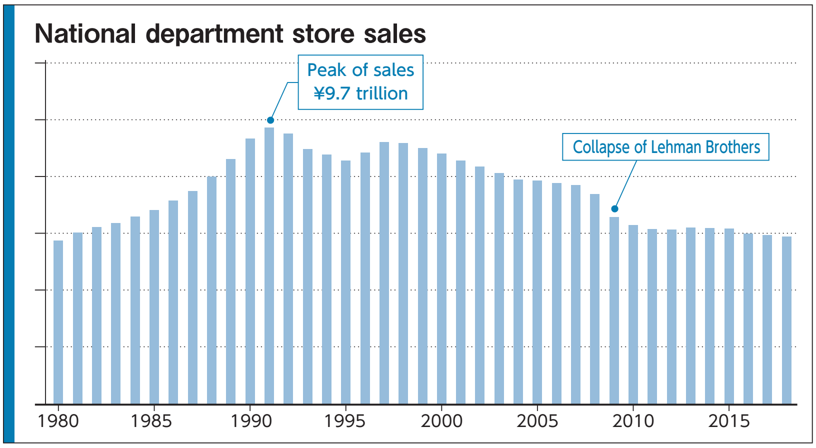
Environment surrounding department stores

About 100 years have passed since kimono fabric dealers created a new business format known as a department store in response to changing times. Its business model is at a major turning point. According to data compiled by the Japan Department Stores Association, after peaking at ¥9.7 trillion in 1991, national department store sales decreased to ¥5,887 billion in 2018, below ¥6 trillion for two consecutive years, which represent 60% of peak sales. We faced economic crises such as the collapse of the bubble economy and the collapse of Lehman Brothers and competition beyond industry boundaries became fiercer at an accelerated pace during that period. We think an even bigger problem than these external factors is the failure to well keep up with the speed of changes of current times, which is sort of the "obsolescence of department store business model."

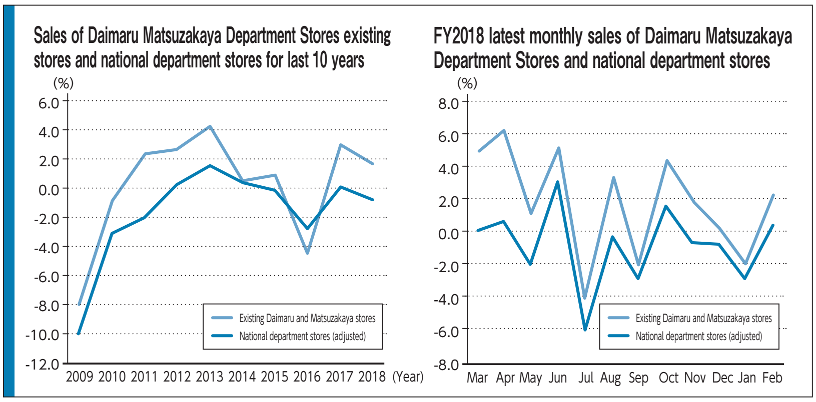
Department stores are characterized by operation with large assets held in prime urban locations. However, we cannot say all department stores can generate enough revenue commensurate with the value of these assets currently. During the high-growth period, we could earn decent revenue only by focusing on sales. In current mature period or low-growth period, however, we need to carry out structural reforms with a stronger focus on B/S from the perspective of improving asset efficiency.

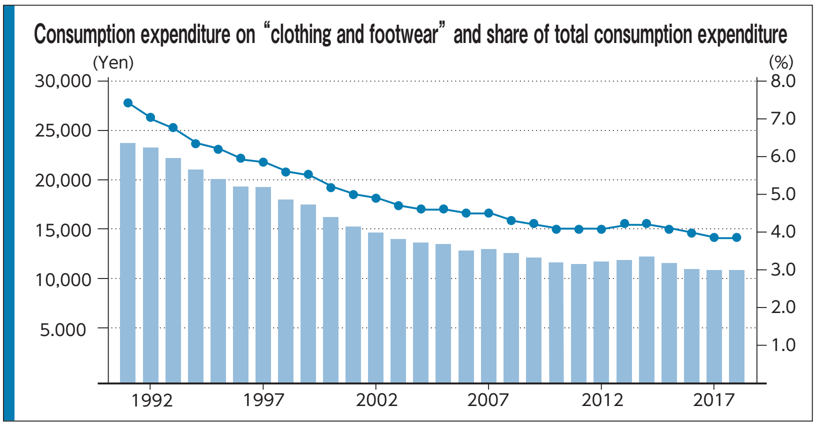
With regard to sales floor allocation, women's clothing floors that have rapidly become bloated since the 1980s do not meet changes in customer consumption behavior. According to the Family Income and Expenditure Survey by the Ministry of Internal Affairs and Communication, the share of expenditure on clothing and footwear plummeted to 3.8% in 2018 from 7.3% in 1991 when department store sales peaked. Behind this trend, there are increasing changes in consumption quality such as casualization and globalization of fashion and a shift to balanced consumption and service/experience-based consumption.

Given these circumstances, we recognize that what is expected of department stores is not at the level of improvement but initiatives for discontinuous growth that depart from past successful experiences, that is, the great transformation of obsolete business model.



Source: "National department store sales" released by Japan Department Stores Association





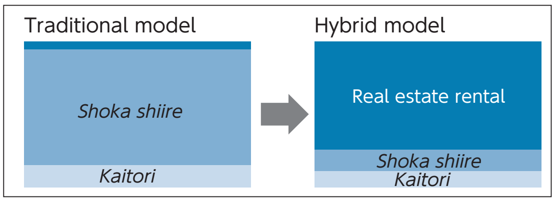
*Source: Monthly Disbursements per Household (two-or-more-person households) from "Family Income and Expenditure Survey" by the Ministry of Internal Affairs and Communication

Establishment of new business model

In these circumstances, we determined two major directions for the ongoing transformation of our business model. One is transformation to a “hybrid” model with a well balanced mix of retail and real estate rental as an evolved department store and the other is transformation to a “real estate rental model” that “does not operate a department store,” including the transformation of business format. Since the market characteristics of department stores vary greatly by area, it is important to optimize each store based on its store strategy in order to improve customer satisfaction and profitability of store assets.

(1) Hybrid model

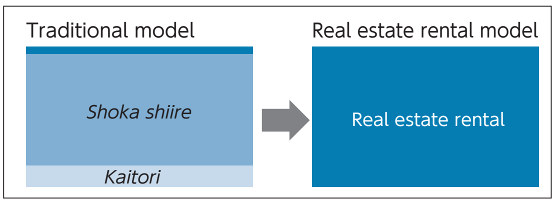
A typical example is the “new main building of the Daimaru Shinsaibashi store,” which will open on September 20, 2019. In the case of the new main building of the Shinsaibashi store, real estate rental occupies approximately 65% of total sales floor area and *kaitori* and *shoka shiire* occupy remaining approximately 35%, which is an optimal balance.



New main building of Daimaru Shinsaibashi store

(2) Real estate rental model

Typical examples include “Ginza Six,” which was created by developing the two blocks including the former site of the Matsuzakaya Ginza store as one, and “Ueno Frontier Tower,” which was created by rebuilding the south wing of the Matsuzakaya Ueno store and converting it to a commercial complex.



Ginza Six

Review of sales floor allocation

We will reduce bloated women’s clothing floor area by 30% compared to FY2016 during the period of the current Medium-term Business Plan, and in thus created spaces, we will offer categories that can be expected to grow revenue and attract many customers. In the Sapporo and Nagoya stores, we created original sales space “Kiki Yococho,” which is curated by ourselves with an assortment of cosmetics, accessories and food and beverage, in April 2018 and March 2019, respectively. It led to tangible results such as attracting more customers and improving sales floor efficiency. We will continue to review allocation based on the store strategy of each store.

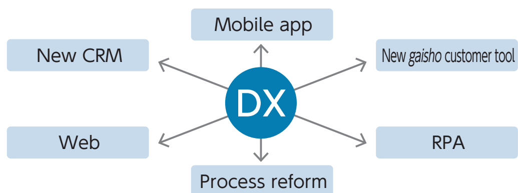
“Kiki Yococho,” Matsuzakaya Nagoya store

Progress of reduction of women’s clothing floor area

	FY2017	FY2018	FY2019 (planned)	FY2021 (planned)
Reduction rate of women’s clothing floor area (total)	△2%	△6%	△16%	△30%

Promotion of DX (digital transformation)

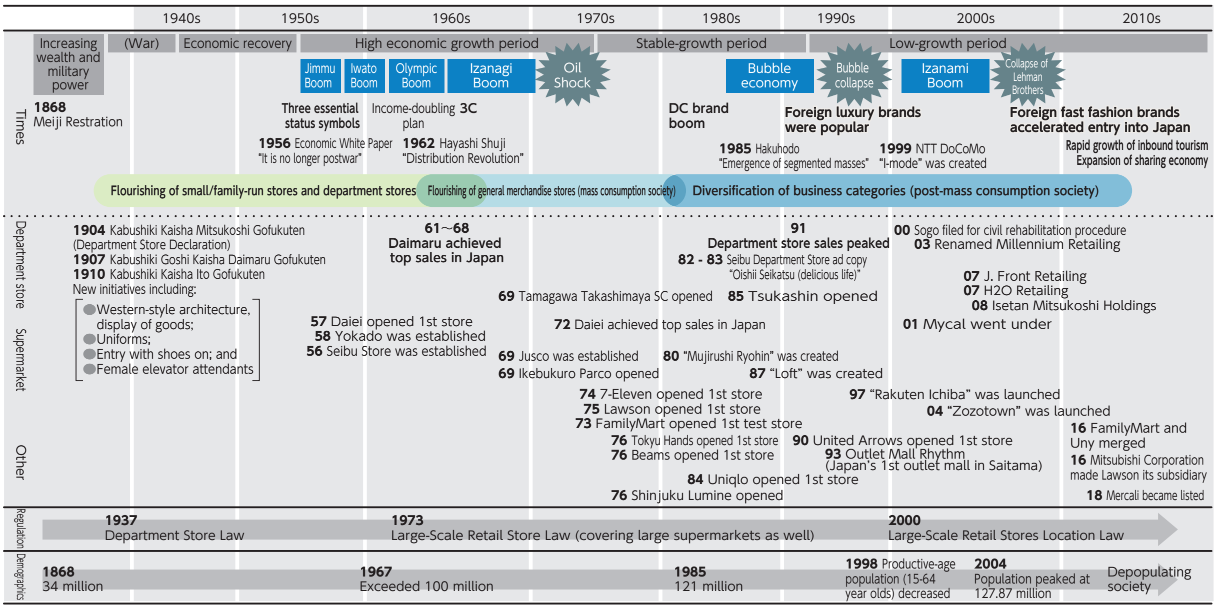
With the common mobile app of Daimaru and Matsuzakaya released in May 2019, we will make customers’ shopping experiences at department stores more attractive and revitalize CRM activities by shifting our axis of customer retention to smartphones. Furthermore, we will promote the conversion of department store business to be operated digitally by introducing new customer management tools to advance *gaisho* activities, using digital platform to exploit the affluent market, and using RPA for operations to enhance productivity.



"Multi Service Retailer" beyond the Framework of Retail

While our core Department Store Business attempts to improve asset efficiency by changing its business model and we think there is enough room for growth, given the business environment surrounding the Company including depopulation and changes in consumption quality, from a medium- to long-term perspective, it is obviously difficult to grow substantially if we stick to the domain of department stores, and furthermore, the domain of retail.

History of retail industry

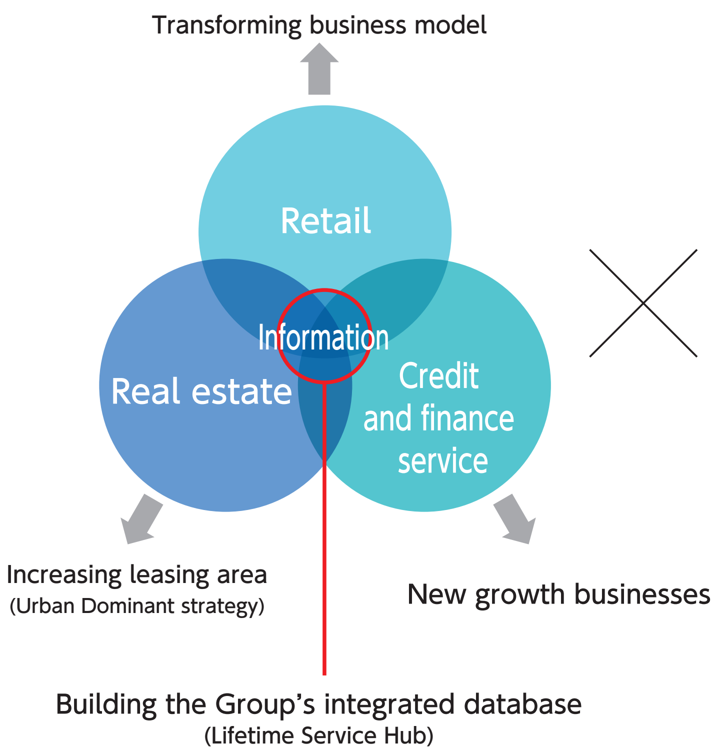


Therefore, under the current Medium-term Plan, we are working to change our business portfolio toward "discontinuous growth," which is not an extension of past growth, with the aim of developing as a "Multi Service Retailer" beyond the framework of retail. In our business portfolio, while striving to growing the core Department Store and Parco Businesses, we will expand into new areas such as the Real Estate Business and the Credit and Finance Business using the strengths of the Group to increase their shares.

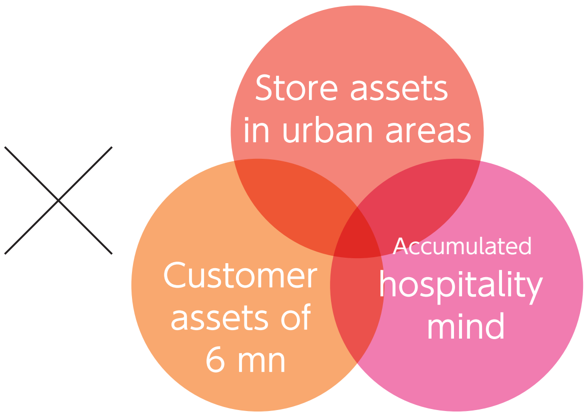
Multi Service Retailer

Two years have passed since the Medium-term Business Plan started in fiscal year 2017. So far the Real Estate Business has grown steadily partly thanks to the opening of Ginza Six and Ueno Frontier Tower and its share of operating profit exceeds 10%. In the meantime, the Credit and Finance Business focuses on building foundations to achieve dramatic growth during the period of the next Medium-term Business Plan. Going forward, we will consider entering into new service areas to relieve customers of concerns and frustrations based on the Group Vision, including realization of the Lifetime Service Hub plan by building the Group's integrated database, M&A and alliance.

Structure (Core Businesses)



Strength (Core Competence)



The Group's strengths

1 Store assets in urban areas across Japan

The Group has store assets including department stores, Parco and Ginza Six in major cities across Japan, from Sapporo to Tokyo, Nagoya, Osaka and Hakata. In key areas, we will promote the Urban Dominant strategy for growing with local communities by putting together small- and medium-sized stores around these flagship stores as their core and attract new crowds to live in harmony with local communities.

2 Good customer assets of more than six million people

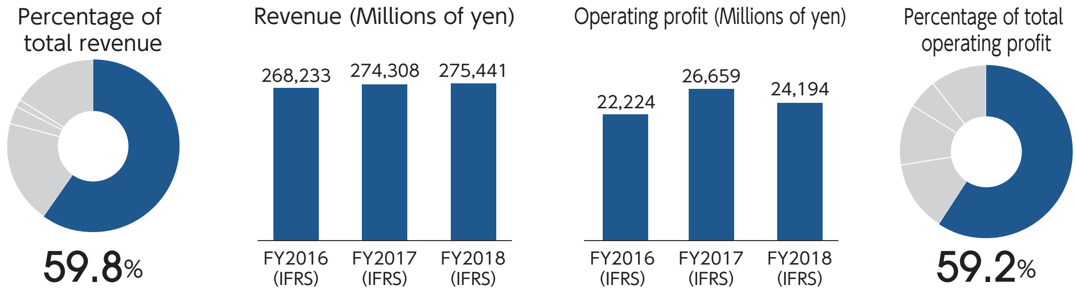
Daimaru, Matsuzakaya and Parco have good customer assets of more than six million cardholders. Department stores have an organization of affluent *gaisho* customers whose sales share exceeds 20%. In fiscal year 2019, we newly introduced an app to retain good customers who use other companies' cards and were not reached by us so far.

3 Accumulated hospitality

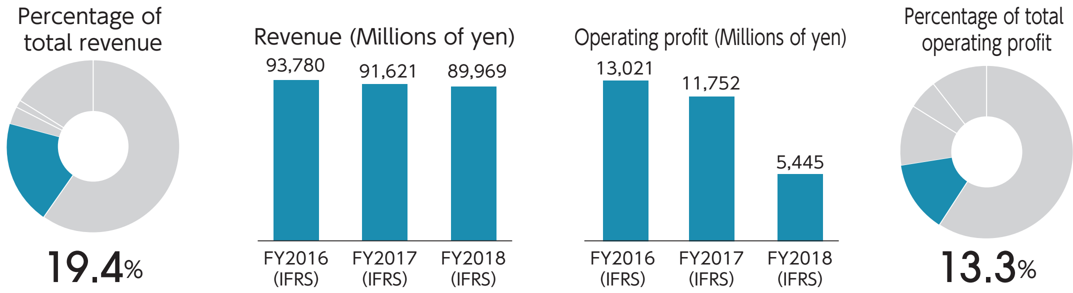
Hospitality arose from customer services based on the corporate credo of Service before Profit and the customer-first principle and has been developed in the history. This spirit leads to services provided by a staffing service subsidiary and the system to maintain high quality services through training at stores where many people from suppliers work.

Business Overview (FY2018) At a Glance

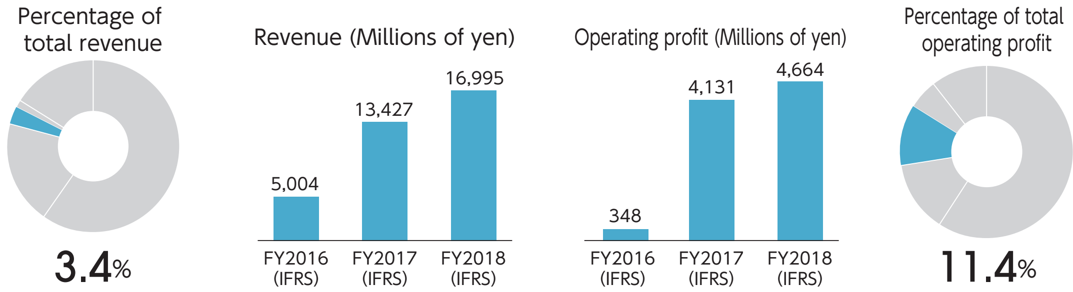
Department Store Business



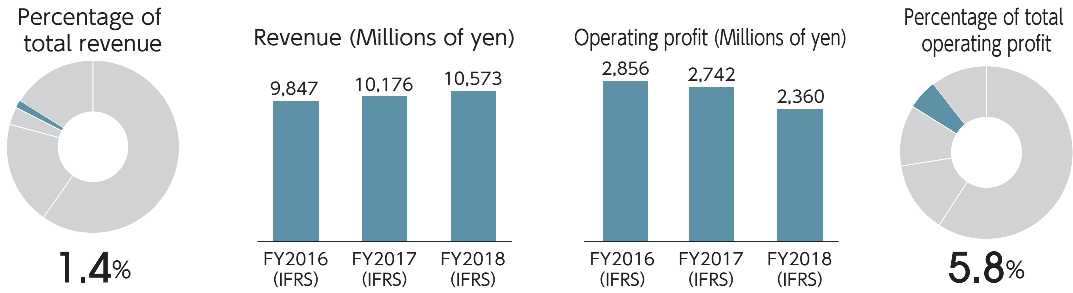
Parco Business



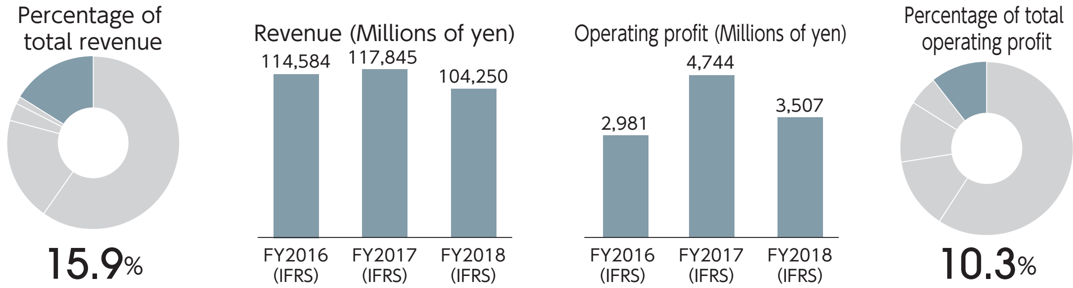
Real Estate Business



Credit and Finance Business



Other



Reference

New lease accounting standards (IFRS 16)

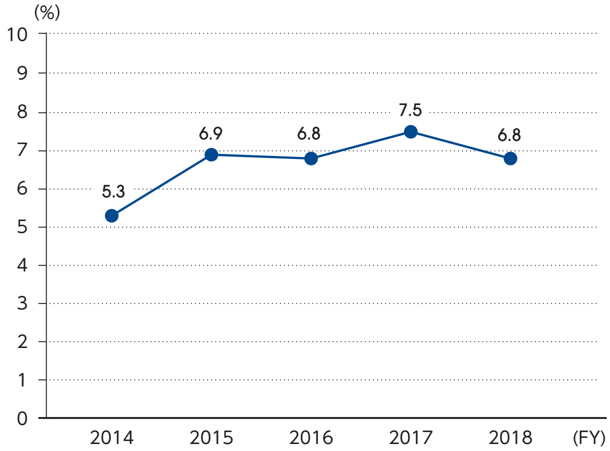
- The Group recognized right-of-use assets and lease liabilities at the date of initial application of IFRS 16 for leases that it previously classified as operating leases under IAS 17. The lease liabilities are measured at the present value of outstanding lease payments discounted using the lessee's incremental borrowing rate at the date of initial application. The right-of-use assets are measured retrospectively as if IFRS 16 had been applied since the commencement date of the lease contract.
- As a result, in the consolidated statement of financial position on the initial application date, assets and liabilities increased by ¥210.6 billion and ¥225.2 billion, respectively, and equity decreased by ¥14.5 billion. In the consolidated statement of profit or loss for fiscal year 2019, operating profit increased by approximately ¥4.6 billion compared to former standards (before application of IFRS 16), but its impact on profit is expected to be immaterial. Compared to former standards, cash flows from operating activities are expected to increase by approximately ¥28 billion and cash flows from financing activities are expected to decrease by the same amount in fiscal year 2019.

- The percentage of total revenue represents the ratio of revenue to external customers after eliminating intersegment transactions.
- Revenue and operating profit include intersegment transactions.
- Calculation of percentage of total operating profit of “Other” segment includes adjustments.

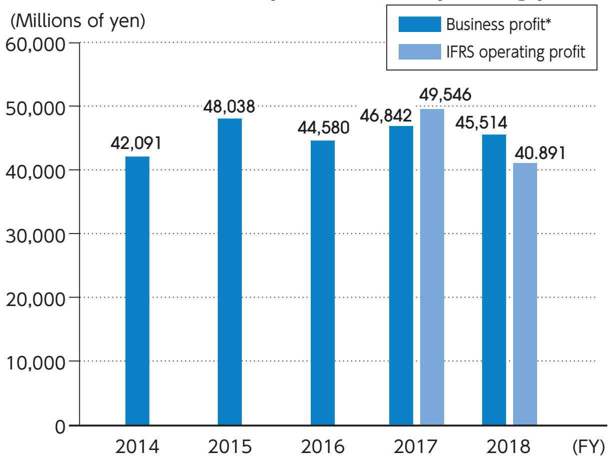
FY2018 results	FY2019 forecast
While spending by inbound tourists and the affluent continued strong, sales of volume zone items were sluggish as a whole. Stores had to reduce operating hours or temporarily close due to natural disasters such as record heavy rain mainly in western Japan in July, huge typhoons in August and September, and the great earthquake in the Hokkaido area. The “warm winter” trend from December to January caused heavy damage to sales of winter clothing. As a result, revenue slightly increased by 0.4% year on year but “business profit” decreased by 4.3% due to an increase in cost associated with information systems, etc. and operating profit decreased by 9.2% partly in reaction to gain on sales of real estate recorded in the previous year (¥1.4 billion).	Revenue is forecast to increase by 0.5% year on year because spending by Japanese affluent people and inbound tourists is expected to remain strong and the effect of renovation of urban stores including the measures against weak volume zone items and additional sales from closeout in the north wing of the Shinsaibashi store before opening of the main building are expected while consumption tax is scheduled to rise in October. In terms of profit, initial cost and depreciation associated with opening of the new main building of the Shinsaibashi store and an increase in operational cost due to companywide upgrading of POS systems are expected but they will be offset by an increase in gross profit as well as reduction of rent expenses and streamlining of personnel expenses. Accordingly, “business profit” is expected to increase by 13.3%. Meanwhile, operating profit is expected to increase by 7.5% factoring in loss on retirement of fixed assets arising from renovation of the north wing of the Shinsaibashi store.
“Parco_ya,” which opened as the anchor tenant of “Ueno Frontier Tower” in November two years ago, performed well. There were additional sales from newly opened Zero Gate complexes in Harajuku, Sannomiya, etc. However, clothing sales were sluggish as a whole. There were also sluggish sales of regional stores and a reactionary decline in sales of the entertainment business. As a result, total revenue of the Parco Business decreased by 1.8% year on year and “business profit” decreased by 15.2%. In addition, taking into account changes in competitive environment, we decided to close Kumamoto Parco and Utsunomiya Parco and recorded loss on liquidation of business. Accordingly, operating profit significantly decreased by 53.7%.	We expect revenue and “business profit” to increase by 29.2% and 20.4% year on year, respectively, due to opening of new Shibuya Parco and “Kinshicho Parco” and additional sales from renovation and anniversary projects of major stores. In addition, compensation income from the redevelopment of Shibuya will increase and there will be an increase in reaction to loss on liquidation of business recorded in the previous fiscal year after we decided to close Kumamoto Parco and Utsunomiya Parco. Accordingly, operating profit is expected to increase by 133.2%.
Thanks to continued strong performance of “Ginza Six” (opened in April 2017) in the 2nd year after opening and full operation of “Ueno Frontier Tower” (opened in November in the same year) as well as transfer of many of shops around the Daimaru Kobe store to the Real Estate Business, revenue and “business profit” significantly increased by 26.6% and 79.5% year on year, respectively. Operating profit marked a double-digit growth of 12.9% in spite of a decline in reaction to gain on sales of real estate recorded in the previous year (¥1.6 billion).	Revenue is expected to increase partly due to the effect of transfer of shops around the Daimaru Kobe store. On the other hand, as the north wing of the Daimaru Shinsaibashi store will be transferred as the “asset of the Real Estate Business” after opening of the new main building of the same store, fixed asset tax and depreciation on the north wing will be recorded in the Real Estate Business segment. As a result, “business profit” is expected to decrease by 13.1% year on year. Operating profit is expected to decrease by 22.8% because construction cost associated with the renovation of the north wing, etc. will be added to other operating expenses.
Revenue increased by 3.9% year on year partly due to an increase in external merchant fees. However, “business profit” and operating profit decreased by 16.6% and 13.9%, respectively, due to multiple cost increase factors such as an increase in personnel expenses to employ specialized human resources and strengthen the organization for future growth (+¥160 million), card renewal cost incurred every five years (+¥140 million) and a change in brand fee rate (+100 million).	Revenue is expected to increase by 10.7% year on year due to an increase in merchant fees and interest income from installment sales. However, “business profit” and operating profit are expected to decrease by 15.3% each because cost associated with issue of new cards and an increase in cost to recruit human resources for growth are expected.
J. Front Design & Construction improved profitability and increased profit in spite of a decline in sales in reaction to the large-scale project carried out in the previous year. However, revenue, “business profit” and operating profit decreased by 11.5%, 19.7% and 26.1% year on year, respectively, partly due to poor performance of Daimaru Kogyo and business transfer of a consolidated subsidiary Forest at the end of August of the previous fiscal year.	Revenue, “business profit” and operating profit are expected to increase by 14.1%, 35.1% and 37.7% year on year, respectively, factoring in large-scale orders, such as for the interior construction of the new main building of the Daimaru Shinsaibashi store, which are certainly expected to be received by J. Front Design & Construction, and performance improvement of Daimaru Kogyo, which is working on strengthening the order taking and delivery system.

