Integrated Report 2020

Create and Bring to Life "New Happiness."

J. FRONT RETAILING

There is no crisis that we cannot overcome.

Integrated Report 2020 | CONTENTS

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Business Model

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J. Front Retailing Group

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 2019 (March 1, 2019 through February 29, 2020) but it also contains the latest information available at the time of issue to the extent possible.

Scope:
J. Front Retailing Co., Ltd. and its 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
Social
Governance
Guidance for Collaborative Value Creation

Corporate Credo

Service before Profit

Service before Profit – This phrase is 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.

Basic 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 such as you have never felt before. 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 FY2019

New cause assumed by the Group

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. Many restrictions including voluntary ban on leaving home and restrictions on travel are placed due to the current spread of COVID-19 and people are forced to live with concerns and frustrations such as they have never experienced before. This is one of symbolic things.

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.

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.

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.

Act for yourself!

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

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.

Mission Statement System

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.

The spread of the COVID-19 infection has transformed the world. This unprecedented global shock is transforming our social structure and significantly changing our consumption structure. The business environment around us is extremely uncertain and severe, and it is clear that if we take the wrong measures, we will be able to risk the survival of the Company.

At the same time, even in this environment, we need to face the reality that a number of companies are achieving growth and improving profitability through innovation. In other words, the fundamental problems we face now is the lack of the ability and speed to respond to rapid changes in the external environment.

We need to be prepared to fight against the "invisible enemies" we face today for a certain length of time. The COVID-19 pandemic forced most of our department stores and PARCO stores to close from April. The Company decided to resume operations in stages by creating a safe and secure environment that reduces the risk of infection and taking into account conditions in each region. However, there is a concern about a possible second wave of infections and we cannot relax our attention.

These factors are expected to have an extremely severe impact on results of operations. It may be said that this is the greatest crisis in our history. On the other hand, it is also true that there was much awareness that may lead to the future of the Group from the experiences that might not have been gained without this crisis, such as constrained environments including voluntary ban on leaving home and restrictions on travel.

In Anticipation of a New Era, We Will Strive to Create Change.

We have encountered a number of such crises over the long history of 300 years and 400 years since our founding. However, I am convinced that sustainable management has been achieved to the present by returning to the Corporate Credo of "Service before Profit," which means that those who give priority to service over profit will prosper, and simply and honestly implementing our daily business activities every time we faced a crisis like this.

Responding to changes in the times and society and constantly striving for self-innovation. We believe that we could do them through the unchanging values embedded in the Corporate Credo, that is, by firstly "pursuing the right path for society" as the cornerstone of our management activities. There is no crisis that we cannot overcome.

It is not clear at present what kind of world will emerge after COVID-19. Our raison d'etre is to continue to find and provide solutions while facing such changes in society. To this end, while leveraging the Group's existing strengths, we have added five elements: innovation, digital, global, sustainable and collaboration. In this way, we have embarked on the formulation of a new Medium-term Business Plan.

With regard to the new Medium-term Business Plan, we will set the goals for 2030 that look ahead to the post-COVID-19 world quantitatively and qualitatively. Under the three-year medium-term plan starting in the following year 2021, we will maximize the synergy with the conversion of Parco into a wholly owned subsidiary for discontinuous growth. Through these initiatives, we aim to realize true business portfolio reforms.

Our role as a public entity of society is to strike a balance between social value and economic value by paying close attention to our stakeholders. Improving corporate value over the long term cannot be achieved without coexistence with society.

The important thing is to make sure that we properly identify risks and then strengthen our "defense" in order to ensure the safety and security of our stakeholders. At the same time, we must diligently prepare for an "offense" based on coexistence with COVID-19.

By overcoming the current crisis together with our stakeholders in a manner that will lead to concrete results for the new reality that will follow, we will do our utmost to realize the Group Vision: "Create and Bring to Life 'New Happiness.'"

July 2020

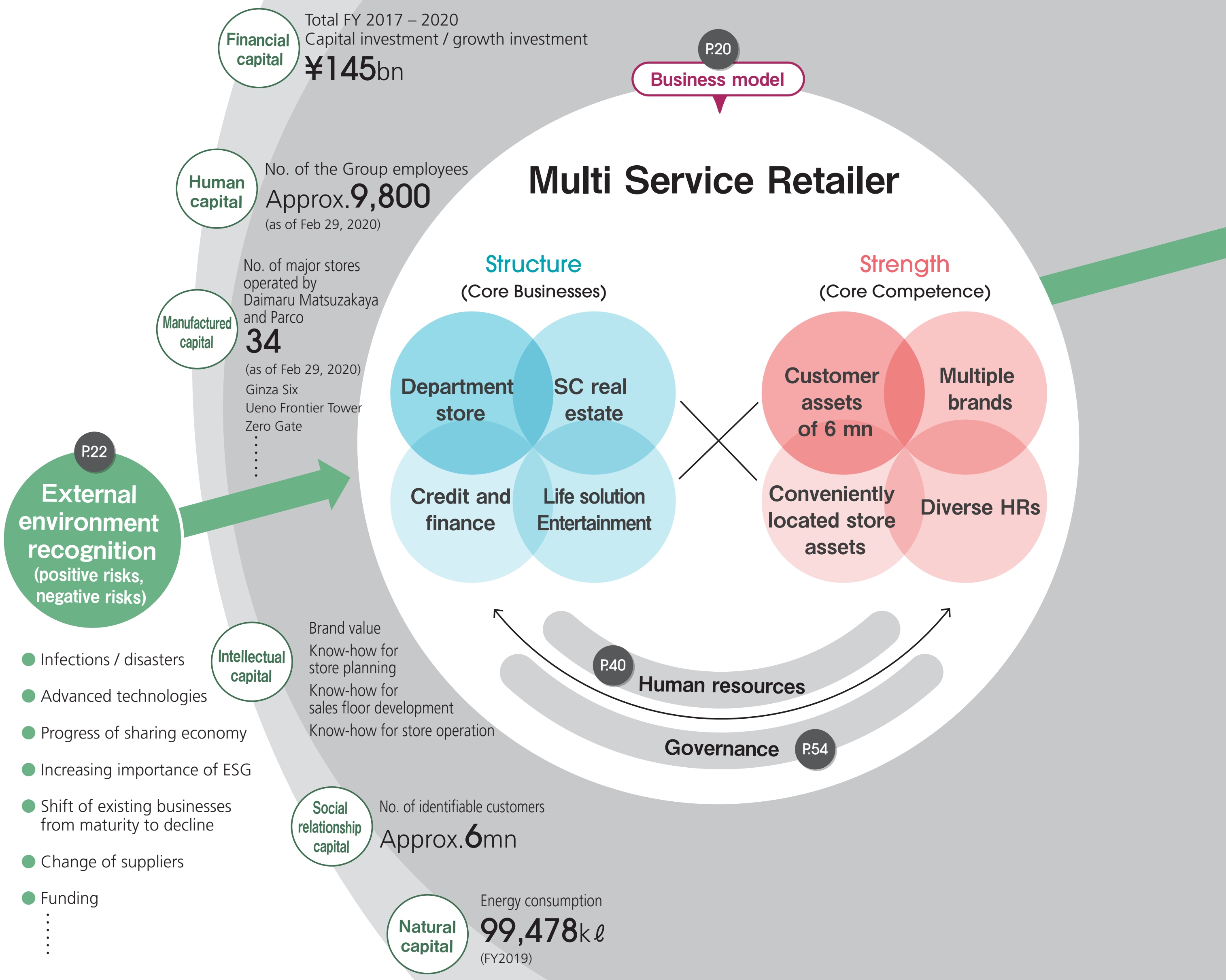
好本達也

YOSHIMOTO Tatsuya

Director, President and Representative Executive Officer

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.



*Total capital investment is before application of IFRS 16.

Outcome

Contribution to a low-carbon society
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13 CLIMATE ACTION

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7 AFFORDABLE AND CLEAN ENERGY
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3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH

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Innovation of Parco Business
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Customers

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

Shareholders

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

Business partners

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

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.

Communities

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

2030

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Group Vision

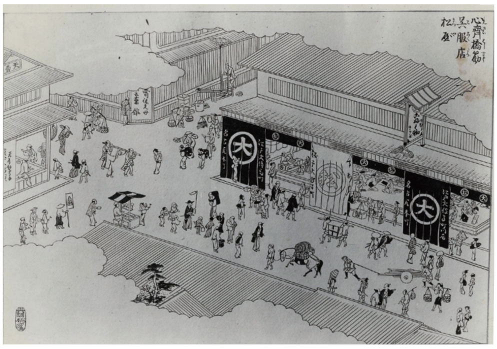
Create and Bring to Life "New Happiness."

SUSTAINABLE DEVELOPMENT GOALS
17 GOALS TO TRANSFORM OUR WORLD

1 NO POVERTY
2 ZERO HUNGER
3 GOOD HEALTH AND WELL-BEING
4 QUALITY EDUCATION
5 GENDER EQUALITY
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES
11 SUSTAINABLE CITIES AND COMMUNITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION
14 LIFE BELOW WATER
15 LIFE ON LAND
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS
SUSTAINABLE DEVELOPMENT GOALS

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.

The History of Reform Creates Tradition.


Shinsaibashisuji Osaka store

Daimaru

1717
Shimomura Hikoemon Shokei opened a kimono fabric store "Daimonjiya" in Fushimi, Kyoto (foundation of Daimaru).

1726
Opened Osaka store "Matsuya" in Shinsaibashisuji, Osaka and began cash sales at fixed prices (present location of Shinsaibashi store).

1728
Opened Nagoya store at Honmachi 4-chome, Nagoya and used the name "Daimaruya" for the first time (closed in 1910).

1737
Distributed to all stores the hanging scrolls with the store creed of "Service before Profit" on it.
Completed the construction of the new Kyoto flagship store in Funaya-cho, Higashinotoin, Kyoto.

1743
Opened Edo store at Odenma-cho 3-chome, Edo.

1757
Built Kiba Villa near Han-ei Bridge at Kiba 4-chome, Fukagawa, Edo and set up a shrine of Han-ei Inari 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.

1837
The Oshio Rebellion broke out. Daimaru escaped burning at the hands of mobs due to its reputation as a philanthropic merchant.

1907
Established "Kabushiki Goshi Kaisha Daimaru Gofukuten" with a capital of ¥0.5 mn.

1600 1700 Phase of founding 1800 1900

Matsuzakaya

1611
Ito Genzaemon Sukemichi opened a kimono fabric and fancy goods wholesale store in Honmachi, Nagoya.

1659
Opened a kimono fabric and fancy goods wholesale store in Chayamachi, Nagoya.

1736
Changed the trade to a silk and cotton kimono fabric retailer.

1740
Became a kimono fabric purveyor to the Owari Tokugawa clan.

1745
Opened a purchasing office in Muromachi Nishiki-koji, Kyoto.

1768
Acquired Matsuzakaya in Ueno, renamed it "Ito Matsuzakaya" and entered into Edo.

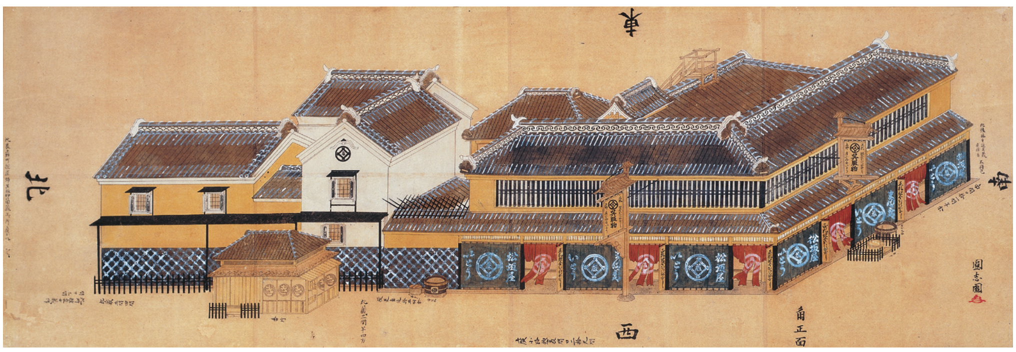
1805
Opened a cotton wholesale store Kamedana in Odenmacho, Edo.

1868
Ueno store was used as the headquarters of imperial army during the Ueno war.

1875
Acquired a kimono fabric store Ebisuya and entered into Osaka.

1881
Opened Ito Bank (predecessor of former Tokai Bank) in Chayamachi Kado, Nagoya.

1907
Reorganized Ueno store into "Goshi Kaisha Ito Gofukuten."


Exterior of Ueno store in 1772


First partnership with a foreign designer


Tokyo store opened

1908 Newly built and opened Kobe branch at Motomachi 4-chome, Kobe.

1912 Opened new three-story RC/wooden Kyoto store on Shijo-dori Street (present location) as a department store.

1913 Revised and registered the trademark.

1920 Established "Kabushiki Kaisha Daimaru Gofukuten" with a capital of ¥12 mn.

1922 First implemented a weekly holiday system in the department store industry.

1927 Opened the first "Dyeing Laboratory & Hygienic Laboratory" (present Consumer End-Use Research Institute) in the department store industry in Osaka store (present Shinsaibashi store).

1928 Changed the company name to "Kabushiki Kaisha Daimaru."

1953 Signed an exclusive contract with Christian Dior. Japan's first partnership with a foreign designer.

1959 Launched private label men's clothing "Trojan."

1961 Achieved the highest sales in the Japanese retail industry (consecutively from H2 1960 to H2 1968).

1964 Signed an exclusive contract with Givenchy.

1983 Umeda store opened in Osaka Terminal Building "Acty Osaka." Adopted a new CI and created a new logo.

1997 Kobe store (hit by the Great Hanshin-Awaji Earthquake in 1995) was restored and made its grand opening.

1999 Fully launched management reform [store-based sales reform and *gaisho* (out-of-store sales) reform]. (Next year, HR reform and back-office reform were launched.)

2003 Sapporo store opened.

Phase of development/maturity

2000

1910 Established "Kabushiki Kaisha Ito Gofukuten" with a capital of ¥0.5 mn. Opened a department store in Sakaemachi, Nagoya.

1917 Completed the new main building of Ueno store.

1923 Reopened Osaka store (Nipponbashisuji) (relocated to Tenmabashi in 1966 and closed in 2004).

1924 Ginza store opened

1957 Designated cattleya as a symbol flower.

1972 Nagoya store built a north wing.

1991 Nagoya store built a south wing and opened "Matsuzakaya Museum."

2003 Nagoya store built a new south wing and became the largest department store in Japan.

2006 Established a holding company "Matsuzakaya Holdings Co., Ltd."


Department store opened


Ginza store


Nagoya store built a new south wing

Turn Integration into Innovation.

2007

J. FRONT RETAILING

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

September 2007
Established J. Front Retailing Co., Ltd.

2008

Daimaru Credit Service, Inc. was renamed JFR Card Co., Ltd.
Daimaru Design & Engineering Co., Ltd., Daimaru Mokko Co., Ltd., Matsuzakaya Seiko Co., Ltd. and Refex 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.

2009

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 Co., Ltd. absorbed Daimaru Lease & Service Co., Ltd.

November 2009
North wing of Daimaru Shinsaibashi store opened

2010

DAIMARU
Matsuzakaya

The Daimaru, Inc. and Matsuzakaya Co., Ltd. merged into Daimaru Matsuzakaya Department Stores Co. Ltd.
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.

2011

"Keicho Kosode" from the Matsuzakaya Collection was designated as a national important cultural property.
Daimaru Umeda store reopened with increased floor space.

March 2011
Daimaru Umeda store reopened with increased floor space

Phase of business integration and reorganization

2012

PARCO

Acquired a 33.2% stake in Parco Co., Ltd. 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, China.
Jointly established JFR Plaza Inc. with StylingLife Holdings Inc.
Increased a stake in Parco Co. Ltd. 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
Daimaru Tokyo store reopened with phase II expansion

Phase of building foundations

2013

Sold all shares of Peacock Store 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.
Fukuoka PARCO opened a new building.
Invested in Cool Japan Fund.

FY 2014 to 2016 Medium-term Business Plan started

April 2017
Ginza Six opened

November 2017
Ueno Frontier Tower opened

Fall 2020
PARCO will open in the north wing of Daimaru Shinsaibashi store
©TAKENAKA Corporation

2015

Increased floor space of the main building of Fukuoka PARCO.
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.

FY 2017 to 2021 new Medium-term Business Plan started

2016

Phase III renovation and grand opening of Matsuzakaya Nagoya store
Sendai PARCO 2 opened.

2017

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.
Ueno PARCO_ya opened.
Ueno Frontier Tower opened.
JFR Plaza Inc. was dissolved and liquidated.

Phase of dramatic growth / changing the Group structure

2018

Accepted purchase of own shares by Senshukai Co., Ltd.

2019

Kinshicho PARCO opened (Mar).
SAN-A Urasoe West Coast PARCO CITY opened (Jun).
The new main building of Daimaru Shinsaibashi store opened (Sep).
New Shibuya PARCO opened (Nov).
Commenced TOB to convert Parco Co., Ltd. into a wholly owned subsidiary (Dec).

2020

Converted Parco Co., Ltd. into a wholly owned subsidiary (Mar).
Halted the current Medium-term Business Plan and began to formulate a new Medium-term Business Plan.
A commercial complex "Nihon Seimei Sakaemachi Building" (provisional) will open (fall).
PARCO will open in the north wing of Shinsaibashi store (fall).

2021

New Medium-term Business Plan will start

Create and Bring to Life "New Happiness."

September 2019
New main building of Daimaru Shinsaibashi store

September 2019
New Shibuya PARCO

Top interview

“Let Go of Past Successes and Draw out Solutions to Coexist with COVID-19.”

Unprecedented COVID-19 crisis

“Service before Profit” – Those who give priority to service over profit will prosper. This Corporate Credo is the cornerstone of the Group that has survived for 300 and 400 years and I think it fits with the current times. Returning to this philosophy and practicing it is CSV itself, which produces both social value and economic value, and by doing so, I think we can keep up with the trends of ESG and SDGs. It is true that there are many unforeseeable things amid the COVID-19 crisis. However, I realize that this Corporate Credo is the basis on which we act when thinking of what we should value the most now.

In the current situation called the fight against the invisible enemy, what I thought first was ensuring the safety and security of customers and workers including those from suppliers and the employment of employees and survival as a company. Soon after the first person infected with COVID-19 was found in Japan in the middle of January, we took thorough measures to prevent infection by placing alcohol sanitizers in our stores and offices and allowing workers to wear masks. In February, we set up an emergency headquarters in the Company, and at the same time, I also asked each company in the Group to set up such headquarters. The core business of the Group has existed by creating commercial space, attracting customers from wide areas, and thereby “creating close contact.” And it just became a risk. When March began, our department stores had temporary holidays and reduced business hours. In addition, we cancelled large events such as regional product fairs, which attract many customers. Parco also reduced business hours and the events that might cause close contact were changed, postponed or cancelled. And in April, a state of emergency was declared and almost all stores were forced to close. The Group whose main business is the operation of conveniently located real stores has faced an unprecedented and unforeseeable crisis.

Therefore, we drew up three scenarios including a “standard scenario,” a “risk scenario” and the “worst scenario” according to how long our stores will close affected by the COVID-19 crisis and considered the measures to be taken. For the worst scenario, we assumed that the declared state of emergency will continue until August. Seeing the situation changing every moment, particularly in terms of funding, we ensured cash reserves promptly by issuing commercial paper and increasing the commitment line limit.

In June, we could reopen stores finally. However, as infection risk was not eliminated completely, we could not operate stores in the same way as before closing. We placed thermographic monitors and sanitizers at the entrances to prevent anyone that has a fever or does not wear a mask from entering the stores. In stores, workers wear face shields and masks are given. And also in staff canteens, lounges and locker rooms, which are hidden from customer view, we take every possible measure.

Take a pinch as an opportunity of “reform”

From now on, we will coexist with COVID-19. It is called new normal. We have to consider what it will be like for these six months and one year

YOSHIMOTO Tatsuya
Director, President and Representative Executive Officer

and after three to five years. Until when should we keep a social distance? When will people be allowed to move globally just as before? No one can foresee at present.

In the meantime, it is also true that we found the COVID-19 crisis could drive reforms. We were made aware how fragile the present business structure that depends on real stores is. As said before, our core business has existed by attracting customers from wide areas and thereby "creating close contact." If we cannot do this, we can take other approaches including e-commerce. Actually, however, the operation of our e-commerce is not completely independent of stores. We could not move products when our stores were closed. Furthermore, for tens of thousands of users of our *gaisho* website, normally *gaisho* staff serves them as a touch point and we did not think the website needs to have a payment function. All our systems are based on real stores. Amid the COVID-19 crisis, we see how much inconvenience it causes to customers, which results in opportunity loss.

In order to avoid employees' infection risk from traveling, we encouraged the employees of the entire Group mainly working in the head offices to work from home and actively held teleconferences and conference calls without getting together physically. In anticipation that such an era will come in the near future, we trialed them in some locations while building the infrastructure ensuring security. However, we did not even imagine we actually do them so soon. In practice, they are working well. At present, we cannot judge that they help increase productivity but problems in the operating process were revealed. Therefore, I think we will be able to produce robust results earlier than expected if we work on them seriously.

Creating the situation that "does not cause close contact" using digital to survive the COVID-19 era. In the past, it might be positioned rather as a complement to real stores, but from now on, we will have to improve ourselves centered on digital and using the strength of real stores. We cannot lose any time in responding to unprecedented dramatic changes. In this sense, I feel even more importance of the Group Vision "Create and Bring to Life 'New Happiness.'"

Review of the current medium-term plan and challenges

The Group aims to become a Multi Service Retailer beyond the framework of retail and works on expanding its business domain and transforming the business models of existing businesses. In order to expand our business domain, we opened a luxury mall "Ginza Six" and a commercial complex with office function "Ueno Frontier Tower" in 2017 and the Real Estate Business grew dramatically compared to before the current medium-term plan started. In the Credit and Finance Business, the management foundation was reinforced for medium-term growth by actively hiring specialized talents and they got prepared to issue "new cards," which are a key to growth, this fiscal year.

In order to transform the business models of existing businesses, in September last year, we opened the "main building of the Daimaru Shinsaibashi store" as an unprecedented hybrid department store business model, and in November, we opened "new Shibuya Parco," which can reach a wide range of customers with an unconventional tenant mix. I see both produce results as expected. A challenge in the Department Store Business and the Parco Business is how we will horizontally apply these new business models to flagship stores speedily.

When we formulated the current medium-term plan, which started in 2017, we expected that profit would increase in fiscal year 2020 and beyond partly thanks to the full contribution of the development projects, which started business last year, after bottoming out in fiscal year 2019. However, it is unavoidable that the profit level will continue to decrease in fiscal year 2020 due to the current drastic environmental changes. In addition, the progress of new businesses from which a certain profit contribution is factored in is delayed. For these reasons, it became extremely difficult to achieve the profit target for fiscal year 2021, which is the final year of the medium-term plan.

While we see visible results that lead to a better future after three years have passed since the current medium-term plan started, in fact, we cannot say the progress of profit level and business portfolio transformation is smooth. I think behind that are the assumptions that have changed more greatly in "scale" and "speed" more than expected when we formulated the current medium-term plan including lower consumer spending than expected after consumption tax hike, suddenly accelerated shrinkage of women's volume zone market and declining rural stores combined with less competitive urban flagship stores as well as the current COVID-19 pandemic risk.

On the other hand, the Group itself has faced an "important turning point." It is conversion of Parco Co., Ltd, a consolidated subsidiary, into a "wholly owned subsidiary." At last we could create a system that can aim to maximize synergy at higher speed by addressing dynamic transformation of business structure that we could not conduct before and drastically exchanging human resources through this conversion. I think this a big plus factor.

Amid these significant changes in external and internal environments, we have decided that it is the best to restart with a strategy that determines a direction with a far-sighted ambitious target and can bring out greater strength from the Group in a new system rather than continuing to implement the current medium-term plan in the present framework.

I think we have to formulate a new medium-term plan after clarifying what we could do, what and why we could not do.

Started to formulate a new medium-term plan

I would like to explain the outline of the Medium-term Business Plan, which will start in fiscal year 2021 premised on creating a strong business structure considering the current uncertain situation, at the earnings announcement in October this year. As we have decided to give up the current medium-term plan halfway, after looking back on it properly, we would like to present accurate direction and "what we will be like in 2030," ten years ahead, and clarify what we will aim to do for the first three years. To this end, we thoroughly analyzed the risks that will affect the Group. The five integral elements of the new medium-term plan will include "innovation," "digital," "global," "sustainable" and "collaboration." They are nothing special currently but a company may not be able to grow or even survive unless it can do them as a matter of course. For example, with respect to "global," as asked at our annual shareholders meeting, you may wonder if we will be really all right considering the situation in which inbound sales, which are an element of global, disappeared amid global restrictions on travel due to the current COVID-19 crisis. However, we will not be able to stop the trend of going global and it may become obviously different from the past concept of global in the new normal. More active "collaboration" with outside will be needed to promote "digital" and "innovation." I think we need to collaborate with outside more dynamically. Needless to say, "sustainable" means that a company cannot exist without producing both social value and economic value.

Currently we have many discussions concerning the new medium-term plan. Of the main ten members who formulate the plan, only four including myself are from the department store. The remaining members are the ones from Parco and mid-career employees. As nine of the ten members who formulated the current medium-term plan were from the department store, I feel it has changed. Though there are still few women and people from outside, there is no doubt that the recent "conversion of Parco into a wholly owned subsidiary" will be a key factor in the formulation process and implementation of the new medium-term plan. I think we need to consider quantitatively what synergy we will be able to create. For this purpose, the department store and Parco should evolve further.

The Real Estate Business, which is growing steadily under the current medium-term plan, will be integrated into Parco, which accumulates more know-how. It is most expected among synergies from the recent conversion into a wholly owned subsidiary. Parco was mainly the developer of commercial complexes named Parco, but going forward, it will develop real estate in new fields as well as a commercial field.

The greatest of what we could not do under the current medium-term plan was the deep exploration of the growth strategy that aims to make us a Multi Service Retailer, that is, go beyond the framework of retail. As it is obvious that we cannot grow in a sustainable way if we stay within the framework of retail, our challenge is what we will define as the "fourth pillar" in addition to the existing pillars of the Group including department store, Parco and finance. To this end, I think we need synergy with Parco combined with external insights.

In the meantime, as management resources are limited, we will address structural reforms to overcome this crisis steadily. If we do something new, we have to clarify what to give up. The essence of choice and concentration is to decide what to abandon.

Coexistence with a sustainable society

In 2018, the Company identified five materiality 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" through the questionnaire survey for 4,250 stakeholders and discussions at the Management Meetings and the Board of Directors meetings. We set long-term goals for each of the five materiality issues and take specific actions in earnest to achieve them.

With regard to "contribution to a low-carbon society," a retailer may not contribute greatly in terms of impact on the entire society. However, increased GHG emissions are one of the greatest global problems and we cannot just sit and wait. The Group's CO_2 emissions are mainly from stores and approximately 90% of them are from electricity use.

Therefore, we will promote switch to renewable energy and LED lighting and electrify our corporate fleet. Thinking through what we can do now and taking the lead in putting it into specific action. I think that is all we need to do. As such actions, the GHG emissions reduction targets set by the Group was approved as science-based reduction targets by the international "Science Based Targets initiative (SBTi)" last year. The SBTi updated its target validation criteria so that the level of targets is classified under three categories. The Group's targets were approved under the second strictest category of "well-below 2˚C"-aligned targets. We also support the final report released by the "Task Force on Climate-related Financial Disclosures (TCFD)" that was established by the Financial Stability Board (FSB) (TCFD recommendations), and at the same time, participated in the "TCFD Consortium" that was launched on May 27, 2019. Going forward, we will engage in dialogue with other companies and financial institutions which support these recommendations by participating in the TCFD Consortium to effectively disclose information on how we address the risks and opportunities of climate change, what initiatives we implement to achieve the long-term GHG emissions reduction targets, and so on.

With regard to "management of the entire supply chain," we cannot do it without the understanding and cooperation of our suppliers. Therefore, we formulated our Principles of Action and the "Principles of Action for Suppliers" in June 2019 to eliminate environmental and social risks in the supply chain. Each operating company in the Group sent these "Principles of Action for Suppliers" to the representatives of suppliers to ensure that they understand and comply with the Group's view and rules. In October, Daimaru Matsuzakaya Department Stores, a main operating company, held a "presentation on the JFR Principles of Action for Suppliers" in Tokyo and Osaka at the same time and as many as 652 people from 530 companies attended it. I am convinced that both the Group and its suppliers deepened shared thought that they will aim to enhance corporate value by complying with the Principles of Action through them.

With regard to "coexistence with local communities," needless to say, it is the very core business of the Group. We position five areas where our stores are located as key areas and implement the "Urban Dominant Strategy" that aims to grow with local communities with our stores at its core. In fiscal year 2020, the north wing of the Shinsaibashi store will open with Parco as an anchor tenant in fall and a new commercial complex will open in the Sakae area, Nagoya.

With regard to "promotion of diversity," given further increasing human resource exchanges driven by the recent conversion of Parco into a wholly owned subsidiary, I think we have become a very diverse company. Recently, we actively hire people from outside. We hired 69 people only in fiscal year 2019, which is almost the same level as the new graduate recruitment. It is true that the Group mainly operating traditional department stores is rapidly becoming diverse. In addition, we adopt a unique "Mother Recruitment" program that aims to extensively hire women wishing to balance child care and work at a higher level from outside the Group. I think it is effective in securing motivated talents. In fact, however, there are still many men in management. So we would like to seriously consider a way to bring out employees' personalities and abilities to the fullest and develop female human resources who will be included in a succession plan.

With regard to "realization of work-life balance," it is important that a work style reform will be carried out not just to remedy long working hours but to make work creative and productive and balance work and life. Telework, which has become established, will steadily drive that. Creating a company whose employees enrich both their lives and works and take pride in the company. I think it will help people and a company achieve true growth.

Further raise awareness of capital cost with ROIC

I understand our cost of shareholders' equity is in the range of 6 to 7% in the CAPM. I think an ROE of at least 8%, which exceeds the cost of shareholders' equity, is the minimal level we should aim to achieve to enhance corporate value. We aim to build a business structure that can achieve an ROE of at least 8% on a consolidated basis continuously by breaking down ROE into its components to be addressed by operating units.

Operating units work to increase ROA, which is calculated by multiplying a company's operating profit margin by its asset turnover. As the Department Store Business that operated using large assets of stores gave too much importance to P/L, I think this is the first step to change our mindset to see return from assets, that is, realize B/S-focused management. ROA was added as a store manager performance indicator. So I think the business management based on separate B/S for each store is steadily progressing. Furthermore, from fiscal year 2020, we will adopt an "internal capital system" that sets internal rules including an internal interest system, an internal tax system and an internal dividend system, like managing a company, as well as setting capital for each business and each store to further advance B/S-based management.

In terms of return on investment, we use the WACC as a hurdle rate. Our WACC is calculated at around 5% over the medium to long term. We also set the WACC for each business such as Department Store, Parco and Credit and Finance. As the WACC is the hurdle rate of ROIC, a positive spread between ROIC and WACC will help create corporate value. Though we do not formally adopt ROIC as a management indicator, it is true that ROIC is often referred to in dialogue with investors. Actually, when we released the current medium-term plan, an investor said that the spread of ROIC, which was calculated from total investment and forecast operating profit during the period of the medium-term plan, is not good enough. As a matter of course, it will be discussed in each business. That means investment should be made in the business that generates greater return. As ROE can be broken down into ROIC and leverage, it may be said to be a KPI that aims to fundamentally enhance ROE without relying on leverage. Based on these matters, we consider introducing ROIC as a KPI in the new medium-term plan, which is being formulated.

For investment projects, the "Investment Project Review Committee" with the Senior Executive General Manager of Financial Strategy Unit as its chairperson and the Senior General Manager of Management Planning Division as its vice-chairperson discusses them. We use the payback method for store renovations and the NPV method for development investment. For M&A, we use quantitative criteria including calculating shareholder value using the DCF method, creating risk scenarios and confirming impact on rating, etc. and also qualitative criteria to make a decision comprehensively. The results are reported to the Management Meetings and the Board of Directors and positioned as one factor in management decision.

The "Revitalization Plan Review Committee" also manages existing businesses in three phases. The Committee validates these businesses, examines the validity of their measures and provides information to the Management Meetings and the Board of Directors in a reasonable period of time.

Deepen dialogue through highly transparent management

We have addressed governance reforms continuously since the Corporate Governance Code was published in 2015. We were originally a Company with an Audit & Supervisory Board and made a transition to a Company with Three Committees (Nomination, Audit and Remuneration) in fiscal year 2017. At that time, five of 13 Directors were independent Outside Directors, and since 2019, we have added one and have six in total to further strengthen oversight function by adding external perspectives.

I think it is the most important for governance to increase the transparency of management. Transparency is enhanced by actively disclosing information, and without doing so, we cannot promote constructive dialogue. For example, as it is difficult to foresee the future in the current COVID-19 crisis, many companies with fiscal year-ends in February and March announced that earnings forecasts "were to be determined." However, we disclosed earnings forecasts as always. It was not easy to forecast in the situation changing every moment but the management of a company remains based on a certain assumption made considering the environment around it. Therefore, we made forecasts by analyzing information available until the end of March and disclosed them at our earnings announcement in early April. It is because I think opening gambits for discussion with capital markets are provided and dialogue is deepened by showing the standards set by our management. A state of emergency was declared immediately after that and this assumption changed. However, I feel the dialogue conducted there was meaningful and highly suggestive, which will lead to the next step.

This is really the "emergency situation." The succession plan was implemented in such situation and I got a baton as the President, in which I feel sort of destiny. As the environment changed so drastically, we need to reset our mind. Clinging to past successes thinking easily that everything will get back on the track soon is just a risk. My job may start from "letting go of past successes." The new era drives the acceleration of changes and I see it as an opportunity to seek the new way to operate the businesses of the Group. Since it is difficult to foresee the future, it is important to beef up efforts to disclose information, encourage beneficial dialogue and reflect many insights thus obtained in management activities. We would like to draw out solutions in the COVID-19 era, overcome this crisis steadily with stakeholders and strive to grow in a sustainable way and enhance corporate value over the medium to long term.

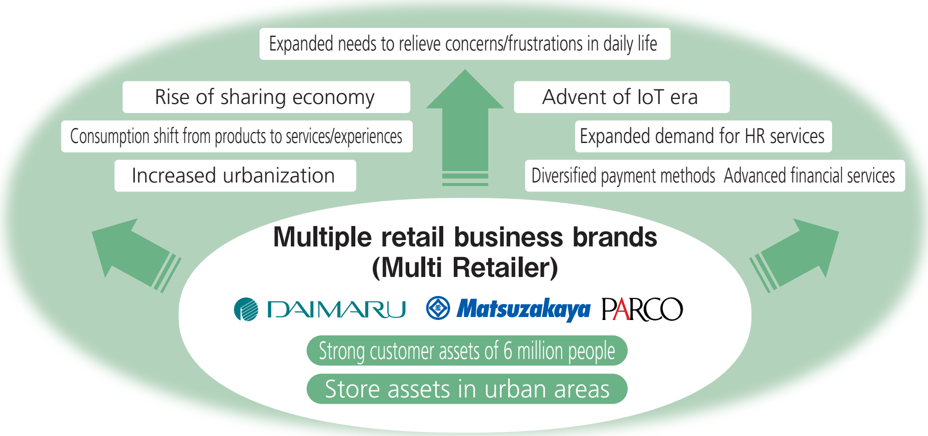
Accelerate Business Portfolio Transformation

Cannot lose any time in business portfolio transformation

In recognition that it is difficult to grow greatly if we cling to the core department store field of the Group and a greater retail field, we work to transform our business portfolio to grow as a "Multi Service Retailer" beyond the framework of retail for "discontinuous growth," which is not an extension of past growth. The current COVID-19 crisis strengthened our conviction that the Group would grow over the medium term only by adhering to this direction. While seeing it imperative to innovate businesses using the store assets of the department store and Parco, which have brand power, we will strive to expand into new fields including the real estate business, the finance business and life solutions to enhance corporate value through business portfolio transformation.