Financial/Non-financial Highlights

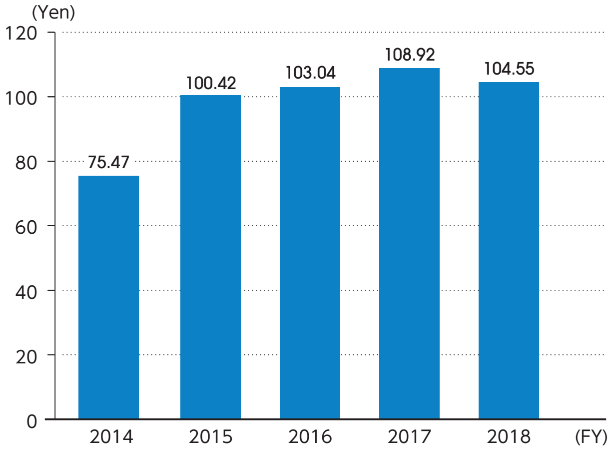
ROE



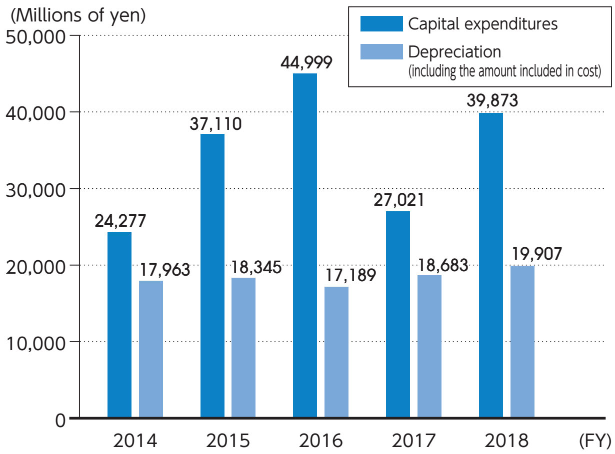
Consolidated business profit / IFRS operating profit



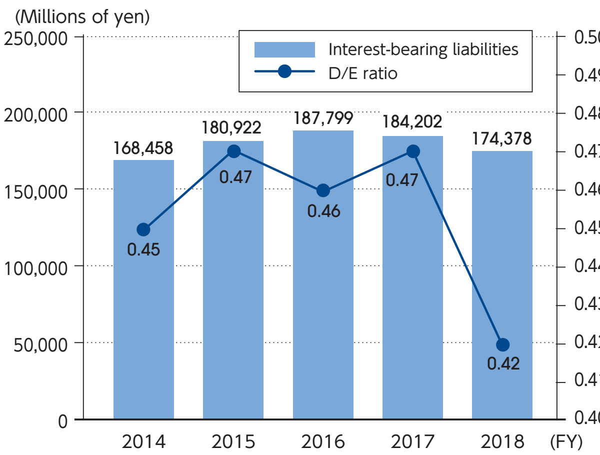
EPS



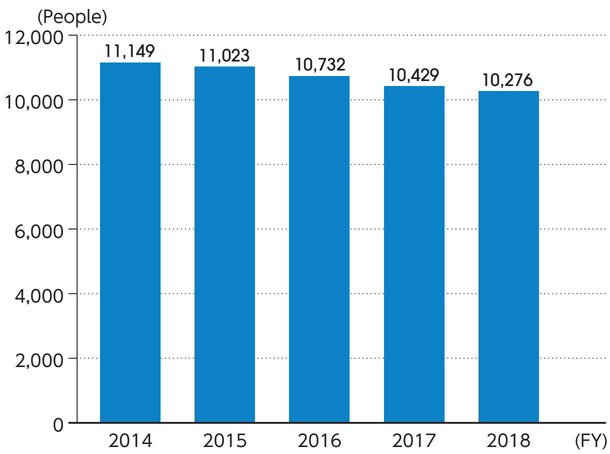
Capital expenditures/Depreciation (including the amount included in cost)



Interest-bearing liabilities and D/E ratio

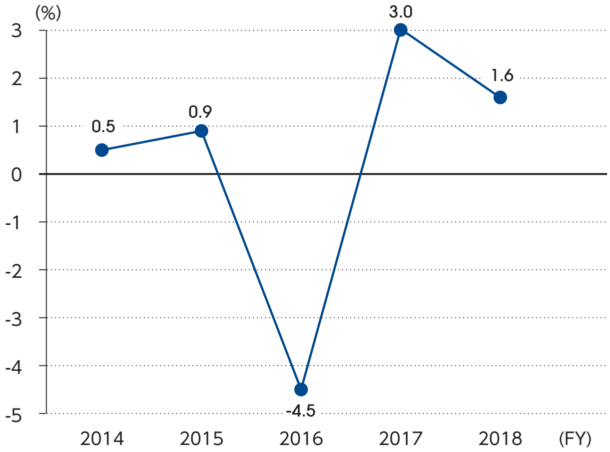


Consolidated number of employees

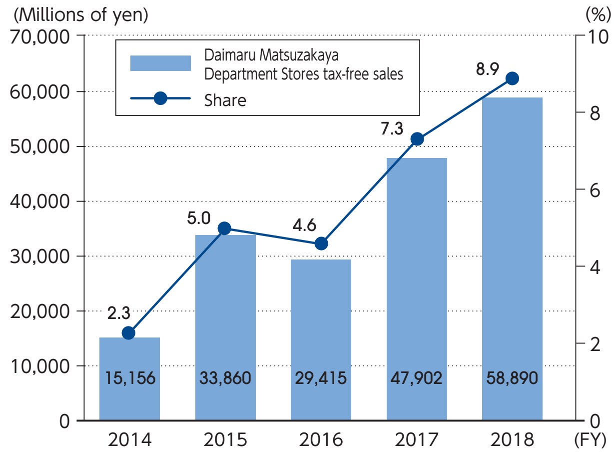


*The inventory valuation method has been changed to the specific identification method since fiscal year 2015.
*The Company has applied the International Financial Reporting Standards (IFRS) since fiscal year 2017.
The amounts for fiscal year 2016 and before are under JGAAP.
*Of revenue under IFRS, sales from *shoka shiire* (purchase recorded at the time of sale) of the "Department Store Business" and "Other (Daimaru Kogyo)" have been converted into gross amount and the net amount of sales of the "Parco Business" into tenant transaction volume (gross amount basis).
*Business profit is calculated by subtracting sales cost and SGA from revenue and roughly corresponds to "operating profit" under JGAAP.
Operating profit under JGAAP is presented as business profit for fiscal year 2016 and before.

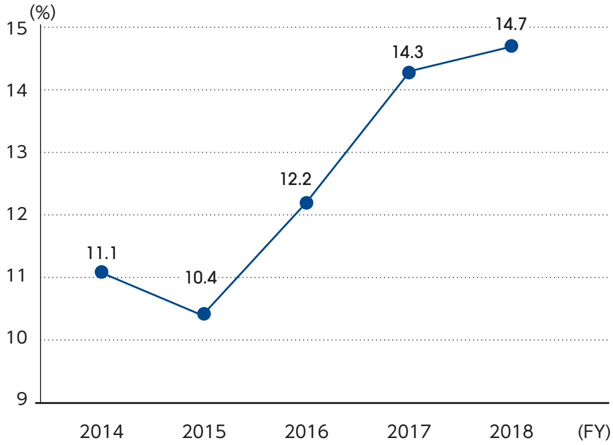
Daimaru Matsuzakaya Department Stores existing store sales (YoY % change)



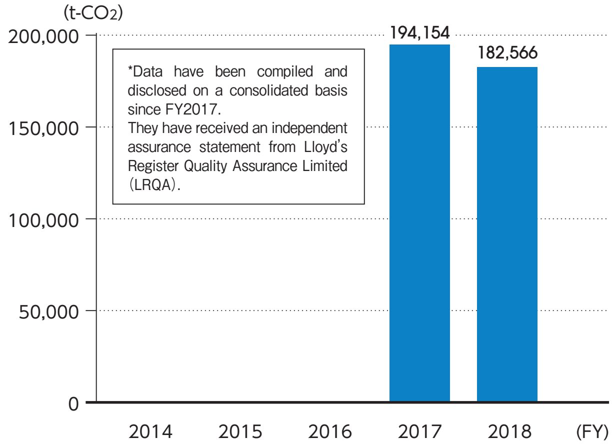
Daimaru Matsuzakaya Department Stores tax-free sales and share



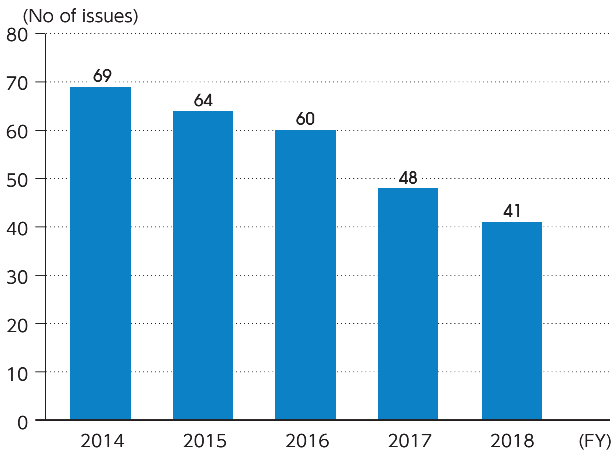
Ratio of female employees in management positions (consolidated)



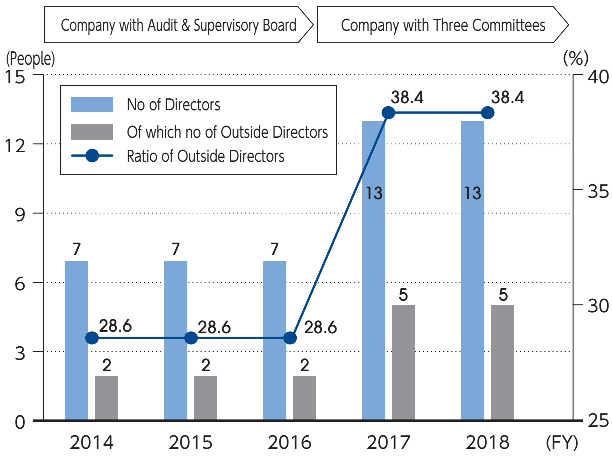
GHG emissions (consolidated)



Year-end number of issues of cross-shareholdings



Number of Directors/Outside Directors and ratio of Outside Directors



*The Ginza store closed on June 30, 2013.
*The south wing of the Ueno store temporarily closed for rebuilding on March 11, 2014.
*The main building of the Shinsaibashi store temporarily closed for rebuilding on December 30, 2015.
*The Urawa store closed on July 31, 2017.
*The portions transferred to the Real Estate Business of real estate lease revenue, which had been included in store sales, for both current and previous years have been deducted since fiscal year 2017.
*The Yamashina store closed on March 31, 2019.

Financial/Non-financial Highlights

JGAAP

Millions of yen (except where otherwise indicated)

	FY2009	FY2010	FY2011	FY2012
Net sales / Gross sales	982,533	950,102	941,415	1,092,756
— / Revenue	—	—	—	—
Gross profit	240,211	229,588	226,646	245,615
SGA	221,627	209,265	205,052	214,757
Business profit	—	—	—	—
Operating profit	18,584	20,323	21,594	30,857
Ordinary profit / Profit before tax	19,966	21,092	22,941	32,202
Profit / Profit attributable to owners of parent	8,167	8,862	18,804	12,183
Total assets	804,534	775,029	767,543	1,009,165
Equity	314,494	318,033	332,917	341,318
Net assets	323,506	327,242	342,561	390,667
Interest-bearing debt	125,937	108,658	106,025	213,085
Cash flows from operating activities	22,996	21,270	24,365	26,025
Cash flows from investing activities	(40,879)	(8,432)	(26,781)	(73,977)
Cash flows from financing activities	29,212	(23,128)	(6,872)	58,275
Capital expenditures	59,566	20,020	19,246	19,038
Depreciation (including cost)	13,295	13,610	13,347	16,482
Per share information (Yen)				
Earnings per share (EPS) / Basic earnings per share*1	30.90	33.53	71.15	46.11
Book value per share (BPS) / Equity attributable to owners of parent per share*1	1,189.79	1,203.24	1,259.60	1,292.36
Dividends per share*1	14.00	14.00	16.00	18.00
Financial indicators (%)				
Ratio of gross profit to net sales / Ratio of gross profit to revenue	24.45	24.16	24.08	22.48
Ratio of SGA to net sales / Ratio of SGA to revenue	22.6	22.0	21.8	19.7
Ratio of operating profit to net sales / Ratio of operating profit to revenue	1.9	2.1	2.3	2.8
Return on equity (ROE) / Return on equity attributable to owners of parent (ROE)	2.6	2.8	5.8	3.6
Return on assets (ROA) / Return on assets (ROA)	2.4	2.6	2.8	3.5
Return on investment (ROI) / Return on investment (ROI)	4.7	4.9	5.3	6.5
Equity ratio / Equity ratio attributable to owners of parent	39.1	41.0	43.4	33.8
Dividend payout ratio	45.3	41.8	22.5	39.0
Non-financial indicators				
Number of employees (consolidated) (People)	15,431	14,307	13,413	14,838
Ratio of female employees (consolidated) (%)	—	—	—	—
Ratio of female employees in management positions (consolidated) (%)*2	—	—	—	—
Employee turnover rate (consolidated) (%)*3	—	—	—	—
Post-retirement re-employment rate (consolidated) (%)	—	—	—	—
Department store sales floor area (directly managed stores) (m^2)	570,117	549,739	573,323	569,137
Parco sales floor area (m^2)	444,500	454,000	443,000	442,600
Customer traffic (Daimaru Matsuzakaya) (1,000 people)	—	224,242	236,876	246,764
Average spend per customer (Daimaru Matsuzakaya) (Yen)	—	3,842	3,797	3,838
Number of cards issued by Daimaru Matsuzakaya (1,000 cards)	3,872	4,056	4,365	4,580
Number of holders of cards issued by Parco (1,000 people)	1,574	1,618	1,612	1,614
GHG (CO_2) emissions (consolidated) (t-CO_2)*4	—	—	—	—
Energy consumption (consolidated) crude oil equivalent (kl)*5	—	—	—	—
Packaging material consumption (Daimaru Matsuzakaya) (t)*6	—	2,574	2,627	2,669
Waste disposal (Daimaru Matsuzakaya) (t)*7	—	10,803	11,004	10,797
Food waste disposal (Daimaru Matsuzakaya) (t)*8	—	2,517	2,327	2,109

*1 The Company's common shares were consolidated at the ratio of one share for every two shares as of September 1, 2014.
Per share information has been calculated as if this consolidation of shares was conducted at the beginning of FY2007.
*2 Manager and above positions
*3 Number of retired employees during the year / Number of employees at the beginning of the year ×100 (%)
The number of retired employees above excludes employees who retired because of retirement age, transfer and becoming officers.
*4 and 5 Certified by Lloyd's Register Quality Assurance Limited (LRQA)

IFRS

FY2013	FY2014	FY2015	FY2016	FY2016	FY2017	FY2018
1,146,319	1,149,529	1,163,564	1,108,512	1,134,342	1,138,981	1,125,153
–	–	–	–	452,505	469,915	459,840
244,130	243,739	245,532	234,785	212,567	212,935	212,396
202,313	201,572	197,494	190,205	167,668	166,688	166,882
–	–	–	–	44,898	46,842	45,514
41,816	42,167	48,038	44,580	41,727	49,546	40,891
40,502	40,480	47,910	44,425	42,608	48,271	42,126
31,568	19,967	26,313	26,950	27,052	28,486	27,358
998,730	1,018,495	1,019,146	1,050,109	1,005,069	1,022,348	1,029,573
370,173	375,886	383,699	406,336	368,571	395,519	412,700
422,215	430,260	440,594	465,839			–
187,950	168,458	180,922	187,799	205,952	184,202	174,378
37,532	44,650	36,799	36,239	33,764	57,079	34,870
(8,858)	(16,272)	(39,741)	(30,353)	(27,952)	(19,030)	(26,836)
(32,027)	(27,587)	(1,041)	(2,189)	(2,097)	(31,048)	8,033
52,758	24,277	37,110	44,999	44,999	27,021	39,873
17,698	17,963	18,345	17,189	17,284	18,683	19,907
119.55	75.66	100.42	103.04	103.43	108.92	104.55
1,402.53	1,424.28	1,467.05	1,553.60	1,409.20	1,511.91	1,576.68
22.00	25.00	27.00	28.00	28.00	35.00	35.00
21.30	21.20	21.10	21.18	46.98	45.31	46.19
17.6	17.5	17.0	17.2	37.1	35.5	36.3
3.6	3.7	4.1	4.0	9.2	10.5	8.9
8.9	5.4	6.9	6.8	7.6	7.5	6.8
4.2	4.2	4.7	4.3	4.2	4.9	4.0
7.3	7.3	8.6	7.7	7.6	8.4	7.2
37.1	36.9	37.6	38.7	36.7	38.7	40.1
18.4	33.1	26.9	27.2	27.1	32.1	33.5
11,561	11,149	11,023	10,732	–	10,429	10,276
–	–	–	–	–	57.2	56.8
–	11,1	10.4	12.2	–	14.3	14.7
–	–	–	–	–	3.6	3.3
–	–	–	–	–	55.3	73.1
543,785	529,460	498,460	498,460	–	495,331	495,331
442,600	451,000	456,000	409,000	–	389,000	401,000
237,647	220,411	207,512	197,250	–	200,966	202,066
4,107	4,215	4,414	4,420	–	4,676	4,841
4,659	4,595	4,217	4,062	–	4,029	3,939
1,643	1,754	1,885	1,990	–	2,031	2,018
–	–	–	–	–	194,154	182,566
–	–	–	–	–	101,143	99,761
2,978	2,682	2,553	2,412	–	2,370	2,236
10,456	9,205	8,198	8,256	–	7,669	7,298
1,955	1,718	1,527	1,826	–	2,081	1,867

*5 Energy consumption is the crude oil equivalent of the total consumption of electricity, gas, gasoline, light/heavy oil, etc. (kiloliter).
*6-8 Total of Daimaru Matsuzakaya, Hakata Daimaru, Shimonoseki Daimaru, Kochi Daimaru and Tottori Daimaru
*6 Packaging material consumption is the weights of wrapping paper, shopping bags, paper bags, plastic bags for food products, etc. (ton).
*7 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 (ton).
*8 Food waste disposal is included in waste disposal.
*9 Daimaru Matsuzakaya: Daimaru Matsuzakaya Department Stores

Face Uncertainty (Risk)

—— "Positive Side of Risk" and "Negative Side of Risk"

The Group defines risk as "uncertainty," which affects the organization's profit or loss amid environmental changes and recognizes that it has both a positive side (opportunity) and a negative side (threat). As an advisory body to the President and Executive Officer with regard to the operation of risk management, we have formed the Risk Management Committee, which is chaired by the President and Executive Officer and comprises Executive Officers and others. The Committee periodically discusses, clarifies and evaluates risks (uncertainty) based on analysis of external and internal environments and monitors the measures to address them.

In fiscal year 2019, we recognized 137 risk items as uncertainty around the Group from four categories including "strategy," "finance," "operation" and "hazard." Thus recognized risks were analyzed and evaluated individually. As for the risks that we think have a great impact on the performance and financial condition of the Group, we reflect them in our strategy and address them on a priority basis. Among these 137 items, we determined seven risks to be particularly emphasized as shown to the right.

If we can aggressively take risks assessing market changes while appropriately hedging the negative side of risk, we think it will lead to sustainable corporate growth in the future.

7 important risks (uncertainty) and measures to address them

137 items were recognized

7 risks to be particularly emphasized

Narrowed down to risks to be particularly emphasized	Frequency of occurrence / Degree of impact
Risk associated with the progress of sharing economy	● Frequency of occurrence: Already became visible, expanding over the medium term ● Degree of impact: Very material impact. The entire Group will decline.
Risk associated with advanced technologies	● Frequency of occurrence: Already became visible, rapidly expanding over the short term ● Degree of impact: Very material impact on retail business with real stores at its core
Risk associated with growing importance of ESG	● Frequency of occurrence: Already became visible, definitely expanding over the long term ● Degree of impact: Very material impact. The entire Group will decline.
Risk associated with disasters, etc.	● Frequency of occurrence: Already became visible, continuing and expanding over the medium term ● Degree of impact: Very material impact on the performance and financial condition of the Group
Risk associated with consumption tax hike and post-Olympic recession	● Frequency of occurrence: Becoming visible shortly after the events occur and continuing for several years ● Degree of impact: Material impact on retail business with real stores at its core
Risk associated with changes in customers, low birthrate and longevity	● Frequency of occurrence: Already became visible, worsening several years after baby boomers reach the age of 75 ● Degree of impact: Material impact on the performance and financial condition of the Group
Risk associated with polarized income	● Frequency of occurrence: Already became visible, slowly expanding over the long term ● Degree of impact: Very material impact on the performance and financial condition of the Group

Negative side of risk (threat)	Positive side of risk (opportunity)	Direction for considering how to address them
● Expansion of C2C ● Decline of real stores due to decreased product sales	● Development of new business from the perspective of sharing	● Considering new sharing service business of products, places, skills, etc. ● Developing services that lead to new entertainment and regional development by cloud funding
● Attack by digital disruptors ● Progress of D2C	● Sophistication of services and streamlining of operations using technologies	● Maximizing lifetime value by building integrated customer database ● Providing new customer experiences using VR and AR ● Improving convenience by introducing new payment methods
● Loss of consumers, deteriorating relations with local communities and divestment due to poor reputation caused by delayed response	● Reputation enhanced by appropriate response ● Enhancement of competitiveness using diverse human resources ● Reinforcement of business base with high transparency	● Launching specific initiatives by identifying 5 materiality issues ● Promoting highly transparent management in the Company with Three Committees (Nomination, Audit and Remuneration Committees) ● Actively disclosing information and improving quality of dialogue
● Opportunity loss due to closing or suspension of business ● Increase in cost for restoring damaged facilities and core systems	● Increase of existence value as infrastructure at the time of disaster	● Promoting redevelopment of BCP plan, establishment of HQ, strengthening of drills, investment in aging infrastructure and stocking of disaster supplies ● Creating backup center for important data
● Combined slump in consumer spending	● Increase in foreign tourists who are not influenced by consumption tax hike ● Reduction of economic burden on child-rearing households due to free-of-charge education ● Various government-led economic stimulus after tax hike	● Attracting more foreign customers from across Southeast Asia ● Promoting initiatives to retain foreign customers ● Promoting stimulus programs before and after consumption tax hike
● Loss of senior market due to delayed response	● Emergence of new markets in the era of multiple stages ● Expansion of active senior market due to increased healthy life expectancy	● Developing new products/services using integrated customer database ● Newly launching high quality early childhood education business ● Considering service business for the elderly
● Further shrinkage of middle class market	● Expansion of our strong affluent market	● Developing products/services with new asset value that meets diversified interests of the affluent ● Strengthening touch points with the affluent combining online magazines, our websites and real stores ● Recreating sales spaces for the middle class that meet new consumer needs

Steadily Changing Business Portfolio

FY 2017 to 2021 Medium-term Business Plan

We position the FY 2017 to 2021 Medium-term Business Plan as a turning point to drastically alter the course of the management of the Group toward realizing discontinuous growth based on the new Group Vision, that is, a "phase of changing the Group structure" and aim to realize ROE of 8% or more in fiscal year 2021.

To this end, by taking a step forward from the past idea of a Multi Retailer to expand into new business fields as a "Multi Service Retailer" beyond the framework of retail while further accelerating our efforts to identify unprofitable business fields, we will aggressively promote business reshuffle.

With these initiatives, we will achieve the Group's sustainable growth and medium- to long-term enhancement of corporate value.

	FY2021 target
Consolidated operating profit (IFRS)	¥56 bn
Consolidated operating margin (IFRS)	10.0% or more
Consolidated ROE (IFRS) (Ratio of profit to equity attributable to owners of parent)	8.0%

	FY 2017 – 2021 total
Consolidated operating cash flows	¥260 bn or more
Capital investment and growth investment	¥200 bn

*Figures above are before application of IFRS 16.

Growth strategy and foundation reinforcement strategy to achieve the Medium-term Plan

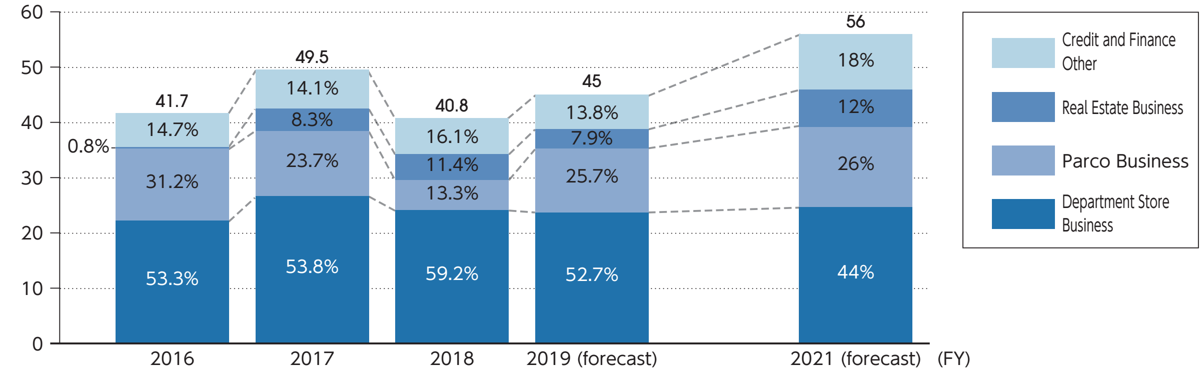
Growth strategy

1. **"Expansion of business fields" beyond the framework of retail (Multi Service Retailer strategy)**
   - Promoting the expansion of business fields including service fields beyond the framework of retail to realize the new Group Vision
2. **"Expansion of the Real Estate Business" through expansion of real estate area under management (Urban Dominant strategy)**
   - Expanding lease area by strengthening the function of the Real Estate Business and expanding Urban Dominant initiatives
3. **"Full-scale implementation of ICT strategy" to keep up with the IoT era**
   - Increasing profitability by developing ICT infrastructure, realizing new businesses using ICT, designing digital communication
4. **Initiatives to innovate existing businesses**
   - Department Store Business: Setting a goal to "offer 'future standard' lifestyles for five years ahead" by changing its business structure to realize creative ideas in order to realize the Group Vision. Changing core department store operations and maximizing store value to achieve the goal
   - Parco Business: Changing store portfolio, strengthening new type store area strategy, expanding small-scale commercial business by promoting development, expanding soft business (strengthening of soft content)
   - Associated businesses: Expanding external revenue, expanding new business fields, strengthening highly efficient associated businesses
5. **Promotion of ESG activities**

Foundation reinforcement strategy

6. **Renovation of the Group operations systems**
   - Building high quality and highly productive resilient infrastructure for the Group operations systems, promoting the Group cost structure reform
7. **The Group finance strategy (transition to IFRS)**
   - Improving asset efficiency (ROE), realizing business profitability (positive FCF)
8. **The Group organization / human resources reform**
   - Maximizing "energy of human resources and organization" to realize the Group Vision
9. **Strengthening of corporate governance [transition to a Company with Three Committees (Nomination, Audit and Remuneration Committees)]**
   - Strengthening the Board of Directors, strengthening the Group governance function, strengthening managerial human resource function

Progress of changing business portfolio



Major topics so far during the current Medium-term Plan

Results of initiatives for new growth

Expansion of the Real Estate Business (Urban Dominant strategy)

- Opening of "Ginza Six" (April 2017)
- Opening of "Ueno Frontier Tower" (November 2017)


Ginza Six


Ueno Frontier Tower

Innovation of the Department Store Business

- Opening of the "new main building of the Daimaru Shinsaibashi store" (planned for September 2019)


New main building of Daimaru Shinsaibashi store

Innovation of the Parco Business

- Opening of "Parco_ya" (November 2017)
- Opening of "Kinshicho Parco" (March 2019)
- Opening of "new Shibuya Parco" (planned for November 2019)


Kinshicho Parco


Rendering of Shibuya Parco ©2019, Takenaka Corporation

New format / small-scale commercial business

- Opening of "Kyoto Zero Gate" (November 2017)
- Opening of "Harajuku Zero Gate" (March 2018)
- Opening of "Sannomiya Zero Gate" (September 2018)
- Opening of "San-A Urasoe West Coast Parco City" (June 2019)
- Opening of "Kawasaki Zero Gate" (planned for August 2019)


San-A Urasoe West Coast Parco City


Kawasaki Zero Gate

Expansion of business fields

- Opening of "Daimaru Matsuzakaya Kids Duo International" (April 2019)


Daimaru Matsuzakaya Kids Duo International

Withdrawal from unprofitable businesses / business reshuffle

- Business transfer of a consolidated subsidiary "JFR Online" (March 2017)
- Closing of the "Daimaru Urawa Parco store" (July 2017)
- Closing of "Otsu Parco" (August 2017)
- Share transfer of a consolidated subsidiary "Forest" (August 2017)
- Share transfer of an equity method associate "Senshukai" (April 2018)
- Closing of the "Daimaru Yamashina store" (March 2019)
- Closing of "Utsunomiya Parco" (May 2019)
- Closing of "Kumamoto Parco" (planned for February 2020)

Strengthening of ESG initiatives

- Introduction of stock-based remuneration system for officers (April 2017)
- Transition to a Company with Three Committees (Nomination, Audit and Remuneration Committees) (May 2017)
- Reduction of cross-shareholdings by 19 issues (FY 2017 - 2018)
- Identification of materiality and setting of KPIs (FY2018)
- Participation in the Global Compact (FY2018)
- Support for the Japan Climate Initiative (FY2018)
- Application for SBT certification, support for the TCFD (FY2019)

Here Is the “Future of Department Store.”

Forward-looking rebuilding of the main building of the Daimaru Shinsaibashi store

Big project positioned as a symbol of innovation of the Department Store Business to overcome combined challenges facing department stores – On September 20, 2019, the main building of the Daimaru Shinsaibashi store will be newly reborn as an unprecedented “exclusive” store that blends “tradition” and “innovation” ranging from in store space and store planning to in operation. Using the “beauty of Vories’ architecture,” which colored the former Shinsaibashi store, in part of its exterior and interior and blending it with modern design, we will create commercial space that provides real store’s unique “experience value.”

The concept to create the store is “Delight the World. Shinsaibashi, Adored by the World.” While further strengthening services to the affluent and foreign tourists to whom sales are already strong, the Shinsaibashi store has set “all customers that actively enjoy their lives” as its target. With respect to merchandise mix, the floor area for and the number of brands of luxury items, cosmetics and drinking and dining on the basement floors (*depachika* in Japanese) will be increased significantly. Cosmetics will be offered not only on the main floor but also on other

Peacock relief

Elevator hall

Crystal tower on the 7th floor

Rendering of food hall on the 2nd basement floor

multiple floors. About half of drinking and dining on *depachika* are composed of new brands. In addition, we will expand “experience-based-consumption”-conscious merchandising combining drinking/dining with product sales such as a food hall. In other categories, we have revised conventional merchandise composition by gender or item and we will actively introduce new brands. The store will have 370 shops including 37 Kansai’s first shops and 50 shops in new formats.

Innovative hybrid business model

In the meantime, the business model is completely different from conventional department stores. It is based on an innovative layer structure in which fixed-term lease accounts for approximately 60% of total floor area. The transactions of traditional department stores are centered on *kaitori*. But later a new form of transaction without inventory called *shoka shiire* emerged and it occupied 80% in the 1980s. In current low-growth and highly uncertain period, however, over-dependence on *shoka shiire* will not only make us ignore a challenge to new market but also increase the risk of decreasing profitability. Therefore, we asked ourselves what the new business model that increases the appeal of the store and maximizes revenue is and one of the answers will be realized in the new main building of the Shinsaibashi store. We will create an epochal hybrid department store business model with an optimally balanced mix of the advantages of *kaitori* / *shoka shiire* and the advantages of fixed-term lease while it is completely seamless from a customer perspective.

And we will customize the results of this new trial according to individual stores and area characteristics and use them as a “new scalable department store business model.”

Also as a flagship store with an ESG perspective

We identified five priority materiality issues*[1] to realize a “sustainable society” and the entire Group strives to produce results. This new main building of the Shinsaibashi store was created from such perspective. Specifically, renewable energy and LED lighting will be used throughout the building including the back stockrooms. We will aggressively implement initiatives to create a low-carbon and recycling society with the cooperation of customers and suppliers by centrally controlling deliveries in the building to reduce delivery operation time and eliminate the congestion occurring when carrying products in and out, promoting the use of green packaging materials, permanently installing clothes collection boxes as an Ecoff*[2] activity and other means.

*1 Our five materiality issues include “contribution to a low-carbon society,” “management of the entire supply chain,” “coexistence with local communities,” “promotion of diversity” and “realization of work-life balance.”

*2 Campaign implemented by Daimaru Matsuzakaya Department Stores to recycle clothes, shoes, bags, etc.

Parco will open in the north wing in spring 2021

After the new main building opens, the renovation work of the north wing, which currently operates as a department store, will start and it will be newly born as a real estate rental model with Parco as its anchor tenant in spring 2021. The north wing will have two basement floors and 14 floors above the ground. And “Parco” will occupy from the 2nd basement floor to the 7th floor above the ground as a large anchor tenant. There is no store in Parco format in the Osaka area and many local customers have eagerly awaited the opening of Parco. Through this initiative, we will further expand the creation of the Group synergy. At the same time, by connecting the new main building and the north wing as one, we will create a more than 80,000-square-meter commercial complex that attracts a wide range of customers.

Creation of the community, “Shinsaibashi, Adored by the World,” will begin in earnest. We will contribute to increasing the appeal of the community by promoting the Urban Dominant strategy and draw new crowds to the area.

Rendering of the exterior of Shibuya Parco ©2019, Takenaka Corporation

"Next-generation" Parco That Will Enhance Brand Value

New Shibuya Parco as a symbol of next-generation Parco

Shibuya Parco has addressed "Incubation," "Urban Revitalization" and "Trends Communication" and has played a part in developing Shibuya stimulating and at the same time being stimulated by the area since its opening in 1973. These three initiatives are Parco's DNA and point of origin and also the belief of evolving Parco.

We started to study this project as a rebuilding plan of Shibuya Parco in 2007. It was approved as an urban planning project of special urban renaissance district in December 2015 and we have proceeded with the plan as an urban redevelopment project. In order to create next-generation commercial space, we will increase experiential content by opening Japan's first official Nintendo shop "Nintendo Tokyo" and expanding Parco Theater, renew fashion offering with a mix of luxury, mode and street culture, and create future-oriented sales space using ICT.

Rendering of "Parco Museum Tokyo" on the 4th floor of Shibuya Parco

Shibuya Parco is designed not to meet needs, but to create them, and in doing so, provide new consumption proposals and values. We aim to surpass the traditional concept of a commercial facility, sharing the sense and creativity of the designers and creators and conducting new initiatives to propose fresh stimulation and excitement as experience value. In this way, we will create a global center for trends communication. We selected mainly specialty shops with high quality deign, art and entertainment to develop Shibuya Parco's own identity. We will not narrow down a target to certain age groups or gender but aim to create a commercial complex that attracts urban consumers "looking for something new, something different, something interesting and something individual" from across the world. About 180 unique and attractive shops will operate there. It consists of five pillars including "Fashion," "Art & Culture," "Entertainment," "Food" and "Technology." We will create sales floors by mixing them so that they will elicit each other's appeal.

We hope it will evolve "Parco brand" as a flagship store for the next generation and that such brand power will spread through other stores.

Fusion of shopping and technology

On the 5th floor of the new Shibuya Parco, we will create an omnichannel space "Cube (tentative)" for e-commerce as well as over-the-counter sales. Eleven small shops will open in this about 130-tsubo-area. Using digital technology, we will try to create a zone with shops that have smaller space and fewer products on the shelf than traditional sales space so that customers can find what they want. As a next store with enhanced function of showroom, it will mainly carry strategic items and limited items and the stock of other products will be controlled digitally and sold in "Parco Online Store" (e-commerce). Data will be transmitted directly to a smartphone from large signage in the common use area and in-shop signage and customers can always buy online products not on the shelf. Thus we have developed a system that allows customers to shop on the spot without stress.

Rendering of "Cube (tentative)" on the 5th floor of Shibuya Parco

We will display 3D works created by a computer using XR[*1] technology. Customers will be able to see them through smartphones or AR glasses as if they really exist there. We plan to display an installation art work created by VR space designer Discont who received the Parco Award at "NEWVIEW AWARDS 2018," a VR content competition held in 2018 and it is being created.

*1 XR is a collective term for technologies such as VR (Virtual Reality), AR (Augmented Reality) and MR (Mixed Reality).

In addition, on the first floor, Japan's first experimental AI showroom using cloud funding "Booster Studio by Campfire" will open. Here customers can actually touch and try IoT products and other unique digital products and ideas from across the world before they hit the market.

Contribution to the local community both in terms of hardware and software

The building that will be occupied by the new Shibuya Parco with a total floor area of approximately 64,000 square meters and 19 floors above the ground and three under the ground consisting of commercial part on the first basement to the 8th floors and part of the 10th floor, a creative studio (talent incubation facilities) on the 9th floor, an entrance on the 1st floor and offices on part of the 10th floor and the 12th to the 18th floors will contribute to "Urban Revitalization" both in terms of hardware and software as a symbolic facility on Koen-dori street.

In terms of hardware, we will create a pedestrian-friendly environment by creating a walkway around the building and a plaza on the premises and thereby expanding space for pedestrians to enliven the area. We addressed issues in the area such as disposal of goods and bicycle parking on streets, which prevent people from walking around, by installing an area logistics center and a bicycle parking lot in the building. Furthermore, this building has been evaluated highly by the Ministry of Land, Infrastructure, Transport and Tourism for (1) creation of attractive outdoor spaces with the outdoor plaza and elevated walkway, (2) highly efficient energy system based on a co-generation system (CGS: Collective term for the systems that generate and supply electricity and heat from a heat source), and (3) initiatives to promote efficient energy use through digital communications and it was selected as a "Leading Sustainable Building Project (CO_2 Reduction Leader)." We realized a CO_2 reduction complex whose operating efficiency was improved by "visualization" using energy management system as well as introducing the latest equipment. We will spread sustainability to other complexes as a "CO_2 reduction leading project in urban fashion complexes."

In the meantime, in terms of software, in the outdoor plaza in the building, we will hold a wide range of events in coordination with the local community, fashion shows, music, and food events, to help create excitement in the area.

Rendering of outdoor plaza on the 10th floor of Shibuya Parco
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Management Strategy > Urban Dominant Strategy

Establish "Ecosystem" along with Local Communities

Area development with stores at the core

We think we will be able to attract more new crowds to the area using or based on our assets such as department stores and Parco, which operate in major cities throughout Japan. And as a result, we might be able to further enhance asset value and asset efficiency – The Urban Dominant strategy is an initiative for community development and coexistence with communities making the best use of the strength of the Company that has stores in urban locations.

The Urban Dominant strategy has its roots in an initiative at the Daimaru Kobe store. The Daimaru Kobe store developed the shops in the Former Foreign Settlement of Kobe to revitalize not the single "point" but the "area" as a whole. This initiative started in 1987. At that time, the center of transportation and business of the Kobe area shifted to Sannomiya and Motomachi where the Daimaru Kobe store is located was being relatively devitalized. Therefore, it was urgent to create the appeal of the store to attract customers. The shop development around the store started with our own buildings. But they are not enough to revitalize the area. So the Daimaru Kobe store actively invited some brands to open their boutiques in other buildings in the Former Foreign Settlement to draw more customers to the whole area. The number of a wide variety of unique brands and shops using the nostalgic but new look of historic modern western-style architectures such as "Former Foreign Settlement Building 38" and "Block 30" has reached more than 60 and they bring new life to the history of the area.

Shop leased near Kobe store

Bino Higashinotoin

Then such know-how has been applied to the Daimaru Shinsaibashi store and Daimaru Kyoto store and expanded and developed into the "Urban Dominant strategy."

In promoting the Urban Dominant strategy in the future, positioning Shinsaibashi, Kyoto, Kobe, Nagoya and Ueno as five key areas, we will also clarify respective "area strategies" by implementing promotion programs for developing the areas around our stores and motivating people to visit the areas to create attractive areas with our stores at their core.

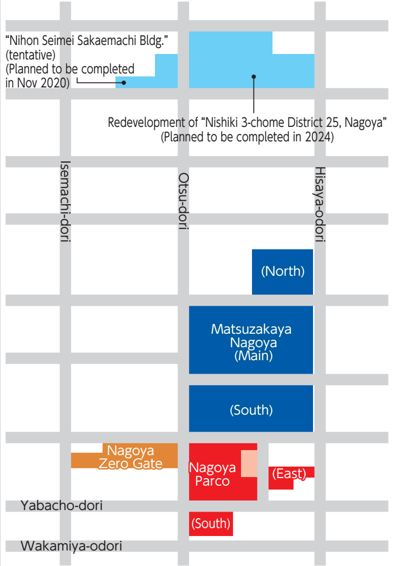
Major developments in the Nagoya area

Two development projects have started in the Nagoya area, one of the key areas.

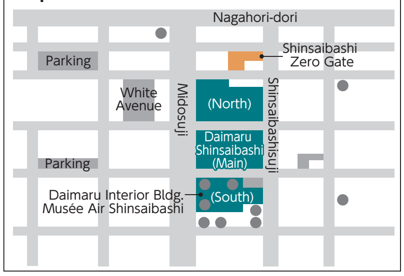
One is opening of commercial facility in "Nihon Seimei Sakaemachi Building" (tentative). Daimaru Matsuzakaya Department Stores will develop a commercial facility by master-leasing the property owned by Nippon Life Insurance Company and finding tenants. The building located in the center of the Sakae area will have two floors under the ground and six floors above the ground with a total floor area of 6,343 square meters. Given its

● denotes shops operated by or leased from Daimaru Matsuzakaya Department Stores.

Map around Matsuzakaya Nagoya store

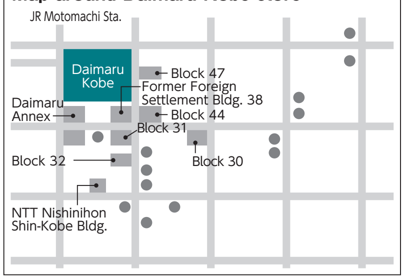


Map around Daimaru Shinsaibashi store

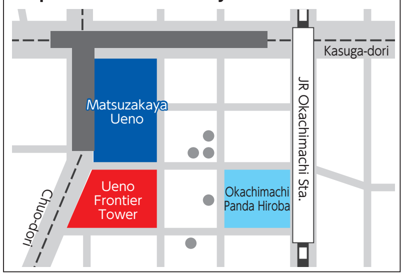


Map around Daimaru Kyoto store

Map around Daimaru Kobe store



Map around Matsuzakaya Ueno store



location in the center of the Sakae area, we will develop the new commercial facility by creating the Group synergy with the Matsuzakaya Nagoya store, Nagoya Parco, etc. to help attract more customers to the area. Construction is planned to be completed in November 2020.

The other is redevelopment of "Nishiki 3-chome District 25, Nagoya." Daimaru Matsuzakaya Department Stores and Nagoya City concluded a basic agreement in January this year to mutually cooperate in developing the land owned by them. The total site area is 4,862.96 square meters of which 3,040.82 square meters are owned by Daimaru Matsuzakaya Department Stores. The following are the key development conditions: (1) Daimaru Matsuzakaya Department Stores shall operate commercial specialty store business in the lower part from the 2nd basement floor to upper floors; (2) The main functions to be introduced by the participant candidate shall include stay, culture, learning and amusement; and (3) The building shall be connected to the subway facilities and the underground mall facilities and ensure barrier-free access by installing slopes and elevators and by other means. We aim to complete construction in fiscal year 2024.

They are merely a few examples. We, along with department stores and Parco in the key areas, will promote the Urban Dominant strategy to help enliven local communities and grow with them by creating the Group synergy through expansion of such real estate area under management.

Draw in new customers as a landmark of the area

Two redevelopment projects, which changed the business model from department store operation to real estate rental, attract new crowds to the areas and steadily contribute to revenue.

"Ginza Six," the largest luxury mall in the Ginza area, collected world-class quality brands. The complex that was created by developing the two blocks including the former site of the Matsuzakaya Ginza store as one attracts customers not only from Tokyo but also from across Japan and even across the world since it opened in April 2017. Foreign customers account for about 30% and customers in their 20s and 30s occupy the majority. Thus it pulls in new customers who did not visit our stores before. The concept for creating floors beyond product categories, which can be said to be one of its success factors, is applied to the new main building of the Daimaru Shinsaibashi store, which will open on September 20 this year.

The south wing of the Matsuzakaya Ueno store was rebuilt and remodeled as a high-rise commercial complex "Ueno Frontier Tower" in November 2017. It has Parco's new format store Parco_ya as an anchor tenant and also a cinema complex and highly functional offices. Thereby it became a landmark that attracts a wide range of customers. This is the first large-scale joint development project with Parco and we think the experience and know-how obtained here will be used in the new north wing of the Daimaru Shinsaibashi store, which will open in 2021.

We will create new value and create new customers in the area. Our Urban Dominant strategy will get into full swing.


Ginza Six


Ueno Frontier Tower

Growth Model through "Settlement" and "Finance"

Actively employ specialized human resources from outside the Group

The environment surrounding the Credit and Finance Business is rapidly changing. Opportunities to be able to expand business depending on response to them, such as government-led promotion of cashless transactions, expansion of new settlement options including QR code and advanced technologies, are being created. The Group's strengths include store assets that are located in major cities throughout Japan, good customer assets of more than six million people and hospitality developed over a long period of history. The Credit and Finance Business has a high affinity for retail including department stores that have direct customer touch points and it is expected to further create synergy in the Group. In view of such background, we positioned the Credit and Finance Business as a growth business that can become the core of the Group and we have decided to invest management resources to strengthen the business.

Rebuild strategy for dramatic growth

To this end, a person who is knowledgeable about settlement and finance was invited from outside the Group to become the President of "JFR Card," which operates the Credit and Finance Business, in March 2018 and the company was analyzed and surveyed from an objective perspective using skills and experience. Based on the results of such analysis and survey, we will rebuild strategy for the Credit and Finance Business to revitalize existing business and expand business fields.

The Group's strengths are the source of competitive advantage

- **Large urban stores** that attract many customers
- **The Group transaction volume of** more than ¥1 trillion
- More than 6 million **good customers**
- **Brand strength / customer service skills**

5 pillars of strategic actions

1. Improvement of revenue of existing business
2. Strengthening of card products
3. Launch of merchant acquiring services
4. Review of system platform
5. Human resource development / building of organization

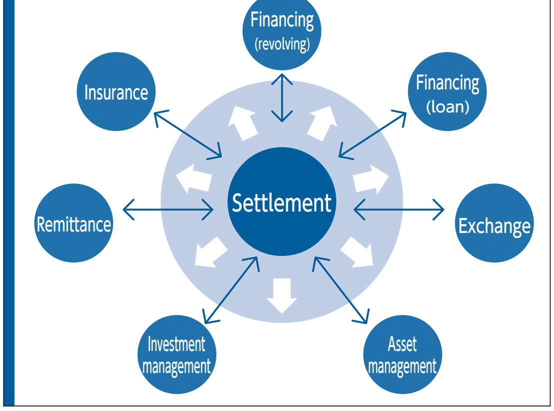
Firstly, we tried to improve business operations. In the original scheme of our card business, most of card operations were outsourced and we scrutinized and overhauled existing operations through the eyes of an expert who is knowledgeable about card business. As a result, it was revealed that there were some inefficient processes, which we could not find within the company before. We already started improvement of business operations, which is possible in the short term, and it begins to show a certain effect as cost reduction due to streamlining of operations.

It is essential to develop human resources and build an organization, which will support the implementation of strategy, in order to develop into growth business whose stage is different from the past. For this reason, we reformed the organization and created positions responsible for marketing and positions responsible for systems and employed human resources who have expertise to achieve these organizational missions from outside the Group. Now we are in a phase of bearing upfront costs for future growth such as costs for strengthening the organization. We will speed up to build business foundations to respond to the rapidly changing environment surrounding the Credit and Finance Business.

Based on them, we rebuilt growth strategy for the Credit and Finance Business to provide "finance" services with "settlement" at the core.

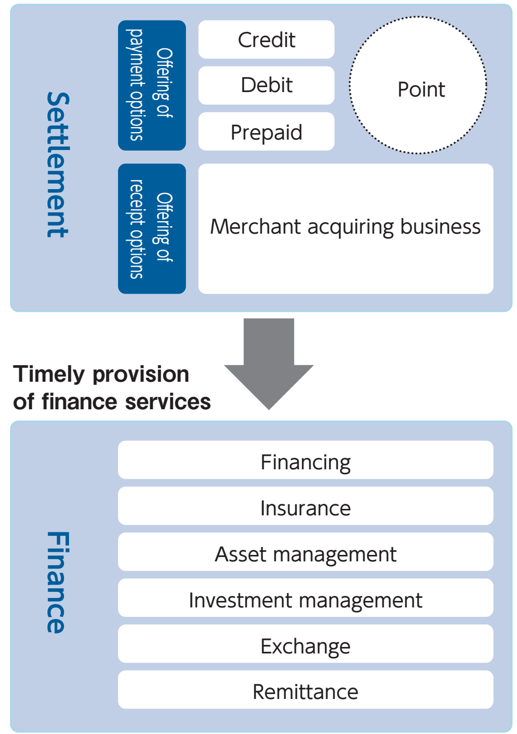
In the "settlement" field, we will prepare for issuing new cards with new loyalty program. Concerning the new program, we are finalizing it with Daimaru Matsuzakaya Department Stores from a perspective of ease of use and advantages for customers and aim to issue new cards in the next fiscal year. We will expand operations as a settlement company by obtaining licenses from international card brands and help go cashless by introducing new settlement technologies. Through these efforts, we will offer a wide range of settlement options to increase the number of customers and expand settlement data.

Provide finance services with settlement at the core



In the "finance" field, using the strength of the Group that has many customer touch points through stores and offering not only credit cards but various settlement options, we aim to provide optimal finance services for customers, including "insurance" and "financing," based on settlement data. We will strive to expand the finance business considering active investment to make up for a lack of resources and alliance.

Use of strengths of ability to attract many customers and transaction volume



What we aim about the Credit and Finance Business is the integration of digital business and real business that provides value mainly at the Group's physical stores. We think the "model combining digital and real" businesses is exactly growth strategy for the Credit and Finance Business, which is unique to the Group.

Provide New Value Using ICT

"Lifetime Service Hub" plan

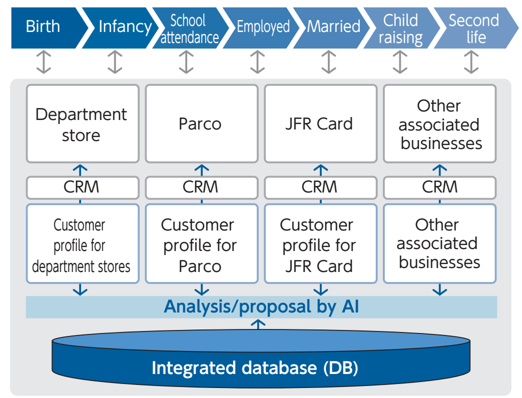
We are building a new customer base called "Lifetime Service Hub," and by integrating the database of more than six million good customers owned by companies in the Group, we are creating systems to "strengthen lifetime engagement with customers."

In the current era of the so-called "100-year life," the lifetime value of each individual is increasing. In such a situation, we have many direct customer touch points through the provision of various products and services. It is a big advantage of the Group. With the progress of ICT, information gained through these touch points is becoming more and more important as a source for creating additional value. For this reason, we would like to create systems to "strengthen lifetime engagement with customers" through the Lifetime Service Hub. By doing this, we will collect and use not only "fixed information" such as customer attribute information and purchase information we have obtained so far but also "unfixed information" obtained through chat using strong relations with customers to understand customers more deeply than ever and enhance engagement dramatically.

Firstly, in this fiscal year, we will accumulate information collected from customers of our department stores in the new integrated database to enhance the value of customer assets as deepened information. In fiscal year 2020, we will expand this initiative into Parco and other companies in the Group to integrate and centralize the database as the Group. In addition, we will strive to upgrade information through accumulation of data such as conversation history and purchase history using new touch points including chat.

In the future, by adding experimental AI analysis and with the "era of 100-year life" in mind, we will have more customer touch points than ever on various occasions and milestones all through life beginning with birth and create long and deep relations. And by doing this, we will expand opportunities to provide optimal products and services to alleviate customers' "frustrations" and "concerns," and furthermore, operate new businesses. Through these initiatives, we will provide new value as a "Multi Service Retailer" beyond the framework of retail.

Image of Lifetime Service Hub plan



Release of mobile app

With the progress of ICT technology, it is said that about 60% of individuals have smartphones and that more than 80% have mobile devices (mobile phones, PHS and smartphones). In this context, Daimaru Matsuzakaya Department Stores rebuilt customer strategy from the perspectives of "providing new customer experiences" and "upgrading sales activities" using digital technologies and released mobile app in 13 stores across Japan in May this year as part of initiative to further strengthen relations with customers.

Its main functions include the "electronic membership function" that enables a user to earn and use points like a card, the "upgrading function" to change services according to the frequency of visit to the store and the amount purchased, the "alert function" to provide bargain or other information timely, and the "store information function" that enables a user to check the events, topics, floor guide, etc. of his/her desired store anytime. We will add the "settlement function" to further improve services.