We think a big key to realize it is the full-scale creation of synergy with Parco, which became a wholly owned subsidiary in March 2020.

► **Multi Service Retailer**



Shift gears by converting Parco into a wholly owned subsidiary

The Company acquired 27,400,000 common shares of Parco Co., Ltd. and made it an associate accounted for using equity method in March 2012. Subsequently, in July in the same year, the Company entered into a capital and business alliance agreement with Parco, and at the same time, implemented a tender offer for the shares of Parco. As a result, in August in the same year, the Company owned 65,920,000 common shares of Parco (ownership ratio: approximately 65%).

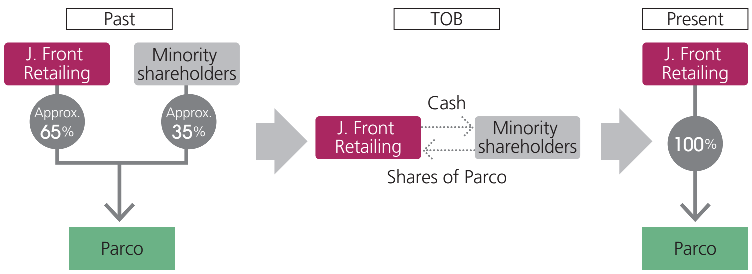
After the Company became the parent company of Parco, the Company and Parco strived to enhance the corporate value and brand value of the Group in a wide range of areas over about seven years.

Specifically, the two companies have achieved business synergies in many areas including the joint development of stores in "Ueno Frontier Tower," which opened in November 2017, and the "north wing of the Daimaru Shinsaibashi store," a project which is still ongoing, as well as joint promotions using both companies' customer bases in the Nagoya area, etc. We think the two companies also realized alliances in a wide range of areas including the deepening of mutual understanding through human resource exchange and sharing of suppliers and contributed to the growth of the Group.

On the other hand, the environment surrounding our business is becoming increasingly severe and changing remarkably and at an unprecedented speed. In such changing environment, we have decided that it is vital to flexibly respond to consumer needs, which are changing from day to day, through deeper alliance than ever between the two companies to further enhance their corporate values and brand values.

In such situation, though we could pursue results to a certain degree through alliances including the joint store development and joint promotion as in the past, it was also true that it took

► **Scheme for the conversion of Parco into a wholly owned subsidiary**

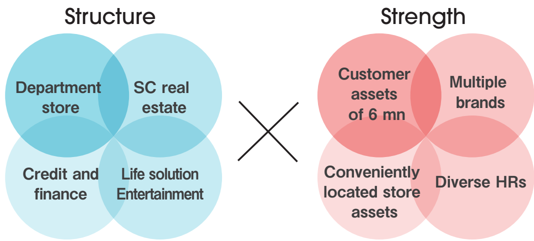


time for the Group to make decisions under the capital relationship between the two companies, which restricted implementation of strategies, because Parco was listed and had a certain degree of independence in management.

We thought that in order to move ahead with a thorough and flexible transformation of the Group's business portfolio speedily backed by rapid decision-making, it would be necessary to further deepen the ties between the two companies and to concentrate management resources, and for this reason, we decided to make Parco into a wholly owned subsidiary.

The Company commenced a tender offer on December 27, 2019, and as a result, Parco became its wholly owned subsidiary. The Group will take this opportunity to accelerate its structural reform in earnest by innovating its business model, moving ahead with the Urban Dominant strategy and expanding into new business fields to realize the Group Vision "Create and Bring to Life 'New Happiness.'"

► The Group's business structure and strength



► Four synergies aimed for

1 Strengthening the business base as a retail/real estate business group

- Further promoting the joint development of stores including large-scale complexes that would be difficult to handle alone
- Strengthening real estate development capabilities through effective utilization of land and building holdings
- Transferring the Real Estate Business to Parco after making Parco a wholly owned subsidiary. Consolidation of the Group's resources and centralization of management and development functions
- Improving sales capabilities through mutual utilization of customer data

2 Strengthening associated businesses aimed at growth as a Multi Service Retailer

- Promoting cooperation not only for store development but also in similar associated businesses such as design and construction contracting
- Expanding the service area and business fields by utilizing on a group-wide basis to the fullest extent Parco's superior business know-how in areas like the entertainment business

3 Improving management efficiency

- In response to the increasing diversification of lifestyles, working as a group to develop new businesses to improve management efficiency
- Improving management efficiency by integrating indirect departments and operations such as investor-related operations, financing operations and those related to general shareholders meetings
- Substantially improving efficiency by implementing system investment as a group

4 Enhancing competitiveness by sharing expertise through human resource exchange

- Promoting an even greater degree of cross-operating company human resource exchange
- Providing a broad range of services to meet increasingly diverse customer needs by sharing the expertise respectively built by both companies

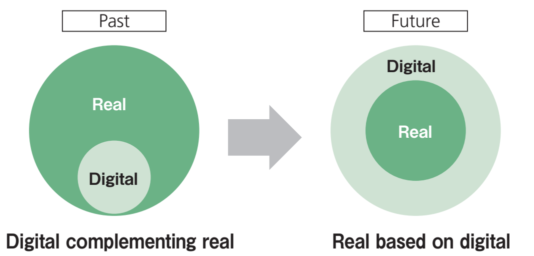
Into the second stage of department store innovation

After peaking at ¥9.7 trillion in 1991, national department store sales have decreased to ¥5,700 billion in 2019, below ¥6 trillion for three consecutive years, in spite of a recent boost from inbound tourism, losing the market of as much as approximately ¥4 trillion over these 18 years. We have not just faced crises such as the collapse of the bubble economy, the collapse of Lehman Brothers and the current COVID-19 pandemic but also competition beyond industry boundaries, which has become fiercer than ever with the rise of new digital-native players and disruptors.

On top of them, we think our essential problems are delays in responding to rapid changes and the obsolescence of the business model of the core Department Store Business.

With the medium-term plan, which started in fiscal year 2017, we tried to innovate the department store business model in two directions. The one is a luxury mall Ginza Six, which was created in the two blocks including the former site of the Matsuzakaya Ginza store using the real estate rental model with the option "not to operate a department store" (2017). And the other is the main building of the Daimaru Shinsaibashi store, which is a "hybrid" model combining the merits of department stores and real estate rental (2019). These efforts about real stores produced results as expected. However, the environment is changing more rapidly than expected and at an accelerated pace and further innovation is required. We think we can no longer achieve success in real stores without digital. The current COVID-19 crisis brought to light such issue and it is an important theme of the new Medium-term Business Plan, which is being formulated and will start in fiscal year 2021.

► Change in a relationship between real and digital

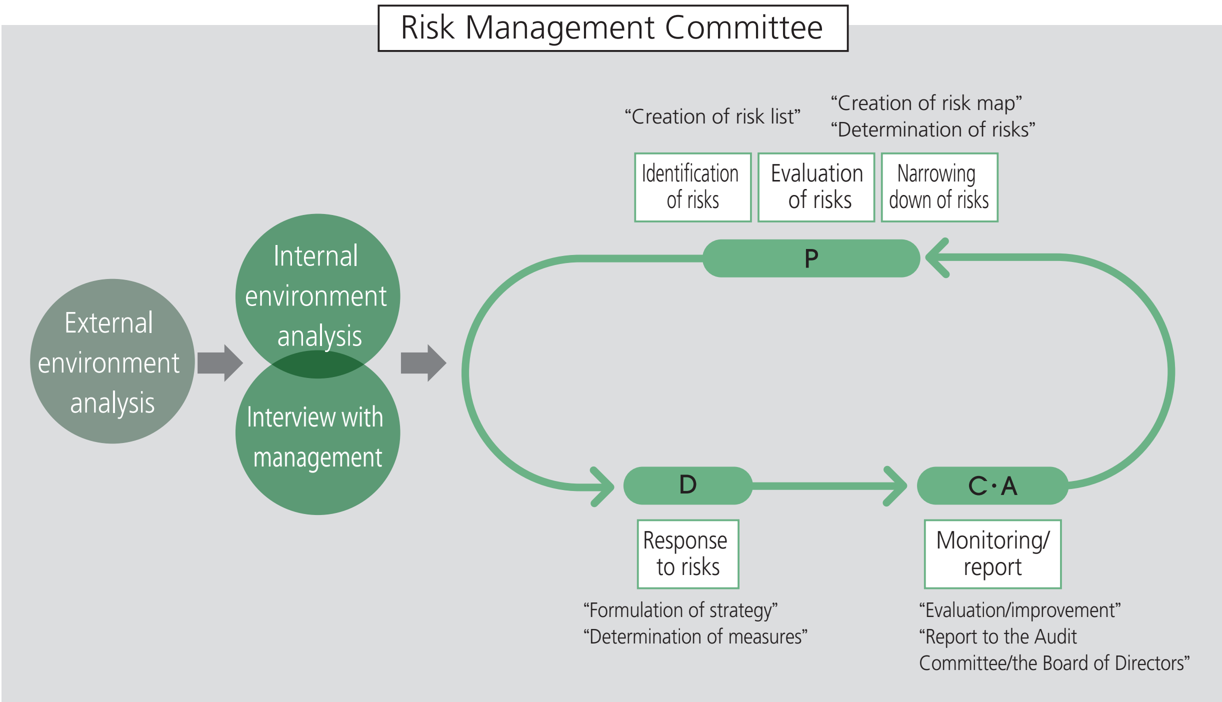


Control Risk Properly

The Group defines risk as "uncertainty, which affects the organization's profit or loss in a changing environment." Risk has both a positive side (opportunity) and a negative side (threat) and we think a company will grow in a sustainable way if risks are addressed properly.

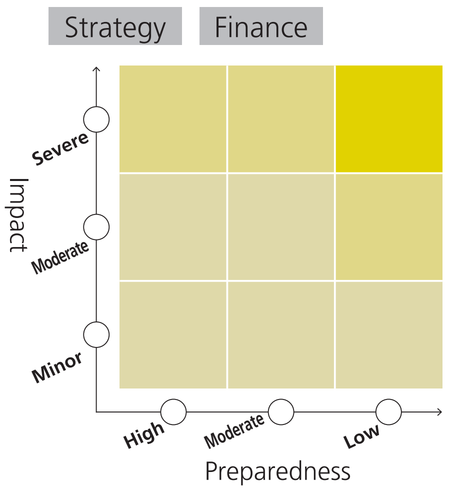
For risk management, we have formed the Risk Management Committee as an advisory body to the President and Representative Executive Officer, which is chaired by the President and Representative Executive Officer and comprises Executive Officers and others. The committee has a secretariat whose general manager is an officer in charge of risk management. The secretariat shares the policies and important matters decided by the Risk Management Committee with operating companies to promote risk management across the Group. By positioning risk as the starting point of strategy and linking risk with strategy, we promote risk management as one of initiatives to enhance corporate value.

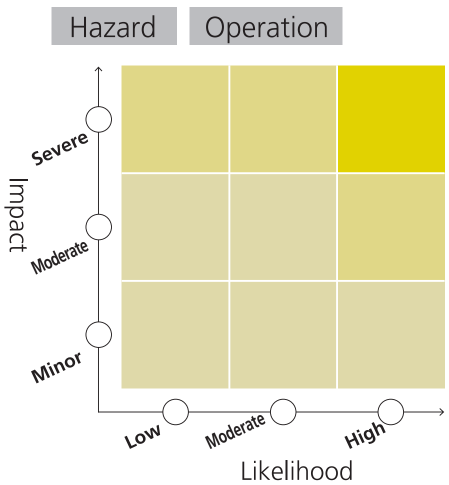
The Risk Management Committee identified and evaluated risks (uncertainty) based on an analysis of an environment and narrowed them down to priority risks. We share risk recognition as the "list of J. Front Retailing Group risks" including 101 items (see page 63) across the Group. Concerning extremely important risks, which are defined as "business risks," the Risk Management Committee discusses and decides a policy for addressing them and reflect them in the "Group strategies."



► Risk map

We have two risk maps including a "strategy" / "finance" risk map and a "hazard" / "operation" risk map.





► List of the Group key risks

Category	Risk item	Impact on the Group	Negative side of risk (threat)	Positive side of risk (opportunity)	Measures
Hazard risk	Infection	**Occurrence: Will increase** **Change: Rapidly accelerating** Affects the survival of business	● Loss of human life ● Temporary closing ● Radical review of business activities and work styles ● Changes in consumer values and behavior	–	● Ensuring the safety of customers and employees ● Cooperation with suppliers ● Securing alternate supply chain ● Business model transformation
	Disaster	**Occurrence: Has increased for a few years** **Change: Rapidly accelerating** Critical impact on performance/finance that affects the survival of business	● Damage to human life ● Suspension of business activities ● Decline in store ability to attract customers ● Occurrence of repair cost ● System halt	–	● Ensuring the safety of facilities ● Developing a business continuity plan, strengthening drills ● Transferring important data to cloud storage, creating backup center
Strategy risk	Advanced technologies	**Occurrence: Has increased for a few years** **Change: Further accelerating** Very severe impact on retail and other existing businesses	● Creative destruction of existing businesses by IT companies ● Decline in competitiveness of existing businesses due to delayed use of big data	● Use of technologies in existing businesses ● Use of big data ● Improvement of operations	● Creating new experience value using technologies/big data ● Improving productivity by introducing RPA, etc.
	Progress of sharing economy	**Occurrence: Increasing over the medium term** **Change: Moderately accelerating** Very severe impact on retail business	● Expansion of areas for sharing by emerging companies ● Spread of consumption behavior not based on buying	● Creation of new demands in response to changes in consumers ● Participation in circular businesses	● Entry into sharing business ● Promoting the 3Rs in physical stores
	Increasing importance of ESG	**Occurrence: Increasing over the medium to long term** **Change: Further accelerating** Very severe impact on corporate value, reputation and financing	● Harsh look at link between ESG initiatives and increase of business profitability	● Growing consumer interest in a sustainable society ● Positive impact on financing	● Creating new CSV ● Promoting materiality issues ● Strengthening information disclosure
	Shift of existing businesses from maturity to decline	**Occurrence: Has increased for a few years** **Change: Moderately accelerating** Very severe impact on the performance of the entire Group including retail business	● Loss of customers due to obsolete business model	● Momentum of consumers emphasizing the experiences only physical stores can deliver	● Developing complex type stores/floors with new concept ● Business model innovation
	Changes of suppliers	**Occurrence: Has increased for a few years** **Change: Rapidly accelerating** Very severe impact on retail business	● Lower appeal and poorer assortment of retail stores	● Opportunity to revise the supplier policy (new development, new collaboration with existing suppliers)	● Developing a new store model in cooperation with existing suppliers ● Developing new good suppliers
Finance risk	Financing ○ Changes in liquidity ○ Interest rate fluctuations	**Occurrence: Current greatest problem Will increase for at least one or two years** **Change: Rapidly accelerating** Very severe impact on financial stability	● Worse conditions for securing funds (amount/cost/timing)	● Efficient/effective financing	● Diversifying financing methods based on the financing policy
	Exchange ○ Exchange rate fluctuations	**Occurrence: Will increase for at least one or two years** **Change: Rapidly accelerating** Severe impact on profitability	● Decrease in foreign tourists, decline in motivation to spend ● Increase in procurement cost	● Increase in foreign tourists to Japan, brisker spending on big-ticket items ● Decrease in procurement cost	● Developing trade areas in countries other than China ● Attracting and retaining affluent foreign customers ● Risk hedges such as forward exchange contracts
	Share ○ Stock market fluctuations	**Occurrence: Will increase for at least one or two years** **Change: Rapidly accelerating** Severe impact on performance and financial condition	● Downturn in affluent consumer confidence ● Decrease in profit ● Difficult to manage pension assets	● Brisker spending on big-ticket items ● Increase in profit ● Better management of pension assets	● Stimulating demand that meets the needs of the affluent ● Ensuring the appropriate level of share price (purchasing our own shares) ● Reducing cross-shareholdings
	Impairment ○ Changes in asset value	**Occurrence: Will increase for at least one or two years** **Change: Rapidly accelerating** Very severe impact on financial condition	● Lower evaluation from stakeholders ● Weaker brand power ● Decline in the value of assets held by the Group	● Alignment between profitability and asset value	● Scrutinizing investment projects (recovery of investment) ● Finding early a sign of impairment and remedying it by managing in phases
Operation risk	Information management	**Occurrence: Has increased for a few years** **Change: Further accelerating** Severe impact on reliability and corporate image	● Loss of social credibility ● Damage compensation	–	● Strengthening support by specialized units ● Strengthening the security of hardware ● Developing regulations, etc. ● Employee training
	Legal restraints and revisions	**Occurrence: Remains high** **Change: Constant** Severe impact on stable operation and credibility of existing and new businesses	● Restrictions on business activities ● Occurrence of compliance cost ● Penalty for violation of law ● Decline in credibility	–	● Using external experts ● Strengthening support by specialized units ● Strengthening employee training and the whistleblowing system

In addition, we recognize risks and opportunities associated with climate change have significant impact on our business strategies. Therefore, the Group declared its support for the final report released by the "Task Force on Climate-related Financial Disclosures (TCFD)" that was established by the Financial Stability Board (FSB) (TCFD recommendations) in May 2019. The Group will actively reduce energy consumption, use energy more efficiently, introduce renewable energy, and at the same time, further enhance information disclosure in line with the TCFD recommendations to "contribute to a low-carbon society." (For details, see page 48.)

How Did We Face the Spread of the COVID-19 Infection?

When 2020 started, the unprecedented "COVID-19 pandemic" occurred as a global risk. How did we address this new risk? Our top priorities were the safety and security of customers and workers including those from suppliers and survival as a company. Below is a real document showing how we responded to ever-changing conditions.

*As of May 29, 2020

January 2020

	Our response	Social trends on infection
Jan 6		China: The number of patients with unknown pneumonia increased rapidly in Wuhan and the Ministry of Health, Labor and Welfare (MHLW) alerted.
Jan 14		World Health Organization (WHO): Confirmed COVID-19
Jan 16		MHLW: Confirmed the first infected person in Japan
Jan 22	**Issued an alert to JFR and each company in the Group to prevent infection at an early stage of infection in Japan** ● Thorough measures to prevent infection in offices and stores (gargle, hand washing, placement of alcoholic sanitizers, permission to wear masks) ● Thorough compliance with the government's policies such as "overseas travel warning" by the Ministry of Foreign Affairs of Japan (MOFA) and "guidelines on COVID-19 consultation" by MHLW	
Jan 30		WHO: Declared COVID-19 as a "public health emergency of international concern"

February 2020

	Our response	Social trends on infection
Feb 1		Government of Japan: Promulgated a Cabinet Order specifying COVID-19 as a "designated infectious disease" and a "quarantine infectious disease"
Feb 7	**Supported Shanghai New World Daimaru Department Store** ● Sent masks to Shanghai New World Daimaru Department Store ● "30,000 masks on Feb 7," "20,000 on Feb 20," totaling 50,000	
Feb 13		Government of Japan: Decided the 1st phase of measures to fight COVID-19 (¥15.3 bn in total)
Feb 17	**With the spread of infection in Japan, JFR emergency headquarters was formed** ● Formed JFR emergency headquarters as of Feb 17 (headed by President) ● Asked each company in the Group to form such headquarters	
Feb 18	**【1st】JFR emergency headquarters meeting** ● Discussed and confirmed basic ideas on sales activities and communication in case a worker (including one from suppliers) is infected	
Feb 20	**【2nd】JFR emergency headquarters meeting** ● Discussed the measures to be taken based on the infection situation (how to deal with work in case of suspected infection, preventive measures such as cancellation of business trips) ● Discussed and confirmed specific sales activities and communication in case a worker (including one from suppliers) is infected based on case studies	
Feb 24	**【3rd】JFR emergency headquarters meeting** ● Confirmed the Group's internal notices on response to COVID-19 and alert based on the 2nd headquarters meeting ● Confirmed the review of "various meetings," "business trips," "trainings," "recruiting activities" and "work styles" to prevent infection	Japan: The expert meeting's views were announced, stating that the next week or two are a critical moment regarding whether the outbreak spreads rapidly or is controlled.
Feb 25		Government of Japan: Determined and announced the basic policies for the COVID-19 disease control
Feb 26		Government of Japan: Requested the organizers of sport and culture events to be held in the next two weeks to cancel or postpone them
Feb 27	**【4th】JFR emergency headquarters meeting** ● Responses to be taken by Daimaru Matsuzakaya Department Stores and Parco based on the government basic policies on COVID-19 (1) Both companies will cancel events that draw many customers and other events such as regional product fairs, which carry a high risk of infecting people with COVID-19, for the time being (2) Department store: Close stores temporarily on a total of four Tuesdays including Mar 3, 10, 17, 24 from the standpoint of providing a safe and secure shopping environment to customers, ensuring the work styles and health of workers, and reducing the risk of infection (3) Parco: Reduce the business hours of each store from Mar 3 ● Asked each company in the Group to consider business (operations) continuity measures in case of closing offices	Government of Japan: Asked all elementary schools, junior high schools, senior high schools, etc. to close temporarily from Mar 2 until spring break
Feb 28	**【5th】JFR emergency headquarters meeting** ● Discussed and confirmed the draft of release on temporary closing of department stores to prevent the spread of the COVID-19 disease	Hokkaido Governor declared a "state of emergency"

March 2020

	Our response	Social trends on infection
Mar 1	**Response to temporary school closures** ● Eased some requirements for child care leave and shortened work hours for child care	
Mar 2		Government: Created a program to make it easier for workers who look after their children to take leave following temporary school closures
Mar 3	**Each store of Daimaru Matsuzakaya Department Stores closed temporarily (Tuesdays in Mar, four days)** ● Strengthened cleaning and sanitizing with alcohol in stores **Reduced the business hours of each Parco store (for the time being)**	
Mar 4	**【6th】JFR emergency headquarters meeting** ● Discussed JFR business continuity measures in case of closing offices due to infection	
Mar 5		MOFA: Required a two-week waiting period for people entering Japan from China and the ROK Infections spread to 8 prefectures
Mar 6		Decided to apply public medical insurance to PCR tests
Mar 8		Italy: Quarantined 16 mn people in the north
Mar 9	**【7th】JFR emergency headquarters meeting** ● Reported and confirmed the current state of a temporary staff from Dimples' who was found positive and the communications of the company and the client company she worked for ● Implemented various measures such as the isolation of employees in charge of JFR consolidated accounting to reduce their risk of infection **"Earnings forecasts for the fiscal year ending Feb 28, 2021" (1) Discussed at an officer retreat**	The Government Expert Meeting on the Novel Coronavirus Disease Control announced their views on the current situation, stating that it is not moving toward an explosive spread of infections and appears to be somewhat holding steady and also stating that the number of infectious cases is expected to continue to grow for some time and that we cannot let our guard down yet.
Mar 10		Prime Minister: Extended his previous request for large-scale events, etc. to be canceled or postponed for another 10 days Government: Compiled the second batch of emergency response measures including "continuing elementary school and junior high school temporary closures," "ban on reselling masks" and "further expanding PCR screening capabilities"
Mar 11	**【8th】JFR emergency headquarters meeting** ● A person working for a tenant in the building where JFR Nihonbashi office is located was found positive for COVID-19 and held a conference call to discuss how workers there would work thereafter ● As a result, confirmed that workers there would refrain from coming to work on Mar 12 (Wed) **Issued CP of ¥20 bn**	WHO: Declared COVID-19 a "pandemic"
Mar 12	**JFR Nihonbashi office closed temporarily**	
Mar 13	**Work in JFR Nihonbashi office returned to normal from Mar 13 (Fri) onward** ● Working normally, and as instructed by an industrial doctor: (1) Measure body temperature before leaving home: In case of 37.0℃ or above, refrain from coming to work, stay at home and consult a doctor (2) Hand wash and sanitize more thoroughly than ever (3) Ensure that stay in communal areas is limited to the minimum necessary	Japan: Enacted the "revised Act on Special Measures" for COVID-19
Mar 14		USA: Declared a "national emergency" Spain: Declared a "state of emergency," imposing a curfew and restricting movement nationwide France: Decided to "close all stores except those that sell essential goods" WHO: Said that Europe is the "epicenter" of the pandemic
Mar 15		Japan: Enforced the ban on reselling masks (subject to punishment) WHO: Global confirmed COVID-19 cases surpassed 150,000
Mar 19		The government expert meeting: "The situation continues to be holding steady, but if there is an increase in the number of infections for which the link is not identified, an explosive spread of infections may occur." "Holding of large-scale events should be cautiously decided by organizers."
Mar 23	**"Earnings forecasts for the fiscal year ending Feb 28, 2021" (2) Discussed at Management Meeting**	Global confirmed COVID-19 cases surpassed 300,000.
Mar 25	**【9th】JFR emergency headquarters meeting** ● Held a conference call to discuss how workers in JFR office would work ● Confirmed that they would telework as much as possible on Mar 26 (Thu) and 27 (Fri) (Decided on Mar 26 to continue for the time being from next week)	**Tokyo Governor Koike said at an emergency news conference:** "The capital has entered a critical phase in preventing an explosive spread of infection and I ask the residents to refrain from unnecessary outings this weekend and work from home as much as possible on weekdays."

Date	Our response	Social trends on infection
Mar 26	**Asked workers in JFR Nihonbashi office to telework** ・Telework as much as possible **"Earnings forecasts for the fiscal year ending Feb 28, 2021" (3) Reported at the Board of Directors meeting** **Parco decided to close some stores temporarily (Mar 28, 29)** Close Shibuya PARCO, Ikebukuro PARCO, PARCO_ya Ueno temporarily	More companies had employees work from home, many department stores closed, supermarkets remained open.
Mar 30	**Daimaru Matsuzakaya Department Stores decided to reduce the business hours of some stores** ・Daimaru Shinsaibashi, Daimaru Umeda, Daimaru Tokyo, Daimaru Kobe, Matsuzakaya Ueno (Apr 1-14)	Tokyo Governor emphasized, "Now is the critical time to decide if the spread of the infection can be contained or not," and asked the residents to refrain from going out at night.

April 2020

Date	Our response	Social trends on infection
Apr 1	**Parco decided to close some stores in the Kanto area temporarily (Apr 4, 5, 11, 12)** ・Close all floors: Ikebukuro, Shibuya, Kichijoji, PARCO_ya Ueno ・Close except some floors: Shintokorozawa, Tsudanuma, Chofu, Hibarigaoka, Urawa, Kinshicho	Prime Minister said, "At this point, we don't need to declare a state of emergency." The government announced a plan to distribute two cloth masks to each household.
Apr 2	**Daimaru Matsuzakaya Department Stores decided to close some stores temporarily (Apr 4, 5)** ・Daimaru Tokyo, Matsuzakaya Ueno **Daimaru Matsuzakaya Department Stores decided to reduce the business hours of one store** ・Daimaru Kyoto (Apr 4-14) **Decided to close Ginza Six temporarily (Apr 4, 5)** **Final confirmation of earnings forecasts for the fiscal year ending Feb 28, 2021 for disclosure** **Issued CP of ¥10 bn (Parco issued CP of ¥12 bn)**	Global confirmed COVID-19 cases surpassed 1,000,000.
Apr 4		Many department stores in Tokyo closed temporarily following the request to refrain from going out.
Apr 5	**Decided to close Ikebukuro PARCO temporarily (Apr 6)** ・A worker of United Arrows on the 3rd floor of the main building was infected with COVID-19 (positive) and decided to close all floors for sanitization	
Apr 6		Prime Minister expressed his intention to declare a state of emergency pursuant to the Act on Special Measures for the first time.
Apr 7	**[10th] JFR emergency headquarters meeting** ・Discussed and confirmed the responses of each company in the Group following the government's declaration of a state of emergency ・Discussed the closure of each company in the Group, Shareholders Meeting, HR policy, workers in JFR Nihonbashi office **Daimaru Matsuzakaya Department Stores decided to close 9 stores temporarily** ・Daimaru Shinsaibashi, Umeda, Kobe, Suma*, Ashiya, Tokyo, Matsuzakaya Ueno, Takatsuki*, Hakata Daimaru For the time being from Apr 8 (Wed) *Open only the food floors of Suma and Takatsuki stores for reduced hours (10:00-18:00) **Parco decided to close some stores temporarily** ▷Decided to close stores in the Kanto area and Fukuoka PARCO ・Ikebukuro, Shibuya, PARCO_ya Ueno (all floors), Shintokorozawa, Tsudanuma, Chofu, Hibarigaoka, Urawa, Kichijoji, Kinshicho, Fukuoka (except some food floors and service shops) For the time being from Apr 8 (Wed) ・Nagoya PARCO (all floors) For the time being from Apr 11 (Sat) ・Sapporo, Sendai, Shizuoka PARCO (all floors), Matsumoto, Hiroshima PARCO (except some floors) For the time being from Apr 18 (Sat)	**Government: Declared a "state of emergency" pursuant to Paragraph 1, Article 32 of the revised Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response** ▷The duration in which the emergency situation measures shall be implemented: One month from Apr 7 to May 6 ▷Areas subject to the emergency situation measures: 7 prefectures including Saitama, Chiba, Tokyo, Kanagawa, Osaka, Hyogo, Fukuoka ▷Overview ・Regarding the COVID-19 disease, patients develop severe diseases such as pneumonia with considerable frequency and a situation has emerged that could cause a serious damage to the lives and health of the people. ・There are many cases in which it is difficult to identify the routes of transmission and the rapid increase of such cases has been confirmed and medical systems are being stretched. ・It has been determined that a situation has emerged that could have a great impact on the daily lives of the people and the national economy through the rapid and nationwide spread of infections. ・When it is deemed that the measures for the state of emergency are no longer necessary, the state of emergency shall be lifted expeditiously.
Apr 8	**Daimaru Matsuzakaya Department Stores: A worker from a supplier was infected** It was found that a person from a supplier who worked for Daimaru Shinsaibashi store was infected with COVID-19 and the store was sanitized under the instruction of the health center	
Apr 10	**Daimaru Matsuzakaya Department Stores: Additional temporary closures** ・Matsuzakaya Nagoya, Toyota For the time being from Apr 11 (Sat) *Open only food floors (10:00-18:00) **Results presentation for the fiscal year ended Feb 29, 2020** **・Announced earnings forecasts for the fiscal year ending Feb 28, 2021** **Studied 3 scenarios of COVID-19 impacts (1) (standard/risk/worst)**	Tokyo: Announced the list of businesses and facilities that would be asked to close ▷Duration: From 0:00 on Apr 11 to May 6 ▷Facilities that would be asked to close: Entertainment facilities, fitness/play facilities, etc. Osaka Governor: Announced the list of businesses and facilities that would be asked to cooperate by closure ▷Facilities that would be asked to cooperate by closure: Entertainment facilities, recreation halls, etc.
Apr 12		Global confirmed COVID-19 cases: 1.77 mn US deaths topped 20,000, highest globally.
Apr 13	**Daimaru Matsuzakaya Department Stores: Additional temporary closure** ・Daimaru Kyoto For the time being from Apr 15 (Wed) *Open only food floors on weekdays (10:30-18:30)	
Apr 16		**Government: Extended the areas subject to measures under the state of emergency to all prefectures** ▷Designated 13 prefectures as the "Prefectures under Specific Cautions" including Hokkaido, Ibaraki, Ishikawa, Gifu, Aichi, Kyoto in addition to 7 prefectures designated on Apr 7 ▷The duration in which the emergency situation measures shall be implemented: From Apr 7 to May 6 (from Apr 16, for prefectures other than Saitama, Chiba, Tokyo, Kanagawa, Osaka, Hyogo, Fukuoka) ▷Areas subject to the emergency situation measures: All prefectures
Apr 17	**Daimaru Matsuzakaya Department Stores: Additional temporary closures** **Newly decided to close Daimaru Sapporo, Matsuzakaya Shizuoka, Kochi Daimaru temporarily** ・Daimaru Sapporo For the time being from Apr 19 (Sun) *Open food floor on weekdays (11:00-19:00) ・Matsuzakaya Shizuoka For the time being from Apr 18 (Sat) *Open only food floor (10:00-18:00) ・Kochi Daimaru For the time being from Apr 18 (Sat) *All floors	
Apr 20	**Studied 3 scenarios of COVID-19 impacts (2) (standard/risk/worst)**	
Apr 27		Four retail organizations (Japan Council of Shopping Centers, Japan Department Store Association, Japan Chain Stores Association, Japan Specialty Store Association) submitted a request to Mr. KAJIYAMA Hiroshi, the Minister of Economy, Trade and Industry, concerning COVID-19-related emergency economic measures. Requested to reduce fixed asset tax in case of reducing the rent of tenants, to increase subsidies to be provided to landlords under the subsidy program for sustaining businesses, etc.
Apr 28	**The Board of Directors resolved to increase "accumulated cash on hand" and "credit line for financing"** **Studied 3 scenarios of COVID-19 impacts (3) (standard/risk/worst)**	

May 2020

Date	Our response	Social trends on infection
May 1	**Daimaru Matsuzakaya Department Stores decided to reopen food floors** ・Daimaru Shinsaibashi, Umeda, Tokyo, Kobe, Ashiya, Matsuzakaya Ueno, Hakata Daimaru, Kochi Daimaru May 7 (Thu)- *Only on weekdays 11:00-18:00 **Increased commitment line (¥59.2 bn in total)**	
May 3	**Daimaru Matsuzakaya Department Stores: A worker from a contractor was infected** A person from a logistics contractor who worked for Daimaru Sapporo was found infected with COVID-19 and all floors were cleaned and sanitized	
May 4		**Government: Decided to extend the state of emergency to May 31 in 47 prefectures** The government would assess the infection situation, etc. around May 14 and lift the state of emergency before expiration in the prefectures where the situation allows.
May 8	**Kochi Daimaru and Matsuzakaya Shizuoka decided to reopen all floors** ・Kochi Daimaru: May 11 (Mon)- ・Matsuzakaya Shizuoka: May 13 (Wed)-	
May 11	**Parco decided to reopen some stores** ・Sendai PARCO, Matsumoto PARCO, Shizuoka PARCO May 14 (Thu)-	
May 14		**Government: Announced that the state of emergency was lifted in 39 prefectures except Tokyo, Kanagawa, Saitama, Chiba, Osaka, Hyogo, Kyoto, Hokkaido**
May 15	**Daimaru Matsuzakaya Department Stores decided to reopen all floors (except Tokyo, Ueno, Sapporo)** ・Daimaru Shinsaibashi, Umeda, Kyoto, Kobe, Suma, Ashiya, Matsuzakaya Nagoya, Toyota, Takatsuki, Hakata Daimaru May 19 (Tue)- (only on weekdays) *The same operation conditions were applied to Matsuzakaya Shizuoka and Kochi Daimaru **Parco decided to reopen some stores** ・Decided to reopen Hiroshima, Fukuoka PARCO May 20 (Wed)-	
May 18	**Parco decided to reopen one store** ・Decided to reopen Nagoya PARCO May 22 (Fri)- **Issued CP (¥100 bn)**	
May 21		**The government lifted the state of emergency in 3 prefectures in the Kansai area including Kyoto, Osaka, Hyogo of the 8 prefectures that remained in the state of emergency.**
May 25	**Daimaru Matsuzakaya Department Stores decided to reopen all floors (Tokyo, Ueno)** ・All floors of Daimaru Tokyo, Matsuzakaya Ueno May 26 (Tue)- 11:00-18:00 (except some restaurants)	**The government lifted the state of emergency in all prefectures. On May 25, the state of emergency was lifted in Hokkaido, Tokyo, Saitama, Chiba, Kanagawa.** The government lifted the state of emergency in all prefectures after an interval of 49 days. Around once every three weeks, they would assess the infection situation, etc. in each region and gradually ease requests such as refraining from going out to raise the level of social and economic activities.
May 26	**Daimaru Matsuzakaya Department Stores decided to reopen all floors (Sapporo)** ・Daimaru Sapporo May 27 (Wed)- 11:00-18:00 (except food floor and restaurants) **Decided to reopen Ginza Six** May 29 (Fri)- (except some stores and services) **Parco decided to reopen some stores** ・Sapporo, Ikebukuro, Shibuya, Urawa, PARCO_ya Ueno, Kichijoji, Chofu, Kinshicho, Tsudanuma, Shintokorozawa, Hibarigaoka Jun 1 (Mon)- **Daimaru Matsuzakaya decided to reopen on other days and extend business hours** Decided to reopen on Saturdays and Sundays from May 30 (Sat), extend business hours by one hour (8 hours a day)	
May 28	**Increased borrowing by ¥30 bn**	
May 29	**Increased commitment line (¥107.9 bn in total)** **→Increase to ¥300 bn in mid-Jun**	

<Special Report> Interview 01

"Redefine Department Store as 'Growth Model'"

SAWADA Taro

Director and Senior Managing Executive Officer
President and Representative Director
Daimaru Matsuzakaya Department Stores

What I saw after leaving the department store business

About two years have passed since I left the management of the department store business. I think it was very meaningful that I could contact people in the financial sector, for example, institutional investors, with whom I had had no contact before, and could see the department store business as an industry. The current market size of department store industry is approximately ¥5.9 trillion, but actually, its sales continue to decrease. Everyone knows that the department store business is not a growth industry but has looked away from the fact. The impact of COVID-19 was added and the vulnerability of the department store business appeared more prominently. As a new President, I think I should start from this.

The reason why the department store business is no longer a growth industry is clear. It is because they cannot scale up. Basically, it is necessary to increase the number of stores to grow in the retail industry. Needless to say, however, currently department store chains cannot operate many stores both in Japan and abroad. It is an idea within the framework of "what the department store industry should be like" and staying in the framework is like being on a sinking ship. I think one of the reasons why the department store business has got in such situation is seeing the store-level management over the span of three years at longest. They focused too much on whether their performance was above or below the previous year's level, and in fact, sales have decreased slowly over a long span of time. As they only saw over a short span of time, they could not face essential problems.

I thought we should change at some point the situation in which the department store business cannot grow. And I think, accelerated by the current COVID-19 pandemic, the phase we should confront has come suddenly.

Department store needs to be redefined

Redefine department store— I think now we are in such phase. There are many perspectives and we need to define what position the department store business should take from a non-traditional angle. It is the same thing as innovating its business model. It is certain that the potential of growth will increase to some degree, if not to infinity, depending on how to use digital. Depending on how we approach, we may be able to do something that creates great impact such as the opening of a new store in prime location. I am thinking of things like that seriously.

For example, when we want to grow the top line and profit, there are two major things we have to do. One is to boost sales by spending money on promotions in the short term. The other is to boost sales by changing a system, which I have to say is an intangible asset. In order to boost sales, I think the department store business has mainly conducted sales promotions in the short term rather than creating a medium- to long-term system. This approach produced a certain results in the past but it is doubtful whether it will really work in the future. We have addressed various reforms in response to the changing times. However, there is no doubt the current COVID-19 pandemic brought us to the point where we should drastically re-examine the way department stores are operated. I recognize we need to change our mindsets at an unprecedented level.

I think creating a system to make money is absolutely a growth strategy. We need to consider whether our current system will apply to the post-COVID-19 world and to adapt it to changes. We cannot lose any time. In the current situation in which there remain concerns about a 2nd wave of infections, we have to assume we may be asked to restrict the business hours and sales floor areas. In such case, we need to devise ways to avoid losing significant sales even during shorter business hours or on closed floors. If we continue to be asked to avoid the “3Cs,” as a matter of course, the number of customers will be restricted. It is clear that we will not be able to have the same or more sales than before only by relying on promotions that cost much.

We have to create a new system that fits the post-COVID-19 environment. I think it will lead to the innovation of business model. I think it is difficult to achieve discontinuous growth unless we go into such depth. And our focus should be on digital. Unfortunately, we have almost no system to make money using digital. Digital should be placed on the center of our business as a system, not for promotions. I think it will become a pillar of our next strategy.

Role as supply chain

As the saying goes, “You must understand the past to know the future.” We have to think about again why department stores attracted so many people when they prospered. From a perspective of what role we should play in the supply chain, I think we are expected to successfully find products and services created by people who do not go out into the world yet but wait for an opportunity to publish and to grow them by putting them on our stage like so-called incubation. The goods and services that are very fresh for customers and available nowhere else will definitely motivate customers to visit our stores. Ideally, it is even better if they are not available online, either. I would like to create a platform where there are always new encounters and matchings through us.

To this end, we need to watch people who create wide perspectives and new values. However, if we deal only in such products and services, it may not be profitable. So we have to strike a balance.

For example, among a platformer, a servicer and a manufacturer that supports it, we must be a servicer. As the case may be, however, I think there is a possibility that we will become a platformer for affluent customers.

Furthermore, I think we have to position the department store business from a more digital perspective. In terms of supply chain, as the case may be, we may go farther up the stream.

To change a culture is to reform the management

The “JFR Way,” the guidelines for action to realize the Group Vision, says “Try without fear of failure!” But honestly, many are still conservative. Therefore, I would like to change our corporate culture so that employees take on challenges. They very much excel at performing operations in a responsible and efficient way, which is a valuable asset accumulated by our predecessors. Obviously, however, we cannot go through the current situation only by doing so. The underlying is to a little more “enjoy trying” something new. I would like to take the lead in creating such atmosphere. We cannot grow without taking on new challenges, and to this end, it is important to actively bring in external insights. We will put aside the idea of doing all by ourselves for now, and instead, focus on external collaboration. After drawing up a plan to implement it, we would like to assign people who can implement it or cooperate with someone outside who can implement it to achieve concrete results.

I served as the Director of Parco and feel that Parco has more people who “enjoy trying” than the department store. I think it is Parco’s corporate culture. I would like to actively learn from it, which will lead to synergy sought by the Group.

<Special Report> Interview 02

"Stand on a New Stage for the Growth of the Group"

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

Expand the playing fields in the Group

We lack speed and dynamism – Currently, the environment around us is more rapidly digitalized and consumption itself is changing. Thus our business is in a transition period regardless of the presence of COVID-19. We have to greatly change our business portfolio and we aim for discontinuous growth. As our work style, we try to "create and bring to life 'new happiness'" as the Group Vision says. Now it has become more vividly clear due to the COVID-19 crisis that this innovative idea was correct but lacked creativity.

In March, Parco became a wholly owned subsidiary of J. Front Retailing. I think the two companies have tried to join together, particularly by exchanging people, since before that. Now we have in place a system where Parco can be further dedicated to its business and conduct big businesses and investments, which are impossible for an operating company alone, within the large framework of J. Front Retailing saying what we really think without hesitation or constraints.

It is very important that our playing fields will expand in the Group. When the number of people doubles, communications will spread synergistically starting with one-to-one and create much more ideas than double. By adding Parco to the department store's foundation of trust, I think interesting ideas will be added and produce great power. I would like to create a business format, which is neither a department store nor Parco and necessary for the evolution of cities, and to become a pillar of city planning.

We also need to be aware that we can just create the parts required by the world if we think only by ourselves. There are various forms of collaboration and currently we should think of various things through combination. By combining trust and a little advanced ideas, I feel the world ten years ahead has come suddenly with the COVID-19 outbreak as a starting point. I am convinced that we will be able to become a group that can make new proposals to this changed world. I think it is true that only companies that can give rise to innovations can survive.

The "north wing" of the Daimaru Shinsaibashi store is a symbol of collaboration

Parco was formed in 1969 by changing the business format of Tokyo Marubutsu department store, which was located next to Seibu department store in Ikebukuro. Concerning the north wing of the Daimaru Shinsaibashi store, which will open this fall, our staff said, "In the past, Parco stores were next to department stores and the Parco store located next to a department store performed well because it operated very efficiently and attracted many customers. This time the two stores are connected. We will create such one and only format." It is exactly the same as the past when Parco changed Tokyo Marubutsu to a specialty store building. Currently advertisement is digitalized and has become widely efficient. At that time, however, Parco implemented a public relations campaign using posters. I think the idea for the north wing of the Shinsaibashi store is the same. With the idea that it is no use operating department stores next to similar department stores, Parco tried to "create streets" like a street in Kobe and a street in Harajuku in buildings. We will use such idea in the north wing of the Shinsaibashi store. We are thinking about what to do not just to complement the main building but to compel people to visit Shinsaibashi by synergistically combining digitalization and sustainability in a timeless way.

What I most admired about the rebuilding of the main building of the Daimaru Shinsaibashi store was to reproduce the world view of Vories beautifully by increasing the ceiling height on the first floor. I heard that young staff members of Daimaru Matsuzakaya Department Stores thought out the design to create Vories' world on the first floor though they had only some parts designed by Vories. I think it is attractiveness of the Group.

Meanwhile, concerning the north wing where Parco store will open, we proposed J. Front Retailing to create a new futuristic design for the external wall of the north wing because the main building was restored as a historic building. And they agreed. I think this project will serve as a bible to pass on these ideas. In fiscal year 2020, it is very important for the Group to tell about the future and make the north wing of the Shinsaibashi store successful.

The situation remains difficult due to the COVID-19 pandemic. However, we have to operate the north wing so that people who live in or love the Shinsaibashi area say that they are carefully considered and that it is new. They may want some of the contents on which Parco is ready to collaborate. I would like to change them every day in a timely manner and do the best we can there. We aim to create a business format which people who work in the Shinsaibashisuji arcade or love Daimaru say enhances the appeal of the area. We would like to create a Parco store that 120% revitalizes the department store next to it. As we can collaborate in Shinsaibashi better than PARCO_ya Ueno, next time we will be able to do even better in Nagoya, and furthermore, in Tenjin and Sapporo. In fiscal year 2020, I would like to lay the groundwork for that.

Sustainability cannot exist without human resources

Both social/environmental activities and economic activities are required to improve corporate value. Social/environmental activities monetize economic activities finally. Such world is necessary to put service before profit and we cannot do it without sustainability in mind.

When thinking of sustainability, it is very important how to make employees enjoy working. I think "job satisfaction" means that employees enjoy working and that they feel they serve society.

It is obvious that systems and work environments cannot produce "job satisfaction." Each staff should be motivated to work actively and I think its source is corporate philosophy. J. Front Retailing created a theme of discontinuous growth and a vision of "Create and Bring to Life 'New Happiness.'" Employees understand and work styles evolve. I think it is sustainability. The management team will discuss together what opportunities should be provided concerning employees' interests so that they can do what they want to do. And we will make them bigger as the Group's assets. It is the point. We will offer cases in which employees feel it is good to work for the Group. It is the very sustainability. I tell our staff that our value will decrease by half unless we contribute to the world. When working, we should not want something in return but ask ourselves what more we can do. The management team is expected to promote reforms in this direction. "Job satisfaction" will be produced only when employees and the company grow and achieve results together. I would like to reinforce such culture.

Terminate the Current Medium-term Plan and Formulate a New Medium-term Plan.

Terminate the current Medium-term Business Plan in fiscal 2020

In fiscal 2017, we launched our Medium-term Business Plan, which ends in fiscal 2021, with the aim of becoming a Multi Service Retailer that transcends the boundaries of the retail industry. We are working to expand our business domains and transform our business model in existing businesses.


Ginza Six

For expansion of business domains, we opened a luxury mall "Ginza Six" and "Ueno Frontier Tower," which is a complex commercial building with office functions, in 2017. Thus we were able to achieve dramatic growth in the Real Estate Business segment compared to the period before the current medium-term plan was launched.

In the Credit and Finance Business, we are strengthening our management foundation for medium-term growth by actively investing in specialist personnel. We are now ready to issue "new cards" in this fiscal year, which will be the key to our growth.

For changes in business model of existing businesses, we opened the "main building of the Daimaru Shinsaibashi store" as an unprecedented, hybrid department store business model in September last year, and "new Shibuya PARCO," which enables us to reach a wide range of customers with innovative tenant mix, in November.

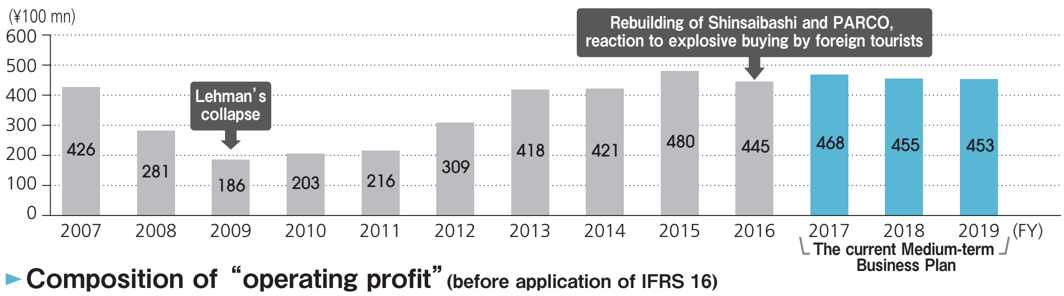

Main building of Daimaru Shinsaibashi store

However, not only the "pandemic risk" caused by COVID-19, but also the slump in consumption beyond expectations triggered by the consumption tax hike, the sharp acceleration of the decline in the women's clothing volume market, and the decline in the competitiveness of urban core stores along with the decline in rural stores. Compared with when the current medium-term plan was formulated, the assumptions have changed on a larger "scale" and at a higher "speed" than expected.

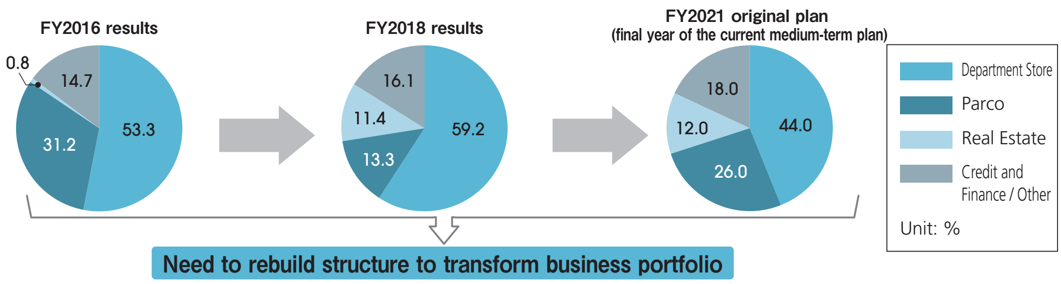
For this reason, in fiscal 2020, it is inevitable that profit levels will decline significantly, and we will be slow to develop new businesses, which we expected to make a certain level of contribution to profits. Therefore, it will be extremely difficult for us to achieve our profit targets for fiscal 2021, the final year of the medium-term plan.

▶ Consolidated business profit*

*For FY2007 to 2016, "operating profit" under JGAAP is shown.



▶ Composition of "operating profit" (before application of IFRS 16)



►Looking Back on the Current and Medium-term Business Plan

	Major Initiatives	Results/Progress	Challenge
Growth Strategy	Multi Service Retailer (expansion of business domain)	● Launched childcare business ・Established JFR Kodomo Mirai, opened 1st facility ● Invested in only 2 companies to develop new businesses ● Developed direction for growth of JFR Card. Could not show the path to growth of J. Front Design & Construction and Dimples'	● Realization of new businesses other than childcare area ● Review of structure and method of development of new business as a group ● Strengthening of HR base and investment of resources of J. Front Design & Construction and Dimples'
	Urban Dominant (development project)	● Promoted redevelopment projects ・Opened GINZA SIX, Ueno Frontier Tower, Daimaru Shinsaibashi and Shibuya PARCO	● Spread of success factors of Daimaru Shinsaibashi and Shibuya PARCO to flagship stores
	Urban Dominant (real estate business)	● Expanded real estate rental business ・Renovated *machiya* as "Gion Machiya," "Blue Bottle Coffee Kyoto Cafe" and beauty & health "BINO" (Higashinotoin, Okachimachi)	● Growth strategy of Real Estate Business after transfer to PARCO
	ICT (defense)	● Formulated Group IT governance ・Created IT governance definition, policy, regulations, rules ● Developed system for strengthening security	● Employment of HRs specialized in IT from outside the Group and development of HRs in the Group
	ICT (offence)	● Created the Group integrated customer DB (LTS-Hub) ● Developed digital communication base using ICT ・Introduced department store smartphone app and *gaisho* SFA	● Achievement using the Group integrated customer DB (LTS-Hub) ● Review of core systems
	Innovation of Department Store Business	● Promoted initiatives to enhance appeal of stores ・Appropriate women's wear area (down 30% vs FY2016) Total FY2017 to 2019: 7,492㎡ (down 15% vs FY2016) ・Newly curated sales areas (Kikiyococho, michi kake) ● Placed Shimonoseki Daimaru under direct management, renewed Daimaru Ashiya and Suma, closed Daimaru Yamashina	● Creation of new value of existing stores (development of next generation merchandise/contents pursuing customer perspectives/insights)
	Innovation of PARCO Business	● Promoted change of store portfolio ・Opened Shibuya PARCO, Ueno PARCO_ya ● Expanded small commercial business by promoting development ・Opened ZERO GATE (Sannomiya, Kyoto, Harajuku) and SAN-A Urasoe West Coast PARCO CITY	● Creation of new value of existing stores (reform of store business by spreading success of Shibuya PARCO to other stores) ● Assessment of future growth potential of Retail Business (NEUVE A)
Reinforcement of Base	Strengthening of corporate governance	● Strengthened the Group governance function ・Transition to Company with Three Committees (Nomination, Audit and Remuneration Committees) (FY2017) ● Strengthened oversight functions (Board of Directors) and execution function, improved accuracy of oversight ・Reviewed criteria for submitting agenda items to Board of Directors ・Evaluated effectiveness of Board of Directors ・Set management rules of Group companies ・Changed from "single-person audit" of Company with Audit & Supervisory Board to "organizational audit" ● Strengthened management HR function ・Evaluation of management HRs by third-party organization ・Started to operate new officer remuneration system	● Review of functions of holding company and operating companies after converting PARCO into wholly owned subsidiary ● Strengthening of governance function of each operating company ● Ensuring of diversity of management HRs
	Group finance strategy	● Raised awareness about investment recovery to achieve ROE ・Introduced phase management to manage underperforming companies ・Revitalized/withdrew from unprofitable businesses ● Sophisticated business management ・Introduced IFRS, applied new lease accounting ● Enhanced communication with investors ・IR by each business (department store, financial service, finance)	● Formulation of capital policy and shareholder return measures to achieve ROE of 8% ● Clarification of linkage between ESG initiatives and operating revenue ● Review of management of revenue forecast ● Continuation/sophistication of business IR
	Group organizational/HR reform	● Employed specialized HRs (41 including 11 hired by "Mother Recruitment" program) ● Developed various systems based on new HR strategy (extension of retirement age, termination of transfer at 55, revision of retirement benefits/pension plan, time-limited support for career selection)	● Employment/development of HRs specialized in IT, etc ● Effective posting at a group level
	ESG initiatives	● Identified materiality issues, formulated various policies such as Sustainability Policy, Eco Vision and Social Vision ● Set goals for 2030/2050 and prompted initiatives to achieve them ● Provided/disclosed information through ESG presentations, etc	● CSV initiatives ・Promotion of initiatives to enhance corporate value and increase market cap ● Achievement of goals through steady promotion ● Strengthening of information disclosure

Start the new Medium-term Business Plan in fiscal 2021

On the other hand, we have also seen an "important turning point" in the Group itself. It is conversion of Parco, a consolidated subsidiary, into a "wholly-owned subsidiary." Through this conversion, we are well prepared to build a system that will enable us to accelerate our efforts to maximize synergies by dynamic business structural changes and drastic personnel exchanges, which were impossible before. We believe this is a major positive factor for us.

Amid these major changes occurring in the external and internal environments, we have determined that, in order to realize the true "business portfolio reform" that we are aiming for, it is best to set directions based on ambitious targets with a long-term perspective, revise the medium-term plan as an initiative that enables us to further demonstrate the Group's strengths, and reestablish it in a new system rather than implementing the current plan as it is within the current framework.

For this reason, the current medium-term plan will be terminated in fiscal 2020. In fiscal 2020, we will devote resources to solidifying the Group's foundations so that we can aim for higher performance from a medium- to long-term perspective, while factoring in risk to short-term performance as much as possible.

The new medium- to long-term plan will be built around the "medium-term three-year plan," which starts in 2021 next year, while quantitatively setting the 2030 goals using KPIs.

Hybrid Department Store Model Was Born.

Innovative structure mixed with fixed-term lease

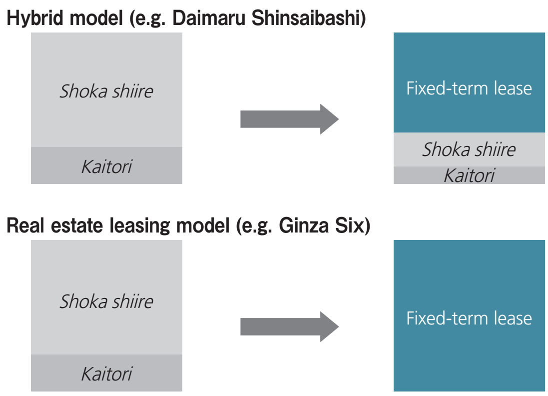
The "main building of the Daimaru Shinsaibashi store," which opened in September 2019, aims to build a new department store business model that combines the ability to attract customers and profitability.

The store concept is "Delight the World. Shinsaibashi, Adored by the World." It targets "all customers who actively enjoy their lives" while further strengthening response to wealthy and non-Japanese visitors, which are the strengths of the Shinsaibashi store.

In terms of merchandise composition, we significantly expanded the floor area and the number of brands of luxury items, cosmetics, and food products on the basement floors (*depachika* in Japanese) and restaurants. For cosmetics, we have built zones not only on the main floor, but also on multiple other floors. In addition, approximately half of *depachika* products and restaurants are composed of new brands, and many shops combine restaurants and product sales in consideration of "experience-based consumption." As for other categories, we reviewed our traditional product lineup based on gender and item, and aggressively introduced new brands.

On the other hand, the business model is completely

▶ **Direction of department store business model transformation**



different from that of conventional department stores, and is based on an innovative layered structure in which approximately 65% of the total area is comprised of sales floors for fixed-term leases. As a result, the number of personnel positions has been reduced by 250 compared to before, further improving our low-cost operation. A "hybrid business model" that is completely seamless from customer perspective but optimizes the balance between traditional purchases called *kaitori* (purchase on a no return basis) and *shoka shiire* (purchase recorded at the time of sale) and fixed-term lease was born.

Bold review of product mix

We will work to maximize gross profit through sales growth by purchasing luxury items and cosmetics, which are growth categories, by *kaitori* or *shoka shiire*. Compared to the old north wing, the floor area of cosmetics and beauty-related products has almost doubled with 28 new brands and the area of luxury products has increased 15% with 11 new brands. In particular, these two categories have been greatly expanded as strategically strengthened categories.

In the case of women's apparel, which is the main issue facing department stores, we have narrowed down both the floor area and the number of brands to about 60% under the fixed-term lease agreement. At the same time, we have shifted away from department store's conventional floor composition based on product categories such as women's clothing floors and men's clothing floors and have decided to actively introduce combination-type shops that combine men's and women's fashion as "fashion floors." As Ginza Six adopted this system and has achieved steady results, its experience and know-how are utilized by the Shinsaibashi store.

As for food and restaurants, which are the key to our ability to attract customers, we established a new food hall that offers hands-on shopping experience based on the quality that only a department store offers. The floor area increased 83%, with a total of 104 brands including 64 new brands. In addition, we have dramatically strengthened our entertainment elements, such as Pokemon Cafe, which disseminates Japan's culture, and Jump Shop.

With regard to the store environment, the Shinsaibashi store combines the "tradition" of the old building before rebuilt, which is represented by the beauty of Vories architecture, with "innovation" made by introducing the latest digital technology to create special experiences unique to a real store.

The main building of the Shinsaibashi store uses renewable energy for all electricity used in the building, and actively carries out greening on the terrace on the seventh floor and the rooftop. In addition, we are actively working to build a low-carbon and circular society with the cooperation of our 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 environmentally friendly packaging materials and permanently installing garment collection boxes through the Ecoff activity.

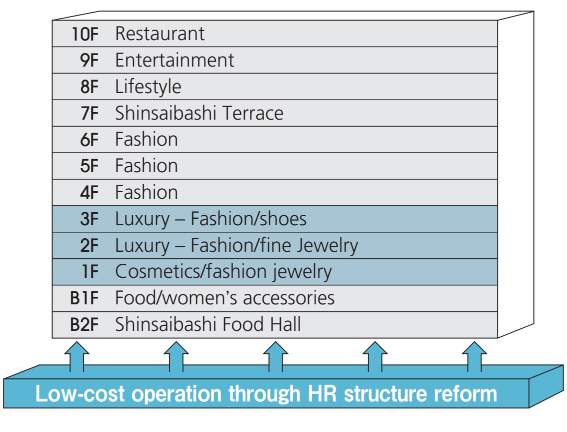
Expansion to other flagship stores

Looking at trends up to January 2020, we see that the total transaction volume grew by 15% on a year-on-year basis and customer traffic grew by 11.1%, driven by the categories that were particularly strengthened, including luxury items, cosmetics and watches, as expected. As for the customer group, sales to young people aged 25 to 34 years, which have been relatively weak, increased by 40%, and thus we succeeded in rejuvenation.

Currently, the impact of COVID-19 has led to temporary difficulties in both inbound tourism consumption and domestic consumption. However, we have received a sufficient response form the new department store business model and we intend to accelerate the expansion of this model to other flagship stores in the future.

In addition, the north wing, where a department store was operated prior to the opening of the main building, will be converted to a real estate leasing model. Specifically, we will introduce PARCO at the north wing and renew the exterior to meet PARCO of the new era. At the same time, the north wing will be connected to the main building of the Shinsaibashi store in an integrated manner, and in expectation of maximizing the Group synergy, commercial facilities with floor space exceeding 80,000 m^2 in total will be created.

► Layers of the main building of the Daimaru Shinsaibashi store
(Basically, fixed-term lease excluding 1st to 3rd floors)



PARCO will open in the north wing in fall 2020.
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Increase Communication Ability of “PARCO” Brand.

Innovation initiated by new Shibuya PARCO

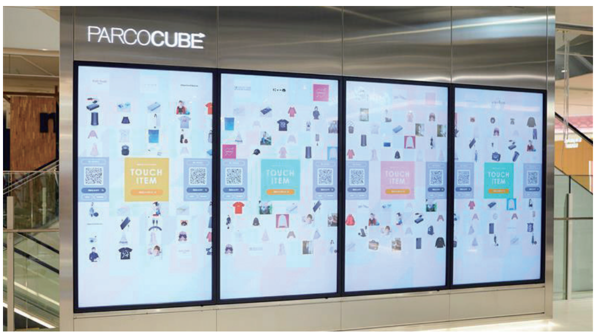
New Shibuya PARCO made its grand opening in November 2019. In December 2015, it was approved as an urban renaissance district and we have proceeded with the plan as an urban redevelopment project. It was reborn in the milestone year that marks the 50th anniversary of the opening of Ikebukuro PARCO. Its concept is to create a building that offers enjoyable and stimulating experience value globally beyond the framework of traditional commercial facilities by undertaking new initiatives with up-and-coming designers, creators, and others. We aim to create a building that attracts urban consumers who consume sensibly from around the world without narrowing down targets. Each business of Parco Co., Ltd. and each company of the Parco Group promoted new challenges and evolutions, and by injecting the know-how they possessed, we could create a unique commercial complex. It provides stress-free and comfortable purchasing experiences through shops that integrate real shops and digital services, as well as a variety of payments. By analyzing a variety of data, including product, purchasing, and viewing data, we will support the customer service of our sales staff and build a “digital SC platform” that will deepen communication with customers by offering more support to customers.

Aggregated about 190 unique shops

We operate approximately 190 shops that combine five elements including “fashion,” “art and culture,” “entertainment,” “food,” and “technology” to draw out the mutual appeal of each other.

PARCO CUBE

We developed an omnichannel shop that combines offline and online. You can read the QR code from a digital signage tablet in a shared area or in a shop, transfer the data on your favorite products to your smartphone, and make a purchase. Some of PARCO CUBE’s shops have CUBE MIRROR, which allows customers to view themselves from back during a trial fitting. This is a mirrored display that allows you to check the styling of back look that is difficult to see by displaying images taken by the camera a few seconds late.



PARCO CUBE

Electronic receipt service

We are also aiming to improve customer communication through the use of data. Using the "Smart Receipt Service," a receipt management application that delivers electronic receipts to smartphones (Toshiba Tec Corporation), we have begun offering electronic receipt services to the users of the official Parco app "POCKET PARCO" at some shops. POCKET PARCO users can check the receipts for the purchases made through the app and aggregate them simply by scanning the bar code at the register.

Digital art/experience-based media

We utilize XR*1 as a "hands-on media device" that sends out ART/CULTURE/FASHION as a three-dimensional image including an environmental presentation using digital art that utilizes AR.

3D creative contents created by computers are displayed on smartphones as if they were present on the spot. Such virtual showcase is offered on the 5th floor.

* 1 XR is a generic term for VR (Virtual Reality), AR (Augmented Reality), and MR (Mixed Reality).

AR experience (AR compatible glasses were installed when opened)

Original curation for incubation

For the curated sales zones GEYSER PARCO and PORT PARCO designed to incubate next-generation fashion designers and brands, PARCO produces interiors and fixtures, and provides collective cash registers and common fitting rooms to make it easier to open new shops. In GEYSER PARCO and PORT PARCO, we opened the first directly managed shops of tenants who previously did not have a real shop.

As a model for reducing environmental impact

The efforts at Shibuya PARCO including:

① "Creation of attractive outdoor spaces such as a rooftop plaza and an elevated walkway;"

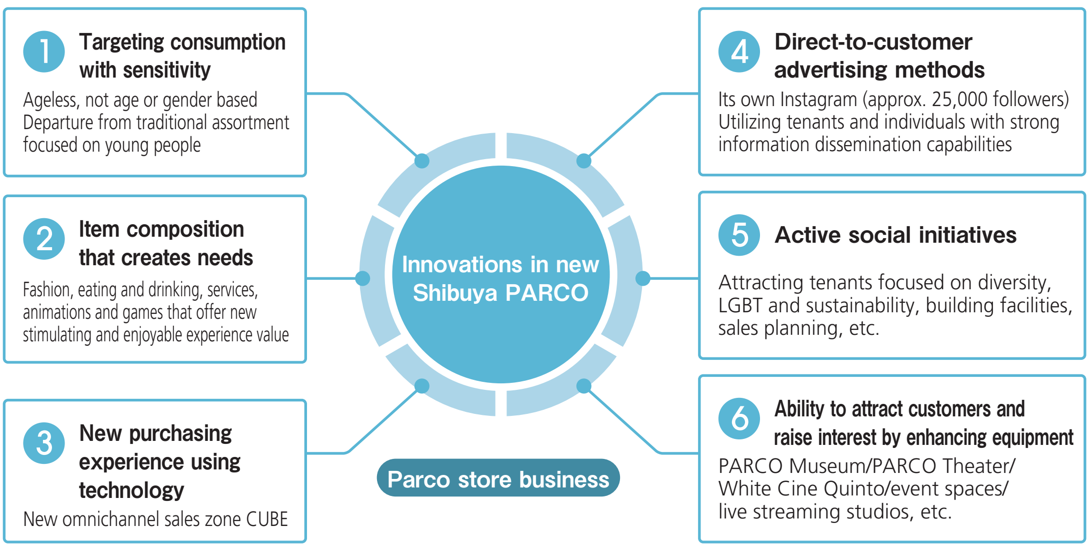
② "Introduction of high-efficiency energy systems based on a gas cogeneration system;" and

③ Promotion of the efficient use of energy through digital communication

have been highly evaluated and selected as a "Leading Sustainable Building Project (CO_2 Reduction Leader)" by the Ministry of Land, Infrastructure, Transport and Tourism. As part of these efforts, Shibuya PARCO's "present" content, which visualizes the "comfort of the external environment" and the "energy use status of the building," is disseminated through digital signage to revitalize the elevated walkway leading from the 1st floor above the ground to the rooftop plaza (SPIRAL WALK) and the outdoor plazas and to promote the effective use of energy in the entire building.

We also created an environment that makes it easier for people to stroll about by improving walkways around the site and plazas on the premises and thereby expanding space for walkers. In addition, we will contribute to the revitalization of local communities by holding a wide range of events linked to local communities in the outdoor plazas, as well as events in a variety of genres including fashion shows, music, and food events.

► Innovations in new Shibuya PARCO



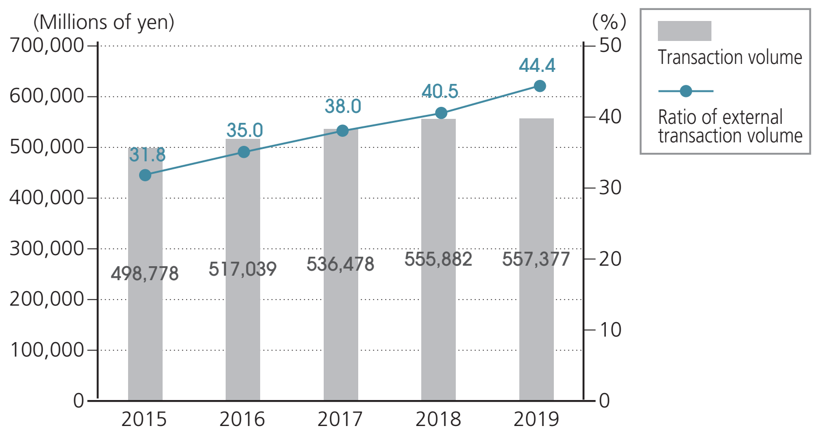
Taking Advantage of the Issuance of New Cards, We Are Moving to a New Stage of Growth.

Important role in portfolio transformation

The payment and financial environment surrounding us is undergoing major changes. Amid changes in the social environment, such as the spread of sharing economy and smartphones due to the rapid evolution of technology, laws in the payment and finance industries, such as the Payment Services Act and Installment Sales Act, have been revised at an unprecedented speed. In addition, with the positive impact of the cashless campaign, consumer needs are changing dramatically, and new payment players are beginning to emerge.

Against this backdrop, we have positioned the Credit and Finance Business as a core business with significant growth potential, and are implementing a growth strategy centered on payments. Leveraging our strengths, such as "large-scale stores in central Tokyo that are able to attract customers," "transaction volume exceeding ¥1 trillion," and "excellent membership exceeding 6 million accounts," we will work to expand our financial business through relationships with customers that can be obtained through the provision of payment services. Further enhancement of expertise is essential for the steady promotion of such initiatives. For this reason, we are actively recruiting outside

► Transaction volume of cards



experts from the credit card industry, and are considering bold alliances to deal with shortages of resources. We aim to achieve operating profit of ¥5 billion as soon as possible in order to achieve our goal of reforming our business portfolio.

Issue new cards in fiscal 2020

We will completely renew the Daimaru Matsuzakaya Card with a new point program that more appeals to customers. In addition to the Daimaru Matsuzakaya points given when using the current Daimaru Matsuzakaya Card, we will introduce a new point program. The new point program will be a scheme that allows points to be given with all credit payments and exchanged into highly versatile points that can be used to shop economically not only at our department stores but also in the area centered on our stores in conjunction with the Urban Dominant strategy. We are also considering supplementary incentive services so that the cardholders enjoy “eating” and “becoming beautiful,” which enriches their lives. By making these cards more attractive, we intend to further promote the use of cards by existing customers and to attract new customers including the younger generation.

In 2019, we acquired licenses for VISA and MasterCard, creating a structure that enables us to engage in acquiring merchants. By expanding the number of merchants so that our credit card holders can use their cards economically even outside Daimaru Matsuzakaya Department Stores, we aim to increase the number of visitors to the Urban Dominant areas and to mutually refer customers to each other. In fiscal 2020, we plan to begin acquiring services for the Group companies, primarily Daimaru Matsuzakaya Department Stores. We are currently examining a scheme for acquiring merchants outside the Group.