In addition to information gained through ID cards such as our private label cards, we will be able to obtain a wider range of information on customer buying behavior and preferences using app. We expect that relations with customers or CRM activities will evolve dramatically. Information upgraded through these initiatives, which forms the basis of the Lifetime Service Hub plan, will be accumulated in the integrated customer database.

Digital technologies to improve in-store services

Here we present an example of using digital technologies from a customer perspective at the Daimaru Tokyo store. The Daimaru Tokyo store has many customers, on average 100,000 people on weekdays and 120,000 people on weekends, due to its location at a terminal. Restaurants and cafes on each floor are very highly occupied due to convenient access and many customers wait for a table on weekends. Similarly wait time for women's restrooms on the 1st basement floor and the 2nd floor is long.

In order to improve this situation, we introduced a "real-time vacancy status display service" with the cooperation of Vacan, Inc., a company that provides vacancy information. Customers can check whether it is "full" or "not" in advance on the digital signage on each floor in the store or by accessing the website on their mobile devices such as smartphones outside the store.

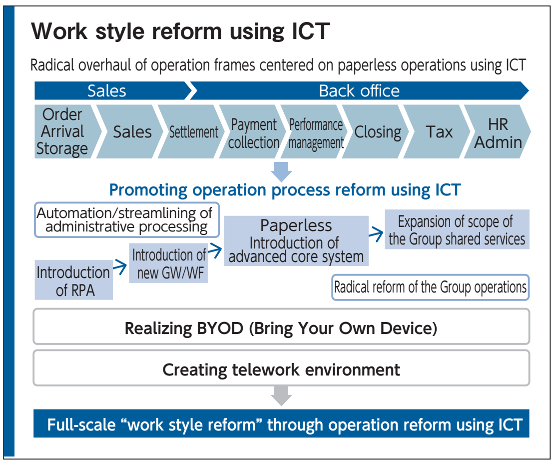
We will strive to develop and improve services that enhance customers' shopping experience value by expanding this initiative into other stores and using digital technologies to support customers.

Real-time vacancy status display service

Work style reform by introducing RPA

We tackle "work style reform" by introducing RPA (Robotic Process Automation) to streamline administrative operations system and shift to high-value added operations. Specifically, at three companies including J. Front Retailing, Daimaru Matsuzakaya Department Stores and JFR Service, routine operations such as expense calculation, entry of ordering operations into system and collection of necessary input information for project proposals are picked up to be covered by RPA. In fiscal year 2018, we automated 42 operations, approximately 8,000 hours, by introducing new software and strengthening systems. During the five-year period of the current Medium-term Business Plan, we plan to expand RPA to cover up to 300 operations in the entire Group and we aim to increase productivity by automating approximately 30,000 man-hour operations.

In addition to these initiatives, we will make operations paperless, facilitate BYOD (Bring Your Own Device) and create an enabling environment for telework to realize full-scale "work style reform."



Develop Human Resources who Unlock the Future

For lasting growth in a highly uncertain environment, J. Front Retailing recognizes it is only "human resources" who can unlock the future and that companies cannot grow without growth of "human resources."
Based on the recognition that "employees are treasure (assets)," we will thoroughly confront each individual and aim to realize a "human resource development company" that develops human resource capabilities.

Overview of new human resources strategy

External risks
- Changes in the employment environment
- Work style reform
- Diversified values
- Social demand
- Safe and secure work environment

Group Vision
↓
Medium-term Business Plan
↓

Internal risks
- Changes in employment structure
- Shortage of next-generation and specialized human resources
- Transformation of organizational climate and corporate culture

New human resources strategy

1. Recruitment of diverse human resources and development of specialized human resources
2. Strategic allocation and use of diverse human resources
3. Rebuilding of human resource systems to strengthen human resource capabilities
4. Promotion of work style reform
5. Response to diversified values
6. Response to changes in employment structure
7. Creation of safe and secure work environment
8. Development of organizational climate and culture that value challenge and creation

Purpose: Creating a highly competitive group of companies that makes each individual employee commit to autonomy and challenges and realize his/her growth through work and continues to create new value by combining diverse human resources

Thought about human resources strategy

With a focus on clarifying a policy on dealing with internal and external risks and maximizing human resource capabilities, which are essential for growth, and with the aim of realizing the Group Vision "Create and Bring to Life 'New Happiness,'" we will strive to contribute to creating a highly competitive group of companies that makes each individual employee commit to autonomy and challenges and realize his/her growth through work and continues to create new value by combining diverse human resources.

Intended profile of human resource and organization

- **Intended profile of human resource:**
  "Human resource who continues to grow by learning throughout life"
  - Human resource who creates and takes on a challenge without fear of failure to create new value and always has the intension and motivation to continue to learn for self-growth
  - Human resource who not only realizes the Vision through work but also continues to live a sparkling life with vigor and enthusiasm throughout life as a human being and a community member

● **Intended profile of organization:**
"Value creation group that continues to develop through friendly competition respecting diversity"

We aim to create an organization that produces innovation through open-minded communication in which people respect and accept diversity each other and develop through friendly competition to create new value.

Review of the axis of human resources operation

The human resources systems will change to "human resource capability systems" based on both merit and job to increase the focus on human resources instead of existing job-based systems and enhance human resource capabilities.

To this end, we will renew a series of human resource management systems themselves ranging from "recruitment" to "allocation and use," "development," "evaluation and assessment," "treatment" and "retirement," which include appropriate understanding of comprehensive human resource capabilities of each individual (performance, behavior, knowledge and skills, intention and motivation, learning ability, development ability, innovation and creation ability, influence, negotiation ability, personality, values, temperament, preferences and hobbies, etc.), allocation of the right people to the right jobs and allocation of the right jobs to the right people, development to enhance human resource capabilities and their appropriate evaluation and treatment.

Keys to rebuilding human resource management system

(1) Correct understanding of human resource capabilities of each individual

We will conduct a multifaceted assessment including "interviews with all employees" by human resources divisions.

(2) Autonomous career development and enhancement of human resources value

We will create a wide variety of education and training opportunities including outside experiences to strengthen engagement between employees and companies.

(3) Facilitation of promotion by selection regardless of age and experience

We will concentrate attention on the overall human resource capabilities, particularly intention and motivation, and facilitate allocation and promotion with a focus on the potential for future performance.

(4) Treatment based on human resource capabilities

We will reflect growth of the overall human resource capabilities in not only change of post but also treatment.

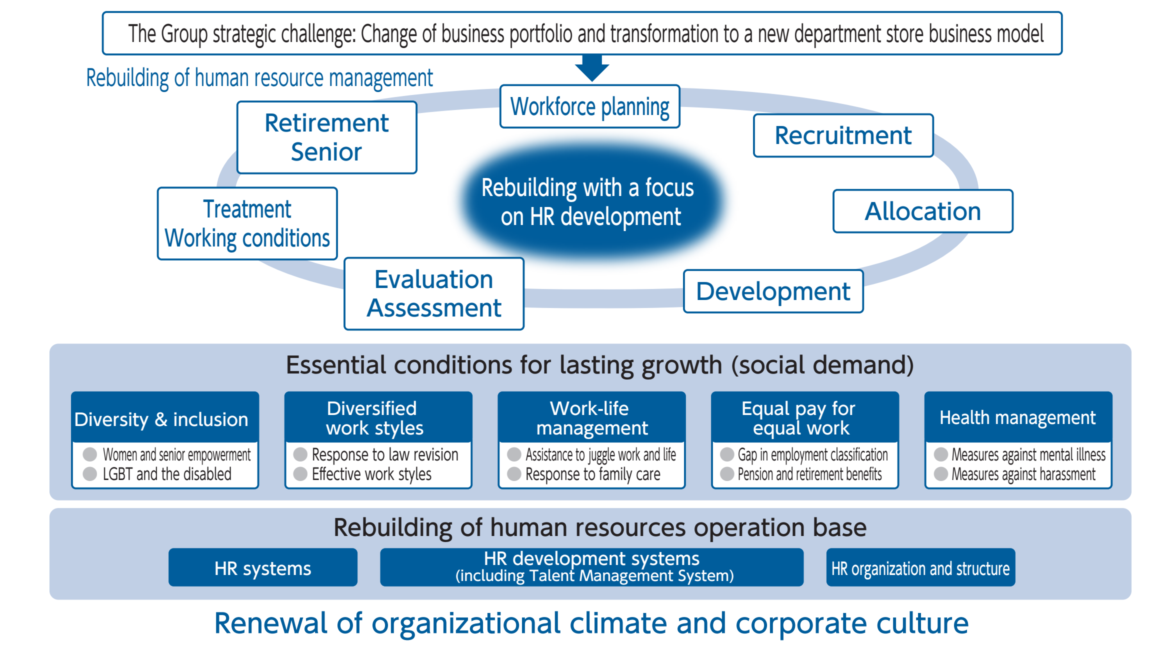
(5) Visualization of human resource database

We will implement strategic and scientific human resources operation by centralizing the management of and analyzing human resources information through multifaceted assessment.

Resolution of human resources issues to be tackled by companies

We will rebuild a human resource management system centered on human resource development, and at the same time, tackle various challenges that are essential conditions for lasting business growth, including "diversity & inclusion," "diversified work styles," "work-life management," "equal pay for equal work" and "health management." For this reason, we will also revise various human resource systems and rebuild human resource development systems and human resource organization and structure.

Promotion of human resources operation centered on human resource development



Finance Policy that Supports the Realization of ROE of 8% or More

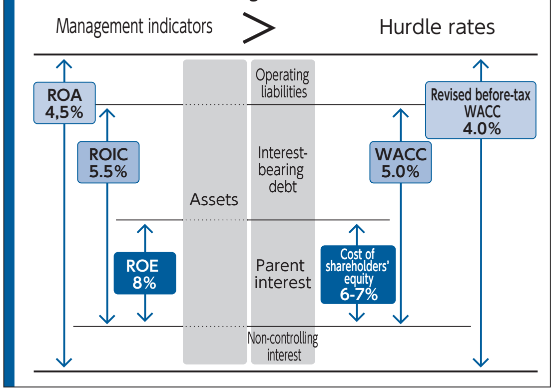
Promotion of management in recognition of the cost of capital

The Group aims to achieve a consolidated ROE of 8% or more in fiscal year 2021, which is the final year of the Medium-term Business Plan. We have calculated our cost of shareholders' equity (shareholders' and investors' expected return), which is a hurdle rate for ROE, at 6% at the end of February 2019 but we expect it to move in the range of 6 to 7% over the medium to long term. Therefore, we recognize that the 8% ROE is the minimum level we should achieve to meet the expectations of shareholders.

The WACC (weighted average cost of capital) is a little higher than 4% at the end of February 2019 and we expect it to be at the level of around 5% over the medium to long term. We also calculate WACC by business segment such as the Department Store Business, Parco Business, Real Estate Business and Credit and Finance Business and set hurdle rates to be used when considering investments.

By recognizing the cost of capital, we will promote management activities to expand spread, which funds the sustainable and medium- to long-term enhancement of corporate value.

Correlation between management indicators and hurdle rates



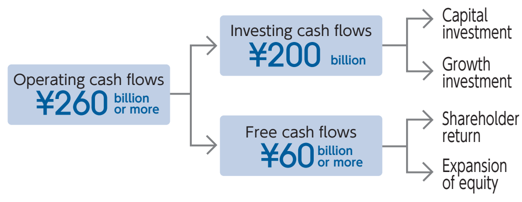
Generation of cash flows and the balance between growth and return

The Group will generate operating cash flows of ¥260 billion or more in total during the five-year period of the current Medium-term Plan (fiscal years 2017 to 2021), of which ¥200 billion will be allocated mainly to capital investment in existing businesses and growth strategy investment to restructure its business portfolio. It is not included in our quantitative management objectives but return on this investment (ROIC) is expected to exceed our hurdle rate (WACC) of 5%.

A little more than 60% of such investment will be allocated to the Group's core Department Store Business and Parco Business and slightly less than 20% to the Real Estate Business, and a little less than 10% to Other. And ¥27 billion will be allocated to M&A for growth. Capital investment during the period of the current Medium-term Plan will peak in fiscal year 2019 when the new main building of the Daimaru Shinsaibashi store and Shibuya Parco will open.

We expect to generate free cash flows of ¥60 billion or more during the five-year period. We will strive to increase shareholder return and equity and promote balanced capital policy.

Cash flow allocation *Total for FY 2017 to 2021

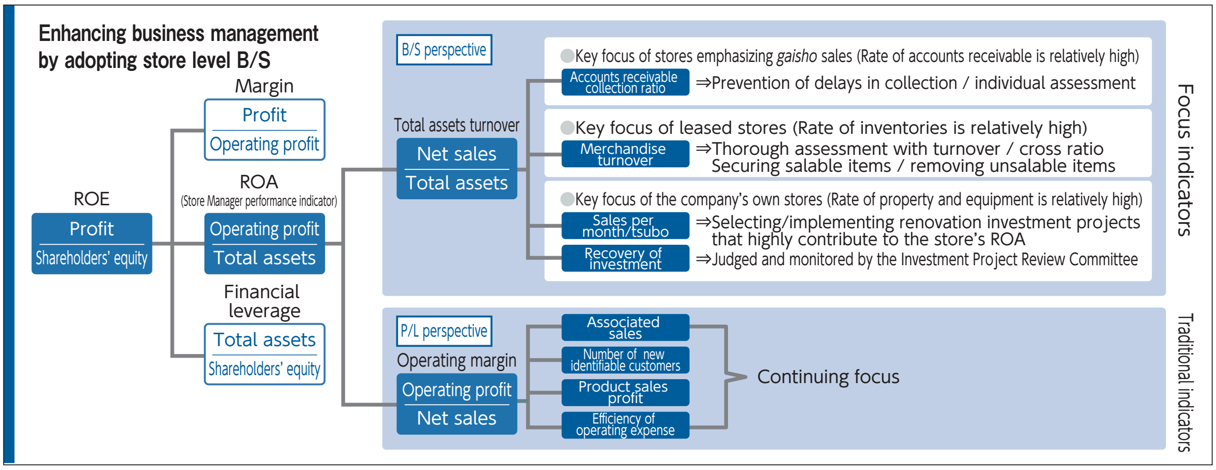


Promotion of department store management based on separate B/S for each store

The greatest focus of each operating company is on increasing ROA to realize a consolidated ROE of 8%. Though the core Department Store Business operates using large assets, we had little perspective of asset efficiency. Therefore, we adopted management based on separate B/S for each store. We have "raised awareness" to incorporate not only a P/L perspective, which places disproportionate weight on sales and profit, but also a B/S perspective, which seeks appropriate return from assets, to management at a store level.

Specifically, beginning in March 2017, each store develops a B/S budget, which enables us to compare it with results and understand asset profitability. Investments are prioritized considering each store's ability to recover investment. It contributes to a curb on investment plans intended only to maintain or increase sales and drastic measures for poorly performing divisions. We will improve and increase ROA through each store's active implementation of measures.

Going forward, we will apply asset efficiency (B/S) KPIs to stores, create medium-term targets, and promote the building of investment PDCA cycle by introducing the "Investment Project Review Committee" to the Department Store Business to improve asset efficiency. In addition, in order to advance B/S-based management, we started to consider determining the "amount of capital by store" that visualizes cumulative profits, which have been centralized in the head office of the Department Store Business.



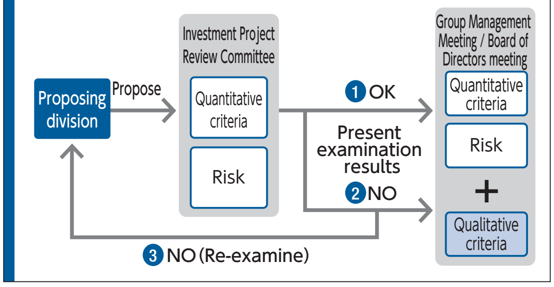
Investment Project Review Committee and Revitalization Plan Review Committee

The Company has the "Investment Project Committee" and "Revitalization Plan Review Committee" to support management decision-making on investment, business revitalization and withdrawal from a financial perspective. Both Committees do multifaceted checks including quantitative review and financial and legal confirmation of risks.

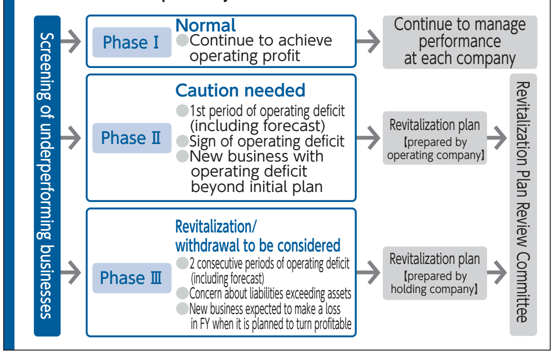
The "Investment Project Committee" makes an investment decision using the payback method for investment in store renovations, the NPV method (present value discount using a hurdle rate ≧ 0) for development investment, and the DCF method for M&A. They check many areas (calculate shareholder value) and have in place a system that enables the participation of external institutions in order to present more objective and stricter opinions.

The "Revitalization Plan Review Committee" classifies the businesses of the Group into three phases including "I. Normal," "II. Caution needed" and "III. Revitalization or withdrawal to be considered" and reviews them on a regular basis. The criterion for the "Phase III" in which revitalization or withdrawal is considered is "two consecutive periods of operating deficit." Concerning the companies, businesses, stores and others that meet the criterion, the measures for "revitalization or withdrawal" are developed. The Committee validates these businesses and determines the validity of the measures as well as provides information to facilitate swift management decision-making at the Group Management Meetings and the Board of Directors meetings.

Flow of "Investment Project Review Committee"



Classification into phases by the "Revitalization Plan Review Committee"



Optimization of the amount of equity of each company in the Group

We worked to optimize the amount of equity of each company in the Group and reduce its total assets so that each company can promote B/S-conscious management and improve asset efficiency in consideration of financial safety.

Specifically, we determined the appropriate equity ratio of each company by examining necessary funds including operating funds and the amount that can avoid impairment risks and business risks. The difference between the amount of equity and the amount of appropriate equity on the record date (the last day of February 2018) was absorbed as a special dividend to the holding company J. Front Retailing to increase the amount of its equity. As a result, the double leverage* ratio, which is one of important indicators for rating a holding company, improved from 100% to 94%.

*Double leverage: This occurs when a holding company uses debt to acquire shares in subsidiaries and associates and the subsidiaries and associates procure debt financing.

Optimization of the amount of equity of each company in the Group

Calculation formula

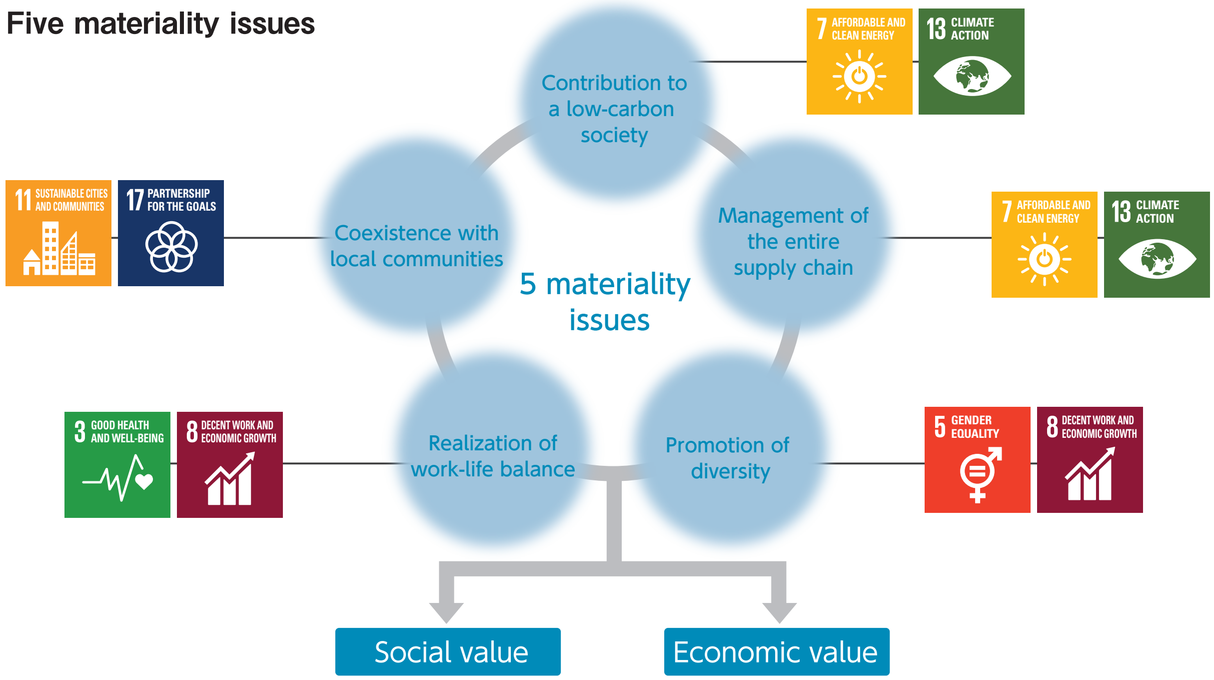
$$\text{Double leverage ratio (100\% or less is desirable)} = \frac{\text{Shares of subsidiaries and associates}}{\text{Equity of JFR}}$$

Sustainability

The Company formulated the Sustainability Policy in 2018 and identified five materiality issues to be addressed by the Company after a lot of discussions at the Management Meetings and the Board of Directors meetings based on the results of the questionnaire survey for 4,250 stakeholders. We also developed the "Eco Vision" and "Social Vision," which indicate our thoughts and guidelines for action to resolve environmental issues and social issues. At the same time, we set medium- to long-term goals for each materiality issue and work on them in conjunction with our business strategy. We created the "Sustainability Committee" to promote sustainability management in all companies in the Group in a cross-organizational manner. The Committee develops action plans for each company in the Group and manages the progress.

We will continue to implement our distinctive initiatives along with people, local communities and environment to realize a sustainable society and new happiness in life.

Five materiality issues



Process to identify materiality

Selected 100 social issues that seem to have a significant impact on the environment and society

↓

Selected 25 items
(organizational governance, race, labor practices, the environment, fair operating practices, community, etc.)
by reference to the Company's initiatives and ESG guidelines and benchmark companies

↓

Conducted a questionnaire survey of stakeholders (4,250 people) and interviewed the management team

↓

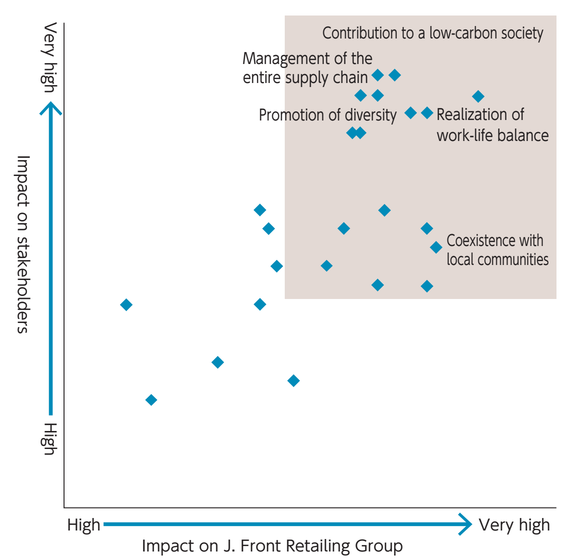
Discussed at the Management Meetings and the Board of Directors meetings

↓

Selected 5 materiality issues

"Contribution to a low-carbon society"
"Management of the entire supply chain"
"Coexistence with local communities"
*including "contribution to vitalizing local economy"
"Promotion of diversity"
"Realization of work-life balance"

J. Front Retailing Group materiality map



Materiality KPIs and actions

We set medium- to long-term goals for each of five materiality issues and take specific actions. We believe we can contribute to the SDGs (Sustainable Development Goals) proposed by the United Nations by implementing each action.

	Long-term goals	Actions
Contribution to a low-carbon society	● 2050 Zero CO_2 emissions (Scopes 1 and 2 vs. 2017) ● 2030 40% reduction of CO_2 emissions (Scopes 1 and 2 vs. 2017)	● Replacement with renewable energy ● Introduction of energy-saving and highly efficient equipment ● Replacement with LED lighting ● Replacement of company cars with EVs ● Replacement with office supplies made from green materials ● Promotion of paperless operations ● Response to SBT/TCFD/CDP 7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Management of the entire supply chain	● 2030 100% dissemination of the Principles of Action for Suppliers ● 2030 Aim to reduce CO_2 emissions by 40% (Scope 3 vs. 2017)	● Formulation and dissemination of the Principles of Action for Suppliers ● Scope 3 CO_2 emissions reduction ● Replacement with office supplies made from green materials ● Ecoff initiative 7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION
Coexistence with local communities	● Mutually cooperate with local communities in using our strong know-how of urban development and revitalizing local communities to create sustainable communities	● Promotion of urban development Store planning for the new main building of the Daimaru Shinsaibashi store and new Shibuya Parco Development of local historic facilities through renovation ● Expansion of local production for local consumption Expansion of local production for local consumption using nationwide store network Expansion of offering of Japanese unique products ● Response to disasters BCP plan 11 SUSTAINABLE CITIES AND COMMUNITIES 17 PARTNERSHIP FOR THE GOALS
Promotion of diversity	● Ratio of women in management positions 2025 30% 2030 Aim for 50% ● 2030 Aim to extend the retirement age to 70 ● 2030 Ratio of disabled employees: 3.0%	● Actions for women's empowerment Shortened working hours system for women coming back from child care Improvement of education and provision of information during a leave of absence Women's School, Mother Recruitment for child-raising generation ● Promotion of senior empowerment Development of job categories and duties, optional working hours, lifting of the ban on second jobs and side jobs for employees aged 60 and older ● Employment of disabled people Improvement of the work environment of operating companies in the Group Development of new business by a special subsidiary 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH
Realization of work-life balance	● 2030 Men taking child care leave: 100% ● 2050 Turnover due to child/family care: 0%	● Expansion of work systems Homeworking, remote working (creation of satellite offices) Minimization of transfer with or without family ● Use of technologies Use of technologies such as AI and RPA ● Expansion of work systems and rules Introduction of paid child care leave, improvement of nursing care leave, creation of child care facilities within offices 3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH

Participation in initiatives

We declare participation in global initiatives including the United Nations Global Compact to clarify our intention to address sustainability. We will fulfill our responsibilities as a corporate citizen and realize the SDGs by following the principles set forth in each initiative.