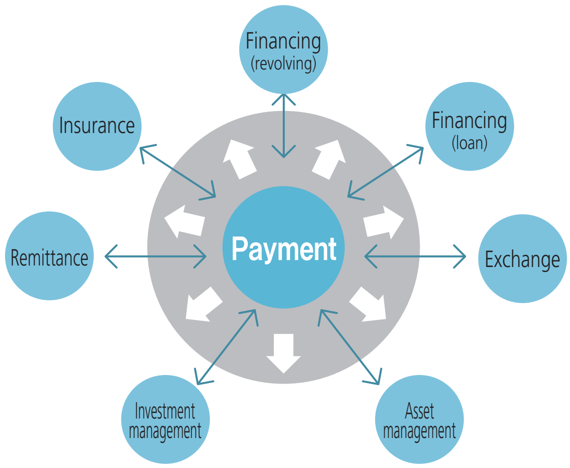
By accumulating data that can be obtained by expanding the means of payment, the means of receipt, and merchant acquiring services, we will expand our financial service business.

► 5 pillars of strategic actions

1. Improvement of bottom line of existing businesses
2. Strengthening of card products
3. Launch of merchant acquiring services
4. Review of system platform
5. HR development/ building of organization

Provide financial services centered on payment

We will develop a variety of financial services utilizing payment data by building relationships with customers centered on payment. First, we will focus on financing and insurance, which are highly compatible with the Group’s customers and business models and profitable. Through the renewal of the Daimaru Matsuzakaya Card, we will work to increase the number of revolving users by approaching customers whom we have not been able to reach up to the present time, and to strengthen our credit provision capabilities to expand our business. Regarding insurance, we are currently focusing on direct marketing with insurance companies and affiliated insurance agencies to our card holders. However, we will work to expand the scope of our insurance business by developing new insurance products and selling them to visitors to the Urban Dominant areas and many of the Group’s business partners.



Toward the shift to digital

In fiscal 2020, we will introduce the JFR Card application in order to improve customer convenience and enhance communication with customers. In addition to existing card counters, we will leverage the digital touchpoints of apps and website to strengthen our methods of cultivating new customers regardless of place and time. In addition to distributing valuable information to card customers in a timely manner through apps and other means, we will work to provide new financial services through alliances.

On the other hand, our Group’s strengths lie in having brick-and-mortar touchpoints, and the Credit and Finance Business we are aiming at is to integrate digital with the real business, which provides value, centered on brick-and-mortar stores operated by and customer service provided by the Group. Through the “digital × real combined model,” we will work to achieve steady growth and reform our business portfolio.

Defend and Attack with ICT.

Smooth response to "telework"

For "defensive IT," it is important to promote paperless operations, introduce cloud-enabled PCs that enable telework, and develop a communication environment. From the two perspectives of realizing more flexible work styles and promoting the shift to cloud, all the Group companies are replacing existing PCs with cloud-compatible PCs. Today, it is essential to shift to a cloud environment in order to quickly and flexibly realize business strategies through digitalization. We have completed the construction of a cloud infrastructure in the Group equipped with data linkage functions and job execution and monitoring functions, and we will promote the transition from legacy systems to cloud systems in both hardware and software, such as planning all future systems on a cloud basis.

As for department store operations, we completed the introduction of smart payments for credit cards and handsets that can be used in front of customers in order to improve customer service and enhance credit card security. With regard to security, we conducted vulnerability assessments of our business systems and websites, developed countermeasures, and strengthened security through email training, incident training, employee training, and other means.

Lifetime Service HUB scheme

In the area of "aggressive IT," we are promoting the "Lifetime Service HUB scheme," i.e., the creation of a system that aims to become a life partner who extends lifelong support to customers and to provide new products and services. On the system front, we will build a system that has the following three functions.

1) Function of collecting, accumulating, and integrating customer information held by each company
2) Function of analyzing and predicting customer profiles (hobbies, preferences, purchasing behavior, etc.)
3) Function to communicate more closely with customers

In fiscal 2019, we completed the development of basic functions for the "Group integrated customer database," which is a tool for managing and utilizing all customer data from the Group companies as shared assets, and incorporated the data held by department stores. In the current fiscal year, we will collect data held by Parco and support the use of data to increase sales and drive customer traffic at department stores and Parco. At the same time, we will develop additional functions such as the acquisition of external data and analysis functions.

By utilizing the Lifetime Service HUB, we not only sell products from the "product's perspective" but also communicate with customers on a one-to-one basis from the "customer's perspective," providing personalized purchasing experiences and services more efficiently and effectively across our businesses and channels. The full-scale operation of the system is scheduled for 2021.

In addition, as for new customer strategy projects at department stores, we promoted each project and introduced systems, such as the development of smartphone apps at all department stores, the introduction of MA* (Marketing Automation) tools as a new communication tool, and the introduction of systems to transform to a new *gaisho* business model.

* MA: Marketing Automation (a mechanism to improve operational efficiency by automating marketing operations)

Security measures

In recent years, cyber attacks have become more complex and sophisticated, and information security risks are increasing. To minimize such risks, we established the Group's common security policy in July 2018 and are continually implementing security measures based on this policy.

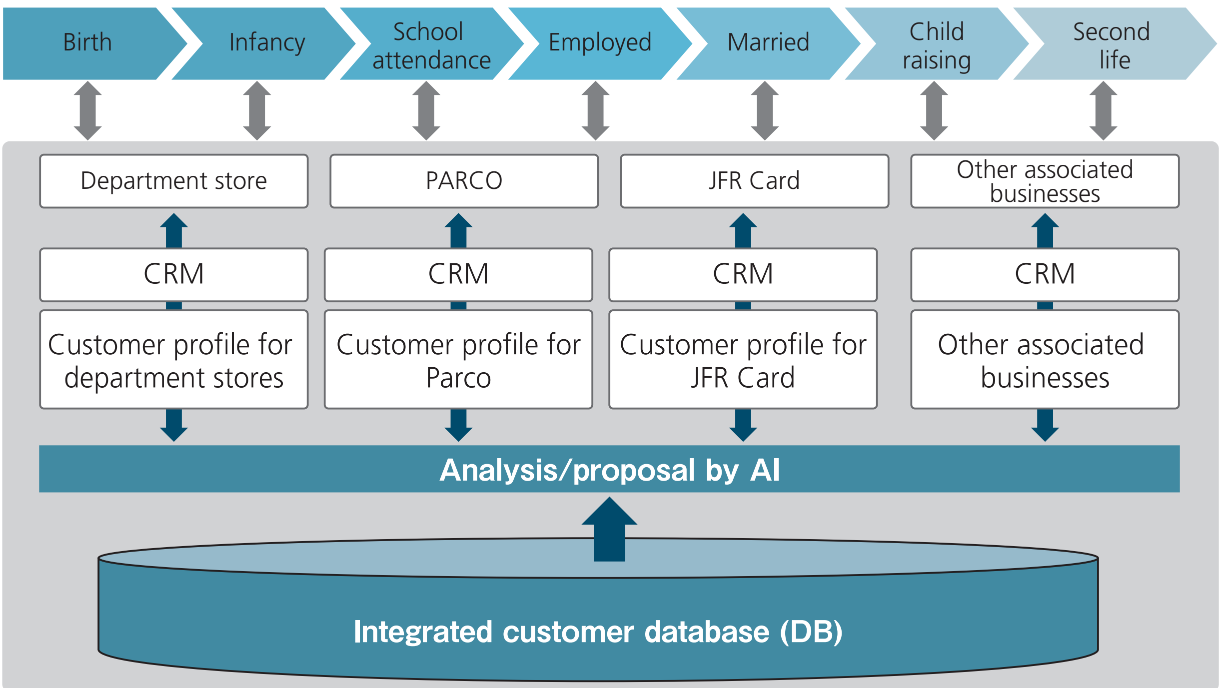
First, in order to visualize and improve the security measures of each Group company, we conducted hearings on the security measures of the systems maintained by each company, performed vulnerability assessments to confirm the safety of websites with high risk of information leaks and systems that maintain personal information, and made improvements to promptly ensure the safety of systems and websites where problems were discovered. We also conducted continuous surveys of the status of communications related to unauthorized access to personal computers used by employees and information leaks. In addition to continuing these efforts this fiscal year, we will also take measures to strengthen security, including investigating the robustness of servers, strengthening monitoring, and reviewing internal rules for more appropriate information management.

In addition, employee education is an important element of security. Continuing from the previous fiscal year, we conducted e-learning-based education and targeted attack email training. In the current fiscal year, we will continue activities to raise the level of information security for employees through education and training.

In fiscal 2019, the departments in charge of security at JFR Information Center, a consolidated subsidiary, worked closely with us to strengthen our security management system and prepared countermeasures and initial actions in the event of an accident. Specifically, we launched the JFR Group CSIRT*, and officially joined the Nippon CSIRT Association in July. The documents developed by this JFR-CSIRT were shared horizontally among the Group companies, and a system for dealing with incidents was launched at each Group company. In particular, this fiscal year we will strengthen our management system in conjunction with activities to strengthen IT governance.

* CSIRT: Computer Security Incident Response Team

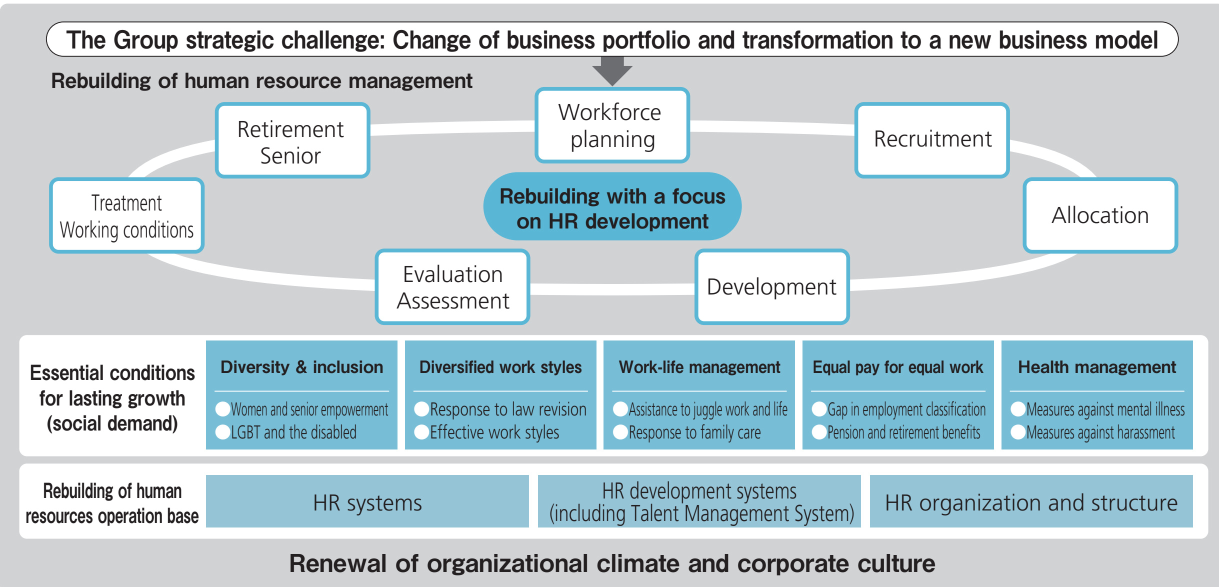
▸Image of Lifetime Service HUB scheme



Enhance "Human Resource Capabilities" and Achieve Sustainable Growth.

J. Front Retailing recognizes that each employee is the key to creating added value that is essential for a company's sustainable growth, and considers this to be its most important management resource. Recognizing that our employees are valuable assets, we aim to become a "company that develops human resources" by facing each employee thoroughly and developing human resource capabilities.

► Overview of new human resources strategy with human resource development at the core



Shift the personnel system from a job performance-based system to a "human resource capabilities"-based system

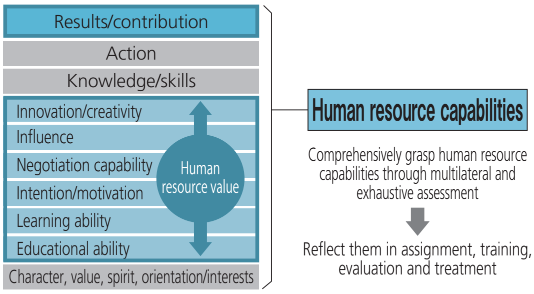
In conjunction with reforms implemented in the past, our personnel system has been based on "job performance." In this system, job value was linked to treatment. In fiscal 2020, we will shift to a system that puts greater emphasis on the "human resource capabilities" of individual employees. To this end, we will focus on human resource development at all times, from "recruitment" to "assignment," "training," "evaluation and assessment," and "treatment and working conditions," and will thoroughly implement human resource management centered on human resource development.

Ultimately, we aim to reform our organizational culture and corporate culture, which will lead to the realization of the Group Vision.

Define "human resource capabilities"

We define "human resource capabilities" as not only actual results and contributions, but also comprehensive strengths that include actions and highly specialized knowledge and skills that lead to the realization of results, job execution capabilities that form the foundation for these activities, energy and learning to promote reforms, and the character and spirit that form the foundation. In particular, we define "human resource value" as the ability to perform duties and create new value that directly leads to results and contributions.

▶ Definition of human resource capabilities



"Visualize" the human resource capabilities of individuals

In fiscal 2019, at Daimaru Matsuzakaya Department Stores, which is the Group's core operating company, the human resources division interviewed all employees to gain a more direct understanding of each employee's human resource capabilities. This interview gave a look back on each employee's careers and gauged their thoughts on future careers. We also created a "human resources record" that integrates a variety of human resources information, including performance evaluations, multi-faceted observations (360-degree evaluation), career interviews, training data, online self-application, job system information, aptitude inspections, and transfer/assignment histories. By "visualizing" each employee's human resource capabilities and sharing them among the company, the management line, and the employee, we are able to strengthen human resource management, including assignment, training, and evaluation.

Human resource development

Based on the fundamental philosophy "Human resources grow through work," we are developing human resources through: ① the assignment of work and roles; ② communication between individuals and the company; and ③ the human resource development program that supports them. Along with strategic and planned assignment and rotation, we will thoroughly provide roles, tasks, and feedback that encourage the development of human resources. In addition, for autonomous design and development of careers, we accept online self-application throughout the year, enhance in-house recruitment, and actively provide career support through career interviews, career development training, and other means. In addition, in order to provide opportunities for education and career development regardless of age, we are enhancing rank-based programs, the opportunities to work outside the Group, and career support colleges (self-development courses).

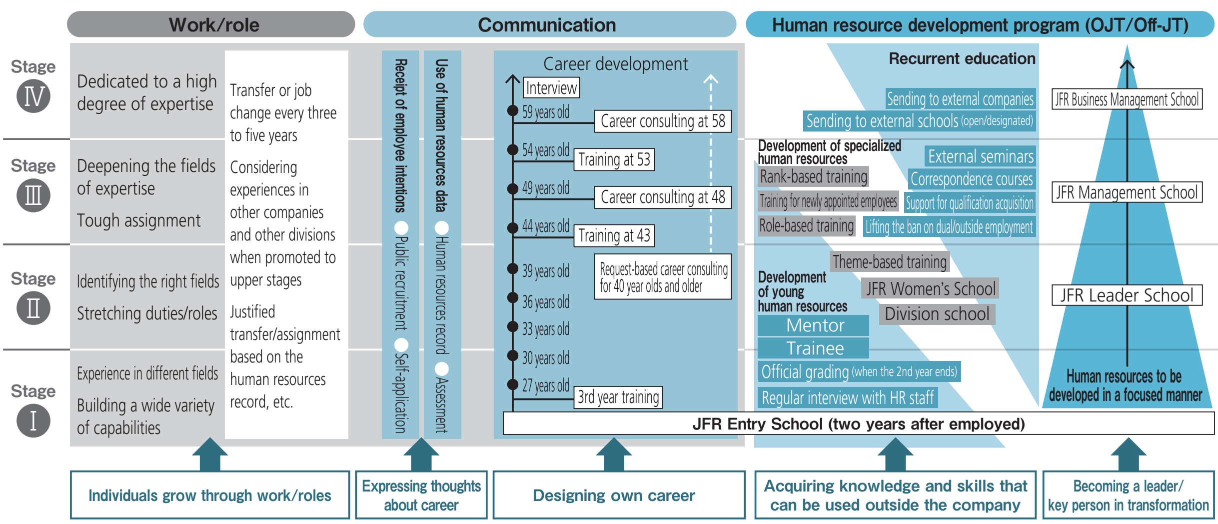
Recruitment of human resources

In addition to recruiting new graduates as the next-generation core human resources for the future, we are actively recruiting mid-career personnel who are highly specialized human resources ready for work. In fiscal 2019, we recruited 69 mid-career employees (39 men and 30 women) throughout the Group, mainly strategically strengthened digital division, new businesses, real estate business, and credit and finance business. We will continue to strive to acquire human resources with a strong sense of challenge, competitiveness, innovation, and creativity in order to form a diverse organization that creates new value.

Linked to "sustainability management"

"Promotion of diversity" and "realization of work-life balance," which we have identified as ESG materiality issues, are essential elements for enhancing human resource capabilities. We will continue to implement our human resources strategy as part of our sustainability management.

▶ Overall diagram of human resource development



Our Finance Policies Support Discontinuous Growth.

Capital cost-conscious management

We are pursuing finance policies centered on generating free cash flow (FCF) and improving ROE. Our goals are to 1) build a foundation that can permanently increase our corporate value by promoting FCF creation by each business with an emphasis on balance sheet (B/S) and achieving positive FCF, and 2) create a management structure that can continuously achieve ROE of 8% while maintaining a balance between business profitability and growth potential. In fiscal 2019, our ROE was 5.4% (down 1.4% from the previous fiscal year).

As of the end of February 2020, we have calculated the cost of shareholders' equity (the expected yield of shareholders and investors), which is a hurdle rate corresponding to ROE, to be around 6%, and we expect it to remain in the range of 6% to 7% in the mid- to long-term. In other words, a new Medium-term Business Plan will be launched in fiscal 2021 but there is no change in our belief that ROE of 8% is the minimum level that must be achieved in order to meet the expectations of our shareholders.

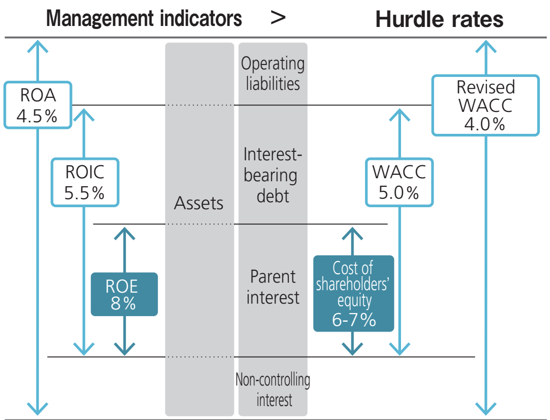
The weighted-average cost of equity (WACC) was slightly below 4% as of the end of February 2020, and is expected to be around 5% in the med- to long-term. We also identify WACC of each business and set hurdle rates when considering investment plans to promote capital cost-conscious management.

Under the new Medium-term Business Plan, which is currently being formulated, we will set ROIC as one of the key performance indicators that we should aim to achieve, and will work to enhance management control. ROIC is an indicator that incorporates financial strength based on ROE, which we have emphasized, and we believe that it is consistent with our course of action. In the process of expanding the real estate business and finance business in the future, the degree of dependency on borrowing will increase further, and ROIC calculated in the form of invested capital, including borrowings, will become more significant. We believe that we can smoothly move forward, partly because Parco have already promoted management with ROIC as a priority indicator.

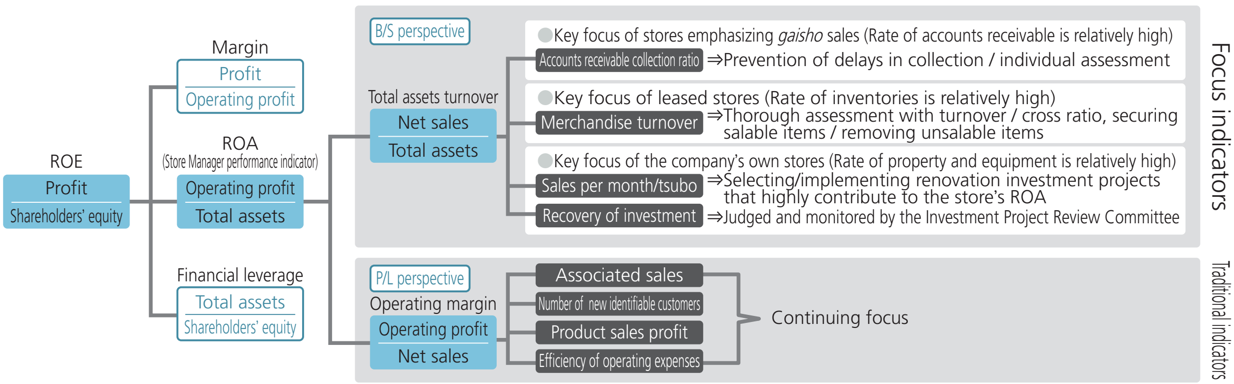
▸ ROE and ROIC

ROE Return on shareholders' equity	>	Cost of shareholders' equity
ROIC Return on invested capital	>	WACC Cost of liability / Cost of shareholders' equity

▸ Correlation between management indicators and hurdle rates



Enhancing management by adopting store level B/S



Department store management based on separate B/S for each store

For each operating company, the KPI is to improve ROA, which is computed by multiplying operating margin by total assets turnover. In fiscal 2017, our core department store business introduced management based on separate B/S for each store, as the efficiency of assets was not sufficient in spite of the fact that business activities were conducted while using large assets such as stores. As a result, not only sales and profits (P/L perspective) but also B/S perspective of pursuing appropriate returns from assets has been added to store level management.

Specifically, by prioritizing each store in consideration of its asset profitability and ability to recover investment, the Group is implementing restraints on investment plans aimed only at maintaining and expanding sales, as well as drastic measures for low-profit divisions.

Investment Project Review Committee and Revitalization Plan Review Committee

The Investment Project Review Committee and the Revitalization Plan Review Committee provide financial support for management decisions on investments, business revitalization and withdrawal.

The Investment Project Review Committee, which is chaired by the Senior Executive General Manager of the Financial Strategy Unit and vice-chaired by the Senior General Manager of the Management Planning Division, verifies the appropriateness of the investment projects to determine whether they meet the investment criteria and discusses business risks. To offer more objective opinions, we have put in place a system in which outside organizations can participate.

The Revitalization Plan Review Committee is chaired by the Senior General Manager of the Budget and Management Support Division and vice-chaired by the Senior General Manager of the Management Planning Division. The committee verifies business operations and examines the appropriateness of countermeasures by managing in three phases: I) normal, II) caution needed, and III) revitalization and withdrawal to be considered.

Each committee provides information, to facilitate swift management decisions at the Group Management Meetings and the Board of Directors meetings.

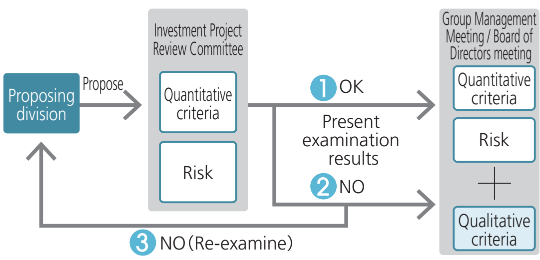
Fund procurement

The Company's basic fund procurement policy is to 1) procure the funds required for business activities from funds provided by operating activities and 2) procure funds for strategic investments through the issuance of bonds and borrowings from financial institutions in consideration of financial soundness and stability.

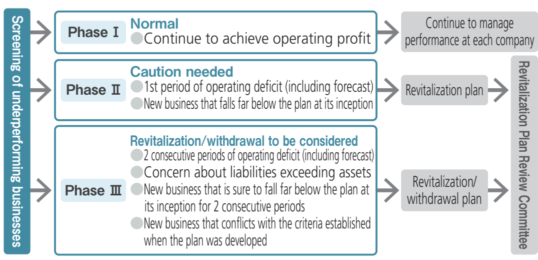
In light of the serious impact on the retail industry caused by COVID-19, we are working to reduce capital investment in fiscal 2020 to about half of the initial plan. In order to secure financial stability and liquidity on hand, which are our top priorities, we increased commitment lines early, and we do not believe that this will have a significant impact on our financing and fund procurement. Going forward, we will continue to strive to recover our business performance while securing sufficient cash on hand in a timely and appropriate manner.

With Parco becoming a wholly owned subsidiary, we have begun operating a new CMS (cash management system) including Parco from the perspective of improving efficiency through the centralized management of the Group funds.

Flow chart of investment project examination by the Investment Project Review Committee



Classification into phases by the Revitalization Plan Review Committee



Sustainability Management

Since fiscal 2018, the J. Front Retailing Group (the "Group") has been working to "create a foundation" for sustainability management initiative. This is an increasingly important initiative for the post-COVID-19 era, and we believe that we must push forward aggressively.

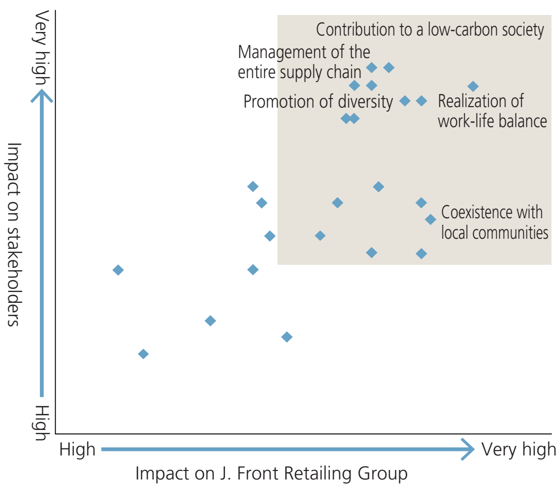
The Group is committed to realizing ESG initiatives that are unique to JFR, based on the concept of sustainability management. We believe that the future direction of the evolution of sustainability management is to realize our aspirations of making the world good and doing what is right, and to that end we must create new markets. That is our CSV strategy.

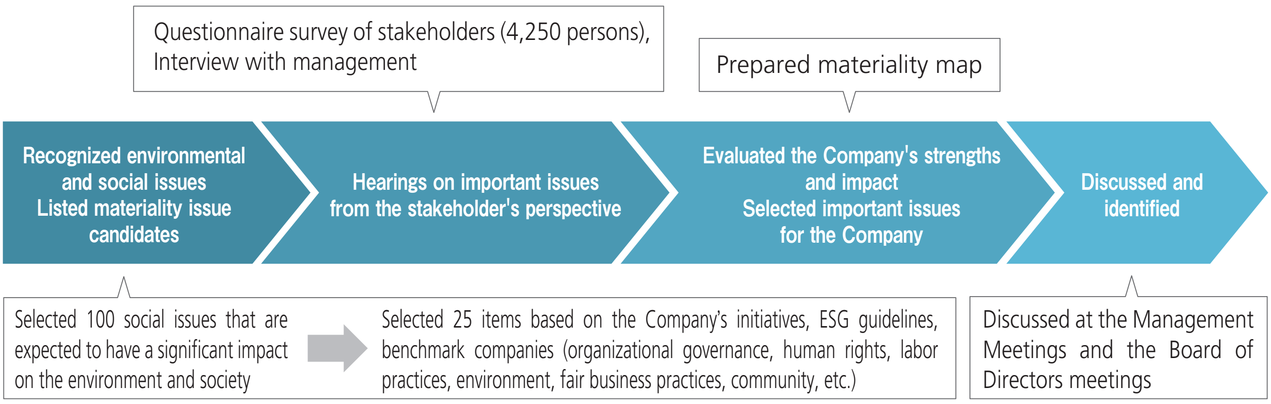
We will contribute to the creation of a sustainable society by realizing sustainable growth as a company by promoting ESG initiatives simply and honestly.

Process for identifying 5 materiality issues

In 2018, we formulated a Sustainability Policy and, based on the results of a questionnaire survey of 4,250 stakeholders, repeated discussions at the Management Meetings and the Board of Directors meetings to identify five materiality issues that the Group should address. We have set medium- and long-term targets for each materiality issue and are implementing initiatives that are linked to our business strategies.

► J. Front Retailing Group materiality map

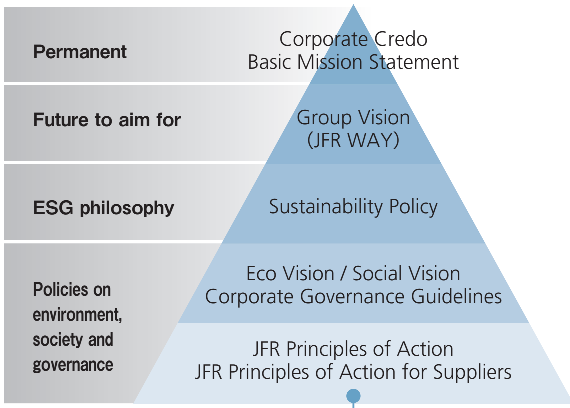




Formulating sustainability-related policies

In 2018, we formulated the “Sustainability Policy” with the aim of continuing to grow to realize a sustainable society and create and bring to life new happiness, which is the foundation of our approach to ESG. In addition, we have formulated “Eco Vision” and “Social Vision” which show our environmental and social concepts based on the Sustainability Policy. These visions and the “Corporate Governance Guidelines” are our guidelines for ESG.

In 2019, the Group formulated the JFR Principles of Action, which set out the principles for all officers and employees of the Group to fulfill their social responsibilities and the JFR Principles of Action for Suppliers, which stipulate matters to be observed together with suppliers. These principles comprise four basic policies: the JFR conduct policy; the JFR guidelines for action for suppliers; the procurement policy; the human rights policy; the anti-corruption policy; and the occupational health and safety policy.



6 policies in JFR Principles of Action and JFR Principles of Action for Suppliers

- “JFR conduct policy”
- "Guidelines for action for suppliers"
- “Procurement policy”
- “Human rights policy”
- "Anti-corruption policy"
- “Occupational health and safety policy”

Sustainability promotion structure

We have established the Sustainability Committee to promote sustainability management across the Group in a cross-organizational manner. Along with the Risk Management Committee and the Compliance Committee, this committee is positioned as an advisory committee under the direct control of the President and Representative Executive Officer and meets once every six months. Major activities include the formulation of annual action plans and monitoring of progress concerning each materiality issue at each Group company. In addition, the Board of Directors receives reports on the content of discussions held by the Sustainability Committee and discusses and oversees long-term objectives and progress in addressing ESG issues.


2nd Sustainability Committee meeting

Holding ESG presentations

Since 2018, we have held annual ESG presentations for institutional investors. We report on our medium- and long-term sustainability targets and the progress of specific initiatives, and hold direct dialogue with investors through question and answer sessions (56 participants in 2018 and 59 in 2019).

We will continue to improve the quality of our sustainability management through dialogue with capital markets.


2nd ESG presentation

Publication of Sustainability Reports

In February 2020, we published our first Sustainability Report to supplement the Integrated Report and emphasize the completeness of the Group’s ESG information. This report discloses ESG information in detail, including our approach to sustainability, promotion system, long-term objectives related to five materiality issues, and the progress of our initiatives. We will continue to publish the report once a year.

Sustainability Report 2019

Internal penetration of sustainability management

Top management explains in person the background and importance of ESG initiatives at in-house training sessions, and actively utilizes in-house magazines and websites to promote understanding and penetration among employees. In September 2019, an in-house website specializing in ESG was launched. The website provides educational videos to help contribute to solving social issues through business activities and to deepen understanding of these issues. Using SNS, we share information with employees of each operating company in two directions.

▶ Long-term targets and major actions in fiscal 2019

	Relevant stakeholders	Long-term targets	Major actions in fiscal 2019
Contribution to a low-carbon society	Customers Suppliers Employees Local communities	**2030** 40% reduction of Scope 1 and 2 GHG emissions (vs. FY2017) **2050** Zero Scope 1 and 2 GHG emissions	● Approved by SBTi ● Support for TCFD recommendations ● Rated "A-" by CDP ● Actual reduction of Scope 1 and 2 GHG emissions Down 11.0% in FY2019 (vs. previous year) ● Switched to renewable energy ● Transition of the company fleet to EVs ● Introduced energy-saving equipment and high-efficiency equipment ● Switched to LED lighting ● Prepared to join RE100 (planned to join in Oct 2020)
Management of the entire supply chain	Suppliers Customers	**2030** 100% penetration of JFR Principles of Action for Suppliers **2030** Aim for 40% reduction of Scope 3 GHG emissions	● Established JFR Principles of Action for Suppliers ● Shared JFR Principles of Action for Suppliers (sent out and held briefing sessions) ● Calculated Scope 3 GHG emissions ● Switched to environmentally friendly office supplies ● Initiative to create a circular society "Ecoff"
Coexistence with local communities	Local communities Customers	**2050** Local communities, governments, and retailers will cooperate closely to realize sustainable and advanced urban development by combining urban development that makes use of the area's assets, which is the strength of the Group, with solutions to environmental issues.	● Promoted Urban Dominant strategy ● Urban development centered on ESG model stores ・Opened the main building of the Daimaru Shinsaibashi store and Shibuya PARCO ● Expanded local production for local consumption (*chisan-chisho*) ● Created safe and secure store environment ・Disaster response BCP plan
Promotion of diversity	Customers Employees	**2025** Ratio of women in management positions: 30% **2030** Aim for ratio of women in management positions of 50% **2030** Aim for retirement at 70 **2030** Employment ratio of the disabled: 3.0%	● Promoted women's empowerment ・Ratio of women in management positions: 18.8% (FY2019, consolidated) ● Promoted senior empowerment ・Extended the retirement age to 65 in Mar 2020 (Daimaru Matsuzakaya Department Stores) ● Initiatives for employment of the disabled ・Employment ratio of the disabled: 2.21% As of June 2019 (within the special scope of subsidiaries including Daimaru Matsuzakaya Department Stores) ● Formulated human rights policy
Realization of work-life balance	Employees	**2030** Acquisition of childcare leave by male employees: 100% **2025** Turnover rate due to childcare and nursing care: 0%	● Expanded work system ・Promoted telework ● Expanded work style systems and rules ・Established a short-term childcare leave system (paid) ・18 male employees took childcare leave (FY2019, consolidated) ・Ratio of return from childcare leave: 89.5% (FY 2019, Daimaru Matsuzakaya Department Stores)

▶ External recognition

Selected as the constituent of MSCI Japan Empowering Women Index (WIN) for 3 consecutive years* **2020** CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)	Rated "A-" in CDP climate change research 2019	Rated "Silver" in PRIDE Index 2019
Selected as the constituent of SNAM Sustainability Index for 9 consecutive years	Certified as Health and Productivity Management Organization 2020	Certified as a "Company Empowering Persons with Disabilities" in 2019
Selected as 2019 "Semi-Nadeshiko" Brand	Rated four stars in the 3rd Nikkei Smart Work Management Survey	Registered in the Whistleblowing Compliance Management System certification (self-declaration of conformity registration system)

*The inclusion of J. Front Retailing Co., Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or Index names herein do not constitute a sponsorship, endorsement, or promotion of J. Front Retailing Co., Ltd. by MSCI or any of its affiliates.The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Contribution to a Low-carbon Society

Background

Climate change and other environmental issues are becoming increasingly serious in the world today. Natural disasters, such as typhoons and heavy rains, are frequently occurring in Japan, making it impossible for companies to overlook their efforts to deal with climate change.

Outline of actions

Among the five materiality issues of the Group, we consider "contribution to a low-carbon society" to be our top priority. In order to deal with climate change, we are promoting company-wide initiatives such as the formulation of action plans for achieving medium- and long-term targets.

Future direction

In addition to efforts to reduce GHG emissions, the Group is working to increae environmentally friendly stores and promote circular economy. Through these initiatives, the Group will achieve sustainable growth through "contribution to a low-carbon society" as corporate activities.

Long-term targets

2030 40% reduction of Scope 1 and 2 GHG emissions (vs. FY2017)*

*Approved by SBTi

2050 Zero Scope 1 and 2 GHG emissions

Major actions in FY2019 (partially in FY2020)

- Approved by SBTi
- Rated "A-" in CDP climate change 2019
- Grand opening of ESG model stores
- Introduced environmental management system
- Obtained third-party assurance for Scope 1 and 2 energy consumption and GHG emissions
- Switched to renewable energy, introduced energy-saving equipment and high-efficiency equipment, and made the transition of the company fleet to EVs
- Prepared to join RE100 (planned to join in Oct 2020)

Approved by SBTi

In October 2019, our GHG emissions reduction targets were approved as science-based reduction targets by the international Science Based Targets initiative (SBTi). The targets set by the Group was approved under the second strictest category of "well-below 2°C"-aligned targets. The Group is actively taking measures to achieve the GHG emissions reduction targets approved by the SBTi.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Grand opening of ESG model stores

We are promoting the creation of environmentally conscious stores with the aim of "realizing a sustainable society." The main building of the Daimaru Shinsaibashi store and Shibuya PARCO opened as ESG model stores in September and November 2019, respectively. The main building and south wing of the Daimaru Shinsaibashi store switched to 100% renewable energy for all power needs. Shibuya PARCO was chosen by the Ministry of Land, Infrastructure, Transport and Tourism as a "Leading Sustainable Building Project (CO_2 Reduction Leader)." Going forward, we will expand the results of this initiative to other stores.

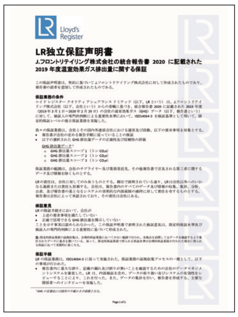
Switch to renewable energy

Given that approximately 80% of our Scope 1 and 2 GHG emissions come from electricity use at our stores, we believe that our efforts to reduce GHG emissions should focus on the use of electricity. Daimaru Matsuzakaya Department Stores switched to renewable energy at its head office building (Koto-ku, Tokyo) in March 2019, at the Daimaru Shinsaibashi store (the main building and south wing) in September, and Ikebukuro PARCO (P'PARCO) and Chofu PARCO in October 2019.

We will continue to promote the switch to renewable energy, mainly at the main stores of Daimaru Matsuzakaya Department Stores and PARCO and aim to join the "RE100 (Renewable Energy 100%)" initiative by the end of fiscal 2020.

Acquired third-party assurance for Scope 1 and 2 energy consumption and GHG emissions in fiscal 2019

In July 2020, we obtained an independent assurance statement from Lloyd's Register Quality Assurance Limited (LRQA) regarding the methods for calculating energy use and GHG emissions in Scope 1 and 2 in fiscal 2019 and their appropriateness, and for the first time, regarding the methods for calculating GHG emissions in Scope 3 and their appropriateness. We will continue to use the newly introduced environmental performance data management system to strengthen environmental governance.



▸ FY2019 Scope 1 and 2 GHG emissions reduction targets and the results of GHG emissions

	FY2019	YoY	
	Emissions (t-CO_2)	Reduction (t-CO_2)	% reduction
Target	174,994	(7,572)	(3.9)
Result	162,508	(20,058)	(11.0)

Climate Change Responses and Information Disclosure in Line with TCFD Recommendations

The J. Front Retailing Group (the "Group") considers climate change to be a top priority for sustainability management and recognizes that the risks and opportunities associated with climate change have a significant impact on its business strategies.

In May 2019, we expressed our support for the final report of the Climate-related Financial Disclosure Task Force (TCFD) (TCFD Recommendations) established by the Financial Stability Board (FSB). The TCFD Recommendations recommend that companies disclose information on four core elements including "governance," "risk management," "strategy," and "indicators and targets" based on the belief that investors' accurate understanding of the impact of climate-related risks and opportunities on the financial condition of investees leads to appropriate investment decisions.

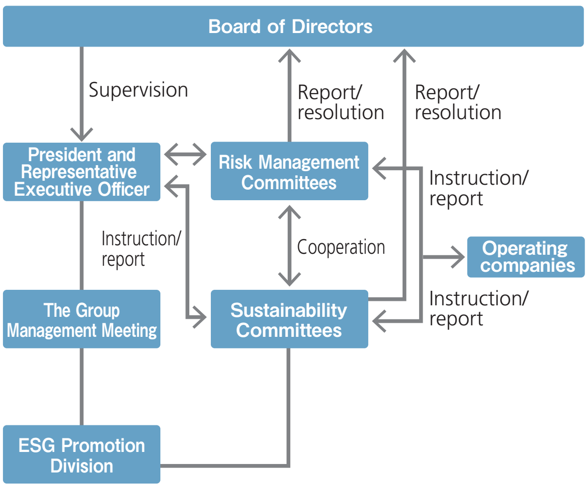
In order to achieve the mid- to long-term targets for "contribution to a low-carbon society," which is our most important materiality issue, we are working to reduce energy consumption, use energy more efficiently, and introduce renewable energy. At the same time, we are working to further enhance the disclosure of information in line with the TCFD Recommendations.

Governance concerning environmental issues

In fiscal 2019, we established the Sustainability Committee to promote sustainability management across the Group in a cross-organizational manner. The Sustainability Committee formulates action plans for the Group's environmental issues and monitors their progress. The Board of Directors discusses and supervises the content of these plans.

The Group Management Meeting, the highest decision-making body in business execution, deliberates on specific measures for addressing environmental issues, and the decisions are reported to the Board of Directors. The President and Representative Executive Officer, who chairs the Group Management Meeting, also serves as the chairperson of the Risk Management Meeting and the Sustainability Committee, both of which are advisory committees under his direct supervision, and assumes the ultimate responsibility for strategic decision-making related to environmental issues. Under the supervisory system of the Board of Directors, we are strengthening governance in environmental management.

► Environmental management structure



Risk management

We believe it is important to position risks (uncertainties) as the starting point of our strategy and to establish a system to manage them on a company-wide basis. The Risk Management Committee identifies and evaluates risks based on external environmental analysis, narrows them down to the risks that need to be preferentially addressed, and reflects them in the Group's strategies.

The Sustainability Committee conducts more detailed examinations of the risks identified by the Risk Management Committee regarding environmental issues, and shares the results with operating companies. The Group Management Meeting, the Risk Management Committee and the Sustainability Committee monitor the progress, and finally, report to the Board of Directors.

Strategy

We conducted a scenario analysis to assess the risks, opportunities and financial impact given by climate change to the Group.

In order to conduct a scenario analysis, we assumed two possible worlds including a below 2˚C scenario, which is the Paris Agreement's goal, and a 3˚C scenario in which all national climate-related policy objectives are met with reference to existing scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) *.

Based on the above scenarios, we analyze the impact of climate change on our business, consider countermeasures, and verify the Group's strategic resilience.

*Existing scenarios referred to

Possible world	Existing scenario
Below 1.5 to 2˚C scenario	"Below 2 Degree Scenario (B2DS)" (IEA, 2017) "Sustainable Development Scenario (SDS)" (IEA, 2019) "Representative Concentration Pathways (RCP2.6)" (IPCC, 2014)
3˚C scenario	"Stated Policy Scenario (STEPS)" (IEA, 2019) "Representative Concentration Pathways (RCP6.0)" (IPCC, 2014)

► Overview of the Group's risks and opportunities and their impact on business/finance in each scenario

The degree of impact on business/finance is shown qualitatively by the slope of the arrows in the table in three stages.	↑ : The impact on the Group's business/finance is expected to be very large. ↗ : The impact on the Group's business/finance is expected to be slightly large. → : The impact on the Group's business/finance is expected to be negligible.

Risk/opportunity type			Overview of the Group's risks/opportunities	Financial Impact	
				Below 1.5 to 2℃ scenario	3℃ scenario
Risk	Transition risk	Policy Regulation	● Increase in operation costs associated with the introduction of policies to control GHG emissions, such as carbon taxes (carbon pricing) and the strengthening of regulations ● Increased disclosure obligations related to GHG emissions and the risk of fines due to inadequate response	↑	↗
		Market	● Loss of growth opportunities due to a delay in response to market changes such as increased demand for low-carbon products and services resulting from changes in consumer behavior and increased customer awareness of environmental issues ● Loss of growth opportunities due to a delay in response to increased risk of infectious diseases caused by climate change	↗	→
	Physical risk	Acute	● Loss of sales opportunities for products and services resulting from disruption of procurement and logistics routes due to natural disasters caused by climate change ● Damage to stores and offices and suspension of operations due to natural disasters caused by climate change ● Loss of sales opportunities in stores due to increased risk of infectious diseases (COVID-19, etc.) caused by climate change	↗	↑
Opportunity	Energy source		● Reduction in operation costs due to the use of low-carbon energy sources ● Reduction in costs resulting from the use of new technologies ● Energy resilience by participating in the carbon market and shifting to energy diversification ● Reduction in operation costs due to the introduction of the latest energy-efficient equipment ● Avoidance of energy procurement risks resulting from promoting renewable energy and energy conservation	↗	→
	Market		● Improvement of profitability by restructuring the business portfolio as a Multi Service Retailer and focusing on markets where growth is expected in line with changes in consumer behavior and an increase in customer awareness concerning environmental issues ● Expansion of new growth opportunities by addressing increased risk of infectious diseases caused by climate change	↑	↗

Financial impact on the Group in 2030

The Group believes that, among the estimated financial impacts for 2030, the introduction of a carbon tax* and fluctuations in renewable energy-derived electricity charges in Japan will be particularly important parameters (indicators). Therefore, for these two parameters, we quantitatively estimate the financial impact on the Group in the below 1.5 to 2°C scenario and the 3°C scenario.

* Taxes levied on emissions of carbon dioxide (CO_2), which is the main cause of climate change

Important parameter (indicator)	Financial impact on the Group in 2030		
	Item	Blow 1.5 to 2℃ scenario	3℃ scenario
Carbon tax	○ Carbon tax (thousand yen/t-CO_2)	10	3.3
	○ Increase in costs due to carbon tax (millions of yen)	1,165	384
Renewable energy-derived electricity rates	○ Increase in renewable energy-derived electricity rates (yen/kWh)	1～4	
	○ Increase in procurement costs of renewable energy-derived electricity (millions of yen)	164～658	

Assumptions for 2030

- Carbon tax price in developed countries: \$100/t-CO_2 (below 1.5 to 2°C scenario), \$33/t-CO_2 (3°C scenario)
- The Group's GHG emissions: 116,492 t-CO_2 (40% reduction vs. FY2017)
- Renewable energy-derived electricity rate: Increase of 1 to 4 yen/kWh (vs. electricity rate other than renewable energy)
- The Group's usage of renewable energy-derived electricity: 164,450MWh (ratio of renewable energy: 50%)

Initiatives in response to risks and opportunities based on climate-related scenarios

Based on these scenario analyses, we are working to reduce Scope 1 and 2 GHG emissions from our business activities, as well as Scope 3 GHG emissions in our supply chain. We are also strengthening and promoting initiatives to contribute to local communities through the creation of sustainable stores.

Indicators and targets

Based on the above strategies for achieving the below 1.5 to 2°C scenario, the Group has set medium- and long-term targets for reducing GHG emissions, which were approved by the SBTi.

Target year	Details of targets
2030	40% reduction of Scope 1, 2, and 3 GHG emissions (vs. FY2017)* *Approved by SBTi
2050	Zero Scope 1 and 2 GHG emissions

In order to achieve our mid- and long-term targets for climate change, we will continue to work actively on a company-wide basis by strengthening our corporate governance functions, such as reducing energy consumption, improving efficiency in use, and introducing renewable energy.

Management of the Entire Supply Chain

Background
With the globalization of the economy and the diversification of stakeholders' needs, the entire supply chain is expected to deal with environmental and human rights issues when procuring goods and materials. In addition, the impact of COVID-19 has caused supply chain disruptions and the need for the establishment of a sustainable supply chain is increasing further.

Outline of actions
In order to build a socially responsible supply chain, we have added an environmental and social axes to our procurement standards and strengthen our supply chain assessment to ascertain the status of our suppliers and conduct education and support activities for sustainable procurement both inside and outside the Company.

Future direction
We will make efforts to disseminate the JFR Principles of Action for Suppliers, conduct supply chain assessments, strengthen human rights initiatives, and reduce GHG emissions throughout the supply chain. In addition, to realize the CSV strategy, we will select new suppliers considering environmental and social issues, and develop environmentally friendly products.

Long-term targets
2030 100% penetration of JFR Principles of Action for Suppliers

2030 Aim for 40% reduction of Scope 3 GHG emissions (vs. FY2017) *Approved by SBTi

Major actions in fiscal 2019 (partially in fiscal 2020)
- Formulated JFR Principles of Action and JFR Principles of Action for Suppliers
- Asked suppliers to support (sent out the Principles of Action and held briefing sessions for suppliers)
- Calculated Scope 3 GHG emissions and acquired third-party assurance
- Switched to environmentally conscious packaging materials
- Ecoff project

Formulated JFR Principles of Action for Suppliers and asked suppliers to support

In June 2019, the Group formulated the JFR Principles of Action for Suppliers, which outline corporate activities that will lead to the creation of a sustainable society, which will be realized in cooperation with suppliers.

These Principles of Action were sent to the representatives of our suppliers and we asked them to support our views and rules (sent to 8,727 companies as of the end of November 2019). In October 2019, Daimaru Matsuzakaya Department Stores held a "JFR Principles of Action for Suppliers briefing session" in Tokyo and Osaka at the same time and 652 people from 530 companies participated. We will continue to fulfill our social responsibilities together with our suppliers and contribute to enhancing the corporate values of both parties.

JFR Principles of Action for Suppliers briefing session held by Daimaru Matsuzakaya Department Stores

Calculation of Scope 3 and acquisition of third-party assurance

The Group has also set SBTi-approved long-term targets for reducing GHG emissions from the supply chain (Scope 3) and is working to achieve these targets.

In fiscal 2020, in addition to Scope 1 and 2, we will acquire third-party assurance for Scope 3 to increase objectivity and transparency and work to reduce GHG emissions across the supply chain.

Switch to environmentally conscious packaging materials

In September 2019, Daimaru Matsuzakaya Department Stores switched to shopping bags made from paper sourced from the forests that are managed in an eco-friendly way. Also regarding food plastic bags, which are attracting attention concerning the marine plastic waste problem, we switched to products made from 30% biomass (plant-based resources) and could reduce GHG emissions by about 24% per piece compared to previous products. In June 2020, we began charging fees for Daimaru Matsuzakaya Department Stores original plastic bags and paper bags for food products.

Shopping bags made from forest-certified paper

Plastic shopping bags made from 30% biomass

Sustainable project with customer participation "Ecoff"

Daimaru Matsuzakaya Department Stores implements the "Ecoff" project to reduce environmental impact by collecting disused clothing, bags, and shoes from customers at stores and recycling and reusing them. This project offers shopping support tickets in accordance with the number of items collected. Therefore, many customers participate in this project as a circular shopping and recycling campaign that allows customers not only to participate in the eco-friendly activity but also to shop economically.

At present, nine of our stores nationwide have set up permanent boxes for collection and donated a substantial portion of unused tickets to environmental protection organizations.

(Total number of collected items: 2,322,021 as of November 2019)

Coexistence with Local Communities

Background
While the birthrate is declining and the population is aging, the population is concentrated in urban areas. In such situation, increasing the attractiveness of and revitalizing communities have become social agendas. In addition, the situation of cities where the population is concentrated is changing due to the impact of COVID-19. Companies are required to make efforts to revitalize their communities.

Outline of actions
We are working on the sustained growth of areas and stores by promoting the Urban Dominant strategy that focuses on building the ecosystem of the areas centered on our flagship stores.

Future direction
We will create stores to realize sustainable urban development and revitalization and aim for the urban development that improves all of economic value, environmental value, and social value. In addition, by adding the role of local disaster prevention infrastructure, we will promote the development of stores that are more closely linked to communities.

Long-term targets
2050 Local communities, governments, and retailers will cooperate closely to realize sustainable and advanced urban development by combining urban development that makes use of the area's assets, which is the strength of the Group, with solutions to environmental issues.

Major actions in fiscal 2019 (partially in fiscal 2020)
- Urban development centered on the opening of ESG model stores including the main building of the Daimaru Shinsaibashi store and Shibuya PARCO
- Promotion of Urban Dominant strategy
- Regional revitalization through Parco's crowdfunding business
- Regional revitalization through *chisan-chisho*

Urban Dominant strategy

The Urban Dominant strategy is a business model that aims to make the area as a whole attractive with our stores at the core and grow together with the area. It improves the appeal of the area and contributes to local communities. The Urban Dominant strategy has its root in the development of shops around the Daimaru Kobe store in the Former Foreign Settlement in Kobe. We have expanded and developed this know-how, which has realized the revitalization of the entire area. Currently, we are promoting the Urban Dominant strategy in five key areas including Shinsaibashi, Kyoto, Kobe, Nagoya, and Ueno.

The main building of the Daimaru Shinsaibashi store and Shibuya PARCO made their grand openings in September and November 2019, respectively. By contributing to making the area attractive, such as by driving traffic to each area, they draw new crowd to the areas.

Parco crowdfunding Shizuoka MIRUI Project

In January 2020, we launched the Shizuoka MIRUI Project to help businesses in Shizuoka try something new and solve problems. Shizuoka PARCO, the Matsuzakaya Shizuoka store, and Shizuoka Shimbun SBS advertise and support the projects posted on a special website for crowdfunding BOOSTER through their stores, SNS, media, etc.

Crowdfunding BOOSTER will continue to develop collaborative projects that contribute to regional revitalization.

Local production for local consumption (*chisan-chisho*)

The Group contributes to regional revitalization by leveraging the strengths of its nationwide network of stores and expanding their offering of products that are unique to each region. Hakata Daimaru, which operates a department store business, contributes to regional revitalization through *chisan-chisho* by selling and introducing products from the Kyushu region as the Kyushu Tankentai (exploration unit). Going forward, the Group will continue to expand its initiatives and leverage the unique characteristics of each region to evolve.

Ceremony to celebrate the establishment of Kyushu Tankentai

Creation of safe and secure store environment

At our department stores, we organize self-defense fire brigades in preparation for earthquakes, fires, and natural disasters and conduct disaster prevention drills and BCP* drills.

Daimaru Matsuzakaya Department Stores asks its customers to wear masks, allow us to measure their body temperatures, maintain social distance, and use alcohol sanitizer to prevent the spread of COVID-19.

For employees, health management is thoroughly implemented and measures are taken to prevent infection, including the use of anti-droplet shields. In addition, in our stores, we strengthen air conditioning and let fresh air inside.

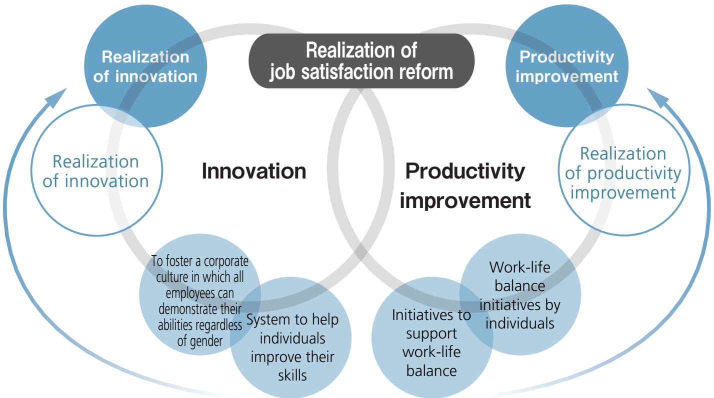
* BCP: Plan for business continuity or early recovery in the event of a disaster

Poster on safety and security

Promotion of Diversity

Realization of job satisfaction reform

The Group promotes “job satisfaction reform” by promoting diversity and achieving a work-life balance. The Group's philosophy of "job satisfaction reform" is to realize both individual job satisfaction and organizational productivity improvement at the same time by comprehensively incorporating the promotion of diversity that generates innovation and the realization of work-life balance that improves productivity.



Background

With an expected decrease in labor force due to the declining birthrate and aging population and the importance of promoting women's empowerment recognized, the promotion of diversity will provide an environment in which diverse human resources can demonstrate their abilities, thereby strengthening the competitiveness of companies.

Outline of actions

We are working to develop support systems tailored to each life stage, such as childcare and nursing care. We are also promoting new forms of recruitment, such as mid-career recruitment of highly specialized human resources and women who are raising children (Mother Recruitment).

Future direction

We will strive to create an organization where diverse human resources can fully demonstrate their individual abilities and generate innovation. In addition, we will create educational opportunities to improve the skills of employees and support individual skill development.

Long-term targets

2025 Ratio of women in management positions: 30%
2030 Ratio of women in management positions: Aim for 50%, equal to the ratio of women to total labor force
2030 Aim for retirement at 70
2030 Employment ratio of the disabled: 3.0%

Major actions in fiscal 2019 (partially in fiscal 2020)

- Promoted women's empowerment
- Introduced retirement at 65 (Daimaru Matsuzakaya Department Stores)
- Efforts to employ the disabled
- LGBT initiatives
- Formulated human rights policy

Promotion of women’s empowerment

The Group promotes the utilization of human resources based on individual abilities, aptitudes, motivation, etc. regardless of gender.

In addition to establishing a support system for balancing work and childcare for women raising children, the JFR Women's School is held to foster awareness of long-term career development. These initiatives are intended to enhance not only job comfort but also job satisfaction for women raising children. In 2019, in order to improve the environment surrounding female employees, we conducted training for managerial people to deepen their awareness and understanding of gender bias.

*Ratio of women in management positions: 16.6% (consolidated)

Introduction of retirement at 65

Daimaru Matsuzakaya Department Stores extended its retirement age to 65 in March 2020. Other operating companies are also considering the extension of the mandatory retirement age to 65. We aim to increase productivity and added value by leveraging the skills and know-how of seniors.

Employment of persons with disabilities

The Group recognizes that the employment of people with disabilities is a corporate social responsibility and promotes the employment of people with disabilities and the improvement of the work environment at operating companies.

*Employment ratio of the disabled: 2.21% (Employment ratio in the special scope of subsidiaries as of June 2019)

LGBT initiatives

The Group prohibits discrimination and harassment against sexual orientation and gender identity under the JFR Principles of Action. Training sessions were held to deepen the understanding of management and human resource division managers. Daimaru Matsuzakaya Department Stores also engages in a variety of activities including events targeting LGBT customers.

Realization of Work-Life Balance

Background
Due to the impact of the COVID-19 infection, the introduction and use of telework is spreading and work styles are being reviewed. It is also essential to create a work environment in which all employees, including those who work while raising children and caring for family members, can be motivated to work.

Outline of actions
We are strengthening the use of telework to prevent the infection of COVID-19. We are also expanding our leave system, improving our work system, and reforming our operations processes.

Future direction
We will reform individual work styles, create systems to support them, and develop systems to support childcare and nursing care. By doing so, we will create an environment in which everyone can engage in work regardless of life stage, thereby improving labor productivity.

Long-term targets
2030 Ratio of men taking childcare leave: 100%

2025 Turnover rate due to childcare and nursing care: 0%

Major actions in fiscal 2019 (partially in fiscal 2020)
- Encouraged male participation in childcare
- Efforts to prevent employees from leaving their jobs due to chilcare and nursing care
- Promoted telework
- Promoted health management

Encouraging male participation in childcare

In 2019, J. Front Retailing, Daimaru Matsuzakaya Department Stores, JFR Card, and JFR Service introduced a "short-term childcare leave system" (paid, up to two weeks) for employees with children under the age of three. The introduction of this system has made it easier for men to take childcare leave.

We encourage employees to take more than two weeks of childcare leave by combining existing childcare support leave (four days of paid leave), spousal leave for childbirth (one day of paid leave), and regular paid leave.

*The number of men who took childcare leave: 18 (consolidated)

Efforts to prevent employees from leaving their jobs due to childcare and nursing care

J. Front Retailing and Daimaru Matsuzakaya Department Stores have introduced various childcare and nursing care support systems that exceed statutory limits so that they can balance work with childcare and nursing care and continue to work with satisfaction.

In 2019, Daimaru Matsuzakaya Department Stores introduced full-time work once a week and flexible work so that employees with shorter working hours for childcare and nursing care can voluntarily expand their work opportunities.

*Ratio of employees who returned to work after childcare leave: 89.5% (Daimaru Matsuzakaya Department Stores)

► **Childcare and nursing care-related systems exceeding statutory limits and the number of employees who used these systems in fiscal 2019** (Daimaru Matsuzakaya Department Stores)

System	Description	Number of users
Childcare leave	Until the last day of the month when the child enters an elementary school (at the longest until the child reaches two years of age under law)	161
Shorter work hours for childcare	Until the last day of the month when the child enters an elementary school (for children under three years old under law)	157
Family care leave	Up to a total of one year of leave per subject family member can be taken consecutively or separately any number of times (Up to 93 days of leave can be taken separately up to three times under law)	3
Nursing care leave	Paid (Unpaid leave is permitted by law)	30

Promotion of telework

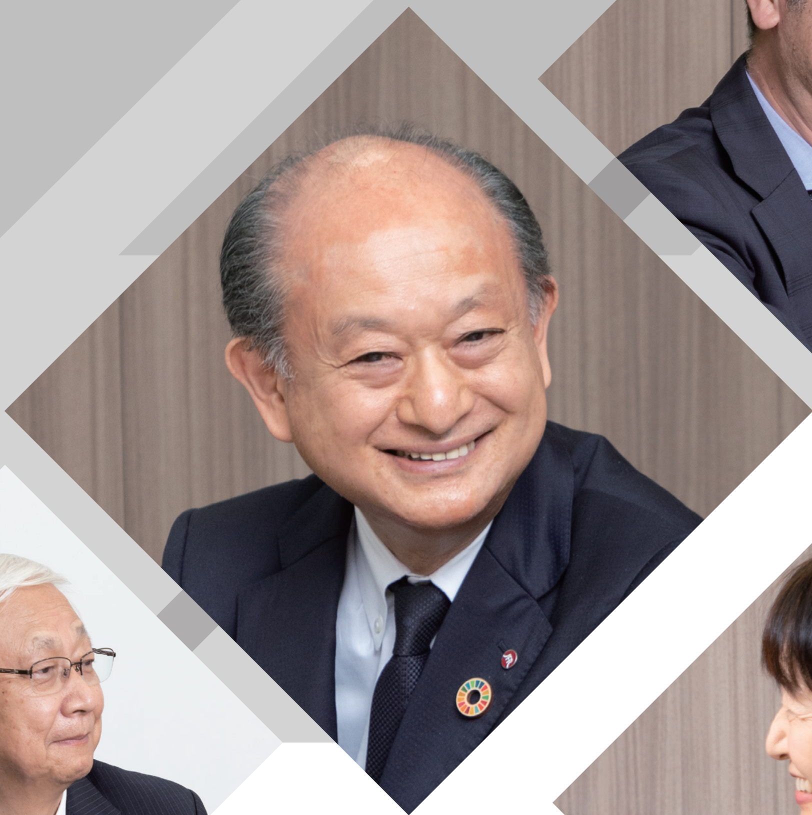
Since fiscal 2019, the Group has promoted the use of telework to improve a work environment aimed at improving productivity. We have created and promoted a telework environment by introducing mobile PCs, smartphones, and video conferencing systems. In order to prevent the spread of COVID-19, the national and local governments requested companies to reduce the number of workers in offices and to implement telework. And most employees in our administrative divisions were able to switch to telework smoothly. At the same time, we added video conferencing systems and made use of group chat to facilitate smooth communication among employees. Through telework, employees who were raising children were able to work while their children took long-term school leave.

We will continue to build a safe work environment for employees from the perspective of business continuity and further promote the use of telework that leads to improved labor productivity.

Promotion of health management

The Group promotes thorough implementation of occupational health and safety, as well as efforts to maintain and improve the health of employees. To prevent the spread of COVID-19, we conduct daily temperature checks and other measures to thoroughly manage employee health. In addition, Daimaru Matsuzakaya Department Stores provides online interviews by industrial doctors and EAP (Employee Assistance Program) counseling services by external specialist organizations.

Corporate Governance



As a holding company, J. Front Retailing regards the strengthening of corporate governance as one of the most important management issues in order to ensure compliance, transparency, objectivity, and soundness of the management of the Group as a whole and to emphasize and thoroughly enforce accountability to stakeholders including customers, shareholders, employees, business partners, and local communities.

As part of these efforts, we have adopted the Company with Three Committees (Nomination, Audit and Remuneration Committees) system to futher strengthen corporate governance by:

1) Strengthening management oversight functions by separating supervision and execution;
2) Clarifying authorities and responsibilities in business execution and promoting flexible management;
3) Improving the transparency and objectivity of management; and
4) Building a globally applicable governance system.

Overview of corporate governance system

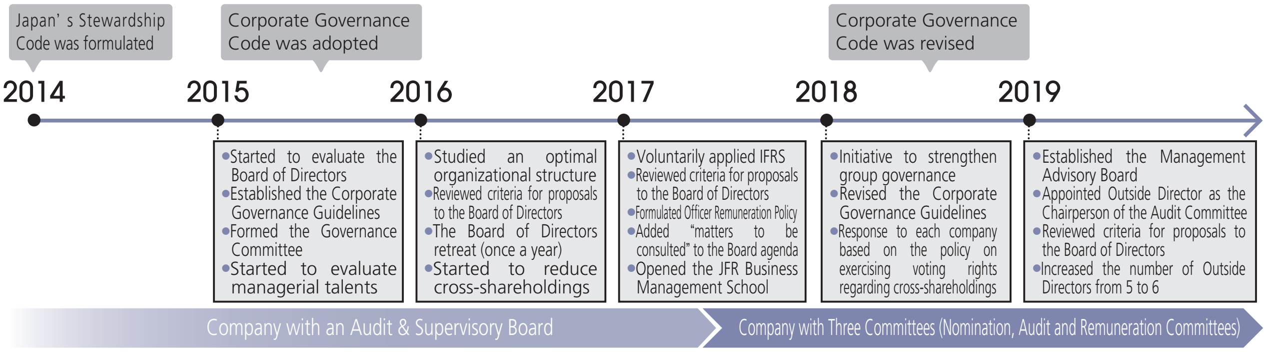
We are a pure holding company, and in order to speed up management decisions and clarify management responsibilities, the authority for the execution of business operations of operating subsidiaries is delegated to each operating subsidiary except for matters that are important to the Group's management.

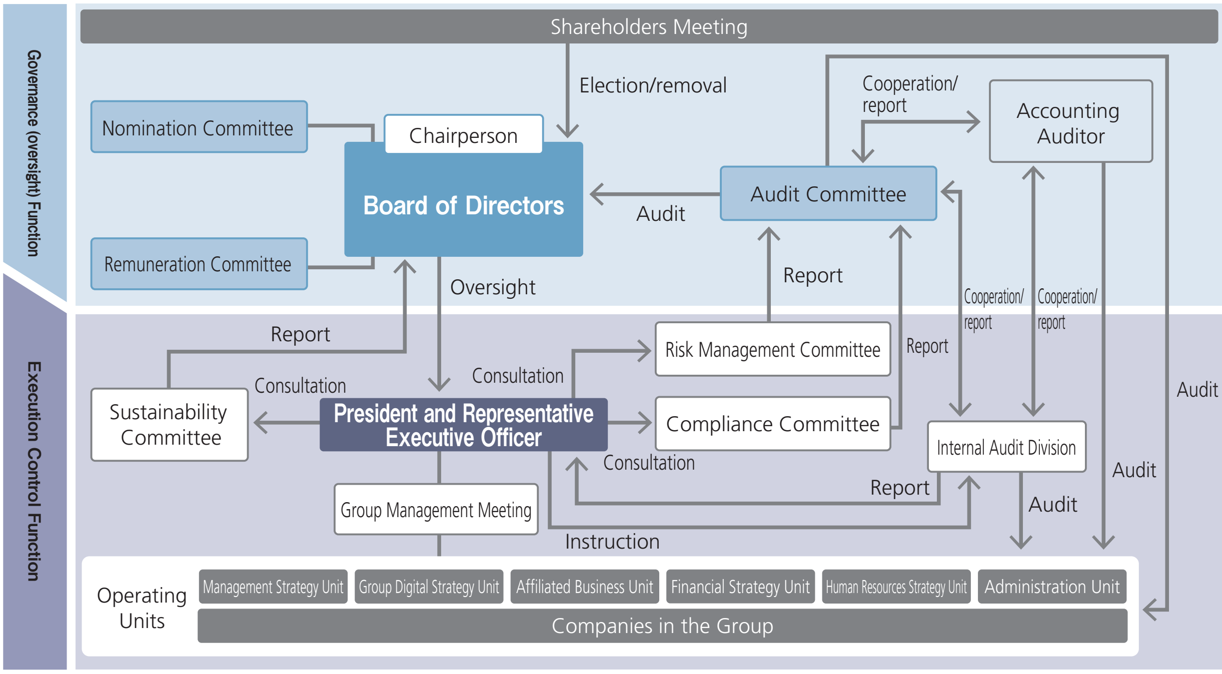
Our roles and responsibilities as a pure holding company are as follows:

- Establishment of a corporate governance system for the Group as a whole;
- To plan and draft the Group Vision, the Group Medium-term Business Plan, and the Group Management Policy, as well as their progress and performance management;
- Optimal allocation of the Group's management resources;
- Establishment of a risk management system for the entire Group and internal audits;
- Decision making on important business execution matters related to the management of the Group; and
- To advise and approve the management policies and strategies of each operating company and to supervise and evaluate their progress

We have also established six supervisory units (Management Strategy Unit, Group Digital Strategy Unit, Affiliated Business Unit, Financial Strategy Unit, Human Resources Strategy Unit, and Administration Unit) as our management organizations. We clarify the roles, responsibilities, and authorities of each unit to strengthen supervisory functions and enhance the internal control system of the Group as a whole.

▶ Evolution of corporate governance





Board of Directors

① Basic roles and responsibilities of the Board of Directors

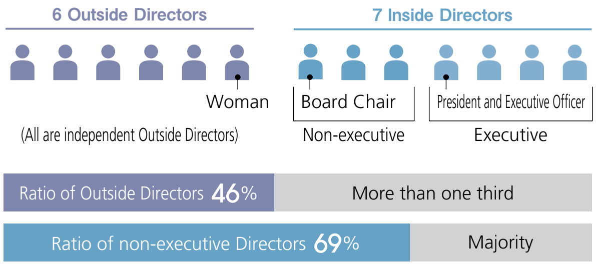
Directors who have been appointed by shareholders and have been entrusted with the management of the Company will fulfill the following roles and responsibilities at the Board of Directors to realize the Group Vision based on their fiduciary responsibilities and accountability to shareholders:

- Constructive discussions on the Group Vision, the Group Medium-term Business Plan, the Group Management Policy, and other basic management policies, as well as multifaceted and objective deliberations including risk assessments to indicate the major direction of the Group management;
- Appropriate decision making on the overall policy and plan related to the Group management based on the direction described above and supervising the progress and results of such plans;
- Developing an environment to support aggressive management for discontinuous growth;
- Constructing and developing an internal control system for the entire Group and supervising the status of its operation;
- Supervising conflicts of interest between related parties; and
- Supervising the progress of management succession planning, personnel allocation plans related to managerial talents, and management training, all of which are delegated to the Nomination Committee, based on a summary report from the Nomination Committee

② Composition of the Board

Our Board of Directors consists of the appropriate number of no more than fifteen members as set forth in the Articles of Incorporation. As of May 28, 2020, the Board of Directors had 13 members including six independent Outside Directors. Their term of office is one year.

When nominating candidates for Director, the Board of Directors ensures diversity by taking into account the balance of knowledge, experience and abilities of the Board as a whole. In addition, in the election of Outside Directors, the Company selects those who possess a high degree of independence in light of the independence criteria established by the Company and are highly unlikely to cause conflicts of interest with our shareholders.



③ Major discussions by the Board of Directors

The Board of Directors met 15 times in fiscal 2019 to mainly discuss the following:

- Checking the progress of the Medium-term Business Plan and its issues and countermeasures;
- Verifying the rationality of cross-shareholdings;
- Initiatives to strengthen IT governance;
- ESG initiatives;
- Shareholder policy and IR activities;
- Basic policy for developing an internal control system; and
- Revision of criteria for proposals to the Board of Directors accompanying the application of IFRS16

The Board of Directors meetings and explanations prior to the Board of Directors meetings are provided online.