WE SUPPORT UN GLOBAL COMPACT

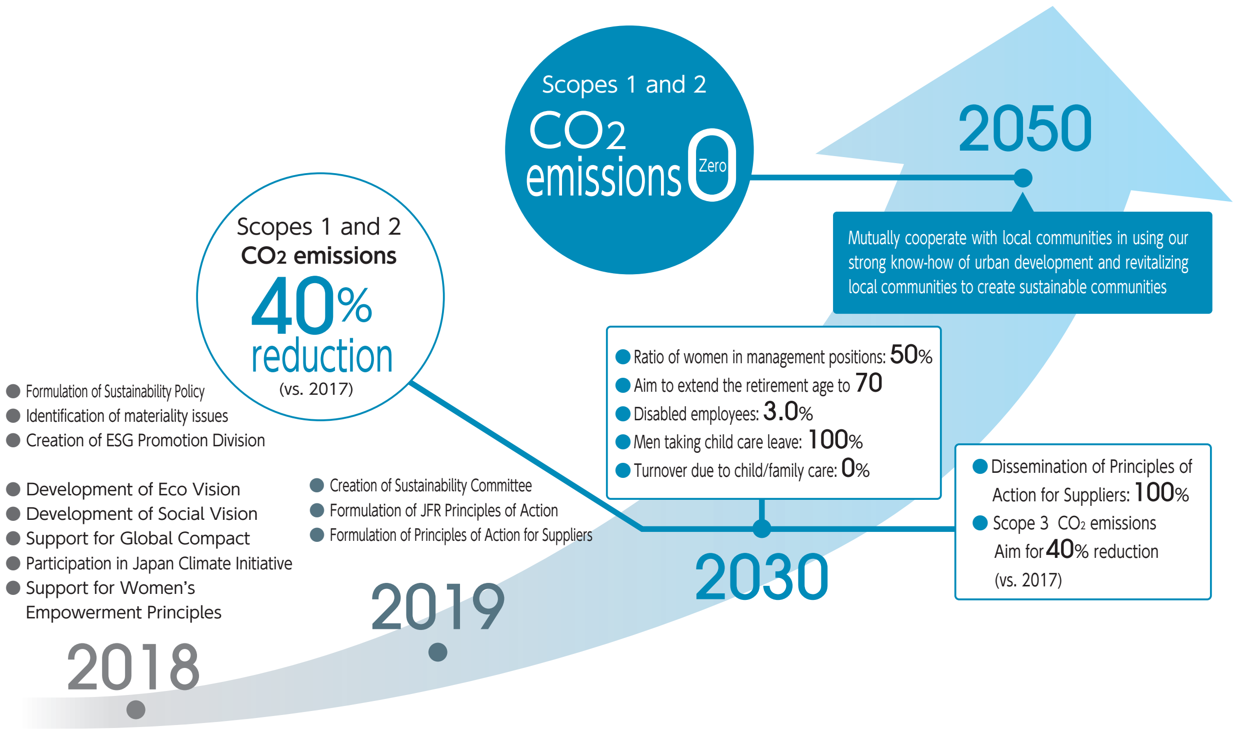
JCI 気候変動イニシアティブ Japan Climate Initiative

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

We Support WOMEN'S EMPOWERMENT PRINCIPLES EQUALITY MEANS BUSINESS UN WOMEN UNITED NATIONS GLOBAL COMPACT www.weprinciples.org

Sustainability road map

Aiming at the sustainable enhancement of corporate value, we have set our goals for 2030 and 2050 and try to implement "discontinuous initiatives" by backcasting.

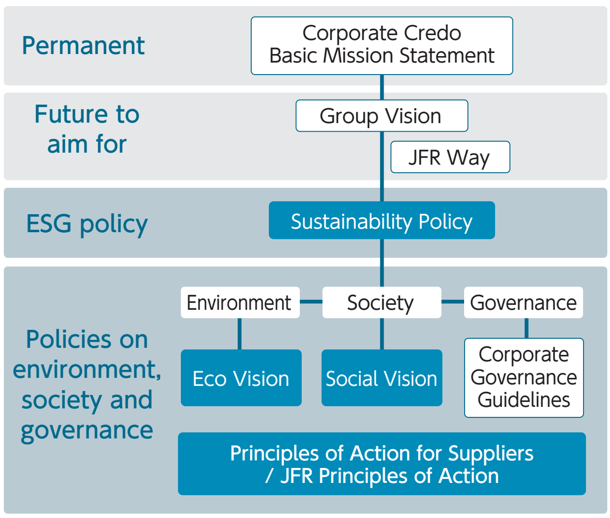


Creation of the Sustainability Committee

We created the Sustainability Committee to promote sustainability management in all companies in the Group in a cross-organizational manner by addressing ESG materiality issues. The Committee, as well as the Risk Management Committee and Compliance Committee, is positioned as an advisory committee directly under the President and Representative Executive Officer. It meets biannually to develop action plans concerning the five materiality issues of each company in the Group so that they can be addressed by the entire Group and monitor the progress. The Board of Directors receives reports about what was discussed at the Sustainability Committee and discusses and supervises the long-term goals on ESG issues and the progress of actions.

ESG course of action

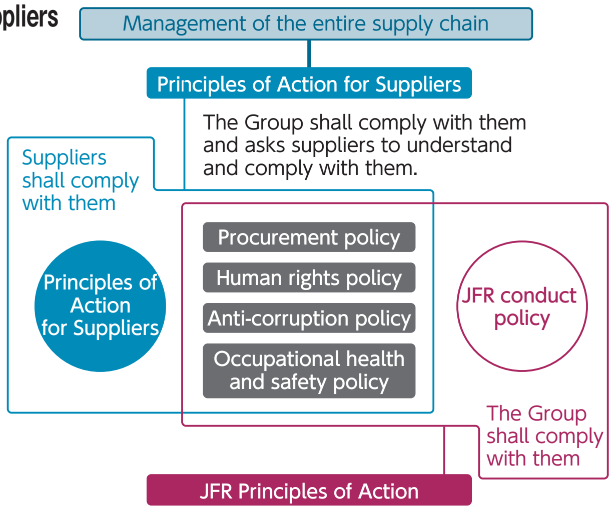
The "Sustainability Policy," which stipulates the general policy of ESG initiatives, serves as guidelines for all ESG activities. We developed separate environmental and social visions (the Eco Vision and Social Vision) in accordance with the "Sustainability Policy." These visions as well as the Corporate Governance Guidelines guide our ESG activities. We formulated the "JFR Principles of Action" and "Principles of Action for Suppliers" by translating these visions into a specific action level to implement specific actions in accordance with them. We will share these Principles with employees and suppliers and promote ESG activities.



JFR Principles of Action and Principles of Action for Suppliers

The JFR Principles of Action set forth basic actions that each individual of all officers and employees in the Group should understand and follow on a daily basis from a perspective of recognizing their roles and responsibilities and acting with a high sense of ethics to fulfill their social responsibilities toward the realization of the Corporate Credo and Visions.

The Principles of Action for Suppliers provide for the matters to be complied with by the Group and suppliers to meet their social responsibilities. By complying with these Principles, the Group will fulfill its social responsibilities along with suppliers and aim to enhance corporate value.



Formulated the JFR Principles of Action and Principles of Action for Suppliers and four policies

JFR conduct policy and guidelines for action for suppliers

They are the most basic policies in the "Principles of Action." We will comply with and ask suppliers to understand and cooperate in complying with five items including "fair business activities," "consideration for human rights and the work environment," "consideration for the environment," "consideration for the safety and security of products and services" and "contribution to local communities."

Procurement policy, human rights policy, anti-corruption policy and occupational health and safety policy

(1) Procurement policy

This policy is intended to ensure that the Group will procure products and services, increase business competitiveness and enhance corporate value to realize the optimal procurement for business.

(2) Human rights policy

This policy was developed so that we can have a better understanding of various human rights issues underlying all our business activities and take appropriate actions.

(3) Anti-corruption policy

Recognizing corruption and bribery as a serious risk factor that severely damages the trust of companies, we will prevent the actions that may constitute corruption or bribery and perform fair and highly transparent corporate activities.

(4) Occupational health and safety policy

Based on the idea that occupational health and safety is the most important foundation of business activities, we will work to improve employees' occupational health and safety levels with top priority on ensuring health and safety.

Items of "JFR Principles of Action" and "Principles of Action for Suppliers"

1 Fair business activities	(i) Legal compliance (ii) Prohibition of transactions with antisocial forces (iii) Prohibition of corruption, bribery and the like (iv) Prohibition of giving and accepting of improper benefits (v) Prohibition of anticompetitive acts (vi) Disclosure of information (vii) Prevention of leakage of personal information (viii) Protection of intellectual properties (ix) Promotion of responsible procurement
2 Consideration for human rights and the work environment	(i) Prohibition of discrimination (ii) Prohibition of harassment (iii) Provision of safe work environment (iv) Respect for freedom of association and collective bargaining (v) Prohibition of forced labor (vi) Prohibition of child labor (vii) Responsibility for local communities (viii) Disaster prevention measures
3 Consideration for the environment	(i) Actions against global warming (ii) Sustainable use of resources (iii) Prevention of pollution (iv) Biodiversity (v) Elimination of chemicals
4 Consideration for the safety and security of products and services	(i) Compliance with safety standards (ii) Prevention of accidents from happening or expanding (iii) Response to customers
5 Contribution to local communities	(i) Activities to realize development of local communities (ii) Cooperation with local communities

Internal dissemination measures

We think it is essential for individual employees to understand the purpose and meaning of ESG initiatives and address them as "persons involved" in order to promote these initiatives. Therefore, the management team members of each operating company explain in person the background and importance of ESG initiatives and internal newsletters are issued to raise awareness.

Special issue of internal newsletter featuring ESG

Achieving Zero CO_2 Emissions

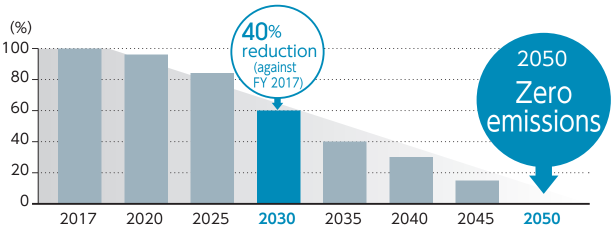
Contribution to a low-carbon society

As global awareness for climate change increases, our long-term vision for the environment "Eco Vision" was formulated. We will work on reducing energy consumption, increasing energy use efficiency, enhancing renewable energy usage and cooperating with customers and suppliers to reduce CO_2 emissions. Through these activities, we aim to contribute to preventing global warming and air pollution and make the global environment sustainable.

Target

CO_2 emissions (Scopes 1 and 2)

By 2030: 40% reduction (Compared with fiscal year 2017) ▶ By 2050: 0 Zero emissions



Eco Vision

Approach

Increasing global warming and extreme weather events are examples of how environmental risks can affect our lives. We, as a member of society, believe it is our important mission to consider environmental issues as top priority and implement companywide efforts to maintain the global environment which is irreplaceable and precious. To achieve this mission, we will take action to resolve environmental issues through our business activities. In turn, these efforts will ensure that the various stakeholder contact points stated in our Sustainable Policy continue to thrive.

Each of us will deepen our knowledge and awareness of environmental issues, comply with legal requirements and internal standards, and take responsibility for addressing these issues.

Guidelines for action

1. **Efforts to reduce energy consumption and emissions**
   We will strive to continuously reduce energy consumption and emissions through business activities in our stores and offices as well as the entire supply chain.
2. **Response to a recycling society**
   We will work with customers and suppliers to recycle waste from homes and our stores and offices and strive to improve the resource efficiency of business activities by recycling resources and using recycled resources.
3. **Provision of products and services that contribute to a low-carbon society**
   We will develop and provide environment-friendly and high-value-added products and services that contribute to a low-carbon society through our stores and offices.
4. **Development of promotion system**
   We will develop J. Front Retailing Group's environmental plan at the "Sustainability Committee." Each company in the Group will set medium- to long-term targets based on the environmental plan, develop and promote a specific action plan, and review them on a regular basis for continuous improvement.
5. **Environmental education and communication with stakeholders**
   We will actively promote environmental awareness raising activities to increase environmental awareness of individual employees. We will also strive to mutually raise environmental awareness through active dialogue with stakeholders.

Participating in environmental initiatives

The Group has announced its participation in various initiatives to make its policy and activities on climate change visible to the public.

● Application for Science Based Targets Initiative (SBT) certification

We will apply for SBT certification, an global initiative, with the aim to acquire certification in fiscal year 2019.

● Support for the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

We support the final report of the Task Force on Climate-related Financial Disclosures (TCFD) established by the Financial Stability Board (FSB), and joined the TCFD Consortium of Japan which launched on May 27, 2019.

● Participation in Japan Climate Initiative (JCI)

We participate in the Japan Climate Initiative (JCI) which is a network of companies, local governments and NGOs that are actively implementing climate actions and agree to aim for decarbonization.

CO_2 emissions reduction: progress and management

●Independent, third-party verification on CO_2 emissions

To achieve our long-term goal for CO_2 emissions reduction, we established the JFR Group annual emission target to monitor progress. In order to ensure objectivity and reliability of environmental data in our disclosure, we obtained an independent, third-party verification of CO_2 emissions and energy consumption for fiscal year 2017 (the base year for CO_2 emissions reduction) and fiscal year 2018.


Lloyd's Register

LR独立保証声明書

J.フロントリテイリング株式会社の統合報告書 2019 に記載された 2017 年度及び 2018 年度環境データに関する保証

Certificate of independent verification (excerpt)

JFR Group Environmental Data

	FY 2017 (Base year)	FY 2018
CO_2 emissions (t- CO_2)	194,154	182,566
Energy consumption (kℓ)	101,143	99,761

Flagship store for promoting ESG initiatives: New main building, Daimaru Shinsaibashi store

The new main building of the Daimaru Shinsaibashi store which is scheduled to open on September 20, 2019, is designated as the flagship store to promote ESG initiatives. It will engage in various activities to "contribute to a low-carbon society".

The CO_2 emissions from the new main building of the Daimaru Shinsaibashi store in fiscal year 2020 will be approximately 7,000 t-CO_2 less compared* to the former main building (in fiscal year 2015). It will use 100% renewable energy for all power needs, and LED units will be deployed in all lighting fixtures.

The new rooftop area and 7th floor terrace will be utilized for active greenification initiatives. The rooftop will be used for keeping honeybees in a green area. 70 cars and vans owned as company fleet will be gradually replaced by electric vehicles.

*The building structure is different because it was rebuilt.

Flagship store for promoting ESG initiatives: New main building, Daimaru Shinsaibashi store

7th floor terrace

New Shibuya Parco—environmentally friendly next generation building

The Ministry of Land, Infrastructure, Transport and Tourism chose Shibuya Parco, scheduled to open in late November 2019, as a "Leading project for sustainable building initiative (CO_2 reduction initiative)" for the following features: (1) Attractive outdoor space including roof top square and multi-level pathways; (2) Proactive installation of high-efficiency energy system including a cogeneration system (CGS) (*1); and (3) Use of digital communication technology to promote efficient energy use. In addition to installing the latest equipment and fixtures, we will also "visualize" energy efficiency for energy management systems so as to make it a multi-purpose commercial space showcasing efficient energy use with lower CO_2 emissions.

Rendering of New Shibuya Parco, an environmentally friendly next generation building ©2019, Takenaka Corporation

*1 Cogeneration system (CGS): System that simultaneously produces and supplies electricity and heat from a single energy source.

Actions to realize a recycling society in partnership with our customers

Daimaru Matsuzakaya Department Stores conducts the "Ecoff recycling campaign" on a regular basis. Customers bring disused clothing, shoes and bags to the stores for reuse and recycling and receive shopping support tickets in exchange that allow them to buy new items. Cumulatively, more than 1.92 million articles have been collected from August 2016 to April 2019. This campaign is successfully expanding.

Sustainability, from Procurement to Consumption

7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION

Management of the entire supply chain

By fulfilling social responsibilities and promoting environment-friendly initiatives throughout the entire supply chain, we will eliminate risk in the entire supply chain. Also, by providing products that customers can enjoy without concern for social and environmental issues, we will enhance the corporate values of both the Group and its suppliers.

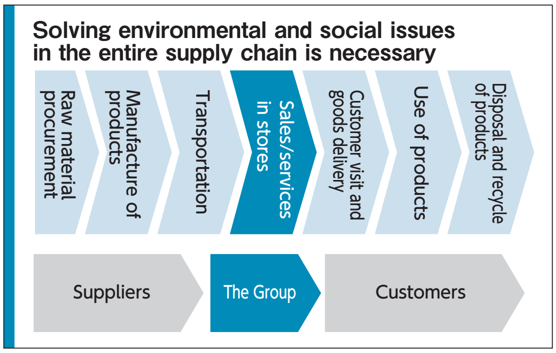
Target

Target to be achieved by 2030

- Awareness of supply chain policy (Principles of Action for Suppliers)
  Target: 100%
- Scope 3 CO_2 emissions reduction target
  Aiming for 40% reduction
  (compared with FY 2017)

Supply chain of the Group

In the retail business, the core business of the Group, we sell goods and offer services in a supply chain that extends from procurement of raw materials to production/sale/consumption. Thus, initiatives to solve environmental and social issues in the entire supply chain, including our suppliers, are essential, not just in the areas where we are directly involved.



Formulation of "JFR Principles of Action" and "Principles of Action for Suppliers"

We have formulated "JFR Principles of Action" and "Principles of Action for Suppliers" to eliminate environmental and social risks in the entire supply chain.

These Principles define basic actions to be understood and followed so both the Group and our suppliers can fulfill social responsibilities. "JFR Principles of Action" are composed of "JFR conduct policy" and four policies common with "Principles of Action for Suppliers": "Procurement policy," "Human rights policy," "Anti-corruption policy," and "Occupational health and safety policy." "JFR Principles of Action for Suppliers" are composed of "Guidelines for action for suppliers" and the four common policies mentioned above. By complying with these Principles, we will fulfill social responsibilities together with our suppliers and strive to enhance corporate value of both parties.

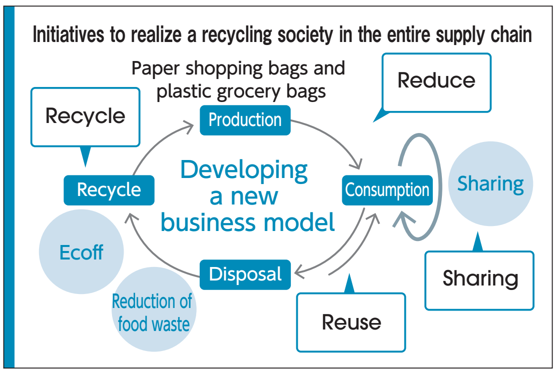
Future initiatives related to "Principles of Action for Suppliers"

Starting in the summer of 2019, we will hold explanatory sessions, etc., of the "Principles of Action for Suppliers" in order to obtain the understanding and support of suppliers and request them to follow the Principles in their operations. In addition, we will carry out a survey to confirm compliance with the Principles and gradually develop a system to assess compliance. We will find new suppliers who will commit to fulfilling social responsibilities and business focusing on products and services with less environmental burden.

Initiatives to realize a recycling society in the entire supply chain

The Group aims to propose a shopping style with customer-participation through eco-friendly recycling and reuse activities, as well as develop a new business model regarding a sharing economy.

Daimaru Matsuzakaya Department Stores have been carrying out the "Ecoff" recycling campaign since fiscal year 2016. Starting August 2019, 16 stores will use shopping bags made of environment friendly FSC® certified paper. The stores are gradually switching plastic bags for food items to 30% plant-based packaging material. Through these initiatives, we are working on realizing a recycling society.



With Communities and with Our Customers

11 SUSTAINABLE CITIES AND COMMUNITIES
17 PARTNERSHIPS FOR THE GOALS

Coexistence with local communities

Through coexistence with local communities, we try to unite two goals: realizing a sustainable society and ensuring a delightful shopping experience in areas where retail design is integrated into urban planning. Through such an initiative, we aim to revitalize communities by enhancing the appeal of the area and achieve medium to long term growth together with communities.

Target

2050 ▶ **Through partnership among local communities, governments and retailers, we will make compatible the solving of environmental issues and urban/community planning which showcases local assets, our area of expertise, thereby realizing sustainable and advanced urban development.**

Promoting "Urban Dominant strategy"

The Group promotes the "Urban Dominant strategy," which is a business model pursuing growth in partnership with local communities, utilizing our stores as the core asset to enhance the appeal of the entire area. Promoting this strategy automatically leads to attracting more visitors and customers to the area, thus contributing to the community.

In 2017, we opened Ginza Six and Ueno Frontier Tower and succeeded in attracting new customers to both areas.

Ginza Six offers more than retail shopping experience, with Kanze Noh Theater providing opportunities for cultural exchange, the largest rooftop garden in Ginza area, bus stops and a service center for tourists, etc. It also serves as an emergency shelter for the stranded in times of emergency. Thus, it contributes to improving convenience and amenities of the area, as well as improving disaster preparedness. In Ueno Frontier Tower, the tourist information center, "Ueno-ga-Suki", meaning "we love Ueno" in Japanese and offering local information, events, and the sale of goods, is on the 1st basement floor of the main building of the Matsuzakaya Ueno Store. In "Okachimachi Panda Hiroba" various events are held on regular basis in collaboration with the government and the neighboring shopping districts.

In fall 2019, the newly rebuilt main building of the Daimaru Shinsaibashi store and Shibuya Parco are set to open. In both projects, we will work together with the local communities and the governments to promote advanced urban development to make the areas more appealing.

Ginza Six

Ueno Frontier Tower

Expansion of local production for local consumption

"Local production for local consumption" initiatives help revitalize local economies. Daimaru and Matsuzakaya stores aim to contribute to the revitalization of local areas by expanding the lineup of products that are unique to the area, capitalizing on its countrywide store network. As part of this initiative, the Matsuzakaya Shizuoka store collaborated with a local farm and a culinary institute to develop and sell sweets using local production.

Planting tomatoes to be used for sweets together with the local farmers and culinary institute students.

Partnerships with universities in the area

The Daimaru Kobe store has entered into a "Comprehensive partnership agreement on revitalizing local society and promoting lifelong education" with Kobe Gakuin University. We are cooperating in nine areas including joint projects for fostering creativity in children, providing support for the next generation, promoting education and human resource development, disaster prevention and mitigation, local development and resolving local issues, among others.

The Matsuzakaya Nagoya store has entered into a comprehensive partnership with Nagoya University. Through the partnership, both parties will cooperate in the fields of culture, industry, education, academia, etc. for the purpose of contributing to regional growth and human resource development.

"Midori-no-hiroba," on the 8th floor of Daimaru Kobe store was used to provide a farm experience and dietary education classes.

Diversity as a Source of Growth

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

Promotion of diversity

Aiming to become a company where people from different cultures and customs and of all ages, genders and abilities coexist, and where diversity is respected and accepted, we will build a company-wide and continuing system to promote and implement diversity.

Target

- **Percentage of women in management positions**
  2025: 30% ▶ 2030: 50%
- **Retirement age** ▶ 2030: 70 years old
- **Percentage of disabled employment**
  ▶ 2030: 3.0%

Promoting women's empowerment

1. Appointment of female leaders

Regardless of gender, we will promote human resources recruitment and assignment based on individual ability, performance, aptitude and motivation. At Daimaru Matsuzakaya Department Stores, our core business company, women accounted for 23.0% of total management positions in March 2019. And as of May 29, 2019, three female Executive Officers were appointed making up 20.0% of a total of 15 Executive Officers of the company. In addition, a female Managing Executive Officer was appointed in J. Front Retailing as well. We will actively appoint women to leadership, management and other important positions to further empower motivated women.

Daimaru Matsuzakaya Department Stores female employees in management positions

	Number of female employees	Total	Percentage of females
General Managers	14	108	13.0%
Managers	81	305	26.6%
Total	95	413	23.0%

(As of March 1, 2019)

*The figures include workers seconded to Daimaru Matsuzakaya Sales Associates.
*The number of "Manager" is the total of Managers, Sales Managers, and Supervisors (Daimaru Matsuzakaya Sales Associates).

*** The percentage of women in management positions in J. Front Retailing Group (consolidated) is 14.7%, as of the end of February 2019.**

2. Initiatives to promote women's empowerment

We launched a "Mother Recruitment" program to hire experts who left their jobs for child care. "JFR Women's School" was launched for women such as those who chose shortened working hours while raising children to help them acquire time management and business skills. In fiscal year 2018, 32 employees took the classes. To build a workplace where women can continue to balance childcare and family care with work, the Group has set various system in place that provide better benefits than the legal requirement.

Child care and family care related benefits of Daimaru Matsuzakaya Department Stores superior to legal requirement

Type	Description
Child care leave	Up to the final day of the month when the child enters an elementary school (Legal childcare leave lasts until the child reaches the age of 2, at the longest.)
Shortened work hours for child care	Up to the final day of the month when the child enters an elementary school (Legal requirement is until the child reaches the age of 3.) *By opting for "flexible work system," an employee may work shortened hours until the final day of the month when the child enters a junior high school.
Leave to care for sick/injured child	Paid leave (Under the current law, employers can offer unpaid leave in such situation.)
Short-term leave to support child care	Up to 4 days of paid leave to care for a child under age 3 (No legal requirement)
Spousal leave for childbirth	1 day of paid leave (No legal requirement)
Short-term child care leave *Introduced in March 2019	In addition to the above child care leave (unpaid), employees may take paid short-term leave for child care under the new system. (Under the current law, employers can offer unpaid leave in such situation.)

Promoting the empowerment of employees of advanced age

In preparation for the aging society, we consider that empowering human resources of advanced age is essential. To achieve the Group's 2030 target, retirement at 70 years old, we will work on developing job opportunities and responsibilities for those aged 60 or above, introduce a system where workers can choose working hours, and abolish the ban on dual jobs and side employment.

Before their retirement, we hold annual "My Life Plan Seminar" to employees turning 53 years old with themes including life design in the future, health management, work and life motivation (300 employees attended in fiscal year 2018). On the other hand, we consider it important for human resources of advanced age to acquire new knowledge and skills, in addition to transmitting their knowledge and skills to younger employees. For this purpose, we are developing a training program for recurrent education.

Employment of people with disabilities

We are committed to corporate social responsibility of employing disabled people. Along with improving the working environment of operating companies in the Group, we are also developing business in our special subsidiary, JFR Create Co., Ltd. which was established in April 2017 and certified as a special subsidiary by the Ministry of Health, Labor and Welfare in September 2017. It was officially registered as "Osaka Prefecture Superior Support Company for People with Disabilities" as a company that actively hires and offers employment support to disabled people.

*Employment rate of disabled people in the special scope of subsidiaries including Daimaru Matsuzakaya Department Stores was 2.21% as of June 2018.

In "Abilympic Osaka 2018," where disabled people compete and showcase their job-related skills, our employees demonstrated their capabilities in the office-assistant class, winning one Gold medal and two Silver medals.

Innovation in Our Work Styles

Realization of work-life balance

With the aim of realizing true work-life balance that meets changes in lifestyles and diversified values, we will innovate work styles using technologies, streamline operations, and shift to creative operations in order to realize a work environment that contributes to the happiness and well-being of our employees and their families.

Target

- **Percentage of men taking childcare leave**
  - in 2030: 100%
- **Percentage of employees who leave their job due to child or family care**
  - in 2025: 0%

Target for 2050

Our target in realizing work-life balance for 2050 is "To ensure that corporate culture and work options exist so that individual employees can achieve work-life balance that is best for their life stage so we as a company can contribute to the happiness and well-being of our employees and their families." To accomplish this, we will take actions to expand and change how we work.

Expansion of systems and rules for work style reform

1. **Establishment of short-term childcare leave**
   In addition to the existing childcare leave (without pay), we introduced a new short-term paid childcare leave (up to two weeks). It is expected to enhance more male employees to take childcare leave.
2. **Flexible working system for employees who chose shortened working hours (for those with childcare or family care)**
   We gave options to employees who chose shortened work hours to proactively expand their working opportunities. Under the new system, they can work full hours once a week, if they choose. In addition, employees working shortened hours are now eligible for flexible working hour system.
3. **Introduction of half-day paid leave**
   We introduced a new system where employees can use their annual paid leave in half-day segments.
4. **Introduction of telework**
   We are working on introducing telework from home.

* 1, 2 and 3 above have started in JFR, Daimaru Matsuzakaya Department Stores, DMSA and JFR Service since March 2019. 4 has been implemented in Parco and JFR Information Center, and from May 2019 it is applied in JFR.

Area Limited Employee System

By increasing work style options, we aim to build a foundation on which each employee can plan and achieve his or her balance between professional development and personal life. To this end, Daimaru Matsuzakaya Department Stores has introduced the "Area Limited Employee System" that allows employees to limit their workplace in one of five areas including Sapporo, Tokyo, Kansai, Chubu and Shizuoka.

Use of technologies

We will streamline operations using technologies including AI and RPA and shift man-hours created by increased efficiency to high value-added operations. Jobs that technologies can accomplish should be automated, and human resources will be reassigned to creative jobs.

To adapt to more flexible working style, we will introduce mobile PC, new teleconferencing system and promote paperless digital meetings.

Initiatives for health maintenance and improvement

Based on the basic thinking that "employees are the company's greatest asset and that the employees' physical and mental well-being are crucial for us to provide better services to customers," we promote thorough implementation of industrial health and safety measures and initiatives to maintain and improve employees' health. Specific initiatives for health maintenance and improvement include prevention of lifestyle diseases and management of mental health, among others, in cooperation with the Group's health insurance association.

We offer lifestyle diseases prevention screening including specified checkup items to employees aged 35 and over, in addition to the legally required regular health examination. Also, there are women's health checkups including breast cancer and uterus cancer exams, and prostate-specific antigen (PSA) test for male employees aged 50 and over. Using data from these exams, we provide individual health guidance, identify health management issues and establish goals for each office and implement various improvement measures.

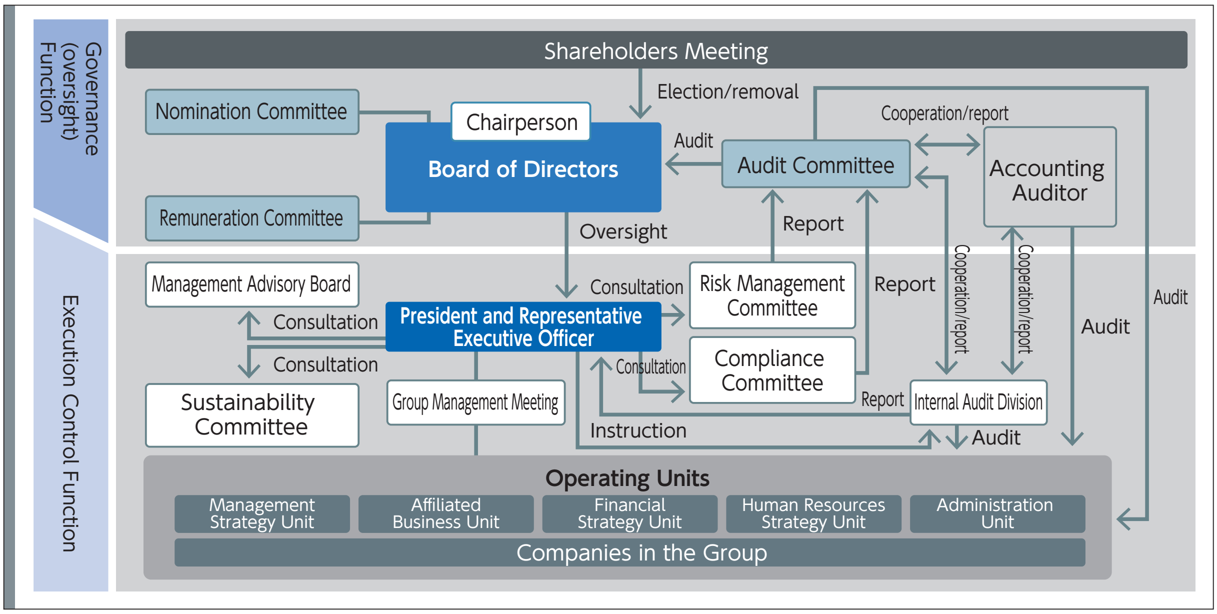
We conduct stress checks for mental health required by law. In addition to promoting mental health self-management, we will use the survey results on the organizational environment to implement initiatives to realize a working environment where all employees can fulfill his or her true potential.

Corporate Governance

As a holding company, J. Front Retailing puts the strengthening of corporate governance at the top of its business agenda to ensure the legal compliance, transparency, objectivity and soundness of the business of the entire Group and focus on and thoroughly fulfill its accountability to its stakeholders (customers, shareholders, employees, business partners, local communities and others) as the core of the unified governance of the Group.

As part of these efforts, the Company made the transition to a Company with Three Committees (Nomination, Audit and Remuneration Committees) through the resolution adopted at the Annual Shareholders Meeting in May 2017. The purpose of this change is to further strengthen corporate governance by:

(1) Strengthening of the management oversight function by separating oversight from execution;
(2) Greater clarity of authority and responsibility in business execution and promotion of agile management;
(3) Improvement of transparency and objectivity of management; and
(4) Building of 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 delegates authority to its respective operating subsidiaries with respect to matters involving business execution by the operating subsidiaries in an effort to speed up business decisions and to make managerial responsibilities clear.

The roles and responsibilities of the Company, as a pure holding company, are as described below:

- Establishment of corporate governance practices for the entire Group;
- Planning and formulating of the Group Vision, Group Medium-term Business Plan and Group Management Policy and tracking of the progress and results thereof;
- Optimal allocation of the Group's management resources;
- Establishment of the Group-wide risk management system and involvement in internal audits;
- Decision making on important matters involving business execution relating to the management of the Group; and
- Provision of advice and approval for the management policies and management strategies of respective operating companies and oversight and evaluation of the progress thereof.

The Company has five supervisory units (Management Strategy Unit, Affiliated Business Unit, Financial Strategy Unit, Human Resources 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 system of the entire Group.

Board of Directors

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

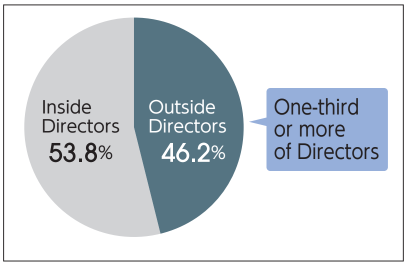
Directors who are elected by shareholders and are entrusted with the management of the Company are to carry out the following roles and responsibilities in the Board of Directors in accordance with their fiduciary responsibility and accountability to shareholders with the aim of realizing the Group Vision:

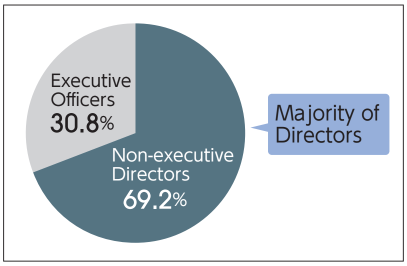
- Indicating the overall direction that the Group management is to take by engaging in constructive discussions with respect to the Group Vision, Group Medium-term Business Plan, Group Management Policy and other fundamental management policies and carrying out multifaceted and objective deliberations that include evaluation of risks with respect to the aforementioned;
- Making appropriate decisions in terms of overall policy and plans pertaining to the Group management on the basis of the direction noted above and overseeing the progress and results of the plans;
- Improving the environment to drive aggressive management toward discontinuous growth;
- Taking steps to build and develop internal control systems of the Group overall and otherwise overseeing the operational status of such systems;
- Overseeing conflicts of interest between related parties; and
- On the basis of summary reports furnished by the Nomination Committee, overseeing the progress of senior management team succession planning, personnel assignment plans pertaining to managerial talent and management team training, as delegated to the Nomination Committee.

(2) Composition of the Board of Directors

The Board of Directors of the Company is comprised of the appropriate number of 15 or less Directors as set forth in the Articles of Incorporation. The number of Directors is thirteen (six of whom are independent Outside Directors) as of May 23, 2019 and the term of office is one year.

When nominating Director candidates, the Company ensures diversity in consideration of the balance of knowledge, experience and ability on the Board of Directors as a whole. In appointing Outside Directors, we confirm, in accordance with the Criteria for Determining Independence of Outside Directors set by the Company, that nominees are highly independent not being susceptible to conflicts of interest with the Company's shareholders.





As of May 23, 2019

(3) Matters discussed at the Board of Directors meetings in fiscal year 2018

In fiscal year 2018, the Board of Directors had 14 meetings to deliberate and resolve: the "progress of the Medium-term Business Plan" as strategic discussion for the medium- to long-term growth of the Group; the "growth strategy of the Credit and Finance Business" and the "development plan of Sakae Kadochi in Nagoya" as discussion concerning individual growth businesses; the "validation of rationale for cross-shareholdings and sales of such shares" and the "basic policy to build internal control systems" as discussion concerning corporate governance; the "Group human resources strategy" and the "initiative for strategic ESG corporate management" as discussion to strengthen operating foundations; the "closure of the Daimaru Yamashina Store", the "closures of Utsunomiya Parco and Kumamoto Parco" and the "subscription of the share buyback planned by Senshukai and the dissolution of the capital tie-up therewith" as discussion on the replacement of businesses and assets to improve capital efficiency; as well as approving budgets and financial statements.

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. The Nomination Committee determines the content of the proposals relating to the election and dismissal of Directors to be submitted to the Shareholders Meeting as well as the content of the reports relating to the election and dismissal of the members of the management teams of the Company and Daimaru Matsuzakaya Department Stores and the appointment and removal of the chairpersons and members of each of the statutory committees to be submitted to the Board of Directors.

(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. The chairperson is chosen from among independent Outside Directors from the standpoint of ensuring transparency and objectivity. The Audit Committee effectively audits the efficient performance of duties by Executive Officers and Directors in compliance with applicable laws and regulations as well as the Articles of Incorporation and in line with the Company's Basic Mission Statement and the Group Vision, and thus provides necessary advice and recommendations. In addition, the Audit Committee audits the building and operation status of internal control, and prepares audit reports.

In addition, the Audit Committee oversees accounting auditors to ensure the reliability of accounting information and determines the content of proposals relating to the election and dismissal of accounting auditors to be presented to the Shareholders Meeting.

(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. The Remuneration Committee determines the policies on deciding individual remuneration of management personnel of the Company and Daimaru Matsuzakaya Department Stores and the content of remuneration.

Management Advisory Board

In January 2019, the Company reorganized the Governance Committee that had been held as an optional advisory committee to discuss corporate governance-related issues and then newly established the Management Advisory Board that is composed of President and Representative Executive Officer, all Outside Directors, and Chairperson of Board of Directors. The Management Advisory Board freely, vigorously, and constructively discusses and exchanges opinions about various issues concerning corporate governance and overall corporate management; and works to share information and facilitate cooperation with Outside Directors.

Succession planning

The selection of the chief executive officer is the most important strategic decision-making and the Company positions the development and implementation of

Committees and their respective members

				Length of office as Director	3 Statutory Committees			Management Advisory Board
					Nomination Committee	Audit Committee	Remuneration Committee	
Outside Directors (6)	Non-executive (9)	TACHIBANA FUKUSHIMA Sakie*		Approx. 7 years	◎		○	○
Outside Directors (6)	Non-executive (9)	OTA Yoshikatsu		Approx. 4 years	○		◎	○
Outside Directors (6)	Non-executive (9)	ISHII Yasuo		Approx. 2 years	○		○	○
Outside Directors (6)	Non-executive (9)	NISHIKAWA Koichiro		Approx. 2 years		◎		○
Outside Directors (6)	Non-executive (9)	SATO Rieko *		Approx. 1 year		○		○
Outside Directors (6)	Non-executive (9)	UCHIDA Akira		Newly appointed		○		○
Inside Directors (7)	Non-executive (9)	KOBAYASHI Yasuyuki	Chairperson of Board of Directors	Approx. 6 years	○		○	○
Inside Directors (7)	Non-executive (9)	TSUTSUMI Hiroyuki		Approx. 2 years		○		
Inside Directors (7)	Non-executive (9)	MURATA Soichi		Newly appointed		○		
Inside Directors (7)	Executive (4)	YAMAMOTO Ryoichi	President and Representative Executive Officer	Approx. 11 years and 9 months	○		○	◎
Inside Directors (7)	Executive (4)	YOSHIMOTO Tatsuya	Representative Managing Executive Officer	Approx. 6 years				
Inside Directors (7)	Executive (4)	MAKIYAMA Kozo	Managing Executive Officer	Approx. 6 years				
Inside Directors (7)	Executive (4)	WAKABAYASHI Hayato	Managing Executive Officer	Approx. 3 years				

*Female

As of May 23, 2019

succession plans (for the next senior management team) as matters of particular importance in terms of management strategy.

The Company ensures 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 are conducted by the Nomination Committee, in which Outside Directors comprise a majority. In the process of deciding a successor, the Board of Directors plays a supervisory role focused on realizing the Basic Mission Statement and the Group Vision, based on proposals received from the Nomination Committee. With regard to the qualities required of successors, the Company clearly defines the necessary values, capabilities, and behavioral traits in the form of the five qualities required of an officer in the Corporate Governance Guidelines under "Desirable qualities required of JFR Group managerial talent." These are a "strategic mindset," "reform-oriented leadership," "tenacity to achieve results," "organization development strengths" and "human resource development strengths." The Company endeavors to ensure impartial cultivation and selection of successors by sharing these qualities among all members of the Nomination Committee to make them all aware of the indicators used in cultivating and assessing successors.

In addition, the dismissal of the chief executive officer is implemented based on the evaluation determined through highly objective deliberations by the Nomination and Remuneration Committees on the submitted data of differences among the goals set, expected results and actual results (e.g. annual performance and strategy execution status).

Evaluation of the Board of Directors

Evaluation methodology

The evaluation was performed through deliberations by the Board of Directors based on the report prepared by a third-party organization containing summaries and analyses of the results of "individual interviews" conducted for all (both Inside and Outside) Directors based on preliminary questionnaires and "direct observation of the Board of Directors through attendance of its meetings."

Items evaluated

In light of the roles and responsibilities of the Board of Directors, an analysis/evaluation was performed for each of the items for evaluation, including the Board of Directors' composition and its operational status, agenda items, materials for deliberations, level of explanation for proposals, supporting system for Outside Directors, and the effectiveness of three Committees' (Nomination, Audit and Remuneration Committees') activities. We set new questions each time to get answers according to their positions such as Inside Director, Outside Director, Committee Member and Non-Committee Member, as well as giving consideration to ensure comparability.
Evaluation results are shared between Directors and they discuss the solutions to the issues found from the evaluation to continually improve the effectiveness of the Board of Directors.

Evaluation results and countermeasures

The fourth evaluation of the Board of Directors conducted from October to November 2018 identified continuous improvements of the Company's initiatives both formally and practically. On the other hand, some items lowered evaluation points. We recognize that this is not because of a decrease in the effectiveness of the Board of Directors, but because of a heightened expectation for a fundamental solution to issues in order to enhance the corporate value since the framework of the corporate governance system has been already established at the high level.
The Company will continue to share issues based on the evaluation of the Board of Directors to enhance the effectiveness of the entire Board of Directors.

First (2015) to third (2017)

Issues

- Creation of a mechanism to improve proposals
- Focus on corporate strategy proposals
- Review of decision making process
- Strengthening of the function of the committees
- Strengthening of execution

Actions

- Clarification of the roles of the Board of Directors
- Revision of the Board of Directors rules (Clarification of criteria for proposals)
- Shorter explanation for proposals and longer time for discussion
- Prior explanation given to all Outside Directors
- Classification of proposals (Establishment of "discussion" in addition to resolution and report)
- Setup of the Governance Committee and sophistication of discussions
- Improvement of materials (by using format)
- Appointment of external management human resources to ensure speedy facilitation of strategies

Groundwork to enhance the effectiveness

Fourth (2018)

Issues

- Strengthening of discussion of important proposals
- Continuous initiatives to enhance the effectiveness of the Board of Directors
- Strengthening of the function of the Audit Committee
- Strengthening of execution

Actions

- Increase in proposals of important issues (Group strategies, business portfolio, capital policy, resource allocation)
- Strengthening of the monitoring function of the Medium-term Business Plan
- Review of development method of yearly agenda plan
- Setup of the Management Advisory Board that discusses not just governance issues but various other management issues
- Improvement of materials (Enhanced clarification of discussion points, sharing of deliberation status of Management Meetings)

Essential solution to issues to enhance corporate value

Officer remuneration system

1 Policy on determining remuneration for Directors and Executive Officers

To carry out the Medium-term Business Plan steadily for realizing the new Group Vision, the Company has formulated the new “Officer Remuneration Policy” including the introduction of a stock-based remuneration system for officers. The basic policies on the officer remuneration are as follows:

- Contributing to the sustainable growth of the Group and increasing corporate value over the medium to long term;
- A highly performance-based remuneration system that provides incentives to Executive Officers both for accomplishing objectives set under management strategies and business plans and for achieving targets with respect to corporate performance;
- Remuneration levels that can secure and retain personnel who have the “desirable managerial talent qualities” required by the Company;
- Increasing shared awareness of profits with shareholders and awareness of shareholder-focused management; and
- Enhanced transparency and objectivity in the remuneration determining process.

2 Procedures for determining remuneration for Directors and Executive Officers

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 discussion and resolution of the “Remuneration Committee,” which comprises a majority of independent Outside Directors and is chaired by an independent Outside Director. The Remuneration Committee meetings are to be held at least four times per year and the Company plans to conduct a review of the officer remuneration system upon the completion of the period of each Medium-term Business Plan.

3 Remuneration composition for Executive Officers and Non-executive Directors

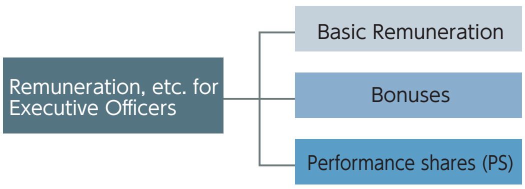
【Basic remuneration】(monetary remuneration)

Basic remuneration is positioned as a fixed remuneration and is decided for each rank (position) based on the size (weight) of the responsibility borne by each officer.

【Restricted stock】(non-performance-linked stock-based remuneration)

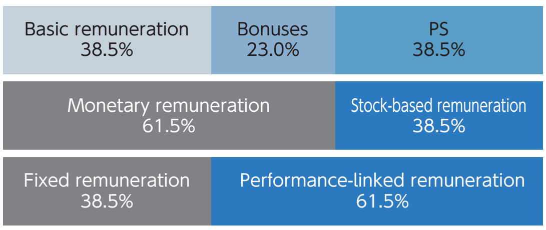
Restricted stock is a system for issuing the Company’s shares in a way that is not linked to performance with the objective of involving Non-executive Directors in management with a medium- to long-term view in order that they should strengthen the aggressive and defensive governance of the Company from a different standpoint from that of Executive Officers as the representatives of stakeholders. The shares are issued upon their retirement from office.

Executive Officers

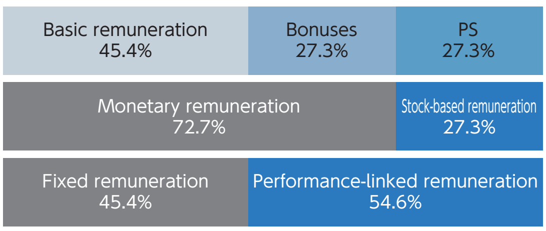


Proportion of remuneration by type for Executive Officers of each rank

【President】



【Executive Officers excluding President】



Note: The above figure represents the case of a bonus for a standard ranking where the performance achievement rate for stock-based remuneration was 100%.

Note: The remuneration composition for Directors and Executive Officers at Daimaru Matsuzakaya Department Stores is the same as that shown for “Executive Officers excluding President” in the figure above.

Details of performance shares

		KPI	Short term	Medium to long term	Methods of use
Profitability	(1)	Consolidated operating profit	○	○	Evaluation based on the achievement rate of targets (absolute value) Evaluation is weighed as 50% for each indicator.
	(2)	Basic earnings per share	○	○	
	(3)	Free cash flows	–	○	If targets are not achieved, the amount of stock-based remuneration is reduced by 50% (reduced by 25% if one target is not achieved).
Efficiency	(4)	ROE	–	○	

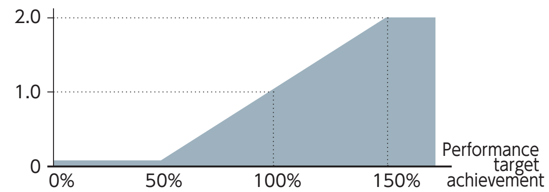
Note: KPI stands for Key Performance Indicator.

Note: Short-term targets are the initial forecasts for the relevant fiscal year as announced in the Consolidated Financial Results each April (IFRS basis).

Calculation method of performance-linked factor

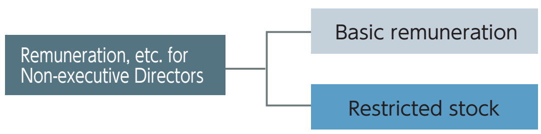
Performance target achievement	Performance-linked factor
150% or more	2.0
50% or more but less than 150%	(Actual results ÷ Target – 0.5) × 2
Less than 50%	0

Image of changes in performance-linked factor



Note: When performance target achievement is less than 50%, performance-linked factor is 0 (0%), and when performance target achievement is 150% or more, performance-linked factor is 2.0 (200%).

Non-executive Directors



The Nomination Committee will continue to have discussions on succession planning in a planned manner so that changes in the environments and situations surrounding the Company, the progress of strategies formulated, etc., can be reflected in such planning.

The dismissal of senior management team members is also determined based on deliberations by the Nomination and Remuneration Committees as in the case of the chief executive officer.

Basic Capital Policy

The Company believes that any increase in free cash flows and improvement in ROE should 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" for the purpose of hedging against possible risks.

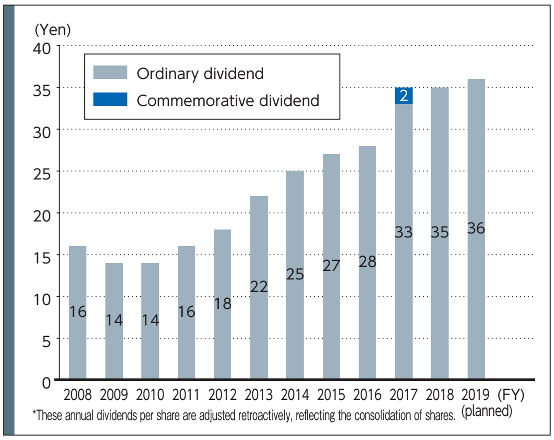
Moreover, in procuring funds through interest-bearing debt, we aim to achieve an optimal structure of debt to equity in a manner cognizant of our funding efficiency and cost of capital, carried out on the basis of having taken into consideration our capacity for generating free cash flows and our balance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

A "business strategy" to achieve an increase of profitable sales and a "finance strategy (encompassing the capital policy)" that heightens the rate of return on invested capital are essential elements with respect to improving free 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 duly return profits to shareholders. Hence, while maintaining and enhancing its sound financial standing, the Company strives to provide stable dividends and target a consolidated dividend payout ratio of no less than 30%, taking such factors as profit levels, future capital investment and free cash flow trends into consideration. The Company also gives consideration to the option of purchasing its own shares as appropriate, in accordance with aims that include improving capital efficiency and implementing a flexible capital policy.

Changes in annual dividend per share (Yen)



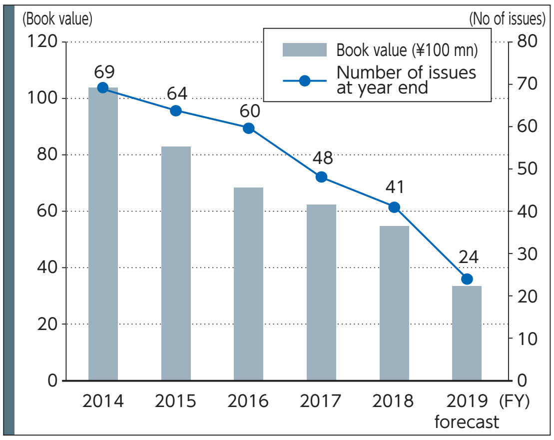
*These annual dividends per share are adjusted retroactively, reflecting the consolidation of shares.

Policy on Cross-shareholdings

The Group reduces its cross-shareholdings as appropriate considering such factors as the market environment and share price trends (cross-shareholdings are the holdings of listed shares, other than those of subsidiaries and associates, which are not held for pure investment purposes). However, if the Company receives any request for a cross-shareholding from a local government or any company based in the area where the Company will promote its key strategy, the Urban Dominant strategy, executives will thoroughly examine the appropriateness of such cross-shareholding from a perspective of "Coexistence with Local Communities," one of our key ESG materiality issues.

The Board of Directors validates the rationale for the Group to maintain its principal cross-shareholdings on a yearly basis from both qualitative and quantitative perspectives. From qualitative perspectives, the Board of Directors considers such business strategies as maintaining harmonious and favorable business relationships with corporate customers and business partners and securing supply chains. From quantitative perspectives, the Board of Directors examines whether the profitability, including dividends and income from related sales, exceeds cost of capital for each of the issues of cross-shareholding.

Changes in number of issues of cross-shareholdings and their book value



Decisions with respect to voting on matters regarding cross-shareholdings are made from both of the perspectives of whether cross-shareholdings contribute to the sustainable growth of and the medium- to long-term enhancement of the corporate value of the company whose shares are held and whether the cross-shareholdings contribute to the Group's sustainable growth and medium- to long-term enhancement of corporate value. Specifically, in regard to proposals that we consider to be of high priority with respect to strengthening corporate governance, such as proposals relating to the corporate governance system (appointment of officers), proposals relating to shareholder return (appropriation of surplus) and proposals that have an effect on shareholder value (introduction of takeover defense measures), we establish policies upon which to base judgment of our exercise of voting rights, and acting as the Group as a whole, we take a response that is in line with such policies. If necessary, we engage in dialogue with companies whose shares we hold when we exercise voting rights.

Improvement of Shareholders Meetings

With the aim of engaging in constructive dialogue with shareholders, we ensure that there is adequate time for our shareholders to consider matters upon which they will exercise their voting rights. To that end, we send convocation notices of the Shareholders Meeting as early as possible (at least three weeks prior to the date of the meeting) and at the same time we post notice details on financial instruments exchanges' and the Company's websites as early as practicably possible before sending out the convocation notices. The convocation notice of the 12th Annual Shareholders Meeting was made available on financial instruments exchanges' and the Company's websites before delivery of the printed version and four weeks prior to the date of the Shareholders Meeting.

We give consideration to ensuring that our shareholders, including domestic and overseas institutional investors, are able to conveniently exercise their voting rights. To that end, we have adopted online and other means of exercising voting rights and otherwise use an electronic platform for exercising voting rights. 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.

Disclosure and IR activities

Under the Basic Mission Statement that "we aim at developing the Group by contributing to society at large as a fair and reliable corporation," the Company promotes IR activities for 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 promote IR activities with the aim of improving management transparency and helping 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 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 of the Shareholders Meetings, integrated reports, timely disclosure information, financial information and the Company's website. The Company publishes on its website a presentation video and materials and a Q&A summary of financial results presentations and an ESG presentation, and a Q&A summary of financial results teleconferences both in Japanese and English as promptly as possible.

The Company's efforts to improve communication include timely disclosure and information dissemination on its website in combination with various briefings and meetings and responses to inquiries from shareholders and investors on a daily basis. The comments and requests received from shareholders and investors are widely shared among the Company and the relevant companies in the Group, and we refer to them in managing the Company to increase corporate value.