Nomination Committee, Audit Committee and Remuneration Committee

① Nomination Committee

The Nomination Committee consists of three Outside Directors, the non-executive Chairperson of the Board of Directors, and the President and Representative Executive Officer. To ensure transparency and objectivity, the Chairperson of the Committee is selected from among independent Outside Directors.

The Nomination Committee determines the agenda for the election and dismissal of Directors to be submitted to the Shareholders Meeting and determines the contents of reports to the Board of Directors with respect to the appointment and dismissal of Executive Officers, the selection and dismissal of the chairperson and members of each statutory committee.

② Audit Committee

The Audit Committee consists of three Outside Directors and two full-time non-executive Inside Directors who are thoroughly familiar with internal information in order to maintain and improve the accuracy of audits. To ensure transparency and objectivity, the Chairperson of the Committee is selected from among independent Outside Directors.

The Audit Committee effectively audits whether the execution of duties by Executive Officers and Directors is in compliance with laws, regulations, and the Articles of Incorporation, and is conducted efficiently in accordance with our Basic Mission Statement and Group Vision. The Audit Committee also provides necessary advice and recommendations, as well as audits the status of the establishment and operation of internal controls, and prepares audit reports. To ensure the reliability of accounting information, the Audit Committee supervises the accounting auditor and determines the details of proposals for the election and dismissal of accounting auditors to be submitted to the Shareholders Meeting.

③ Remuneration Committee

The Remuneration Committee consists of three Outside Directors, the non-executive Chairperson of the Board of Directors, and the President and Representative Executive Officer. To ensure transparency and objectivity, the Chairperson of the Committee is selected from among independent Outside Directors.

The Remuneration Committee determines the policy for decisions on individual remuneration, etc. for the Directors and Executive Officers of the Company and the officers of subsidiaries (directors, executive officers and auditors), and the content of the individual remuneration of the Directors and Executive Officers of the Company.

► Number of meetings in fiscal 2019 (March 2019 to February 2020)

	Board of Directors	Nomination Committee	Audit Committee	Remuneration Committee
Number of meetings	15	13	15	11
Attendance rate of Inside Directors	100%	100%	100%	100%
Attendance rate of Outside Directors	100%	100%	100%	100%
Average time per meeting	2 hours and 29 minutes	1 hour and 3 minutes	1 hour and 51 minutes	50 minutes

Executive sessions

After the conclusion of the Board of Directors meetings, meetings are held only by Outside Directors to freely exchange opinions and share information. The Board of Directors discusses issues that require attention from a supervisory standpoint, such as issues at the meetings of the Board of Directors and issues that need to be addressed in order to improve the effectiveness of the Board of Directors (The lead director is Ms. SATO Rieko, an independent Outside Director). At the request of the lead director, the President and Representative Executive Officer and the Chairperson of the Board of Directors also participate in discussions.

Succession planning

The selection of the President and Representative Executive Officer is the most important strategic decision-making process and we have positioned the formulation and implementation of succession plans (for the next senior management team) as matters of particular importance in terms of management strategy. When selecting successor candidates, the Nomination Committee, which is comprised of a majority of Outside Directors, deliberates on the evaluation content of each successor candidate based on internal data and an audit conducted by a third-party organization. In this way, the process for selecting successor candidates is clarified and transparency is ensured. When deciding a successor, the Board of Directors, based on reports from the Nomination Committee, fulfills its supervisory role with an eye to realizing the Basic Mission Statement and the Group Vision.

Regarding the qualities required of successors, under the "Deirable qualities required of JFR managerial talent" in the Corporate Governance Guidelines, the necessary values, capabilities, and behavioral traits are clarified in the form of the five qualities required of an officer:

① Strategic mindset; ② Reform-orientd leadership; ③ Tenacity to achieve results; ④ Organization development strenghts; and ⑤ Human resource development strengths

The Nomination Committee shares these principles to ensure that the evaluation and development indicators are consistent and that they are neutrally trained and selected. Regarding the dismissal of the President and Representative Executive Officer, the Board of Directors decides the content of reports deliberated and resolved by the Nomination Committee, based on the set targets, expected results and the results of initiatives (business results for each fiscal year, the status of execution of strategies, etc.), as well as the status of achievements of successor candidates selected under the succession plan resolved by the Nomination Committee. The Nomination Committee deliberates succession plans on a planned and ongoing basis to ensure that they take into account changes in the environment and circumstances surrounding the Company and the progress of its strategies. As in the case of the President and Representative Executive Officer, the Nomination Committee deliberates and resolves the dismissal of other senior management team members.

► Evaluation of the Board of Directors

Evaluation method

Based on a preliminary questionnaire, a third-party organization conducted individual interviews with all Directors (both Inside and Outside), and based on the report that compiled and analyzed the results of these interviews, the Board of Directors discussed. Recognizing that the framework of the Board of Directors and the governance system has been established after improvements based on the past four evaluations, in fiscal 2019, the Company changed its third-party organization and adopted a new perspective with an emphasis on materializing substantive issues.

Evaluation items

In light of the roles and responsibilities of the Board of Directors, while considering the balance between new questions and regular questions to determine continuity, evaluation and analysis are performed so that the responses can be grasped according to the position such as Inside Director, Outside Director, and committee member.

[Evaluation items]

30 items including:

- Composition and operation status of the Board of Directors;
- Level of discussion materials and explanations of agenda items;
- Evaluation of the importance and amount of discussion of agenda items discussed by the Board of Directors in the past year:
- Issues to be overcome in the medium to long term;
- Director's expected role;
- Effectiveness of the activities of three Committees (Audit, Remuneration, and Nomination); and
- Desirable form of group governance

Evaluation results and efforts to address issues, etc.

With regard to the fifth evaluation of the Board of Directors conducted from October to November 2019, the third-party organization reported that vigorous discussions were conducted from a diversified perspective by increasing the objectivity of its deliberations under the current composition of the Board of Directors. It was also recognized that the Board of Directors needs to:

- Further fulfill the functions of the Audit Committee;
- Strengthen the oversight of the progress of business plans; and
- Further Improve the quality of its deliberations

In response, we will take the following actions to enhance the effectiveness of the Board of Directors:

- Strengthening cooperation after clarifying the roles and functions of the Audit Committee (legality and appropriateness) and the Internal Audit Division (business perspective);
- Verifying the consistency of business plans with profits and losses and clarifying the implementation structure and schedule;
- Clarifying and deeply discussing the expected roles of each Director in discussions; and
- Reflecting the results of deliberations in the execution of business (strengthening PDCA)

Officer remuneration system

In April 2017, we formulated an Officer Remuneration Policy, which includes the introduction of a stock-based remuneration system for officers in order to steadily implement the Medium-term Business Plan toward realizing the Group Vision. In April 2020, we revised the policy to reflect the promotion of sustainability management and to further enhance the content of the policy.

Beginning in fiscal 2020, the Company discloses the amount of each officer's remuneration (including the amount received as remuneration, etc. for an officer of a major consolidated subsidiary, if any) in the Annual Securities Reports regardless of whether or not his/her total consolidated remuneration, etc. exceeds ¥100 million.

► Officer remuneration system

① Policies on determining remuneration for Directors and Executive Officers

Our officer remuneration system is based on the following basic policies, aiming to achieve the objectives of realizing and promoting sustainability management (pay for purpose). Furthermore, Daimaru Matsuzakaya Department Stores, our main subsidiary, has adopted the same basic policies.

- To contribute to the sustainable growth of the Group, the medium- to long-term improvement of corporate value, and be consistent with our corporate culture;
- A highly performance-linked remuneration system that motivates Executive Officers to complete management strategies and business plans and achieve the target performance of the Company;
- Remuneration levels that enable us to secure and retain human resources who have the "desirable managerial talent qualities" required by the Company;
- To share awareness of interests with shareholders and heighten awareness of shareholder-focused management; and
- Enhanced transparency and objectivity in the remuneration decision process

② Procedures for determining remuneration for Directors and Executive Officers

In order to ensure the appropriateness of the level and amount of remuneration and the transparency of the decision-making process, the remuneration amount is decided by a deliberation and resolution of the Remuneration Committee, which consists of a majority of Outside Directors and is chaired by an Outside Director.
The Remuneration Committee is scheduled to meet at least four times a year and revisions to the officer remuneration system will be implemented in accordance with the period of the Medium-Term Management Plan.

[Forfeiture of remuneration] (clawback and malus)

Regarding Executive Officers' bonuses and stock-based remuneration, in the event that a resolution is passed by the Board of Directors regarding the post-revision of financial results due to serious accounting errors or improprieties, in the event that there has been a serious breach of the appointment contract, etc. between the Company and an officer, or in the event that an officer has voluntarily retired for his/her own reasons during his/her term of office against the will of the Company, the Company may request the forfeiture of the right to pay or grant remuneration or the refund of remuneration that has already been paid or granted to the officer.

③ Remuneration composition for Executive Officers and non-executive Directors

[Basic remuneration] (monetary remuneration)

Basic remuneration is positioned as a fixed remuneration and its table is determined for each rank (position) according to the size (weight) of each officer's responsibilities.

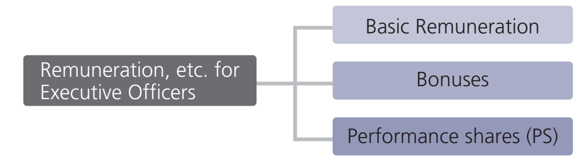
[Performance share] (performance-linked stock-based remuneration)

We issue our shares in conjunction with the consolidated performance achievement rate set forth in the Medium-term Business Plan in order to achieve sustainable growth of the Group and increase corporate value over the medium to long term. 60% of the total performance-linked stock-based remuneration is to be issued in a single issuance at the end of the Medium-term Business Plan and the remaining 40% to be issued annually in order to promote management from the perspective of shareholders.

[Restricted stock] (non-performance-linked stock-based remuneration)

In order for non-executive Directors to strengthen our aggressive and defensive governance from a different standpoint from execution as the representatives of shareholders and to engage in management from a mid- to long-term perspective, we have adopted a system in which our shares are issued in a manner that is not linked to performance and the shares are issued upon their retirement from office.

Executive Officers



Proportion of remuneration by type for Executive Officers of each rank

【President】

Basic remuneration 38.5%	Bonuses 23.0%	PS 38.5%
Monetary remuneration 61.5%		Stock-based remuneration 38.5%
Fixed remuneration 38.5%	Performance-linked remuneration 61.5%	

【Executive Officers excluding President】

Basic remuneration 45.4%	Bonuses 27.3%	PS 27.3%
Monetary remuneration 72.7%		Stock-based remuneration 27.3%
Fixed remuneration 45.4%	Performance-linked remuneration 54.6%	

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

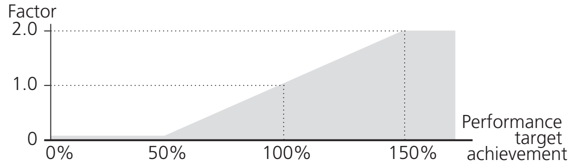
		KPI	Short term	Medium to long term	Methods of use
Profitability	①	Consolidated operating profit	○	○	Evaluation based on the achievement rate of targets (absolute value)
	②	Basic earnings per share	○	○	Evaluation is weighed as 50% for each indicator.
	③	Free cash flows	–	○	If targets are not achieved, 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

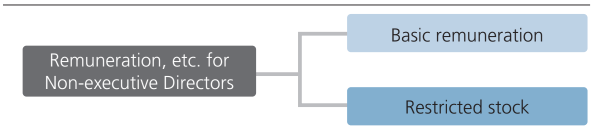
Performance target achievement	Performance-linked factor
150% or more	2.0
50% or more but less than 150%	(Actual results ÷ Target – 0.5) × 2
Less than 50%	0

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



Basic capital policy

We believe that increasing free cash flow and improving ROE will lead to sustainable growth and the enhancement of corporate value over the medium to long term. To achieve this, we will promote a capital policy that balances the "implementation of strategic investments," the "enhancement of shareholder returns," and the "expansion of shareholders' equity" that takes into account risk preparedness. In addition, our basic policy is to procure funds through interest-bearing debt by taking into account the ability to generate free cash flow and the balance of interest-bearing debt. We aim to create an optimal capital and debt structure that takes into account funding efficiency and the cost of capital. In order to improve free cash flow and ROE, it is important to implement a "business strategy" to increase sales with profitability and a "financial strategy (including capital policy)" to increase return on invested capital. At the same time, we believe it is important to maximize operating profit and continuously improve the operating margin by intensively allocating management resources to strengthening core businesses, expanding business domains, and aggressively developing new businesses.

Shareholder return policy

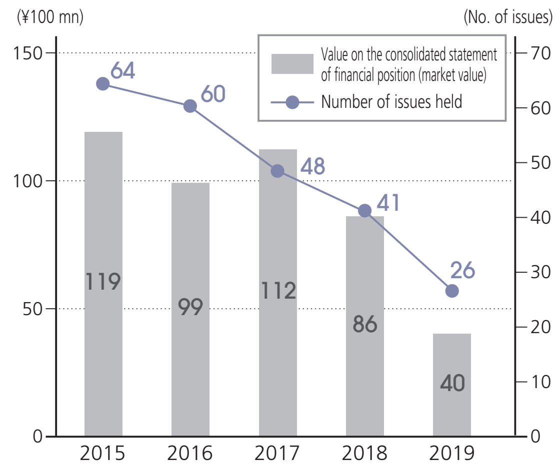
Our basic policy is to appropriately return profits to shareholders with a consolidated dividend payout ratio of 30% or more, while maintaining and improving a sound financial structure and taking into consideration the level of profits, future capital investment, trends in free cash flow, and other factors, with a view to ensuring stable dividends. In addition, we will consider acquiring treasury stock from time to time with the aim of improving capital efficiency and implementing a flexible capital policy.

Cross-shareholdings

① Holding policy

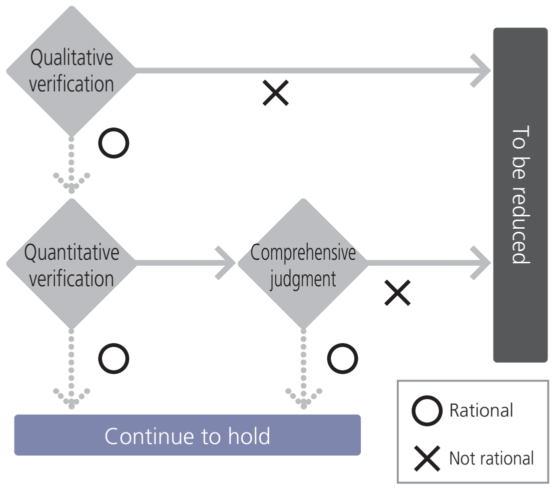
In principle, the Group will not newly acquire shares for the purpose of cross-shareholdings (listed shares held for purposes other than pure investment excluding shares of subsidiaries and associates). However, this is not the case if, through the examination of the rationality of holding, it is deemed indispensable for the implementation of the Group's business strategy and will contribute to the enhancement of corporate value over the medium to long term. For example, in promoting the Urban Dominant strategy, which is our priority strategy, if requested by local authorities or companies, we may hold such shares after thoroughly examining the appropriateness of holding within the execution of operations from the viewpoint of "coexistence with local communities," which is one of our ESG materiality issues. As for such shares already held, if we judge that there is no rationality of holding them, we will negotiate with relevant client companies and business partners and reduce them as appropriate after obtaining agreement on the method and period of sale.

► Changes in the number of issues of cross-shareholdings
(listed shares excluding deemed holdings)



② Verification of rationality of holding

The Board of Directors verifies each issue on an annual basis from both qualitative and quantitative perspectives. Qualitative verification involves business strategies such as maintaining smooth and good business relationships and ensuring supply chains with client companies and business partners. Quantitative examinations involve factors such as whether the return on shareholdings, including related transaction profits and dividends, exceeds the cost of capital.



③ Exercising voting rights

When exercising voting rights related to cross-shareholdings, we judge whether they contribute to the sustainable growth and the medium- to long-term enhancement of the corporate value of the company whose shares we hold and whether they contribute to the Group's sustainable growth and medium- to long-term enhancement of corporate value. In particular, we formulate guidelines for making decisions on the exercise of voting rights for proposals that we believe are of high importance in strengthening corporate governance, such as proposals related to the corporate governance system (election of officers), shareholder returns (appropriation of surplus), and proposals that affect shareholder value (introduction of anti-takeover measures) and respond in accordance with these guidelines throughout the Group. When exercising a voting right, if necessary, we engage in dialogue with companies whose shares we hold.

Improvement of Shareholders Meetings

For the purpose of constructive dialogue with shareholders, we send out the Notice of Convocation of Shareholders Meeting early (at least three weeks before the date of the Shareholders Meeting) and post the details of the Notice of Convocation on the websites of financial instruments exchanges and our website at the earliest practicable time before the Notice of Convocation is sent to ensure sufficient time for shareholders to consider exercising their voting rights. The Notice of Convocation of the 13th Shareholders Meeting was disclosed on the websites of the financial instruments exchanges and our website before the Notice of Convocation was sent out in writing and four weeks prior to the date of the Shareholders Meeting. In addition, in consideration of the convenience of exercising voting rights for shareholders including institutional investors in Japan and overseas, we have introduced an online system for exercising voting rights and utilize an electronic voting platform for exercising voting rights. Furthermore, we have prepared an English translation of the Notice of Convocation so that foreign shareholders can properly exercise their voting rights and disclose it on our website and the electronic voting platform.

At the 13th Shareholders Meeting, we encouraged shareholders more strongly than before to exercise their voting rights over the Internet in order to minimize the risk of the spread of COVID-19 by visiting the meeting venue. For shareholders unable to attend the meeting, our presentations on “progress and results” and “issues to be addressed” at the Shareholders Meeting were webcast live.

Live stream on a smartphone

Disclosure and IR activities

Based on our Basic Mission Statement that we aim at developing the Group by contributing to society at large as a fair and reliable corporation, we promote IR activities with the aim of enhancing management transparency and helping our stakeholders including shareholders and investors better understand the Company by disclosing important information about the Company in an accurate, plain, fair, timely, and appropriate manner in order to maintain and develop relationships of trust with them. We disclose important company information to which the Timely Disclosure Rules apply through the TDnet (Timely Disclosure network) provided by the Tokyo Stock Exchange, and also post it on our website as soon as possible. Even if the Timely Disclosure Rules do not apply, we endeavor to publish information that is deemed to help stakeholders better understand the Company on our website, through the publication of Integrated Reports and other means. Depending on the nature of the information disclosed, we disclose information in a timely and appropriate manner by utilizing TDnet, EDINET, Sustainability Reports, our website, and other media. To ensure the fairness of information disclosure, we prepare and disclose English translations of the Notices of Convocation of Shareholders Meeting, Integrated Reports, timely disclosure information, financial results information, Sustainability Reports, and our website. We publish videos, materials, and Q&A summary texts for financial results presentations and ESG presentations, and Q&A summary texts for financial results conference calls as soon as possible on our website in Japanese and English. We work to enhance communication by holding various briefings and meetings, responding to day-to-day inquiries from shareholders and investors as well as providing timely disclosure and other information through our website and other media. Opinions and requests from shareholders and investors are widely shared among the Company and relevant companies in the Group and used as a reference for corporate management to increase corporate value.

► Major dialogue activities with investors in fiscal 2019

Item		Remarks
Financial results presentation for institutional investors and analysts (financial results and management briefings)	Twice	Webcast in both Japanese and English on our website. The summary of the Q&A session on the same day was also posted in both Japanese and English
Financial results conference call for institutional investors and analysts (Q1 and Q3)	Twice	The summary of the Q&A session on the same day was posted in both Japanese and English on our website
Business strategy presentation for institutional investors and analysts	Once	
ESG presentation for institutional investors and analysts	Once	Webcast in both Japanese and English on our website. The summary of the Q&A session on the same day was also posted in both Japanese and English
Store tours for institutional investors and analysts	Twice	Tours of the new main building of the Daimaru Shinsaibashi store and new Shibuya PARCO
Overseas IR	3 times/39 companies	Once each in Europe, North America, and Asia
Conferences organized by securities companies (in Japan and overseas)	5 times/42 companies	4 times in Japan and once overseas
Individual meetings for institutional investors	149 times	Mainly visits to and from us and also conference calls
Briefings for individual investors	11 times	3 times in Tokyo, 4 times in Osaka, and once each in Yokohama, Nagoya, Nara, and Fukuoka

Risk management and compliance

① Risk management

We have established the Risk Management Committee within the execution structure to manage and respond to strategic risks from a company-wide perspective. The Risk Management Committee makes risk-oriented management decisions with the aim of securing growth opportunities. The Committee, which is chaired by the President and Representative Executive Officer and comprised of the Senior Executive General Managers of the supervisory units and the presidents of major operating companies, assesses various risks, instructs the divisions in charge to take countermeasures and implement them, and manages their progress, utilizing the wide-ranging and specialized knowledge of the members selected from the supervisory units. Changes in the business environment are unavoidable uncertainties for companies, and we consider these uncertainties, in other words, “risk” to be an “opportunity” in positive terms and a “threat” in negative terms. We promote initiatives from the perspective of not only “risk hedging” but also “risk taking” to realize growth. The most important risks for the Group are reflected in the Medium-term Business Plan as “business risks” and prioritized. In fiscal 2020, we identified 101 risks related to the Group, and particularly, we respond to COVID-19, which spreads worldwide, as our highest priority because it is an extremely significant risk that could affect the Group’s business continuity and business activities after the pandemic comes to an end.

② Compliance

We have established the Compliance Committee (including a corporate lawyer as a member) in order to appropriately deal with the compliance management issues of the Group. The Committee, which is chaired by the President and Representative Executive Officer, formulates policies for dealing with material incompliance cases and works closely with the divisions in charge of the promotion of compliance to establish a foundation for the compliance system (including the formulation of promotion systems and promotion plans) and continuously supervise the operation of the systems to promote compliance with laws and corporate ethics.

Details of deliberations by the two committees are reported to the Audit Committee on a regular and timely basis.

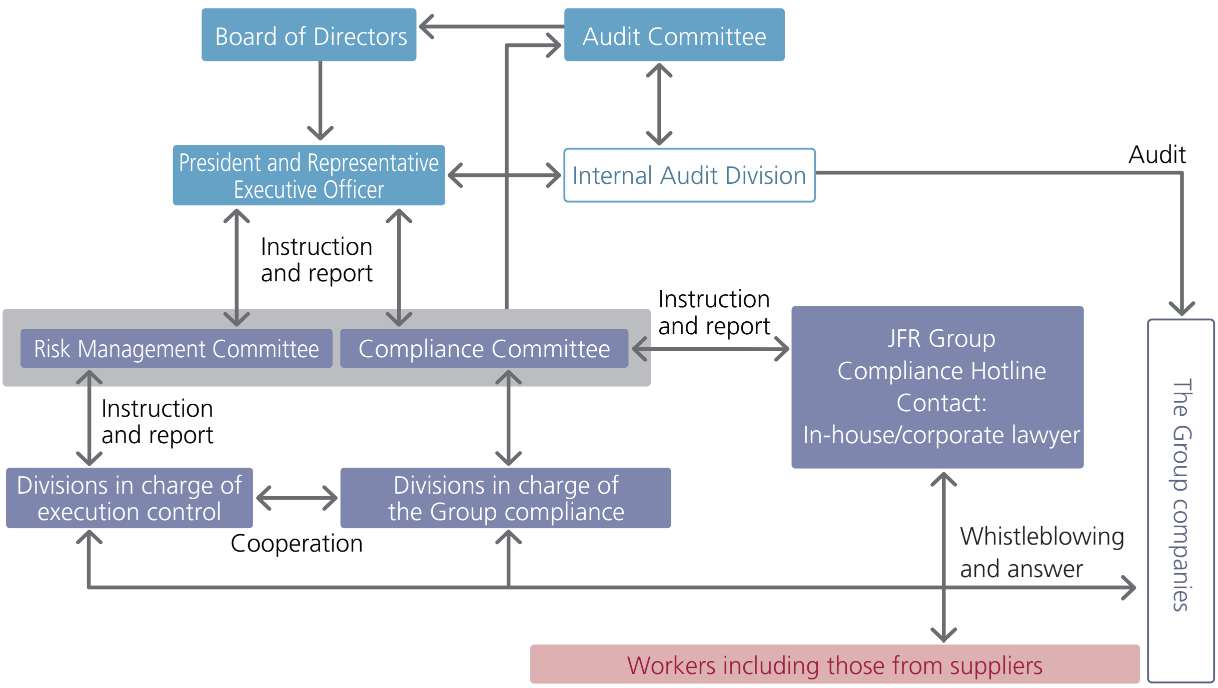
JFR Group Compliance Hotline

We have a whistleblowing system that enables all officers and employees of the Group and all other workers in the Group (including part-time workers and temporary staff from suppliers) to notify the Compliance Committee directly and ask them to correct any compliance-related problems. The whistleblowing contacts are in place not only within the Company but also outside the Company (a corporate lawyer). The whistleblowing system strictly prohibits any disadvantageous treatment of whistleblowers as well as protects their confidentiality under the Group’s internal company rules.

The JFR Group Compliance Hotline was registered in March 2020 under the Consumer Affairs Agency's “Whistleblowing Compliance Management System certification (self-conformity registration system)” (WCMS certification).

Whistleblowing Compliance Management System

►Risk management and compliance structure



List of the Group risks for fiscal 2020

Outbreak of wars, conflicts, and terrorism triggered by political and military confrontations and religious issues in the world
Prolonged US-China trade war
Tensions in Asia, including Japan-ROK relations
Government-led development of rules for big data and promotion of their use in business
National demand for securing employment opportunities for 70 year olds or older and strengthening mid-career recruitment
Nation-led promotion of policies for a tourism-oriented country
Signs of the collapse of the asset bubble in Japan and other major countries in the world
Large-scale economic and financial crisis caused by global political turmoil and its repercussions on Japan
Slowdown in the domestic economy
Changes in the inbound market triggered by the depreciation of the currency, economic stagnation, and legislation in the home country
Continued expansion of income polarization
Rise of new wealthy classes such as the new-rich
Sluggish growth in disposable income of workers
Acceleration of low birthrate, aging population, and prolonged lifespan (population decline)
Return to city centers (concentrated population) and depopulation of rural areas
Increase in single-person households (elderly and younger people)
Increase in dual-income households and single-parent households
Consumption shift from goods to services/experiences
Expanding use of subscription services
Expanding use of smartphones, which drives online shopping
Sign of consumers reviewing brick-and-mortar stores
Continued expansion of convenience consumption with an emphasis on accessibility
Sign of rising premium consumption to pay for their favorite value in dual-income households
Diversification of payment means due to the development of cashless payment
Advanced big data analysis and marketing using AI
Improvement of organizational productivity with RPA
Development of circular economy
Development of the sharing economy
Expanding secondary distribution business opportunities to respond to the reuse market
Emergence of new store formats through practical application of 5G and evolution of VR/AR/MR
Improvement of customer orientation and success or failure of response to market changes
Success or failure of penetration of the Mission Statement and Vision
Success or failure of business portfolio restructuring
Success or failure of commercialization of new businesses
Maturity of existing businesses
Disappearance of existing business partners
Concentration on specific markets
Success or failure of strategic investment based on investment criteria
Delays in deciding to revive or withdraw from unprofitable businesses
Growing momentum for industry restructuring across industries and businesses
Success or failure of overseas strategies in anticipation of shrinking domestic market
Success or failure in responding to a hostile takeover
Success or failure in responding to diversifying employment patterns and recruitment
Success or failure in responding to an increase in minimum wage levels and personnel acquisition costs
Success or failure in acquiring and developing human resources with expertise such as IT
Solid corporate culture
Aging employees
Success or failure of management to address environmental issues (CO_2 reduction, waste plastic, etc.)
Success or failure of management to address social issues (human rights issues, work-life balance, etc.)
Success or failure in responding to global ESG demands
Success or failure of information disclosure to institutional investors, ESG rating companies, business partners, customers, etc.
Success or failure of governance reforms
Success or failure of succession plan
Success or failure of group governance
Success or failure of the establishment of internal controls under the Companies Act
Success or failure of the establishment of J-SOX system accompanying strategic, organizational and system changes, etc.
Success or failure of risk management process operation
Success or failure of effective IR/SR activities
Success or failure of effective public relations activities
Success or failure of cash and deposits and interest-bearing debt management
Success or failure of the management of rating fluctuations and financing
Changes in financial account balance
Exchange rate fluctuations
Changes in stock price sentiment
Success or failure of optimal capital structure considerations
Success or failure of preparation of financial statements that are free from fraud and error
Success or failure of timely disclosure of financial statements
Impairment of assets (including goodwill)
Success or failure of compliance with tax reform and new accounting standards
Delays in the implementation of the business continuity plan
Delays in initial response to disasters and accidents
Inadequate public relations in the event of an emergency
Inadequacies in safety management of buildings and facilities
Collapse and destruction of store facilities due to disasters
Shutdown of social infrastructure due to disasters and extreme weather
Leakage of harmful substances (CFCs, PCBs, etc.) and soil contamination and generation of asbestos
Accidents such as fires and electric leaks, and equipment failures
Epidemics and outbreaks of infectious diseases
Occurrence of injuries and accidents (caused/suffered) at stores
Food poisoning and other health hazards at stores
Cyber attacks from outside and system failures
Dependence on specific vendors and machines, centralization of system bases
Malicious or careless internal leakage of personal information
Inadequate physical and mental health management of employees
Inadequate management of working hours
Inadequate working environment for foreign workers
Inadequate responses to equal pay for equal work
Improper contracting, outsourcing, and worker dispatching
Failure to operate the retirement benefit and pension systems
Transactions with anti-social forces, transactions in violation of the Anti-Monopoly Act, Subcontract Act, etc.
Illegal or unlawful acts by officers and employees
Leakage of confidential and insider information
Delays in responding to new laws and regulations and inadequacies in reporting and licensing
Infringement of intellectual property rights (caused/suffered)
Violations of consumer-related laws such as incorrect or false labeling
Inadequacies in the compliance system such as the dilution of ethics
Deficiencies in product procurement cost management
Deficiencies in product and service quality control management such as compliance with the PL Act
Deficiencies in logistics service quality control management
Deficiencies in contract storage and renewal operations
Bankruptcy of business partners

SATO Rieko Interview with Outside Director

Biography

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 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)
Jun 2020	Outside Director (Audit & Supervisory Board Member) of NTT Data Corporation (present)
	Outside Audit & Supervisory Board Member of Mitsubishi Corporation (present)

Sincere efforts for governance

Due to the COVID-19 pandemic, almost all companies suffer a decrease in sales and profits. I think few companies will be able to achieve a V-shaped recovery in this situation. And how outside directors will be involved is an important governance challenge. Many companies identified a pandemic as risk but they did not think it would occur when they are involved. What no one expected actually occurred. In this sense, we face a very difficult situation.

I think the Company's governance is quite good in general. I feel it has more opportunities and time including the Board of Directors meetings to engage with Outside Directors compared to other companies. Not only a system is in place but also people concerned address it sincerely and answer even primitive questions from Outside Directors seriously. Outside Directors are explained well prior to the Board of Directors meetings and issues presented by Outside Directors are duly fed back to the Board of Directors meetings and the meetings start from them. When I told some other companies about this system, they said it was very helpful.

What impressed me in the past Board of Directors meetings was the discussion about the Medium-term Business Plan. The medium-term plan that started in 2017 had two major strategies. I think the Urban Dominant strategy as the first one works well. I think it worked well because it was implemented by expanding their familiar fields, mainly the department store business, in each area. However, the other Multi Service Retailer is to enter into new fields beyond the framework of retail. Its direction is not wrong but I cannot say they have achieved it.

Maybe it does not work because their idea is based on the conventional way of the industry. For example, in the current COVID-19 era, moving products is a bottleneck finally. Products cannot reach customers unless moved. How will they resolve it? If they sell online to customers who are difficult to visit physical stores, sales staff can explain and sell online. And ultimately, it may be good if they can measure customers and customers can try on clothes online. If they all step back from the department store and think with such idea, they will be able to find various needs and provide products and services that please customers.

Let go of past successes and be flexible

With regard to the speed of execution, I feel companies with legacy are alike. I think the past successes or successful business models cause a delay and hamper.

Concerning the problem of the speed of execution, for example, seeing the process of the meeting when the department store tries something, they seem to spend much effort carefully preparing detailed and easy-to-understand materials and amending them. It is certainly important. However, I think it will be better if the Company has a culture that encourages specific challenges and actions. In some cases, they do not seem to take action even after thinking well.

For example, one of the problems is the ageing of good customers including *gaisho* customers of the department store. Therefore, I think it will be good to more widely take orders online. However, they close their ears to me saying they already do similar things. Outside Directors have obviously different perspectives from people of the department store. And in fact, it is sometimes frustrating that there is a gap in discussions and that it is not understood. Needless to say, we discuss to enhance corporate value, not to blame them. I would like them to just accept such perspective.

I think they can try various ways online, and if it does not work, they can try another. When I told them to try anyway, they listed the reasons why they will not try. They think it is not a department store unless it provides all possible services or that a department store must provide all possible services. They say they think of customers hard. It may have been good in the past. But if it takes time, it is not good now. Now it is lighter, shorter and changing quickly. So-called "disruptors" lightly jump without thinking of past constraints. It is obvious that they cannot defeat disruptors if they compete with them only with tradition. Tradition and conveniently located physical stores are certainly their strength. However, they cannot take advantage of physical stores without something to compete in e-commerce. Only physical stores are not strength. They become strength only by operating e-commerce.

They do not want to take a risk and lack flexible thinking. It may be because they have long succeeded as a department store. When I was a child, the department store that I visited with my parents was like a "dreamland" that carries everything including toys and clothes and has restaurants and an amusement park on the top. However, the times have greatly changed. Due to these past successes, I feel their intentions to provide products and services across the board remain strong. They should recognize that customer values are more increasingly changing than they think. Past successes impede flexible thinking. I think it is a major factor.

Seeing execution from a broader perspective

I think Outside Directors also have a role as a coach. The present Outside Directors are from various fields and selected in a very balanced manner. Through an objective perspective, I can see what is not enough and what is too much. When I tell them they had better do something, sometimes they follow my advice promptly and other times they do not do so even if I tell them repeatedly. I think it is the greatest problem.

It is important to stand back to see things. As I have no experience of management and do not know how execution is conducted actually, I consciously take a step or a half step back to see things from a broader perspective. I try not to step into execution too much but to see both what is not enough and what is good as objectively as possible. If seeing only within execution, it is highly likely to become short-sighted. So when taking a step back to see things, we can find what is not still enough and what to do.

For example, when considering M&A, we should start with a familiar one, not a large one. If they aim to become a Multi Service Retailer, they can make a difference by starting with considering customer needs. I think it will be better to invest small amount firstly, and then acquire know-how or grow it big. I think the first step should be alliance and investment. The Company cannot become a manufacturer, but if they find a D-to-C business, they will get an idea like a manufacturer by investing in it. By returning to the starting point of the Company that started with kimono fabric, found various things and developed as a department store, I think they can provide various products and services.

Concerning the new Medium-term Business Plan, which is being formulated, I expect the business that makes good use of e-commerce and physical stores. We may have to expect the impact of the COVID-19 crisis will continue for about two years and we have to expect that the main consumption channel will be e-commerce. Conveniently located physical stores will not perform well unless e-commerce is improved. I think the idea of "Multi Service Retailer" is excellent. So I hope they will think flexibly outside of the traditional business category of department store, starting with considering what customers need.

Management (as of May 28, 2020)

Directors

YAMAMOTO Ryoichi

Number of the Company's shares held: 89,412

Chairperson of Board of Directors
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
May 2020	Director and Chairperson of Board of Directors of the same company (present)

TSUTSUMI Hiroyuki

Number of the Company's shares held: 17,298
Number of other shares as stock-based remuneration not yet granted: 11,710

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) Audit & Supervisory Member of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)

MURATA Soichi

Number of the Company's shares held: 15,810

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)

ISHII Yasuo

Outside Director
Number of the Company's shares held: 3,600
Number of other shares as stock-based remuneration not yet granted: 3,866

Chairperson of Nomination Committee
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
Jun 2013	Retired from the office of 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)
May 2020	Director of Parco Co., Ltd. (present)

NISHIKAWA Koichiro

Outside Director
Number of the Company's shares held: 1,800
Number of other shares as stock-based remuneration not yet granted: 3,866

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.

UCHIDA Akira

Outside Director
Number of the Company's shares held: 1,500

Chairperson of Remuneration Committee
Nomination 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, he possesses a high level of expertise in the fields of corporate governance and ESG management 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
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 the office of Adviser of the same company
May 2019	Outside Director of J. Front Retailing Co., Ltd. (present)
Jun 2019	Outside Director of Yokogawa Electric Corporation (present)
May 2020	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)

SATO Rieko

Outside Director
Number of the Company's shares held: 800
Number of other shares as stock-based remuneration not yet granted: 1,933

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 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
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)
Jun 2020	Outside Director of NTT Data Corporation (Audit and Supervisory Committee member) (present) Outside Audit & Supervisory Board Member of Mitsubishi Corporation (present)

SEKI Tadayuki

Outside Director

Audit Committee Member

[Reasons for appointment] He was involved in international business management and risk management at a general trading company for many years, and as CFO, he has both abundant experience and highly specialized knowledge in relation to finance and accounting. He also has wide-ranging insights derived from roles as Outside Director and Audit & Supervisory Board Member at multiple companies, including Parco Co., Ltd. and the Company expects him to reflect them in the management of the Group.

Apr 1973	Joined Itochu Corporation
Jun 1998	General Manager of Finance Division of Itochu International Inc. (Stationed in New York)
Jun 2004	Executive Officer and CFO of Food Company of Itochu Corporation
Apr 2007	Managing Executive Officer and General Manager of Finance Division of the same company
Jun 2009	Representative Director, Managing Director, Chief Officer for Finance, Accounting, Risk Management and CFO of the same company
Apr 2010	Representative Director and Senior Managing Executive Officer of the same company
May 2011	Representative Director, Senior Managing Executive Officer and CFO of the same company
Apr 2013	Representative Director, Executive Vice President and CFO of the same company
Apr 2014	Representative Director, Executive Vice President, Executive Advisory Officer, CFO and CAO of the same company
Apr 2015	Adviser of the same company
May 2016	External Director of Parco Co., Ltd.
Jun 2016	Outside Director of Nippon Valqua Industries, Ltd. (present Valqua, Ltd.) (present)
Apr 2017	Advisory Member of Itochu Corporation (present)
Jun 2017	Outside Director of JSR Corporation (present)
Jul 2017	Outside Statutory Auditor of Asahi Mutual Life Insurance Company (present)
May 2020	Outside Director of J. Front Retailing Co., Ltd. (present)

*The numbers of the Company's shares held by Directors are as of February 29, 2020.

YAGO Natsunosuke

Outside Director

Nomination Committee Member
Remuneration Committee Member

[Reasons for appointment] He has been involved in top-level company management for many years and he has abundant experience in strengthening financial bases and in compliance management as well as highly specialized knowledge of internal control and corporate governance. Accordingly, the Company expects him to reflect them in the management of the Group.

Apr 1977	Joined Ebara Corporation
Jun 2002	Executive Officer of the same company
Apr 2004	Senior Executive Officer and Group Executive of Precision Machinery Group of the same company, Representative Director and Chairman of Ebara Precision Machinery Europe GmbH, Representative Director and Chairman of Ebara Technologies Inc. and Chairman of Ebara Precision Machinery Shanghai Inc.
Jun 2004	Director of Ebara Corporation
Apr 2005	Director of the same company and Chairman of Ebara Precision Machinery Taiwan Inc.
Jun 2005	Director of Ebara Corporation, President of Precision Machinery Company and General Manager of Fujisawa Operation
Apr 2006	Director and Managing Executive Officer of Ebara Corporation President of Precision Machinery Company
Apr 2007	President and Representative Director of Ebara Corporation
May 2007	President and Representative Director and General Manager of Internal Control Promotion Department of the same company
Jul 2009	President and Representative Director and General Manager of Internal Control Department of the same company
Apr 2013	Chairman and Director of the same company
Oct 2017	Representative Director of The Ebara Hatakeyama Memorial Foundation (present)
Mar 2019	Retired from the office of Chairman and Director of Ebara Corporation
Jun 2019	Outside Director of Subaru Corporation (present)
May 2020	Outside Director of J. Front Retailing Co., Ltd. (present)

YOSHIMOTO Tatsuya

Number of the Company's shares held: 61,065

President and Representative Executive Officer
Nomination Committee Member
Remuneration Committee Member

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 and President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd.
May 2013	Director of J. Front Retailing Co., Ltd.
May 2017	Representative Managing Executive Officer of the same company
May 2020	President and Representative Executive Officer of the same company (present)

SAWADA Taro

Number of the Company's shares held: 17,747

Senior Managing Executive Officer

Apr 1983	Joined The Daimaru, Inc.
Jun 2004	Department Manager of Sales Promotion Department of Sales Planning & CS Promotion Division of Kobe Store of the same company
Mar 2010	Division Manager of Management Planning Division of Daimaru Matsuzakaya Department Stores Co. Ltd.
Jan 2011	Executive Store Manager of Daimaru Kobe of the same company
May 2011	Corporate Officer of the same company
May 2012	Executive Store Manager of Daimaru Osaka Shinsaibashi of the same company
Sep 2015	Executive Store Manager of Daimaru Osaka Shinsaibashi and Executive General Manager of Shinsaibashi New Store Planning Office of the same company
Jul 2016	Executive General Manager of Management Planning Unit of the same company
Mar 2017	Executive General Manager of Management Planning Unit and Executive General Manager of Future Standard Laboratory of the same company
May 2017	Director and Managing Executive Officer of the same company
May 2018	Director and Managing Executive Officer, Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management of J. Front Retailing Co., Ltd. Director of Daimaru Matsuzakaya Department Stores Co. Ltd. Director of Parco Co., Ltd.
Mar 2019	Senior General Manager of New Business Division of J. Front Co., Ltd.
May 2020	Director and Senior Managing Executive Officer of the same company (present) President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present) President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd. (present)

MAKIYAMA Kozo

Number of the Company's shares held: 20,700

Senior 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
May 2013	Director of J. Front Retailing Co., Ltd. (present)
May 2017	Managing Executive Officer of the same company
May 2020	Senior Managing Executive Officer of same company (present) Representative Director, President and Executive Officer of Parco Co., Ltd. (present)

WAKABAYASHI Hayato

Number of the Company's shares held: 9,647

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)
Mar 2017	In charge of Financing and Finance Policy of the same company
May 2017	Managing Executive Officer (present) of the same company
May 2018	Senior General Manager of Financing and Finance Policy Division of the same company
May 2020	Director of Parco Co., Ltd. (present)

Executive Officers

YOSHIMOTO Tatsuya
President and Representative Executive Officer

SAWADA Taro
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
Senior Managing Executive Officer
Representative Director, President and Executive Officer of Parco Co., Ltd.

WAKABAYASHI Hayato
Managing Executive Officer
Senior Executive General Manager of Financial Strategy Unit
Director of Parco Co., Ltd.

HIRANO Hidekazu
Managing Executive Officer
Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management
Director of Daimaru Matsuzakaya Department Stores Co. Ltd.

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

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

IMAZU Takahiro
Executive Officer
Senior General Manager of Management Planning Division, Group Communications Division, and New Business Division of Management Strategy Unit

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

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.

10-year Data (Financial/Non-financial)

JGAAP

Millions of yen (except where otherwise indicated)

	FY2010	FY2011	FY2012	FY2013
Financial data				
Net sales / Gross sales	950,102	941,415	1,092,756	1,146,319
— / Revenue	—	—	—	—
Gross profit	229,588	226,646	245,615	244,130
SGA	209,265	205,052	214,757	202,313
Business profit	—	—	—	—
Operating profit	20,323	21,594	30,857	41,816
Ordinary profit / Profit before tax	21,092	22,941	32,202	40,502
Profit / Profit attributable to owners of parent	8,862	18,804	12,183	31,568
Total assets	775,029	767,543	1,009,165	998,730
Equity / Equity attributable to owners of parent	318,033	332,917	341,318	370,173
Interest-bearing liabilities	108,658	106,025	213,085	187,950
Cash flows from operating activities	21,270	24,365	26,025	37,532
Cash flows from investing activities	(8,432)	(26,781)	(73,977)	(8,858)
Cash flows from financing activities	(23,128)	(6,872)	58,275	(32,027)
Capital expenditures	20,020	19,246	19,038	52,758
Depreciation (including cost)	13,610	13,347	16,482	17,698
Per share information [Yen]*1				
Earnings per share (EPS) / Basic earnings per share	33.53	71.15	46.11	119.55
Book value per share (BPS) / Equity attributable to owners of parent per share	1,203.24	1,259.60	1,292.36	1,402.53
Dividends per share	14.00	16.00	18.00	22.00
Financial indicators [%]				
Ratio of gross profit to net sales / Ratio of gross profit to revenue	24.16	24.08	22.48	21.30
Ratio of SGA to net sales / Ratio of SGA to revenue	22.0	21.8	19.7	17.6
Ratio of operating profit to net sales / Ratio of operating profit to revenue	2.1	2.3	2.8	3.6
Return on equity (ROE) / Return on equity attributable to owners of parent (ROE)	2.8	5.8	3.6	8.9
Return on assets (ROA) / Return on assets (ROA)	2.6	2.8	3.5	4.2
Return on investment (ROI) / Return on investment (ROI)	4.9	5.3	6.5	7.3
Equity ratio / Ratio of equity attributable to owners of parent	41.0	43.4	33.8	37.1
Dividend payout ratio	41.8	22.5	39.0	18.4
Non-financial indicators				
Number of employees (consolidated) [People]	14,307	13,413	14,838	11,561
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) [㎡]	549,739	573,323	569,137	543,785
Parco sales floor area [㎡]	454,000	443,000	442,600	442,600
Customer traffic (Daimaru Matsuzakaya) [1,000 people]	224,242	236,876	246,764	237,647
Average spend per customer (Daimaru Matsuzakaya) [Yen]	3,842	3,797	3,838	4,107
Number of cards issued by Daimaru Matsuzakaya [1,000 cards]	4,056	4,365	4,580	4,659
Number of holders of cards issued by Parco [1,000 people]	1,618	1,612	1,614	1,643
GHG (CO_2) emissions (consolidated) [t-CO_2]【Scope 1, 2】*4	—	—	—	—
GHG (CO_2) emissions (consolidated) [t-CO_2]【Scope 3】*5	—	—	—	—
Energy consumption (consolidated) crude oil equivalent [kl]【Scope 1, 2】*4	—	—	—	—
Packaging material consumption (Daimaru Matsuzakaya) [t]*6	2,574	2,627	2,669	2,978
Waste disposal (Daimaru Matsuzakaya) [t]*7	10,803	11,004	10,797	10,456
Food waste disposal (Daimaru Matsuzakaya) [t]*8	2,517	2,327	2,109	1,955

*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 Received third-party assurance from Lloyd's Register Quality Assurance Limited (LRQA).

IFRS

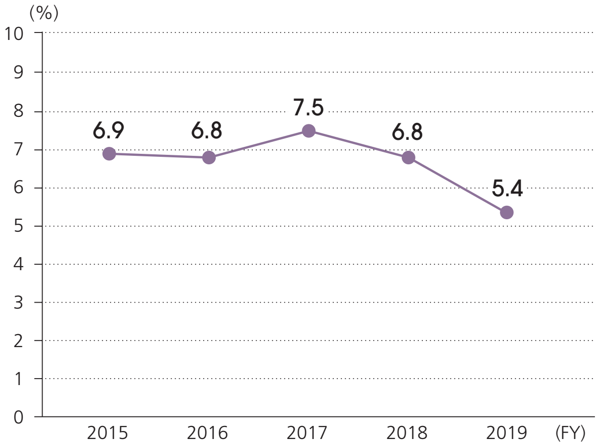
FY2014	FY2015	FY2016	FY2016	FY2017	FY2018	FY2019
1,149,529	1,163,564	1,108,512	1,134,342	1,138,981	1,125,153	1,133,654
—	—	—	452,505	469,915	459,840	480,621
243,739	245,532	234,785	212,567	212,935	212,396	206,953
201,572	197,494	190,205	167,668	166,688	166,882	161,590
—	—	—	44,898	46,842	45,514	45,363
42,167	48,038	44,580	41,727	49,546	40,891	40,286
40,480	47,910	44,425	42,608	48,271	42,126	37,161
19,967	26,313	26,950	27,052	28,486	27,358	21,251
1,018,495	1,019,146	1,050,109	1,005,069	1,022,348	1,029,573	1,240,308
375,886	383,699	406,336	368,571	395,519	412,700	387,188
168,458	180,922	187,799	205,952	184,202	174,378	478,773
44,650	36,799	36,239	33,764	57,079	34,870	73,358
(16,272)	(39,741)	(30,353)	(27,952)	(19,030)	(26,836)	(49,559)
(27,587)	(1,041)	(2,189)	(2,097)	(31,048)	(21,274)	(14,829)
24,277	37,110	44,999	44,999	27,021	39,873	48,636
17,963	18,345	17,189	17,284	18,683	19,907	50,953
75.66	100.42	103.04	103.43	108.92	104.55	81.19
1,424.28	1,467.05	1,553.60	1,409.20	1,511.91	1,576.68	1,479.07
25.00	27.00	28.00	28.00	35.00	35.00	36.00
21.20	21.10	21.18	46.98	45.31	46.19	43.06
17.5	17.0	17.2	37.1	35.5	36.3	33.6
3.7	4.1	4.0	9.2	10.5	8.9	8.4
5.4	6.9	6.8	7.6	7.5	6.8	5.4
4.2	4.7	4.3	4.2	4.9	4.0	3.2
7.3	8.6	7.7	7.6	8.4	7.2	4.5
36.9	37.6	38.7	36.7	38.7	40.1	31.2
33.1	26.9	27.2	27.1	32.1	33.5	44.3
11,149	11,023	10,732	—	10,429	10,276	9,844
—	—	—	—	57.2	56.8	57.0
11.1	10.4	12.2	—	14.3	14.7	16.6
—	—	—	—	3.6	3.3	3.9
—	—	—	—	55.3	73.1	91.6
529,460	498,460	498,460	—	495,331	495,331	489,023
451,000	456,000	409,000	—	389,000	401,000	435,800
220,411	207,512	197,250	—	200,966	202,066	194,879
4,215	4,414	4,420	—	4,676	4,841	4,979
4,595	4,217	4,062	—	4,029	3,939	4,017
1,754	1,885	1,990	—	2,031	2,018	1,939
—	—	—	—	194,154	182,566	162,508
—	—	—	—	3,075,130	3,123,238	3,782,555
—	—	—	—	101,143	99,761	99,478
2,682	2,553	2,412	—	2,370	2,236	2,030
9,205	8,198	8,256	—	7,669	7,264	7,112
1,718	1,527	1,826	—	2,081	1,835	1,752

*5 FY2019 data received third-party assurance from Lloyd's Register Quality Assurance Limited (LRQA).
*6-8 Total of Daimaru Matsuzakaya, Hakata Daimaru, Shimonoseki Daimaru, and Kochi 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

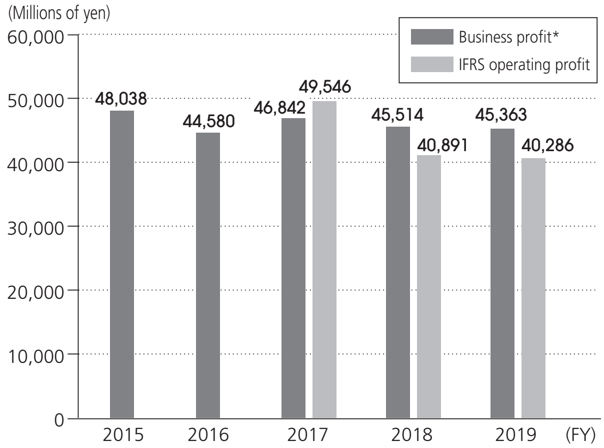
*IFRS 16 has been applied since FY2019.

Financial/Non-financial Highlights

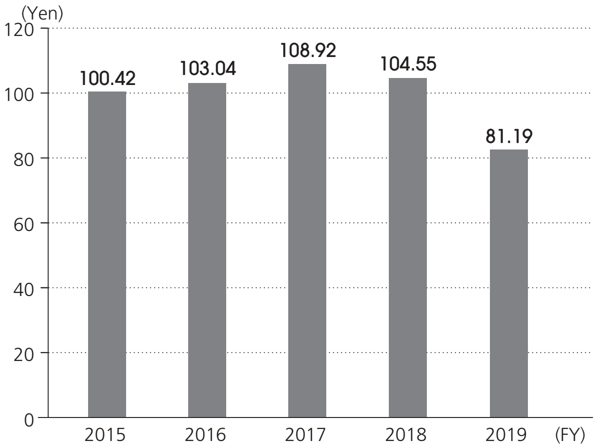
► ROE



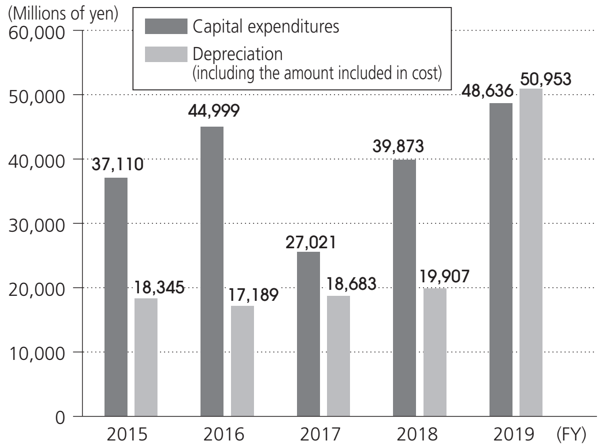
► Consolidated business profit / IFRS operating profit



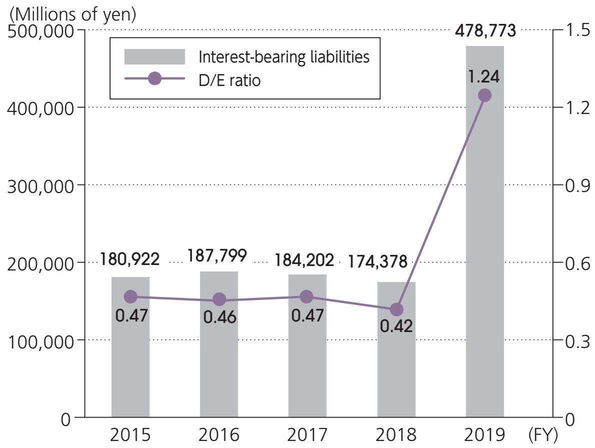
► EPS



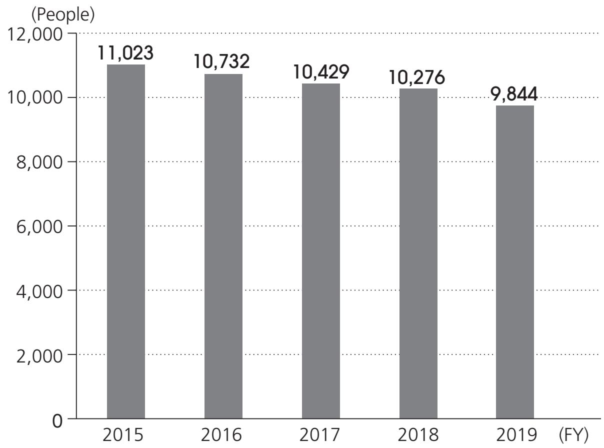
► Capital expenditures/Depreciation (including the amount included in cost)



► Interest-bearing liabilities and D/E ratio



► Consolidated number of employees

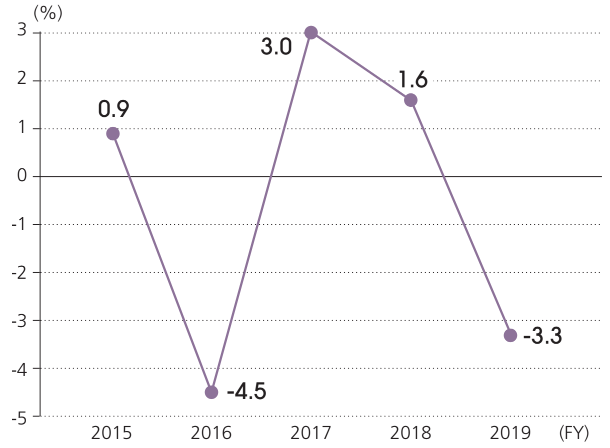


*The inventory valuation method has been changed to the specific identification method since fiscal year 2015.

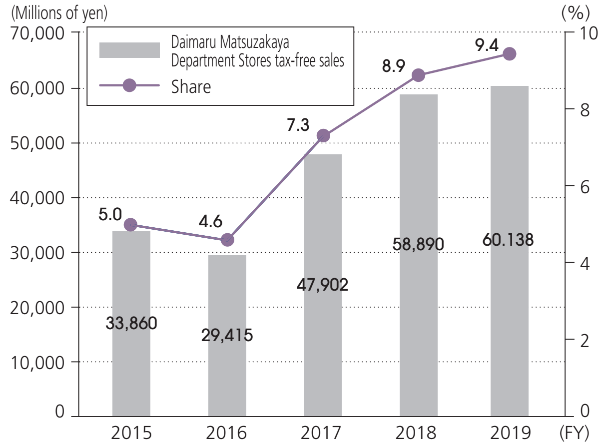
*The Company has applied the International Financial Reporting Standards (IFRS) since fiscal year 2017. The amounts for fiscal year 2016 and before are under JGAAP.

*The Company has applied IFRS 16 since FY2019. Accordingly, operating leases are recognized as right-of-use assets and lease liabilities, which caused significant changes in capital expenditures, depreciation and interest-bearing liabilities.

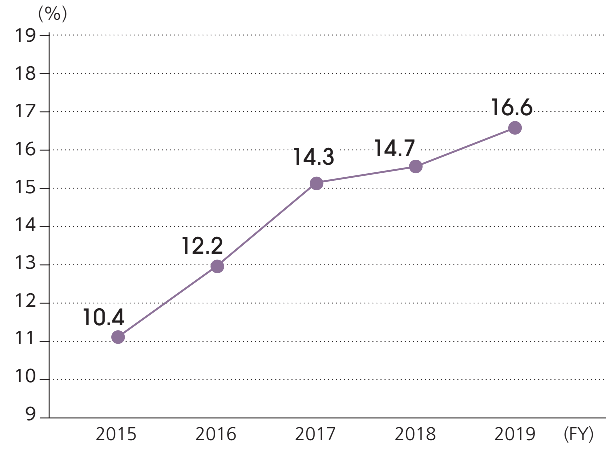
► Daimaru Matsuzakaya Department Stores existing store sales (YoY % change)



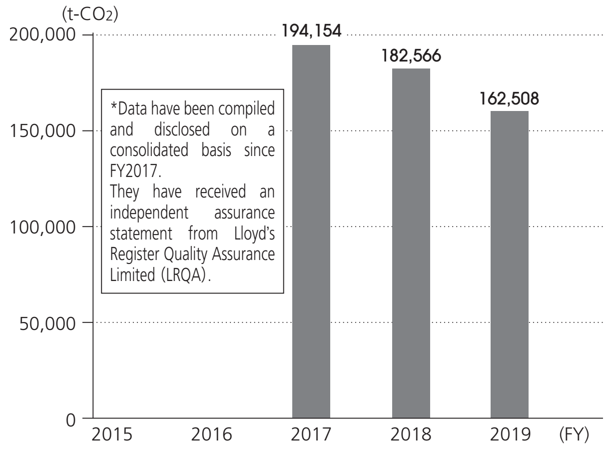
► Daimaru Matsuzakaya Department Stores tax-free sales and share



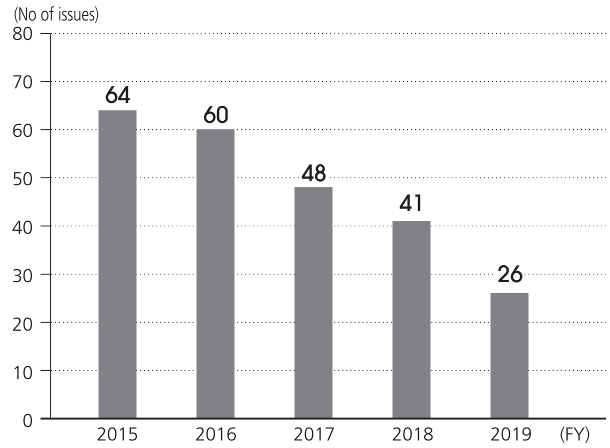
► Ratio of female employees in management positions (consolidated)



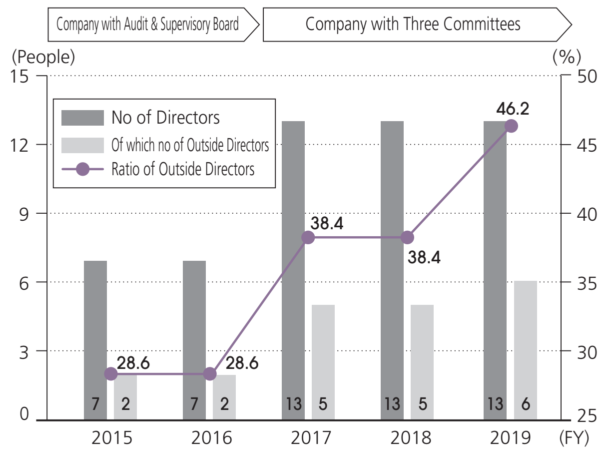
► [Scope 1 and 2] GHG emissions (consolidated)



► Year-end number of issues of cross-shareholdings



► Number of Directors/Outside Directors and ratio of Outside Directors

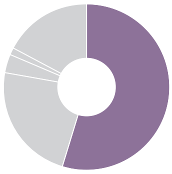


*The main building of the Shinsaibashi store temporarily closed for rebuilding on December 30, 2015 and reopened on September 20, 2019 (rental area increased).
*The Urawa store closed on July 31, 2017.
*The portions transferred to the Real Estate Business of real estate lease revenue, which had been 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.

Business Overview (FY2019) At a Glance

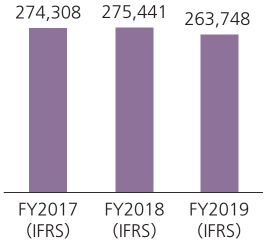
Department Store Business

Percentage of total revenue

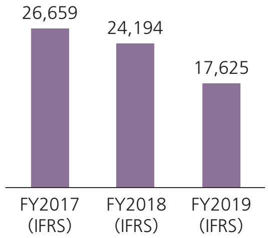


54.8%

Revenue (Millions of yen)



Operating profit (Millions of yen)

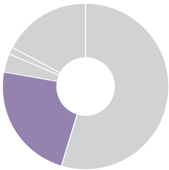


Percentage of total operating profit

43.7%

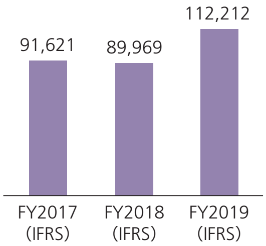
Parco Business

Percentage of total revenue

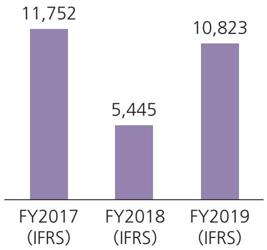


23.2%

Revenue (Millions of yen)



Operating profit (Millions of yen)

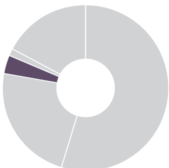


Percentage of total operating profit

26.9%

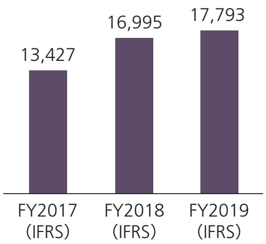
Real Estate Business

Percentage of total revenue

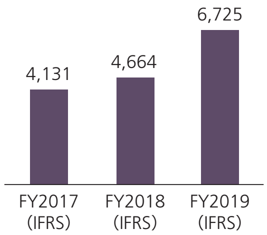


3.5%

Revenue (Millions of yen)



Operating profit (Millions of yen)

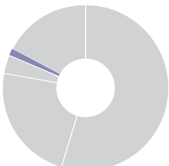


Percentage of total operating profit

16.7%

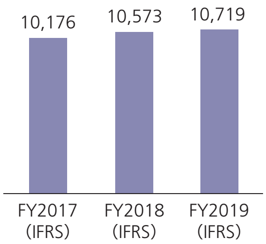
Credit and Finance Business

Percentage of total revenue

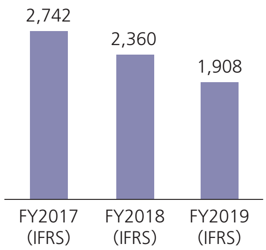


1.4%

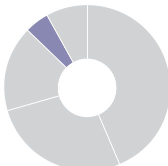
Revenue (Millions of yen)



Operating profit (Millions of yen)



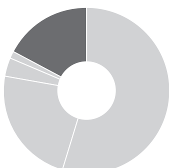
Percentage of total operating profit



4.7%

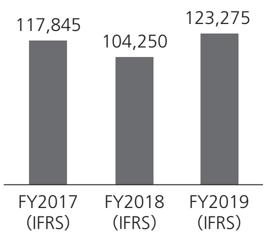
Other

Percentage of total revenue

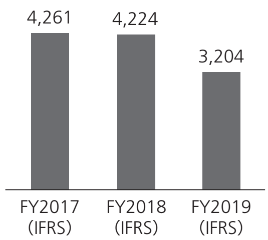


17.1%

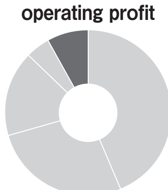
Revenue (Millions of yen)



Operating profit (Millions of yen)



Percentage of total operating profit



8.0%

- 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.

Reference

New lease accounting standards (IFRS 16)

- The Group recognized right-of-use assets and lease liabilities on the effective date of IFRS 16 for leases previously classified as operating leases in accordance with IAS 17. Lease liabilities are measured at the present value of the total outstanding lease payments discounted using the borrower's additional borrowing interest rate at the start date of application. Right-of-use assets are measured retrospectively as if IFRS 16 had been applied from the inception date of the lease.
- As a result, 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 financial position at the beginning of fiscal 2019. In the consolidated statement of profit or loss for fiscal 2019, operating profit increased by approximately ¥4.6 billion compared with the previous accounting standard (prior to the adoption of IFRS 16), but the impact on profit was immaterial.

Overview of Fiscal 2019

Department Store Business

From June to July, the peak season of the first half of the fiscal year, temperatures remained low for a long time, and sales of summer items, mainly apparel, at both full and discounted prices were sluggish. In August, the typhoon landing in western Japan forced the three stores in Kansai to close temporarily, and the impact of the rapid progress of the cheap yuan resulted in a temporary downshift in duty free sales, which forced a difficult struggle.

In September, in addition to the grand opening of the main building of the Daimaru Shinsaibashi store, consumption surged ahead of the consumption tax hike, which led to a sales increase of more than 30% primarily for high-end products. In October, we saw a reactionary decline in double digits. Subsequently, the rate of decline began to shrink every month. However, due to record-breaking warmth, the winter sales were extremely sluggish, and the pace of improvement slowed drastically.

Furthermore, from late January onward, due to the spread of the COVID-19 infection, not only inbound consumption slowed down sharply but also more and more people avoided going out in Japan. This resulted in a sharp decline in the number of customers visiting our stores both from Japan and overseas, which caused unprecedented damage to sales.

As a consequence, gross sales decreased by 3.8% on a year-on-year basis but business profit increased by 5.2% partly due to a substantial decrease in retirement benefit expenses. Operating profit decreased by 27.2% partly due to one-time expenses associated with personnel system reforms and the recording of a loss on retirement of the north wing of the Shinsaibashi store.

Parco Business

New openings including the opening of Kinshicho PARCO in March, the grand opening of Shibuya PARCO in November, and the sale of reserve floor area related to Shibuya PARCO (¥21.7 billion) resulted in an increase in gross sales of 11.5% compared with the previous fiscal year. Sale of reserve floor area was carried at the same cost.

Despite the positive impact of the opening of these new stores, business profit declined 1.6% due to sluggish sales at some rural stores and sluggish sales at Neuve A, which operates accessories shops. Meanwhile, operating profit nearly doubled (up 98.7%) due to an increase in compensation income related to Shibuya PARCO and a reactionary increase from the previous year, when losses on the closure of Utsunomiya PARCO and Kumamoto PARCO were recorded.

Real Estate Business

Sales of Ginza Six and Ueno Frontier Tower were firm, and the transfer of many department stores to the Real Estate Business also contributed to a 4.0% year-on-year increase in gross sales. On the other hand, operating profit declined 13.8% due to higher depreciation and property taxes resulting from the transfer of the north wing of the Daimaru Shinsaibashi store to the Real Estate Business after the opening of the main building in September. However, operating profit significantly increased 44.2% due to the posting of a gain on sale of real estate.

Credit and Finance Business

Gross sales increased 2.4% year on year, due in part to higher external merchant fee. However, business profit decreased 18.7% year on year and operating profit decreased 19.1% year on year, mainly due to higher personnel expenses associated with organizational reforms, such as the hiring of specialist personnel for future growth, and higher facility expenses associated with the relocation of the Tokyo office.

Other

J. Front Design & Construction, which increased sales significantly due to the interior construction work of the main building of the Daimaru Shinsaibashi store, which opened in September, covered the sluggish performance of businesses such as Daimaru Kogyo. As a result, gross sales increased 9.6%, business profit increased 36.7% and operating profit increased 34.0%.

Outlook for Fiscal 2020

Due to the spread of the COVID-19 infection, the outlook for fiscal 2020 is extremely uncertain. In particular, our department stores were hit hard by both inbound and domestic consumption. Sales in February were down 20% from the previous year, while sales in March were down 40% and in April most department stores and Parco stores were forced to shut down due to the declaration of a state of urgency. In late May, sales resumed gradually, and both department stores and Parco finally improved to a decrease of 20%-plus in June, but the outlook remains uncertain. For this reason, in the forecast for FY2020 at the announcement of the results for the first quarter of the fiscal year ending February 28, 2021, we forecast a decrease of ¥364 billion in consolidated gross sales for the risks of COVID-19. For consolidated totals, we expect to avoid business loss and operating loss in the second half of the fiscal year by thoroughly reducing costs, mainly in the Department Store Business.

Fixed costs of ¥11.2 billion (¥3.9 billion for cost of sales and ¥7.3 billion for selling, general and administrative expenses) arising from the suspension of operations will be reclassified to other operating expenses. In addition, as a result of deteriorating business performance, impairment loss of ¥11.5 billion was recorded in the Department Store Business, Parco, Neuve A, etc. as of the first quarter of the fiscal year under review.

(Millions of yen, %)

FY ending Feb 28, 2021	H1		H2		Full year	
	Forecast	YoY % change	Forecast	YoY % change	Forecast	YoY % change
Revenue	140,000	(38.0)	192,000	(24.7)	332,000	(30.9)
Department Store Business	70,000	(47.0)	112,500	(14.6)	182,500	(30.8)
Parco Business	28,650	(34.4)	39,950	(41.7)	68,600	(38.9)
Real Estate Business	6,500	(26.3)	10,100	12.6	16,600	(6.7)
Credit and Finance Business	4,360	(16.1)	5,390	(2.3)	9,750	(9.0)
Other	45,200	(19.5)	46,600	(30.6)	91,800	(25.5)
Adjustments	(14,710)	-	(22,540)	-	(37,250)	-
Operating profit	(30,000)	-	0	-	(30,000)	-
Department Store Business	(25,800)	-	1,400	(80.1)	(24,400)	-
Parco Business	(5,300)	-	(800)	-	(6,100)	-
Real Estate Business	1,000	(82.5)	(300)	-	700	(89.6)
Credit and Finance Business	80	(92.7)	70	(91.5)	150	(92.1)
Other	420	(79.1)	540	(79.9)	960	(79.6)
Adjustments	(400)	-	(910)	-	(1,310)	-

*Forecasts as of June 29, 2020

Department Store Business

We believe this will be most influenced by COVID-19 in the Group. As of June, business was resumed at almost all stores. In view of the current travel restrictions, however, we anticipate that the inbound demand will be almost nil, and we assume that gross sales will only recover to approximately 70% of the previous year's level in the second quarter alone and to approximately 80% in the second half. On the other hand, we expect to post both business profit and operating profit in the second half of the fiscal year as a result of additional cost-cutting measures, including significant reductions in capital expenditures and reductions in controllable costs.