Risk management and compliance

The Company has established the "Risk Management Committee" within its execution system in order to manage and address strategic and other risks as a whole systematically from a company-wide perspective. The Risk Management Committee manages and addresses risks as a whole systematically from a group-wide perspective, including risks associated with positive strategies in order to ensure growth opportunities, and makes management decisions specifically focusing on risk management. The Committee is chaired by President and Representative Executive Officer and consists of members such as the Senior Executive General Managers of the supervisory units and the presidents of main operating companies. The Committee assesses a variety of risks, instructs a business unit in charge to develop and implement necessary measures,

Major dialogue activities with investors in fiscal year 2018

Item		Remarks
Financial results presentations for institutional investors/analysts (explanation of results and business management)	Twice	Posted a streaming video and a Q&A summary of each presentation in Japanese and English on the Company's website.
Financial results teleconferences for institutional investors/analysts (1Q and 3Q)	Twice	Posted a Q&A summary of each presentation in Japanese and English on the Company's website.
ESG presentation for institutional investors/analysts	Once	Posted a streaming video and a Q&A summary of each presentation in Japanese and English on the Company's website.
Store tours for institutional investors/analysts	Once	Held a store tour of Ginza Six for overseas investors.
Overseas IR	3 times/45 companies	1 time each in Europe, North America and Asia.
Conferences hosted by securities companies (in Japan and overseas)	4 times/41 companies	3 times in Japan and 1 time overseas.
Individual meetings for institutional investors	163 times	Held mostly by visiting or inviting them and sometimes via teleconference.
Briefings for individual investors	16 times	7 times in Tokyo, 3 times in Osaka, 2 times in Nagoya, and 1 time each in Saitama, Sapporo, Kobe and Kyoto.

and monitors the progress thereof by using extensive specialized knowledge of the Committee members chosen from among the supervisory units.

Changes in business environment are considered unavoidable uncertainties for companies. However, the Company recognizes such uncertainties, that is, risks, which entail both "opportunities" on the positive side and "threats" on the negative side, and is working to manage risks associated with strategies listed in the Medium-term Business Plan both from the perspectives of "risk hedging" and "risk taking" toward achieving growth.

In the fiscal year 2019, the Company extracted 137 risks in total relating to the Group and, out of them, identified 15 as "business risks" that require special attention. In addition to these, in recent years we have seen more abnormal weather patterns and typhoons, floods and other natural disasters resulting from the global warming, while there have been growing concerns about the world political instabilities and economic slowdown which are deemed to greatly impact financial risks. Under such circumstances, as a matter of high priority, the Company is also identifying and addressing such risks in relation to natural hazards and financial risks as they could have a potentially considerable impact on the Group's business activities.

The Company has established the "Compliance Committee" (whose membership includes a corporate lawyer) for the purpose of appropriately addressing the issues of the Group compliance management practices. The Committee, chaired by the President and Representative Executive Officer, draws up a policy for addressing matters involving serious compliance-related violations, continuously oversees development of the foundations of the compliance system (e.g. preparation of promotion systems and plans) and the status of implementation through close collaboration with departments in charge of promoting compliance, and promotes the observance of laws and regulations, corporate ethics and other such standards.

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

JFR Group Compliance Hotline

The Company has established a whistleblowing system that enables all the Group's officers and employees 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 to seek corrective action. The Company has set up points of contact for whistleblowers both internally and outside the Company (a corporate lawyer). The Group's internal company rules rigorously provide for the whistleblowing system in terms of protecting the confidentiality of whistleblowers and prohibiting any disadvantageous treatment of any whistleblower.

Interview with Outside Director

NISHIKAWA Koichiro

Biography

Apr 1970 Joined Hitachi, Ltd.
Aug 1995 Vice President of Hitachi America, Ltd.
Jun 2001 Managing Officer and General Manager of Global Business Development Division of Hitachi, Ltd.
Apr 2003 Manager of Business Development Division of the same company
Jun 2003 Executive Officer and Manager of Business Development Division of the same company
Jan 2006 Vice President and Executive Officer in charge of Business Development of the same company
Apr 2007 Senior Vice President and Executive Officer in charge of Business Development of the same company
Apr 2010 Senior Vice President and Executive Officer of Hitachi Cable, Ltd.
Apr 2012 Senior Advisor of Hitachi Research Institute
Mar 2014 Outside Director of Kyowa Hakko Kirin Co., Ltd.
May 2015 Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. and Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.
May 2017 Outside Director of J. Front Retailing Co., Ltd. (present)
May 2018 Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)

Governance reform is shifting from "container" to "content"

I have been involved in the governance of the Company as an Outside Audit & Supervisory Board Member of the then Company with an Audit & Supervisory Board since May 2015 and as an Outside Director of the Company with Three Committees (Nomination, Audit and Remuneration Committees) since May 2017.

I think a full-fledged governance reform started after the Governance Committee was created in July 2015. Executive Directors and Outside Directors had many discussions to establish a desirable governance system. The Governance Committee drew a proposal that the Company should transition to a Company with Three Committees (Nomination, Audit and Remuneration Committees) to realize the establishment of easy-to-understand governance system in consideration of what we aim at including strengthening of oversight function by separating oversight from execution, greater clarity of authority and responsibility in business execution and promotion of agile management, improvement of transparency and objectivity of management, and global investor perspectives. As a result, the Company transitioned to a Company with Three Committees (Nomination, Audit and Remuneration Committees) in May 2017. In January 2019, the Governance Committee developed into the Management Advisory Board where President seeks active advice from Outside Directors. Now that the "container" of governance has been created, it evolved into the one for discussions to improve "content" to be put in the container.

The Board of Directors clearly changed after the governance reform was launched. At the Board of Directors meetings in 2015, which I attended as an Audit & Supervisory Board Member, for example, the agenda concerning investment was explained and discussed only from a perspective of "whether or not it would generate profit." Speaking of financial statements, only P/L (statement of profit or loss) was discussed. At the recent Board of Directors meetings, we have mainly discussed what impact the invest would have on B/S (balance sheet), what effect it would have over the short, medium, and long terms to increase ROE, what relationship would be between risk and return, and furthermore, how it would be able to contribute to capital received from shareholders for actual management from shareholder perspectives to achieve an ROE of 8%. Thus our management changed to ROE management in which we can discuss based on B/S instead of focusing on P/L as in the past. I think this is a striking example showing management valuing shareholder perspectives is steadily taking root. Recent discussions on ICT strategy particularly impressed me. We took time to consider from various angles not only measures to implement the Medium-term Business Plan such as the measures for remarkably leaping e-commerce business but also a wide range of issues including "2025 Digital Cliff" involving DX (digital transformation) and appropriate allocation of roles and responsibilities between the head offices and operating divisions in the Group not only at the Board of Directors meetings but also preliminary hearing at the Audit Committee and executive sessions attended by only Outside Directors. I recognize they are included in the most important issues that will be continuously followed up by the Board of Directors.

Since 2015, monitoring, questionnaires, interviews, and quantitative and chronological analyses are provided by a third-party organization on a regular basis to evaluate the effectiveness of the Board of Directors. I reread the reports on the past four evaluations and found that concerning “agenda for the Board of Directors meetings,” “time allocation in discussions,” “how to evolve discussions including prior explanation about agenda” and “securing enough time for discussions, having exhaustive discussions and narrowing down problems concerning important matters to reach a decision,” we are highly evaluated because the framework is being completed.

On the other hand, particularly according to the latest evaluation, “there were few opinions from Outside Directors among those who attended discussions,” “the focus of agenda should be on the matters related to the progress of the Medium-term Business Plan, for example,” “the Audit Committee is not working enough” and “some Outside Directors are not satisfied with the speed of execution.” We have to keep them in mind. I would like to say the Board of Directors is evaluated that the framework is well in place and that the Board is at the phase of improving content to be put in the framework and the management capabilities and execution capabilities to produces results.

Important role is to provide “common sense” to management

I think the common sense of Outside Director is important. For example, a person who became a member of the management team after accumulating experience in retail and department stores has extensive knowledge about and expertise in the industry but I am afraid his or her measure of management decision making was developed in a limited environment or to a limited extent. Common sense in Japan may not be common sense in the rest of the world. I myself have often encountered such cases in my past experience. In this sense, I think it is more important to share “common sense,” which means “common sense in the world,” than to share my management ability and management experience. In the 1980s, an industrial spy scandal happened. The FBI conducted an undercover investigation and some employees of Japanese electronics manufacturers were arrested. At that time, I was involved in resolving the scandal. A famous American corporate lawyer made a defense and finally it was resolved. The lawyer said, “The operation of your company lacks vitamin C.” I asked, “What do you mean by vitamin C?” and he answered, “It means common sense” and he added, “It lacks common sense to do business globally. So you caused such an incident.” He also said that we should invite Mr. Walter Cronkite, a renowned American journalist called “the most trusted man in America” for his liberal and patriotic stance, to join the board as an outside director. Looking back, it is just about to become a reality. By that I mean the majority of outside directors of the company I worked for before are foreigners though the Company has no foreign directors. What seemed unrealistic at that time has become a reality. From such experience, I am always aware of sharing “common sense” as an Outside Director.

We also need to pay attention to risk. By restating “risk” as “uncertainty,” the Company studies risk from both positive side and negative side in relation to management strategy. Generally speaking, risk is considered negative. Therefore, I thought I had better organize the wording and particularly should be careful to use the word “risk.” By restating “risk” as “uncertainty,” we can treat so-called “risk” as uncertainty in a negative sense and “opportunity” as uncertainty in a positive sense and I think we can better organize it than ever before. I often tell the Board of Directors that leaving the uncertain future or unforeseeable situation untouched is not management. If we leave it to fate, we need no managerial people. In this sense, it is important to cover risks in a negative sense and actively take chances in a positive sense. As all the management should do is how they make decisions for the uncertain future, it is important how many options we will have when implementing them. We need to analyze the probability and sensitivity of each option, implement the option that will maximize corporate value over the medium to long term, and prepare a backup plan. We also have to think in detail about how we will take it if it is a chance or how we will cover it if it is a negative risk. Needless to say, quantitative analysis is essential for this purpose.

Speaking from my past experience of serving as an outside director of a pharmaceutical company, investments at pharmaceutical companies are highly uncertain and large in scale, and if a wrong decision is made, they will face a financial crisis. For this reason, AI is used in a significant part of investment decision making. With the current backdrop of increased big data and simulation ability, I am beginning to think the era of “AI management” using them is just beginning. The Company, which mainly operates retail business, may need such ideas and thoughts. I was appointed as the Chairperson of the Audit Committee in the current fiscal year. Valuing provision of common sense to management including these ideas and thoughts, I will strive to audit not only illegal operations but also whether or not the Company conducts risk-return management with comprehensively balanced management decision making for the uncertain future to achieve the Medium-term Business Plan.

Management (as of May 31, 2019)

Directors

KOBAYASHI Yasuyuki

Number of the Company's shares held: 35,800
Number of other shares as stock-based remuneration not yet granted: 10,037

Chairperson of Board of Directors
Nomination Committee Member
Remuneration Committee Member

Apr 1973	Joined The Daimaru, Inc.
Feb 2003	Associate Director and General Manager of Sapporo Store of the same company
Jan 2004	General Manager of Tokyo Store of the same company
Sep 2007	Corporate Officer of J. Front Retailing Co., Ltd.
Jan 2008	Director and Corporate Officer, Deputy Executive General Manager of Department Store Operations Headquarters and Executive General Manager of Merchandising Management Unit of Head Office of The Daimaru, Inc.
Mar 2010	Director and Corporate Officer, Senior Executive General Manager of Sales and Marketing Headquarters and Senior General Manager of Merchandise Strategy Unit of Daimaru Matsuzakaya Department Stores Co. Ltd.
May 2010	Director and Corporate Executive Officer of the same company
May 2012	Director of Parco Co., Ltd.
Apr 2013	Managing Executive Officer and Senior Executive General Manager of Affiliated Business Unit of J. Front Retailing Co., Ltd.
May 2013	Director and Managing Executive Officer of the same company
May 2015	Director and Senior Managing Executive Officer of the same company
May 2016	Representative Director of the same company
May 2017	Director and Chairperson of Board of Directors of the same company (present)

TSUTSUMI Hiroyuki

Number of the Company's shares held: 16,398
Number of other shares as stock-based remuneration not yet granted: 5,855

Audit Committee Member

Apr 1980	Joined The Daimaru, Inc.
Mar 1993	General Manager of Accounting Division of Hong Kong Daimaru Limited
Mar 2001	General Manager of Finance Headquarters of The Daimaru, Inc.
Sep 2007	General Manager of Finance Division of Administration Unit of J. Front Retailing Co., Ltd.
Mar 2010	General Manager of Finance Division of Administration Unit of Daimaru Matsuzakaya Department Stores Co. Ltd.
May 2013	Executive Officer and Senior General Manager of Finance Division of Administration Unit of J. Front Retailing Co., Ltd.
Mar 2016	Senior General Manager of Finance and Accounting of Financial Strategy Unit of the same company
May 2017	Director of the same company (present)

MURATA Soichi

Number of the Company's shares held: 12,689

Audit Committee Member

Apr 1980	Joined The Daimaru, Inc.
Mar 2000	Senior Manager of Men's Wear & Accessory Division of Osaka Umeda Store of the same company
Sep 2002	Senior Manager of Business Planning Department of Business Planning & CS Promotion Division of Osaka Umeda Store of the same company
Jan 2005	Deputy General Manager of Osaka Umeda Store of the same company
Jan 2006	Deputy General Manager of Osaka Umeda Store and General Manager of Planning Office for New Umeda Store of Head Office of the same company
Jan 2010	Executive Store Manager of Osaka Umeda of the same company
May 2010	Corporate Officer and Executive Store Manager of Daimaru Osaka Umeda of Daimaru Matsuzakaya Department Stores Co. Ltd.
Apr 2013	Corporate Executive Officer, Executive General Manager of Sales & Marketing Headquarters and Senior General Manager of Merchandising Strategy Promotion Unit of the same company
May 2013	Director and Corporate Executive Officer of the same company
May 2017	Managing Executive Officer, Senior Executive General Manager of Administration Unit and in charge of Compliance of J. Front Retailing Co., Ltd.
May 2019	Director of the same company (present)

TACHIBANA FUKUSHIMA Sakie

Outside Director
Number of the Company's shares held: 5,500
Number of other shares as stock-based remuneration not yet granted: 1,933

Chairperson of Nomination Committee
Remuneration Committee Member

[Reasons for appointment] She has broad insight in internal and external governance as a director at a US company's global headquarters and as an outside director at numerous Japanese companies. In addition, she has gained corporate management experience as the president of a foreign-owned human resource consulting company's local Japanese branch, and accordingly possesses in-depth knowledge regarding global human resources and the Company expects her to reflect them in the management of the Group.

Jun 1980	Joined Braxton International
Sep 1987	Joined Bain & Company, Inc.
Aug 1991	Principal Consultant of Japan Branch Office of Korn/Ferry International
Jun 1993	Partner of the same company
Sep 2000	Regional Managing Director of Korn/Ferry International-Japan and Member of the Board of Korn/Ferry International (Global Headquarters)
May 2001	President and Representative Director of Korn/Ferry International-Japan and Member of the Board of Korn/Ferry International (Global Headquarters)
Sep 2007	President and Representative Director of Korn/Ferry International-Japan
May 2009	Chairman and Representative Director of the same company
Mar 2010	Outside Director of Bridgestone Corporation
Jul 2010	President and Representative Director of G&S Global Advisors Inc. (present)
Aug 2010	Asia Pacific Senior Advisor of Korn/Ferry International
Jun 2011	Outside Director of Ajinomoto Co., Inc. (retired in Jun 2019)
May 2012	Outside Director of J. Front Retailing Co., Ltd. (present)
Jun 2013	Outside Director of Mitsubishi Corporation
Jun 2016	Outside Director of Ushio Inc. (present)

OTA Yoshikatsu

Outside Director
Number of the Company's shares held: 8,300
Number of other shares as stock-based remuneration not yet granted: 1,933

Chairperson of Remuneration Committee
Nomination Committee Member

[Reasons for appointment] He has abundant insight gained through his extensive experience acting as a manager of a holding company. In that capacity, he promoted the corporate merger between Minolta Co., Ltd. and Konica Corporation, and has served as a chairman of the board of directors of a company with committees [currently a company with three committees (nomination, audit and remuneration committees)] and the Company expects him to reflect them in the management of the Group.

Apr 1964	Joined Minolta Camera Co., Ltd.
Jun 1991	Director, General Manager of Copying Machine Business Division and General Manager of Copying Machine Sales Division of the same company
Jul 1994	Director and Executive General Manager of Information Device Business Management Unit and Executive General Manager of Information Device Sales Unit of Minolta Co., Ltd.
Jun 1995	Managing Director of the same company
Jun 1999	President and Representative Director of the same company
Apr 2001	President and Executive Officer and Representative Director of the same company
Aug 2003	Director and Vice President and Representative Executive Officer of Konica Minolta Holdings, Inc.
Oct 2003	President and CEO of Konica Minolta Technologies, Inc.
Apr 2006	Director, President and CEO of Konica Minolta Holdings, Inc.
Apr 2009	Director and Chairman of the Board of Directors of the same company
Jun 2012	Outside Director of Yamaha Corporation
Apr 2013	Director and Chairman of the Board of Directors of Konica Minolta, Inc.
Apr 2014	Director of the same company
Jun 2014	Special Advisor of the same company
May 2015	Outside Director of J. Front Retailing Co., Ltd. (present)
Jun 2017	Honorary Advisor of Konica Minolta, Inc. (present)

ISHII Yasuo

Outside Director
Number of the Company's shares held: 2,700
Number of other shares as stock-based remuneration not yet granted: 1,933

Nomination Committee Member
Remuneration Committee Member

[Reasons for appointment] He 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 and the Company expects him to reflect them in the management of the Group.

Apr 1970	Joined Yamanouchi Pharmaceutical Co., Ltd.
Jun 2000	Director of the Board and Director of Ethical Products Marketing Department of Sales & Marketing Division of the same company
Jan 2001	Director of the Board of the same company and Chairman of Yamanouchi Europe B. V.
Mar 2003	Director of the Board of Yamanouchi Pharmaceutical Co., Ltd. and Chairman of Yamanouchi U.K. Limited and Chairman of Yamanouchi Europe B. V.
Jun 2003	Managing Director of the Board of Yamanouchi Pharmaceutical Co., Ltd.
Jun 2004	Senior Corporate Executive of the same company
Apr 2005	Senior Corporate Executive of Astellas Pharma Inc. and Chairman & CEO of Astellas Pharma Europe Ltd.
Jun 2008	Executive Vice President and Representative Director of Astellas Pharma Inc.
Jun 2011	Vice Deputy Chairman and Representative Director of the same company
May 2015	Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.
May 2017	Outside Director of J. Front Retailing Co., Ltd. (present)
May 2018	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)

NISHIKAWA Koichiro

Outside Director
Number of the Company's shares held: 1,300
Number of other shares as stock-based remuneration not yet granted: 1,933

Chairperson of Audit Committee

[Reasons for appointment] He has 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 and the Company expects him to reflect them in the management of the Group.

Apr 1970	Joined Hitachi, Ltd.
Aug 1995	Vice President of Hitachi America, Ltd.
Jun 2001	Managing Officer and General Manager of Global Business Development Division of Hitachi, Ltd.
Apr 2003	Manager of Business Development Division of the same company
Jun 2003	Executive Officer and Manager of Business Development Division of the same company
Jan 2006	Vice President and Executive Officer in charge of Business Development of the same company
Apr 2007	Senior Vice President and Executive Officer in charge of Business Development of the same company
Apr 2010	Senior Vice President and Executive Officer of Hitachi Cable, Ltd.
Apr 2012	Senior Advisor of Hitachi Research Institute
Mar 2014	Outside Director of Kyowa Hakko Kirin Co., Ltd.
May 2015	Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.
May 2017	Outside Director of J. Front Retailing Co., Ltd. (present)
May 2018	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)

SATO Rieko

Outside Director
Number of the Company's shares held: 300

Audit Committee Member

[Reasons for appointment] She has abundant experience as an outside director and outside audit & supervisory board member at other companies, in addition to having made a career in handling many cases with in-depth and specialized knowledge as an attorney at law specializing in corporate legal affairs and the Company expects expect her to reflect them in the management of the Group.

Apr 1984	Registered as attorney at law
Aug 1989	Shearman & Sterling LLP
Jul 1998	Partner of Ishii Law Office (present)
Jun 2004	External Audit & Supervisory Board Member of Ajinomoto Co., Inc.
Jun 2012	Outside Corporate Auditor of NTT Data Corporation (present)
Jun 2015	Outside Director of The Dai-ichi Life Insurance Company, Limited
Oct 2016	Outside Director of Dai-ichi Life Holdings, Inc. (Audit & Supervisory Committee Member) (present)
May 2018	Outside Director of J. Front Retailing Co., Ltd. (present)
May 2019	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)

*The numbers of the Company's shares held by Directors are as of February 28, 2019.

Directors

UCHIDA Akira

Outside Director
Number of the Company's shares held: 0

Audit Committee Member

【Reasons for appointment】 He has broad experience and knowledge as the person responsible for management planning, IR and finance and accounting divisions. In addition, as a member of the "Council of Experts Concerning the Corporate Governance Code" and follow-up committees, he has been involved in formulation and promotion of said code, and accordingly possesses a high level of expertise and the Company expects him to reflect them in the management of the Group.

Apr 1975	Joined Toray Industries, Inc.
Jun 1996	Executive Vice President of Toray Industries (America), Inc.
Jun 2000	General Manager on Special Assignment of Corporate Strategic Planning Division 1, General Manager on Special Assignment of Corporate Communications Department of Toray Industries, Inc.
Jun 2004	Counsellor of Corporate Strategic Planning Division and Counsellor of Investor Relations Department of the same company
Jun 2005	Member of the Board, General Manager of Finance and Controller's Division of the same company President of Toray Holding (USA), Inc.
Jun 2009	Senior Vice President (Member of the Board), General Manager of Finance and Controller's Division of Toray Industries, Inc. President of Toray Holding (USA), Inc.
Jun 2012	Senior Vice President (Member of the Board) in charge of CSR; General Manager of General Administration and Legal Division, Investor Relations Department, Corporate Communications Department and Advertising Department; and General Manager of Tokyo Head Office of Toray Industries, Inc.
Jun 2016	Adviser of the same company
Mar 2019	Retired from Adviser of the same company
May 2019	Outside Director of J. Front Retailing (present)

YAMAMOTO Ryoichi

Number of the Company's shares held: 79,366

President and Representative Executive Officer
Nomination Committee Member
Remuneration Committee Member

Apr 1973	Joined The Daimaru, Inc.
May 2003	President and COO and General Manager of Department Store Operations of Group Headquarters of the same company
Sep 2007	Director and in charge of Sales Reform and Out-of-Store Sales Reform of J. Front Retailing Co., Ltd. Executive General Manager of Department Store Operations Headquarters and Executive General Manager of Planning Office for New Umeda Store of Head Office of The Daimaru, Inc. Director of Matsuzakaya Co., Ltd.
Mar 2008	Executive General Manager of Sales Headquarters of Head Office of The Daimaru, Inc.
Mar 2010	President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
Sep 2012	President and Representative Director of the same company and President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd.
Apr 2013	President and Representative Director of J. Front Retailing Co., Ltd.
May 2017	Director, President and Representative Executive Officer of the same company (present)

YOSHIMOTO Tatsuya

Number of the Company's shares held: 49,459

Representative Managing Executive Officer

Apr 1979	Joined The Daimaru, Inc.
Mar 2000	Senior Manager of Preparatory Office for Opening Sapporo Store of Planning Office for Sapporo Store of Head Office of the same company
Jan 2008	General Manager of Tokyo Store of the same company
May 2008	Corporate Officer and General Manager of Tokyo Store of the same company
Jan 2010	Corporate Officer, General Manager of Sales Planning Promotion Division and General Manager of Marketing Planning Promotion Division of Department Stores Coordination Division of J. Front Retailing Co., Ltd.
Mar 2010	Corporate Officer and Senior General Manager of Management Planning Division of Daimaru Matsuzakaya Department Stores Co. Ltd.
May 2012	Director and Corporate Officer of the same company
Apr 2013	President and Representative Director of the same company (present) and President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd. (present)
May 2013	Director of J. Front Retailing Co., Ltd. (present)
May 2017	Representative Managing Executive Officer of the same company (present)

MAKIYAMA Kozo

Number of the Company's shares held: 17,100

Managing Executive Officer

Apr 1981	Joined Parco Co., Ltd.
Mar 2004	Executive Officer and Executive General Manager of Store Operation Division of the same company
Mar 2007	Managing Executive Officer and Executive General Manager of Store Management Division of the same company
Mar 2008	Senior Executive Officer, Senior Executive General Manager of Store Operation Headquarters and Executive General Manager of Store Management Division of the same company
May 2008	Director and Senior Executive Officer of the same company
Mar 2009	Supervisor of Store Operation Division of the same company
Mar 2010	In charge of Store Management of the same company
Mar 2011	In charge of Business Management of the same company
May 2011	Director, President and Representative Executive Officer of the same company (present)
May 2013	Director of J. Front Retailing Co., Ltd. (present)
May 2017	Director and Managing Executive Officer of the same company (present)

WAKABAYASHI Hayato

Number of the Company's shares held: 6,359

Managing Executive Officer

Apr 1985	Joined Matsushita Electric Industrial Co., Ltd. (present Panasonic Corporation)
Apr 1998	President of Panasonic Financial Center Malaysia Co., Ltd.
Apr 2007	Director and Chief Executive Officer of Matsushita Electric (China) Finance Limited
Feb 2009	Finance Planning Team Leader (Manager) of Headquarters Finance & IR Group of Panasonic Corporation
Jul 2013	General Manager of Finance & IR Group of Corporate Strategy Division and Finance Planning Team Leader (Director) of Panasonic Corporation
May 2015	Joined J. Front Retailing Co., Ltd. In charge of Finance Policy of Administration Unit of the same company
Sep 2015	Executive Officer and in charge of Financial Strategy and Policy of Administration Unit of the same company
Mar 2016	Senior Executive General Manager of Financial Strategy Unit (present) and in charge of Finance Policy of the same company
May 2016	Director of the same company (present)
May 2017	Managing Executive Officer (present) and in charge of Financing and Finance Policy of the same company
May 2018	Director and Managing Executive Officer and Senior General Manager of Financing and Finance Policy Division of the same company (present)

Executive Officers

YAMAMOTO Ryoichi
President and Representative Executive Officer

YOSHIMOTO Tatsuya
Representative Managing Executive Officer
President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd.

MAKIYAMA Kozo
Managing Executive Officer
Director, President and Representative Executive Officer of Parco Co., Ltd.

SAWADA Taro
Managing Executive Officer
Senior Executive General Manager of Management Strategy Unit and Senior General Manager of New Business Division and in charge of Risk Management

WAKABAYASHI Hayato
Managing Executive Officer
Senior Executive General Manager of Financial Strategy Unit and Senior General Manager of Financing and Finance Policy Division

YUNOKI Kazuyo
Managing Executive Officer
Senior Executive General Manager of Affiliated Business Unit

ARISAWA Hisashi
Managing Executive Officer
Senior Executive General Manager of Administration Unit and in charge of Compliance

TADATSU Takehiko
Executive Officer
Senior Executive General Manager of Human Resources Strategy Unit and Senior General Manager of Group Human Resources Development Division and Executive Officer and Executive General Manager of Human Resources Development Division of Administration Headquarters of Daimaru Matsuzakaya Department Stores Co. Ltd.

MAKITA Takayuki
Executive Officer
Senior General Manager of Management Planning Division and Group Communications Promotion Division of Management Strategy Unit

NAKAYAMA Takashi
Executive Officer
Senior General Manager of Group Digital Strategy Division of Management Strategy Unit

IWATA Yoshimi
Executive Officer
Senior General Manager of Budget and Management Support Division of Financial Strategy Unit

NINOBE Mamoru
Executive Officer
President and Representative Director of JFR Card Co., Ltd.