Parco Business

Shibuya PARCO, which opened in November last year, made a full contribution, and Parco will open in the north wing of the Daimaru Shinsaibashi store this fall. However, the impact of COVID-19 has resulted in a certain degree of relaxation of the rent conditions for real estate, which is income from tenants, and in the second half of the fiscal year, we expect the number of seats to be 50% in the entertainment business. In addition, as real estate related to the north wing of the Shinsaibashi store is scheduled to be transferred to Parco in the second half of the fiscal year, expenses such as the registration and license tax related to the asset will increase, and this segment expects to continue to record a loss in the second half of the fiscal year.

Real Estate Business

The north wing of the Daimaru Shinsaibashi store is scheduled to open in the fall of this year with PARCO as the core tenant. However, due to the burden of expenses incurred until the north wing starts operations and we expect a decline in percentage rents on existing real estate rental properties due to COVID-19, so we expect both sales and profits to decline.

Credit and Finance Business

In the current fiscal year, we will issue the "Daimaru Matsuzakaya Card," which will revamp our point program and design, and we will be finally ready to prepare for medium-term growth. However, the impact of COVID-19 will inevitably lead to a decline in transaction volume, particularly at department stores. And there will be an increase in costs associated with the issuance of new cards. So we expect both sales and profits to decline.

Other

In addition to a reduction in reaction to a special demand for the renovation of the main building of the Shinsaibashi store in J. Front Design & Construction, which operates the design and construction business, last year, COVID-19 is likely to affect the supply chain of the design and construction business and wholesale business, which will lead to a delay in delivery. In addition, greatly affected by a decrease in needs in the staffing business due to the shutdown of commercial facilities, we expect both sales and profits to decline.

Analysis of Financial Condition and Operating Results

Operating overview

In the fiscal year under review, the Japanese economy rose and fell. For various reasons, including stagnant exports and production and a decline in capital investments and domestic demand due to the impact of the slowdown in overseas economies, natural disasters, and other developments, the Japanese economy's recovery trend leveled off, and uncertainty regarding various aspects of the Japanese economy, such as corporate production, capital investments, and spending, rapidly increased near the end of the fiscal year. Although the employment and income environments were firm, personal spending was not only lackluster due to continued weak spending as a result of the consumption tax hike but also further deteriorated toward the end of the fiscal year as both inbound and domestic spending fell because of the novel coronavirus (COVID-19).

Amid this environment, the J. Front Retailing Group (hereinafter the "Group") worked to implement the following five strategies to generate growth and reinforce its foundation as part of its efforts in the third year of the "FY2017–FY2021 Medium-term Business Plan" to realize the Group Vision and transform its business portfolio.

In regard to the "Multi Service Retailer strategy," we not only worked to expand our existing business fields by concluding a licensing agreement with VISA and MasterCard in July for our Credit and Finance Business and moving forward with creating an environment to conduct the Group's acquiring (merchant contract) business but also updated our existing cards by overhauling various card features, such as the point program (a new point program is expected to be introduced in the fall of 2020) and ancillary services. As for efforts to expand new business fields, we moved forward with efforts to gain an understanding of the clothing rental business and an examination of entering that market as the value of "sharing, not owning, items and services" spreads and we respond to those risks.

Turning to the "Urban Dominant Strategy," following Ginza Six and Ueno Frontier Tower, we completed two massive area redevelopment projects—the main building of the Daimaru Shinsaibashi store in September and Shibuya PARCO in November. In addition, we worked to develop the surrounding areas of core stores, such as opening two Bino stores, commercial facilities based on the concept of beauty and health, in Kyoto and the Ueno area. We also worked to improve the appeal of cities through various efforts, including promotions and area revitalization events jointly held by department stores and Parco in the Ueno, Nagoya, and Kobe areas and collaborating with local universities to support the next generation and develop local areas.

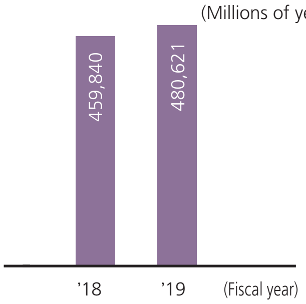
As for the "ICT (Internet, Communication, and Technology) Strategy which looks toward the IoT era," we made integrated use of customer data as a shared Group asset and worked to build an integrated database, a foundation for promoting the Lifetime Service Hub scheme, the goal of which is to maximize the lifetime value of customers (*). At the same time, we strove to build a cloud environment that makes it possible to manage security at the various Group companies and quickly and flexibly respond to the introduction of digital technology called for in the business strategy. (* By providing products and services according to the life stage of each and every customer, we strengthen lifetime relationships with customers and maximize the customer value.)

Turning to "innovating existing businesses," for the Department Store Business, we not only introduced into the main building of the Daimaru Shinsaibashi store a new department store business model that balances growth and profitability through novel floor compositions for department stores but also moved forward with developing new sales areas that match changes in the market at various stores. We also steadily promoted structural reforms at rural and suburban stores, such as Shimonoseki Daimaru and the Daimaru Ashiya store. Parco celebrated its fiftieth anniversary, and we opened the new Shibuya PARCO, a next-generation commercial facility that embodies the new appeal of the Parco brand, and this included expanding experience-based content, re-proposing fashion, and creating futuristic sales areas that make use of ICT. In addition, we made steady progress in developing various types of stores, including opening Kinshicho PARCO, SAN-A Urasoe West Coast PARCO CITY, and Kawasaki ZERO GATE.

As for "ESG initiatives," we moved forward with company-wide efforts to resolve five materiality issues, such as "contribution to a low-carbon society." At the main building of the Daimaru Shinsaibashi store, our flagship store for promoting ESG, we switched to renewable energy sources for the whole interior, and at Daimaru Matsuzakaya Department Stores, we held our first explanatory meeting for suppliers regarding the "JFR Principles of Action for Suppliers," which were established in 2019, in order to promote cooperation in ESG activities. Because of these efforts, there has been an increase in ESG related certifications and evaluations by independent parties, including a climate change survey. (ESG: environment, society, and governance)

► **Revenue**

(Millions of yen)

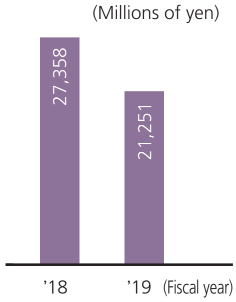


► **Operating profit**

(Millions of yen)

► **Profit attributable to owners of parent**

(Millions of yen)



As for reforming personnel affairs, with the goal of becoming a human resources development company that aims to generate sustainable growth, we moved forward with reforms to the personnel system that draws out creation and challenges and promoted efforts to recruit specialized human resources and to push back the retirement age at the various group companies to 65 from the perspective of making use of seniors in order to establish human resources management centered on "human resource capabilities" that creates new value.

As for the Group's fiscal strategy, we not only worked to improve asset efficiency by promoting B/S-oriented management and administration to build a management system that boasts high capital efficiency but also steadily adopted new lease accounting standards that are based on the International Financial Reporting Standards (IFRS). Furthermore, we held the first business strategy briefing to expand opportunities for dialogue with investors.

As for the Group's administrative systems innovation, we strove to strengthen information security and increase business efficiency by not only promoting the automation of operations, primarily in the Group back-office operations, through the greater use of robotic process automation (RPA) but also introducing business tools to raise productivity.

Revenue / Operating profit

Spending continued to be weak as a result of the consumption tax hike, and Japan faced natural disasters, a warm winter, and the spread of COVID-19. However, revenue was ¥480,621 million, up 4.5% year on year, for various reasons, including sale of reserve floor space in the Shibuya redevelopment project.

Operating profit was ¥40,286 million, down 1.5% year on year.

Profit before tax / profit attributable to owners of parent

Profit before tax was ¥37,161 million, down 11.8% year on year.

Profit attributable to owners of parent was ¥21,251 million, down 22.3% year on year.

Analysis of financial position

Total assets as of February 29, 2020 was ¥1,240,308 million, up ¥210,735 million compared with February 28, 2019. This was mainly attributable to an increase in right-of-use assets due to the application of IFRS 16 "Leases." Total liabilities was ¥840,627 million, an increase of ¥279,540 million. Interest-bearing debt was ¥478,773 million, up ¥304,395 million. This was mainly attributable to an increase in lease liabilities due to the application of IFRS 16 "Leases."

Total equity was ¥399,681 million, a decrease of ¥68,804 million compared with February 28, 2019. This was mainly attributable to a decrease in capital surplus and non-controlling interests due to an additional acquisition of shares of Parco.

Cash flow

The Group aims to secure adequate funds for our business activities, maintain liquidity, and maintain a sound financial position, and to achieve stable operating cash flows.

We strive to generate cash flow and secure a wide range of financing methods. In addition to cash on hand and cash provided by operating activities, the Group also issues bonds and borrows money from financial institutions to fund the working capital, capital expenditures and investments required to maintain the Group's growth.

Cash flow positions in the current fiscal year and the factors for these were as follows.

Net cash provided by operating activities was ¥73,358 million. In comparison with the previous fiscal year, cash provided increased by ¥38,488 million, largely reflecting an adjustment of depreciation and amortization expense due to an increase in the right-of-use asset and a decrease in inventories.

Net cash used in investing activities was ¥49,559 million. In comparison with the previous fiscal year, cash used increased by ¥22,723 million, largely reflecting an increase in purchase of investment securities.

Net cash used in financing activities was ¥14,829 million. In comparison with the previous fiscal year, cash used decreased by ¥6,445 million, largely reflecting issuance of bonds and other financing activities, despite payment for an additional acquisition of shares of Parco and recording of repayments of lease liabilities.

We will continue to implement appropriate profit distribution and capital investment considering profit levels, cash flow trends and other such factors.

Basic policy on profit distribution and dividends

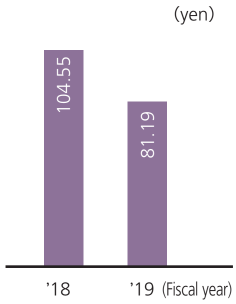
The Company's basic policy is to return profits appropriately in accordance with a targeted consolidated dividend payout ratio of 30% or more while striving to provide a stable dividend, with the aim of maintaining and enhancing the Company's sound financial standing while keeping profit levels, future capital investment, free cash flow trends and other such factors in consideration.

With respect to internal reserves, the Company intends to enhance corporate value by using them for such purposes as investing in store refurbishments and business expansions to strengthen sales, as well as strengthening the Company's financial standing.

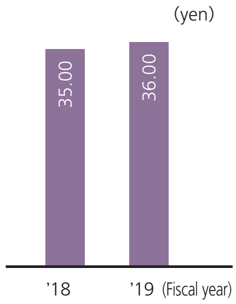
The Company has decided to pay an annual dividend of ¥36 per share in the current fiscal year, comprising an interim dividend of ¥18 per share and a year-end dividend of ¥18 per share.

Given unprecedented challenging operating environment, business outlook and financial position due to the impact of the spread of COVID-19, the forecast for the interim dividend is ¥9 per share, a decrease of ¥9 from the previous fiscal year, from the standpoint of ensuring stable operations, and the forecast for the year-end dividend is ¥18 per share, the same as in the previous fiscal year, from the standpoint of providing stable dividends to shareholders. Accordingly, the forecast for annual dividends is ¥27 per share (¥36 for the previous fiscal year).

► **Basic earnings per share**

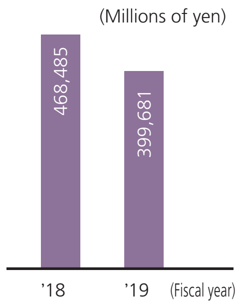


► **Annual dividends per share**



► **Total assets**

► **Total equity**



Consolidated Statement of Financial Position

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

As of March 1, 2018, February 28, 2019 and February 29, 2020

	Millions of yen		
	2018	2019	2020
Assets			
Current assets			
Cash and cash equivalents	38,883	25,659	**34,633**
Trade and other receivables	125,649	132,943	**144,244**
Other financial assets	4,067	7,324	**5,095**
Inventories	33,755	38,349	**19,169**
Other current assets	6,076	7,004	**5,281**
Assets held for sale	6,732	–	**–**
Total current assets	215,164	211,281	**208,424**
Non-current assets			
Property, plant and equipment	458,877	471,238	**473,167**
Right-of-use assets	–	–	**179,632**
Goodwill	523	523	**523**
Investment property	195,608	197,162	**219,354**
Intangible assets	3,588	4,489	**5,662**
Investments accounted for using equity method	16,425	17,616	**37,439**
Other financial assets	100,016	96,225	**91,379**
Deferred tax assets	7,286	8,280	**9,988**
Other non-current assets	24,857	22,754	**14,734**
Total non-current assets	807,183	818,291	**1,031,883**
Total assets	1,022,348	1,029,573	**1,240,308**
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	46,230	31,320	**108,400**
Trade and other payables	141,343	138,938	**144,020**
Lease liabilities	–	–	**29,493**
Other financial liabilities	30,811	32,252	**30,199**
Income taxes payable	9,202	8,174	**4,349**
Provisions	202	1,851	**999**
Other current liabilities	64,561	62,490	**56,427**
Total current liabilities	292,351	275,028	**373,889**
Non-current liabilities			
Bonds and borrowings	137,972	143,058	**149,876**
Lease liabilities	–	–	**191,003**
Other financial liabilities	34,240	38,486	**41,087**
Retirement benefit liabilities	29,909	29,003	**20,175**
Provisions	4,595	5,176	**4,909**
Deferred tax liabilities	61,161	60,455	**58,829**
Other non-current liabilities	11,231	9,880	**855**
Total non-current liabilities	279,109	286,059	**466,737**
Total liabilities	571,460	561,087	**840,627**
Equity			
Share capital	31,974	31,974	**31,974**
Capital surplus	211,864	212,210	**189,340**
Treasury shares	(15,244)	(15,090)	**(14,974)**
Other components of equity	15,772	14,745	**11,641**
Retained earnings	151,151	168,861	**169,206**
Total equity attributable to owners of parent	395,519	412,700	**387,188**
Non-controlling interests	55,368	55,784	**12,493**
Total equity	450,887	468,485	**399,681**
Total liabilities and equity	1,022,348	1,029,573	**1,240,308**

Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

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

Consolidated financial years ended February 28, 2019 and February 29, 2020

Millions of yen

Consolidated Statement of Profit or Loss	2019	2020
Revenue	459,840	**480,621**
Cost of sales	(247,443)	**(273,667)**
Gross profit	212,396	**206,953**
Selling, general and administrative expenses	(166,882)	**(161,590)**
Other operating income	3,237	**8,663**
Other operating expenses	(7,860)	**(13,740)**
Operating profit	40,891	**40,286**
Finance income	1,104	**1,091**
Finance costs	(1,170)	**(5,862)**
Share of profit (loss) of investments accounted for using equity method	1,301	**1,644**
Profit before tax	42,126	**37,161**
Income tax expense	(12,950)	**(13,767)**
Profit	29,176	**23,393**
Profit attributable to:		
Owners of parent	27,358	**21,251**
Non-controlling interests	1,817	**2,141**
Profit	29,176	**23,393**
Earnings per share		
Basic earnings per share (Yen)	104.55	**81.19**
Diluted earnings per share (Yen)	104.52	**81.17**

Consolidated Statement of Comprehensive Income	2019	2020
Profit	29,176	**23,393**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(471)	**(2,318)**
Remeasurements of investments benefit plans	(1,220)	**256**
Share of other comprehensive income of investments accounted for using equity method	33	**(37)**
Total items that will not be reclassified to profit or loss	(1,657)	**(2,099)**
Items that may be reclassified to profit or loss		
Cash flow hedges	58	**0**
Exchange differences on translation of foreign operations	(71)	**24**
Share of other comprehensive income of investments accounted for using equity method	2	**1**
Total items that may be reclassified to profit or loss	(10)	**26**
Other comprehensive income, net of tax	(1,668)	**(2,073)**
Comprehensive income	27,507	**21,320**
Comprehensive income attributable to:		
Owners of parent	25,631	**19,259**
Non-controlling interests	1,875	**2,060**
Comprehensive income	27,507	**21,320**

Consolidated Statement of Changes in Equity

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

Consolidated financial years ended February 28, 2019 and February 29, 2020

Millions of yen

	Equity attributable to owners of parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance at March 1, 2018	31,974	211,864	(15,244)	(43)	(15)	15,831
Profit	–	–	–	–	–	–
Other comprehensive income	–	–	–	(70)	60	(530)
Total comprehensive income	–	–	–	(70)	60	(530)
Purchase of treasury shares	–	–	(8)	–	–	–
Disposal of treasury shares	–	(0)	0	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interest in subsidiaries	–	1	–	–	–	–
Share-based remuneration transactions	–	343	162	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(466)
Other	–	–	–	29	(49)	–
Total transactions with owners	–	345	154	29	(49)	(466)
Balance at February 28, 2019	31,974	212,210	(15,090)	(83)	(5)	14,834
Effect of accounting changes	–	–	–	–	–	–
Restated balance	**31,974**	**212,210**	**(15,090)**	**(83)**	**(5)**	**14,834**
Profit	**–**	**–**	**–**	**–**	**–**	**–**
Other comprehensive income	**–**	**–**	**–**	**24**	**1**	**(2,237)**
Total comprehensive income	**–**	**–**	**–**	**24**	**1**	**(2,237)**
Purchase of treasury shares	**–**	**–**	**(7)**	**–**	**–**	**–**
Disposal of treasury shares	**–**	**(0)**	**0**	**–**	**–**	**–**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**
Changes in ownership interest in subsidiaries	**–**	**(23,106)**	**–**	**(6)**	**(0)**	**84**
Share-based remuneration transactions	**–**	**236**	**122**	**–**	**–**	**–**
Transfer from other components of equity to retained earnings	**–**	**–**	**–**	**–**	**–**	**(970)**
Other	**–**	**–**	**–**	**–**	**–**	**–**
Total transactions with owners	**–**	**(22,870)**	**115**	**(6)**	**(0)**	**(885)**
Balance at February 29, 2020	**31,974**	**189,340**	**(14,974)**	**(65)**	**(3)**	**11,710**

	Equity attributable to owners of parent				Non-controlling interests	Total
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
Balance at March 1, 2018	–	15,772	151,639	396,006	55,368	451,374
Profit	–	–	27,358	27,358	1,817	29,176
Other comprehensive income	(1,186)	(1,727)	–	(1,727)	58	(1,668)
Total comprehensive income	(1,186)	(1,727)	27,358	25,631	1,875	27,507
Purchase of treasury shares	–	–	–	(8)	–	(8)
Disposal of treasury shares	–	–	–	0	–	0
Dividends	–	–	(9,417)	(9,417)	(942)	(10,359)
Changes in ownership interest in subsidiaries	–	–	–	1	(516)	(515)
Share-based remuneration transactions	–	–	–	505	–	505
Transfer from other components of equity to retained earnings	1,186	719	(719)	–	–	–
Other	–	(19)	–	(19)	–	(19)
Total transactions with owners	1,186	699	(10,136)	(8,937)	(1,459)	(10,396)
Balance at February 28, 2019	–	14,745	168,861	412,700	55,784	468,485
Effect of accounting changes	–	–	(12,675)	(12,675)	(1,914)	(14,590)
Restated balance	**–**	**14,745**	**156,185**	**400,025**	**53,869**	**453,895**
Profit	**–**	**–**	**21,251**	**21,251**	**2,141**	**23,393**
Other comprehensive income	**219**	**(1,992)**	**–**	**(1,992)**	**(80)**	**(2,073)**
Total comprehensive income	**219**	**(1,992)**	**21,251**	**19,259**	**2,060**	**21,320**
Purchase of treasury shares	**–**	**–**	**–**	**(7)**	**–**	**(7)**
Disposal of treasury shares	**–**	**–**	**–**	**0**	**–**	**0**
Dividends	**–**	**–**	**(9,419)**	**(9,419)**	**(972)**	**(10,392)**
Changes in ownership interest in subsidiaries	**–**	**77**	**–**	**(23,028)**	**(42,465)**	**(65,494)**
Share-based remuneration transactions	**–**	**–**	**–**	**359**	**–**	**359**
Transfer from other components of equity to retained earnings	**(219)**	**(1,189)**	**1,189**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**–**	**–**	**–**
Total transactions with owners	**(219)**	**(1,111)**	**(8,230)**	**(32,096)**	**(43,437)**	**(75,534)**
Balance at February 29, 2020	**–**	**11,641**	**169,206**	**387,188**	**12,493**	**399,681**

Consolidated Statement of Cash Flows

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

Consolidated financial years ended February 28, 2019 and February 29, 2020

	Millions of yen	
	2019	2020
Cash flows from operating activities		
Profit before tax	42,126	**37,161**
Depreciation and amortization	19,907	**50,953**
Impairment losses	2,514	**2,496**
Finance income	(1,104)	**(1,091)**
Finance costs	1,170	**5,862**
Share of loss (profit) of investments accounted for using equity method	(1,301)	**(1,644)**
Loss (gain) on sale of fixed assets	(23)	**(2,832)**
Loss on disposal of fixed assets	1,641	**3,576**
Decrease (increase) in inventories	(4,594)	**20,173**
Decrease (increase) in trade and other receivables	(7,500)	**(6,899)**
Increase (decrease) in trade and other payables	(2,087)	**(4,071)**
Increase (decrease) in retirement benefit liability	(905)	**(8,828)**
Decrease (increase) in retirement benefit asset	1,334	**776**
Other	(462)	**364**
Subtotal	50,714	**95,995**
Interest received	98	**111**
Dividends received	330	**275**
Interest paid	(1,063)	**(5,894)**
Income taxes paid	(17,662)	**(19,783)**
Income taxes refund	2,453	**2,654**
Net cash provided by (used in) operating activities	34,870	**73,358**
Cash flows from investing activities		
Purchase of property, plant and equipment	(28,954)	**(33,073)**
Proceeds from sale of property, plant and equipment	9	**930**
Purchase of investment property	(4,250)	**(2,759)**
Proceeds from sale of marketable property	32	**3,257**
Purchase of investment securities	(1,040)	**(19,574)**
Proceeds from sale of marketable securities	8,826	**4,558**
Other	(1,459)	**(2,898)**
Net cash provided by (used in) investing activities	(26,836)	**(49,559)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(9,849)	**53,480**
Net increase (decrease) in commercial papers	(1,000)	**4,000**
Proceeds from long-term borrowings	20,350	**10,300**
Repayments of long-term borrowings	(19,360)	**(13,800)**
Proceeds from issuance of bonds	–	**29,864**
Repayments of lease liabilities	–	**(29,241)**
Purchase of treasury shares	(9)	**(10)**
Dividends paid	(9,389)	**(9,396)**
Dividends paid to non–controlling interests	(942)	**(972)**
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	**(59,042)**
Other	(1,073)	**(10)**
Net cash provided by (used in) financing activities	(21,274)	**(14,829)**
Net increase (decrease) in cash and cash equivalents	(13,240)	**8,970**
Cash and cash equivalents at beginning of period	38,883	**25,659**
Effect of exchange rate changes on cash and cash equivalents	16	**4**
Cash and cash equivalents at end of period	25,659	**34,633**

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

Daimaru Shimonoseki Store
Location: 4-10, Takezaki-cho 4-chome, Shimonoseki, Yamaguchi 750-0025
Phone: +81-83-232-1111
*The Shimonoseki Daimaru, Inc. was merged into Daimaru Matsuzakaya Department Stores Co. Ltd. and renamed Daimaru Shimonoseki Store on March 1, 2020.

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

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: 100%

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: 100%

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: 100%

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: 100%

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: 100%

Credit and Finance Business

JFR Card Co., Ltd.
Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone: +81-72-686-0108
Location: 9th Fl., Nihon Seimei Nihonbashi Bldg., 13-12, Nihonbashi 2-chome, Chuo-ku, Tokyo 103-0027
Phone: +81-3-3548-8841
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)
Location: 16th & 17th Fls., Harumi Island Triton Square Office Tower W Bldg., 8-8, Harumi 1-chome, 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., Matsuzakaya Kuromon Annex, 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: ¥100 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%

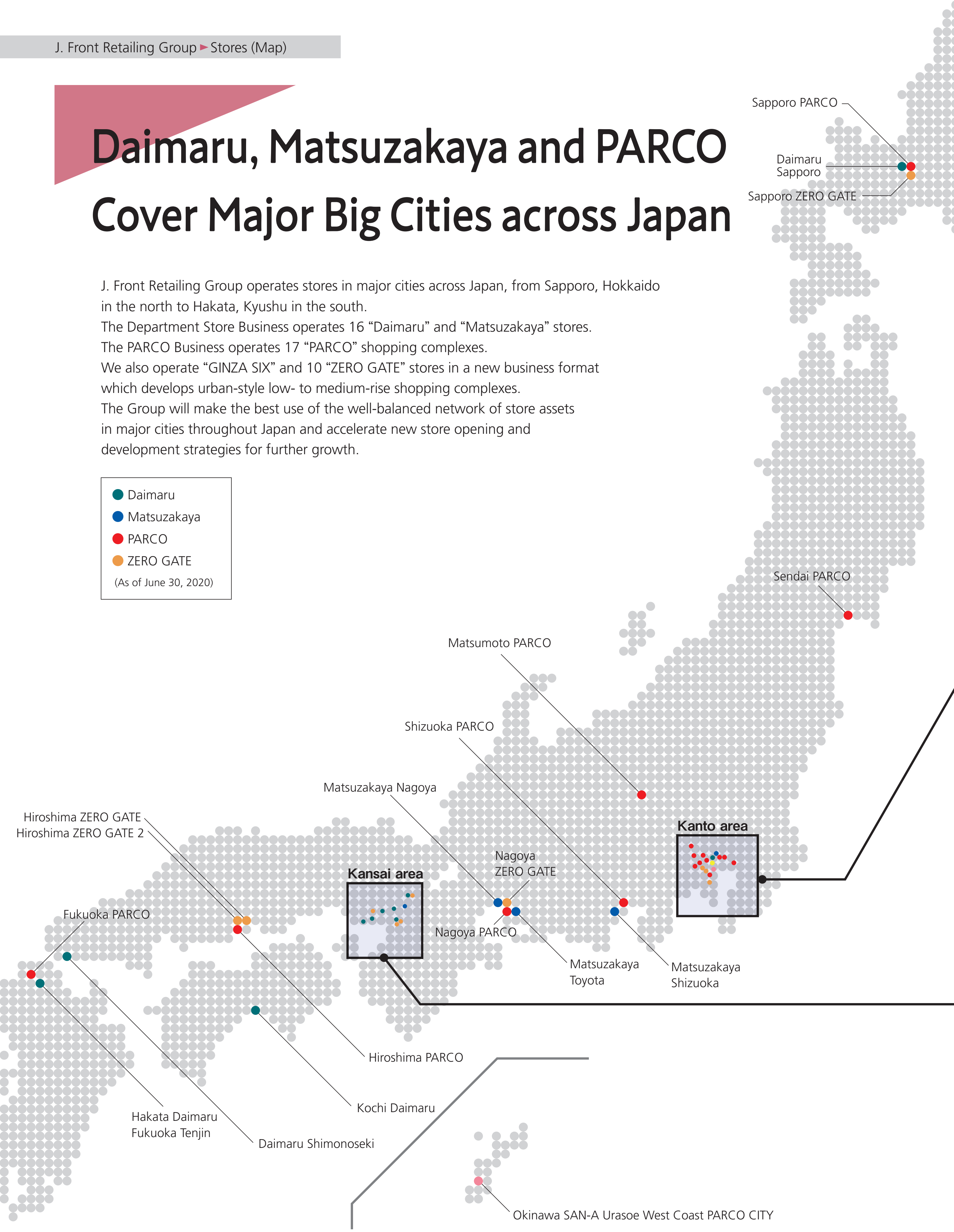
JFR Information Center Co., Ltd. (Information service)
Location: 3-24, Osaka 1-chome, Tennoji-ku, Osaka 543-0062
Phone: +81-6-6775-3700 Capital: ¥10 million Investment ratio: 100%
http://www.jfr-ic.jp/

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%

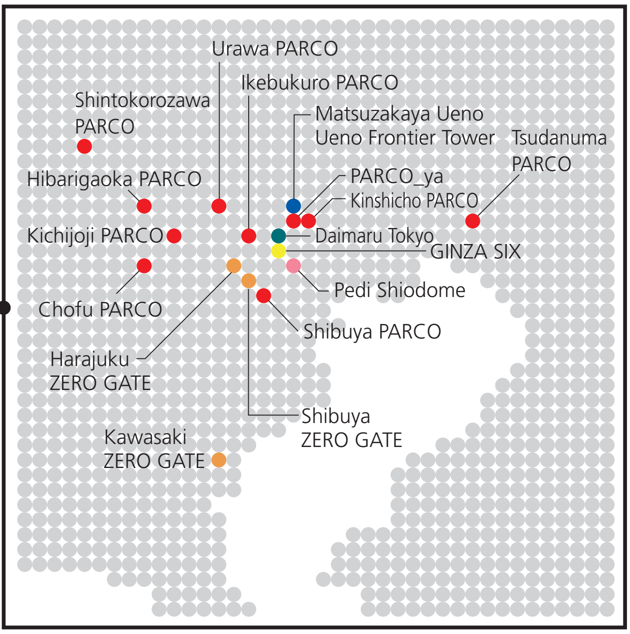
Daimaru Matsuzakaya Tomonokai Co., Ltd.
(Specified prepaid transaction service)
Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone: +81-72-684-8101 Capital: ¥100 million Investment ratio: 100%
http://www.dmtomonokai.co.jp/

Daimaru, Matsuzakaya and PARCO Cover Major Big Cities across Japan

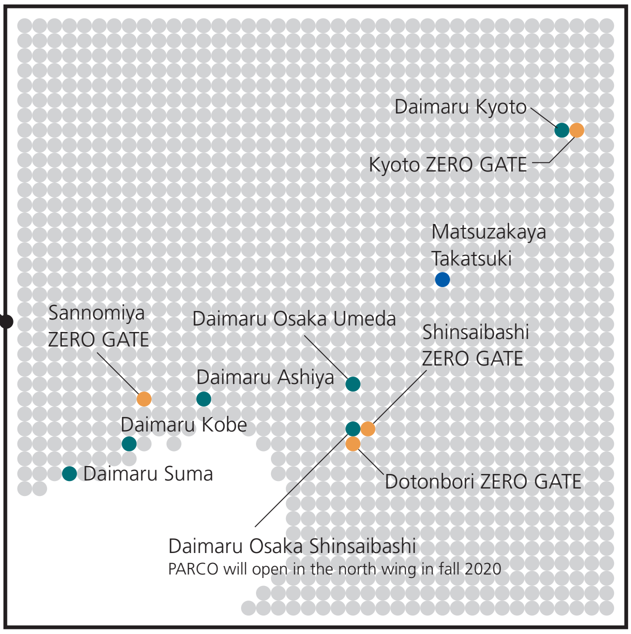
J. Front Retailing Group operates stores in major cities across Japan, from Sapporo, Hokkaido in the north to Hakata, Kyushu in the south.
The Department Store Business operates 16 “Daimaru” and “Matsuzakaya” stores.
The PARCO Business operates 17 “PARCO” shopping complexes.
We also operate “GINZA SIX” 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.



Kanto area



Kansai area




GINZA SIX (Opened in April 2017)


Ueno Frontier Tower / PARCO_ya (Opened in November 2017)


Shibuya PARCO (Opened in November 2019)


Main building of Daimau Osaka Shinsaibashi (Opened in September 2019)

Daimaru and Matsuzakaya Stores


Daimaru Osaka Shinsaibashi (Floor space: 46,490㎡)


Daimaru Kyoto (Floor space: 50,830㎡)


Daimaru Suma (Floor space: 13,076㎡)


Daimaru Shimonoseki (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 Office and Company

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

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, 2020

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
Sendai 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
15-1, Udagawa-cho, Shibuya-ku, Tokyo
B1F-10F
Opened: August 8, 1973
Reopened: November 22, 2019


Kinshicho PARCO
4-27-14, Kotobashi, Sumida-ku, Tokyo
B1F-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

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, Hyogo
1F-4F
Opened: September 14, 2018

Kawasaki ZERO GATE
1-1 Ogawa-cho, Kawasaki-ku, Kawasaki, Kanagawa
1F-2F
Opened: August 8, 2019

Other stores

Pedi Shiodome
1-9-1, Higashishinbashi, Minato-ku, Tokyo
B2F-B1F, 2F
Opened: February 16, 2005

SAN-A Urasoe West Coast PARCO CITY
3-1-1, Irijima, Urasoe, Okinawa
Commercial floors: 1F-3F
Opened: June 27, 2019

Overseas Japanese restaurant zone

itadakimasu by PARCO
100AM Mall 100 Tras Street, Singapore 079027
Opened: December 1, 2016

Share Information

Status of shares (as of February 29, 2020)

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: 122,552

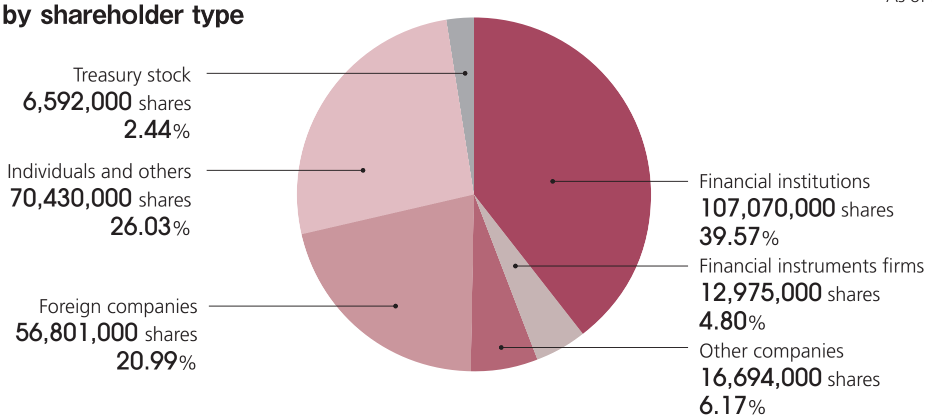
	Major shareholders	Number of shares held (1,000 shares)	Shareholding ratio (%)
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	23,620	8.94
2	Japan Trustee Services Bank, Ltd. (Trust Account)	16,598	6.28
3	Nippon Life Insurance Company	9,828	3.72
4	J. Front Retailing Kyoei Supplier Shareholding Association	6,319	2.39
5	The Dai-ichi Mutual Life Insurance Company	5,732	2.17
6	Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,779	1.81
7	Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,444	1.68
8	MUFG Bank, Ltd.	4,373	1.65
9	JP Morgan Chase Bank 385151	4,158	1.57
10	State Street Bank West Client - Treaty 505234	3,472	1.31

*Shareholding ratio is calculated by deducting treasury stock (6,592,000 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	76	107,070	39.57
Financial instruments firms	42	12,975	4.80
Other companies	858	16,694	6.17
Foreign companies	609	56,801	20.99
Individuals and others	120,966	70,430	26.03
Treasury stock	1	6,592	2.44

As of February 29, 2020

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)	:	6,579 (as of February 29, 2020) Note: In addition to the above, there are 1,739 dedicated employees and 1,526 fixed-term employees on average during fiscal year 2019.
URL	:	https://www.j-front-retailing.com/english/

J. FRONT RETAILING

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