KONDO Yasuhiko
Executive Officer
President and Representative Director of J. Front Design & Construction Co., Ltd.

ONO Keiichi
Executive Officer
President and Representative Director of Dimples' Co., Ltd.

Group Companies

Department Store Business / Real Estate Business

Daimaru Matsuzakaya Department Stores Co. Ltd.

Location: 18-11, Kiba 2-chome, Koto-ku, Tokyo 135-0042
Capital: ¥10,000 million Investment ratio: 100%
http://www.daimaru-matsuzakaya.com

Daimaru Osaka Shinsaibashi Store
Location: 7-1, Shinsaibashisuji 1-chome, Chuo-ku, Osaka 542-8501
Phone: +81-6-6271-1231 Opened (Present location): November 1726

Daimaru Osaka Umeda Store
Location: 1-1, Umeda 3-chome, Kita-ku, Osaka 530-8202
Phone: +81-6-6343-1231 Opened: April 1983

Daimaru Tokyo Store
Location: 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6701
Phone: +81-3-3212-8011 Opened: October 1954

Daimaru Kyoto Store
Location: 79, Tachiuri Nishimachi, Shijo-dori Takakura Nishi-iru, Shimogyo-ku, Kyoto 600-8511
Phone: +81-75-211-8111 Opened (Present location): October 1912

Daimaru Kobe Store
Location: 40, Akashimachi, Chuo-ku, Kobe, Hyogo 650-0037
Phone: +81-78-331-8121 Opened (Present location): April 1927

Daimaru Sapporo Store
Location: 7, Nishi 4-chome, Kita 5-jo, Chuo-ku, Sapporo, Hokkaido 060-0005
Phone: +81-11-828-1111 Opened: March 2003

Matsuzakaya Nagoya Store
Location: 16-1, Sakae 3-chome, Naka-ku, Nagoya, Aichi 460-8430
Phone: +81-52-251-1111 Opened: March 1910

Matsuzakaya Ueno Store
Location: 29-5, Ueno 3-chome, Taito-ku, Tokyo 110-8503
Phone: +81-3-3832-1111 Opened: April 1768

Daimaru Suma Store
Location: 2-4, Nakaochiai 2-chome, Suma-ku, Kobe, Hyogo 654-0154
Phone: +81-78-791-3111 Opened: March 1980

Daimaru Ashiya Store
Location: 1-31, Funato-cho, Ashiya, Hyogo 659-0093
Phone: +81-797-34-2111 Opened: October 1980

Matsuzakaya Shizuoka Store
Location: 10-2, Miyuki-cho, Aoi-ku, Shizuoka 420-8560
Phone: +81-54-254-1111 Opened: November 1932

Matsuzakaya Takatsuki Store
Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone: +81-72-682-1111 Opened: November 1979

Matsuzakaya Toyota Store
Location: 85-1, Nishimachi 6-chome, Toyota, Aichi 471-8560
Phone: +81-565-37-1111 Opened: October 2001

Real Estate Division
Location: 18-11, Kiba 2-chome, Koto-ku, Tokyo 135-0042
Phone: +81-3-6860-1141

Corporate Sales Division
Location: 6th Fl., Kuromon Annex, Matsuzakaya Ueno Store, 18-6, Ueno 3-chome, Taito-ku, Tokyo 110-0005
Phone: +81-3-5846-1431

The Hakata Daimaru, Inc.

Location: 4-1, Tenjin 1-chome, Chuo-ku, Fukuoka 810-8717
Phone: +81-92-712-8181 Capital: ¥3,037 million Investment ratio: 69.9%
http://www.daimaru.co.jp/fukuoka/index.html

The Shimonoseki Daimaru, Inc.

Location: 4-10, Takezaki-cho 4-chome, Shimonoseki, Yamaguchi 750-8503
Phone: +81-83-232-1111 Capital: ¥480 million Investment ratio: 100%
http://shimonoseki.daimaru.co.jp/

Kochi Daimaru Co., Ltd.

Location: 6-1, Obiyamachi 1-chome, Kochi 780-8566
Phone: +81-88-822-5111 Capital: ¥300 million Investment ratio: 100%
http://www.kochi-daimaru.co.jp/

Parco Business

Parco Co., Ltd. (Shopping complex business)

Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
Phone: +81-3-3477-5710 Capital: ¥34,367 million Investment ratio: 65.2%

PARCO (Singapore) Pte Ltd (Shopping complex business)

Location: 10 Anson Road #09-05/06 International Plaza Singapore 079903
Phone: +65-6595-9100 Capital: S$4.5 million Investment ratio: 65.2%

Neuve A Co., Ltd. (Retail business)

Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
Phone: +81-3-5428-2600 Capital: ¥490 million Investment ratio: 65.2%

Parco Space Systems Co., Ltd.

(Space engineering and management business)
Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
Phone: +81-3-5459-6811 Capital: ¥490 million Investment ratio: 65.2%

Parco Digital Marketing Co., Ltd.

(Internet-related business)
Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
Phone: +81-3-3477-8910 Capital: ¥10 million Investment ratio: 65.2%

Credit and Finance Business

JFR Card Co., Ltd.

Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone: +81-72-686-0108 Capital: ¥100 million Investment ratio: 100%
http://www.jfr-card.co.jp/

Other

Daimaru Kogyo, Ltd. (Wholesale business)

Location: Yushutsu Seni Kaikan, 4-9, Bingomachi 3-chome, Chuo-ku, Osaka 541-0051
Phone: +81-6-6205-1000 Capital: ¥1,800 million Investment ratio: 100%
http://www.daimarukogyo.co.jp/

Daimaru Kogyo International Trading (Shanghai) Co., Ltd. (Wholesale business)

Location: 6th Fl., Heng Seng Bank Tower, 1000 Lujiazui Ring Rd., Pudong New Area, Shanghai, China
Phone: +86-21-6841-3588 Capital: U.S.$2 million Investment ratio: 100%

Daimaru Kogyo (Thailand) Co., Ltd. (Wholesale business)

Location: Unit 1902, 19th Fl., Sathorn Square Office Building, 98 North Sathorn, Kwaeng Silom, Khet Bangrak, Bangkok 10500, Thailand
Phone: +66-2163-2903
Capital: THB202 million Investment ratio: 100%

Taiwan Daimaru Kogyo, Ltd. (Wholesale business)

Location: Room 709, No. 142, Sec. 3, Ming Chuan East Road, Taipei 10542, Taiwan, R.O.C.
Phone: +886-2-2718-7215
Capital: NT$60 million Investment ratio: 100%

J. Front Design & Construction Co., Ltd.

(Design and construction contracting and manufacture and sale of furniture)

Location: 16F•17F, Harumi Island Triton Square Office Tower W Bldg. 1-8-8, Harumi, Chuo-ku, Tokyo, 104-0053
Phone: +81-3-6890-6710
Location: 2nd Fl., Nomura Fudosan Osaka Bldg., 8-15, Azuchimachi 1-chome, Chuo-ku, Osaka 541-0052
Phone: +81-6-4705-6200
Capital: ¥100 million Investment ratio: 100%
http://www.jfdc.co.jp/

Dimples' Co., Ltd. (Staffing service)

Location: 22nd Fl., Osaka Ekimae 4th Bldg., 11-4, Umeda 1-chome, Kita-ku, Osaka 530-0001
Phone: +81-6-6344-0312 Capital: ¥90 million Investment ratio: 100%
http://www.dimples.co.jp/

J. Front Foods Co., Ltd. (Restaurant)

Location: 101, Louis Chatelet Nakanoshima, 3-92, Nakanoshima 5-chome, Kita-ku, Osaka 530-0005
Phone: +81-6-7220-0290 Capital: ¥100 million Investment ratio: 100%
http://www.j-frontfoods.co.jp/

Consumer Product End-Use Research Institute Co., Ltd.

(Merchandise test and quality control)

Location: 20th & 21st Fls., Edobori Center Bldg., 1-1, Edobori 2-chome, Nishi-ku, Osaka 550-0002
Phone: +81-6-6445-4670
Location: 2nd Fl., Kuromon Annex, Matsuzakaya Ueno Store, 18-6, Ueno 3-chome, Taito-ku, Tokyo 110-0005
Phone: +81-3-6695-6780
Location: 10th Fl., Matsuzakaya Park Place, 2-36, Sakae 5-chome, Naka-ku, Nagoya, Aichi 460-0008
Phone: +81-52-261-2030
Capital: ¥450 million Investment ratio: 100%
http://www.shoukaken.jp/

Angel Park Co., Ltd. (Parking)

Location: 16-10, Sakae 3-chome, Naka-ku, Nagoya, Aichi 460-0008
Phone:+81-52-261-5746 Capital: ¥400 million Investment ratio: 50.2%
http://www.angelpark.co.jp/

JFR Service Co. Ltd.

(Commissioned back-office service / leasing / parking management)

Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone: +81-72-681-7245 Capital: ¥100 million Investment ratio: 100%

JFR Information Center Co., Ltd. (Information service)

Location: 3-24, Osaka 1-chome, Tennoji-ku, Osaka 543-0062
Phone: +81-6-6775-3700 Capital: ¥10 million Investment ratio: 100%
http://www.jfr-ic.jp/

Daimaru Matsuzakaya Sales Associates Co. Ltd.

(Commissioned sales and store operations)

Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone:+81-72-684-8145 Capital: ¥90 million Investment ratio: 100%

Daimaru Matsuzakaya Tomonokai Co., Ltd.

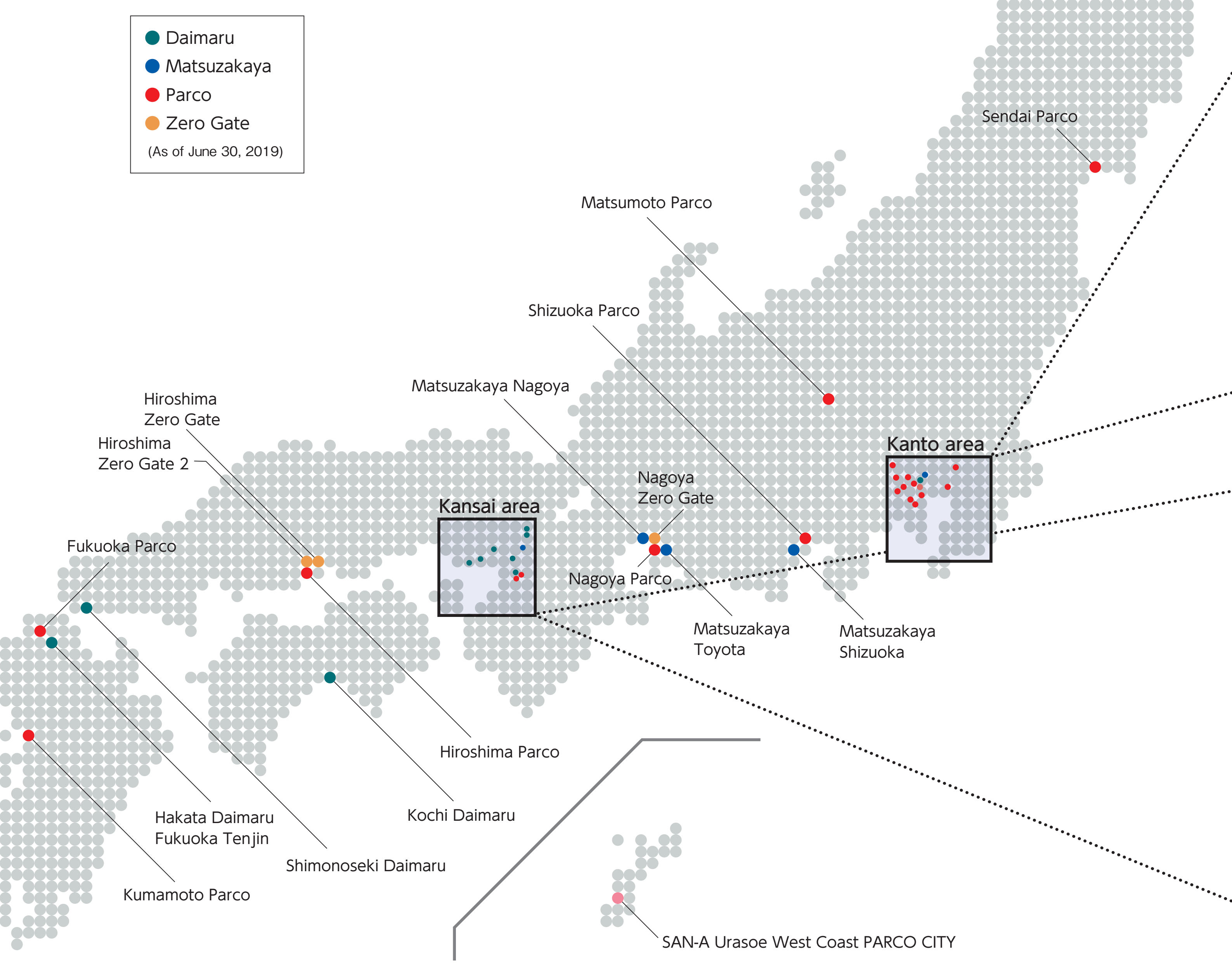
(Specified prepaid transaction service)

Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone: +81-72-684-8101 Capital: ¥100 million Investment ratio: 100%
http://www.dmtomonokai.co.jp/

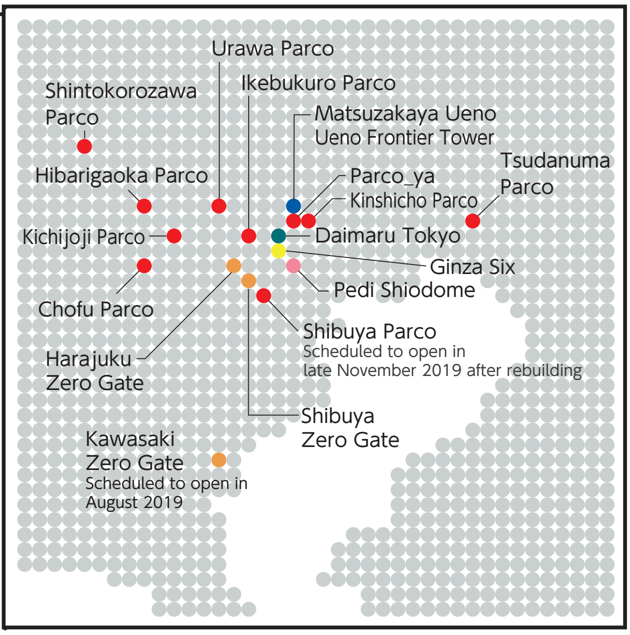
Daimaru, Matsuzakaya and Parco Cover Major Big Cities across Japan

J. Front Retailing Group operates stores in major cities across Japan, from Hokkaido in the north to Kumamoto, Kyushu in the south.
The Department Store Business operates 16 "Daimaru" and "Matsuzakaya" stores.
The Parco Business operates 18 "Parco" shopping complexes*.
We also operate "Ginza Six" and 10 "Zero Gate" stores in a new business format which develops urban-style low- to medium-rise shopping complexes.
The Group will make the best use of the well-balanced network of store assets in major cities throughout Japan and accelerate new store opening and development strategies for further growth.

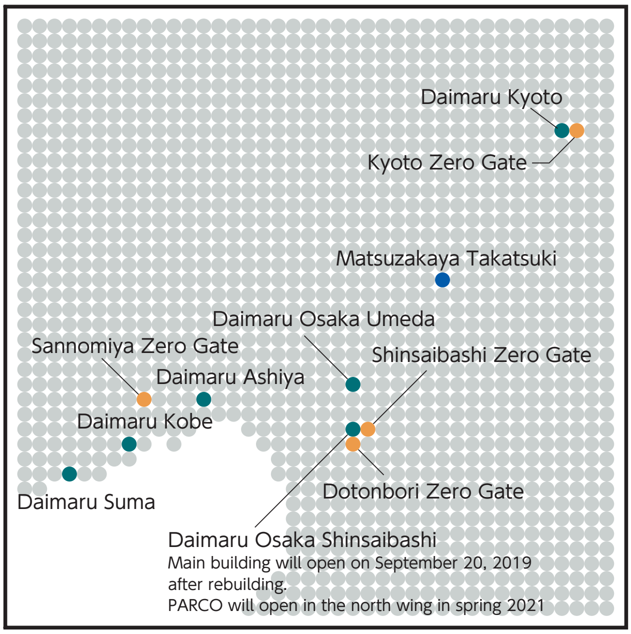
*Including Shibuya Parco, which is temporarily closed for rebuilding



Kanto area



Kansai area



Ginza Six (Opened in April 2017)

Ueno Frontier Tower / Parco_ya (Opened in November 2017)

Rendering of Shibuya Parco
(Scheduled to open in late November 2019 after rebuilding)

Rendering of main building of Daimaru Shinsaibashi store
(Main building will open on September 20, 2019 after rebuilding.)

Daimaru and Matsuzakaya Stores


Daimaru Osaka Shinsaibashi (Floor space: 46,490㎡)
*The new main building is scheduled to open on September 20, 2019.


Daimaru Kyoto (Floor space: 50,830㎡)


Daimaru Suma (Floor space: 13,076㎡)


Shimonoseki Daimaru (Floor space: 23,912㎡)


Daimaru Ashiya (Floor space: 3,395㎡)


Kochi Daimaru (Floor space: 16,068㎡)


Daimaru Osaka Umeda (Floor space: 64,000㎡)


Daimaru Kobe (Floor space: 50,656㎡)


Hakata Daimaru Fukuoka Tenjin
(Floor space: 44,192㎡)


Daimaru Tokyo (Floor space: 46,000㎡)


Daimaru Sapporo (Floor space: 45,000㎡)


Matsuzakaya Nagoya (Floor space: 86,758㎡)


Matsuzakaya Takatsuki (Floor space: 17,387㎡)


Matsuzakaya Toyota (Floor space: 18,220㎡)


Matsuzakaya Ueno (Floor space: 21,759㎡)


Matsuzakaya Shizuoka (Floor space: 25,452㎡)


Ginza Six (Floor space: 47,000㎡)

Overseas Offices and Company

Paris Representative Office
21 rue Auber, 75009 Paris, France
Phone : +33-1-4574-2151

Milan Representative Office
Conservatorio 22 Business Center, Via Conservatorio 22, 20122 Milan, Italy
Phone : +39-02-77291

Daimaru Matsuzakaya Department Stores (Shanghai) Consulting Co., Ltd.
Huaxin Haixin Building 13F Rm-15A1, 666 Fuzhou Rd, Shanghai 200001, China
Phone : +86-21-6248-1538

As of June 30, 2019

Parco Stores

Parco urban complexes

Sapporo Parco
3-3, Minami 1-jo Nishi, Chuo-ku, Sapporo, Hokkaido
B2F-8F
Opened: August 24, 1975

Sendai Parco
1-2-3, Chuo, Aoba-ku, Sendai, Miyagi
Main Building: B1F-9F
Opened: August 23, 2008
Parco 2: 1F-9F
3-7-5, Chuo, Aoba-ku, Sendai, Miyagi
Opened: July 1, 2016

Urawa Parco
11-1, Higashitakasago-cho, Urawa-ku, Saitama
B1F-7F
Opened: October 10, 2007

Ikebukuro Parco
1-28-2, Minami-Ikebukuro, Toshima-ku, Tokyo
Main Building: B2F-8F
Opened: November 23, 1969
P'Parco: B2F-8F
Opened: March 10, 1994

Parco_ya
3-24-6, Ueno, Taito-ku, Tokyo
1F-6F
Opened: November 4, 2017

Kichijoji Parco
1-5-1, Kichijojihoncho, Musashino, Tokyo
B2F-8F
Opened: September 21, 1980

Shibuya Parco
Udagawa-cho 15-1, Shibuya-ku, Tokyo
B3F-19F
Scheduled to open in late November 2019
Club Quattro
32-13, Udagawa-cho, Shibuya-ku, Tokyo
4F-5F
Opened: June 28, 1988

Kinshicho Parco
4-27-14, Kotobashi, Sumida-ku, Tokyo
1F-7F
Opened: March 16, 2019

Chofu Parco
1-38-1, Kojima-cho, Chofu, Tokyo
B1F-10F
Opened: May 25, 1989

Shizuoka Parco
6-7, Koyamachi, Aoi-ku, Shizuoka
B1F-8F
Opened: March 15, 2007

Nagoya Parco
3-29-1, Sakae, Naka-ku, Nagoya, Aichi
West Building: B1F-11F
East Building: B1F-8F
Opened: June 29, 1989
South Building: B1F-10F
Opened: November 6, 1998
Parco midi: 1F-3F
Opened: March 27, 2015

Hiroshima Parco
10-1, Hondori, Naka-ku, Hiroshima
Main Building: B1F-10F
Opened: April 9, 1994
New Building: B1F-9F
Opened: September 21, 2001

Fukuoka Parco
2-11-1, Tenjin, Chuo-ku, Fukuoka
Main Building: B1F-8F
Opened: March 19, 2010
New Building: B2F-6F
Opened: November 13, 2014

Parco community complexes

Tsudanuma Parco
2-18-1, Maebaranishi, Funabashi, Chiba
Building A: B1F-6F
Building B: B1F-6F
Opened: July 1, 1977

Shintokorozawa Parco
1-2-1, Midori-cho, Tokorozawa, Saitama
Parco: B1F-5F
Let's: B1F-4F
Opened: June 23,1983

Hibarigaoka Parco
1-1-1, Hibarigaoka, Nishitokyo, Tokyo
B1F-5F
Opened: October 8, 1993

Matsumoto Parco
1-10-30, Chuo, Matsumoto, Nagano
B1F-6F
Opened: August 23, 1984

Kumamoto Parco
5-1, Tetorihoncho, Chuo-ku, Kumamoto
B1F-9F
Opened: May 2, 1986

Zero Gate

Sapporo Zero Gate
3-15-1, Minami 2-jo Nishi, Chuo-ku, Sapporo, Hokkaido
B2F, 1F-4F
Opened: February 26, 2016

Shibuya Zero Gate
16-9, Udagawa-cho, Shibuya-ku, Tokyo
B1F-4F
Opened: April 16, 2011

Harajuku Zero Gate
4-31-12, Jingumae, Shibuya-ku, Tokyo
1F-4F
Opened: March 17, 2018

Nagoya Zero Gate
3-28-11, Sakae, Nagoya, Aichi
1F-3F
Opened: October 10, 2014

Kyoto Zero Gate
83-1, Tachiuri Nakanocho, Shijo-dori Takakura Higashi-iru, Shimogyo-ku, Kyoto
B2F-7F
Opened: November 4, 2017

Shinsaibashi Zero Gate
1-9-1, Shinsaibashisuji, Chuo-ku, Osaka
B2F-4F
Opened: April 13, 2013

Dotonbori Zero Gate
1-8-22, Dotonbori, Chuo-ku, Osaka
1F-3F
Opened: April 20, 2013

Hiroshima Zero Gate
2-7, Shintenchi, Naka-ku, Hiroshima
1F-3F
Opened: October 10, 2013

Hiroshima Zero Gate 2
9-4, Hondori, Naka-ku, Hiroshima
1F-3F
Opened: September 10, 2016

Sannomiya Zero Gate
2-11-3, Sannomiya-cho Chuo-ku, kobe
1F-4F
Opened: September 14, 2018

Kawasaki Zero Gate
1-1 Ogawa-cho, Kawasaki-ku, Kawasaki, Kanagawa
1F-2F
Scheduled to open: August 8, 2019

Other stores

Pedi Shiodome
1-9-1, Higashishinbashi, Minato-ku, Tokyo
B2F-B1F, 2F
Opened: February 16, 2005 www.pedi-s.com

San-A Urasoe West Coast Parco City
3-1-1 Irijima, Urasoeshi, Okinawa
1F-3F for commercial facilities
Opened: June 27, 2019

Overseas Japanese Restaurant zone

Itadakimasu by PARCO
Level 3, 100AM Mall 100 Tras Street, Singapore 079027
Opened: December 1, 2016

Share Information

Status of Shares (As of February 28, 2019)

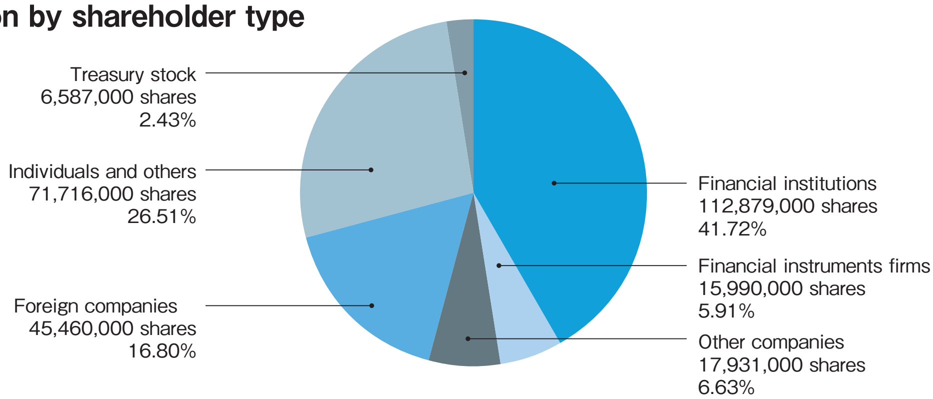
Number of shares authorized: 1,000,000,000 shares
Number of shares issued: 270,565,764 shares
Stock code: 3086
Stock exchange listings: Tokyo and Nagoya
Transfer agent: Mitsubishi UFJ Trust and Banking Corporation
Number of shareholders: 117,086

	Major shareholders	Number of shares held (1,000 shares)	Shareholding ratio (%)
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	23,913	9.05
2	Japan Trustee Services Bank, Ltd. (Trust Account)	13,822	5.23
3	Nippon Life Insurance Company	9,828	3,72
4	Japan Trustee Services Bank, Ltd. (Trust Account 9)	6,822	2.58
5	J. Front Retailing Kyoei Supplier Shareholding Association	6,129	2.32
6	The Dai-ichi Mutual Life Insurance Company	5,732	2.17
7	MUFG Bank, Ltd.	4,998	1.89
8	Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,941	1.87
9	JP Morgan Securities Japan Co., Ltd.	4,693	1.77
10	JP Morgan Chase Bank 385151	3,861	1.46

Note: Shareholding ratio is calculated by deducting treasury stock (6,587,000 shares).
The said treasury stock does not include the Company's shares held by the BIP Trust.

Distribution by shareholder type	Number of shareholders (People)	Number of shares (1,000 shares)	Ratio (%)
Government and local public entities	—	—	—
Financial institutions	86	112,879	41.72
Financial instruments firms	43	15,990	5.91
Other companies	866	17,931	6.63
Foreign companies	580	45,460	16.80
Individuals and others	115,510	71,716	26.51
Treasury stock	1	6,587	2.43

Distribution by shareholder type



Corporate profile

Company name	:	J. Front Retailing Co., Ltd.
Main store	:	10-1, Ginza 6-chome, Chuo-ku, Tokyo
Office	:	Nihonbashi 1-chome Mitsui Building, 4-1, Nihonbashi 1-chome, Chuo-ku, Tokyo
Established	:	September 3, 2007
Capital	:	¥31,974 million
The Group's business lines	:	Department store operation; retail; restaurants; wholesale; import and export; design, supervision and contracting of construction works; direct marketing; credit cards; labor dispatch service; merchandise inspection and consulting; and others
Number of employees (consolidated)	:	6,695 (as of February 28, 2019) Note: In addition to the above, there are 1,697 dedicated employees and 1,884 fixed-term employees on average during fiscal year 2018.
URL	:	https://www.j-front-retailing.com/english/

J. FRONT RETAILING

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