

[Top Commitment](#)[Sustainability Promotion System](#)[JFR Materiality Issues](#)[Contribution to a Low-Carbon Society](#)[Management of the Entire Supply Chain](#)[Coexistence with Local Communities](#)[Promotion of Diversity](#)[Realization of Work-Life Balance](#)[Operating Companies' ESG Initiatives](#)[Outside Director's Message](#)[Governance](#)[Data](#)[→ Top Message](#) [Message from Outside Expert](#) [Message from ESG Officer](#) [JFR Business Strategy](#) [JFR Mission Statement System](#) [Policy on Sustainability](#)

Initiatives by J. Front Retailing to Realize a Sustainable Society

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J. Front Retailing (the “Company”) is a pure holding company, which was established by merging department store chains Daimaru and Matsuzakaya in September 2007. Parco, which operates commercial complexes, joined the Group seven years ago. In spring 2019, we opened an infant child care facility in Aobadai, Yokohama and launched infant child care business. Thus we aim for “Multi Service Retailer” beyond the framework of retail.

Daimaru with more than 300 years of history and Matsuzakaya with more than 400 years of history have practiced sustainable business activities while responding to changes in customers and society. I think we could stay in business for such a long time only because our philosophy has been persistently kept at the core of management despite significant changes of the times.

Daimaru has a corporate credo of “Service before Profit,” which means those who give priority to service over profit will prosper. And Matsuzakaya’s corporate credo is “Abjure all evil and practice all good.” They

provide us with a mental fallback position. These lasting basic philosophies represent the idea of sustainability and we are taking actions going back to our corporate credo.

This year many people have been affected by a spate of typhoons and heavy rains, following repeated large-scale natural disasters in 2018. As mentioned by Prof. Yamamoto in the next section, it is evident that these disasters are attributable to global warming and we have a keen sense of crisis that we will be in big trouble unless we confront environmental issues seriously. And now I think it is expected of future companies to address environmental and social issues proactively.

The Group has analyzed the risks that have a significant impact on companies over the past few years. I see the risks forecast over the past few years as unprecedented headwind. However, we would like to fight head-on against these adverse conditions. The same applies to risks associated with environmental issues including



[Top Commitment](#)[Sustainability Promotion System](#)[JFR Materiality Issues](#)[Contribution to a Low-Carbon Society](#)[Management of the Entire Supply Chain](#)[Coexistence with Local Communities](#)[Promotion of Diversity](#)[Realization of Work-Life Balance](#)[Operating Companies' ESG Initiatives](#)[Outside Director's Message](#)[Governance](#)[Data](#)[→ Top Message](#) [Message from Outside Expert](#) [Message from ESG Officer](#) [JFR Business Strategy](#) [JFR Mission Statement System](#) [Policy on Sustainability](#)

climate change.

I expect that the environment surrounding us for the next decade will change greatly in all areas. And I think the goal of the Group is to try to achieve “discontinuous growth,” which is not an extension of past growth, and sustainable corporate growth through contribution in terms of both customer’s manner of living and enjoying.

We have tackled corporate governance reforms from early on to realize such discontinuous growth. And we tried to find what we ought to be and made the transition to a Company with Three Committees (Nomination, Audit and Remuneration Committees) after approval at the Annual Shareholders Meeting in May 2017. After the transition, we have proceeded further with the reform of the Board of Directors, which is an integral part of corporate governance reform. By strengthening corporate governance, I think the management oversight function is strengthened and transparency and objectivity of management are further improved.

Based on these efforts to strengthen corporate governance, we are working to realize sustainability management to carry out our intention to improve the world and do the right thing. In order to realize that, firstly, we formulated the Sustainability Policy in 2018. As mentioned above, we clearly stated in the Sustainability Policy that to practice our corporate credo and mission statement placed at the core, which serve as a foundation for continuing business activities for 300 or 400 years, leads to the realization of the Group Vision, that is, resolution of social issues through business activities, and

generates value for stakeholders and contributes to creating a sustainable society.

Next, we have determined five materiality issues in line with the idea of the Sustainability Policy.

From the perspectives of the issues we can tackle using our core businesses and the environmental/social issues that are meaningful for us to address and can produce results, we selected 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.” At the same time, we set 2030 and 2050 goals for each materiality issue.

Among them, the Group positioned “contribution to a low-carbon society” as the most important issue. As mentioned above, we have a keen sense of crisis that we will be in big trouble unless we confront environmental issues seriously. And now it is expected of future companies to address environmental and social issues proactively and companies as public entities cannot overlook actions against global warming. Recognizing that globally increasing awareness of climate change is the most important issue, the Group will not just unite efforts to tackle it but also work together with all stakeholders to resolve the issue to contribute to realizing



a low-carbon society.

The Group formed the Sustainability Committee in 2019 to promote these initiatives, The Sustainability Committee is chaired by the President and Representative Executive Officer and comprised of 16 members including five Senior Executive General Managers of supervisory units of the Company and 11 presidents of operating companies in the Group. The Committee shares the status of promotion of each company concerning five materiality issues and takes a prompt action when problems occur to promote sustainability management in a cross-organizational manner in all companies in the Group. The activities of the Sustainability Committee are reported to the Board of Directors each time so that ESG issues and actions are shared with the Board of Directors.

Top
CommitmentSustainability
Promotion SystemJFR
Materiality IssuesContribution to
a Low-Carbon
SocietyManagement
of the Entire
Supply ChainCoexistence
with Local
CommunitiesPromotion of
DiversityRealization
of Work-Life
BalanceOperating
Companies'
ESG InitiativesOutside
Director's
Message

Governance

Data

→ [Top Message](#) [Message from Outside Expert](#) [Message from ESG Officer](#) [JFR Business Strategy](#) [JFR Mission Statement System](#) [Policy on Sustainability](#)

Determination for 2050

We have “set the stage” for sustainability management over the last one and a half years. I think we should continue these efforts.

In the meantime, we cannot continue to meet increasing needs for initiatives to realize a sustainable society if we stay on the extension of present initiatives forever. We think that the future direction to evolve sustainability management is to carry out our intention to improve the world and do the right thing and create new markets. And this is our idea of CSV strategy.

We will head in the direction to increase economic value by resolving five social materiality issues. The Group

would like to conduct its unique initiatives based on CSV idea.

One of the initiatives that realized our uniqueness is the Daimaru Shinsaibashi store. We position a store that embodies CSV idea as a “CSV store.” It is a strategic store for sustainable growth combining department store and Parco's business models and the idea of sustainability. It is a core place to actually work “with people, with local communities, and with environment” as stated in the Sustainability Policy and also a place to realize sustainable growth while resolving social issues and realizing economic value at the same time.

The Daimaru Shinsaibashi store, as a symbol of the Group that contributes to a low-carbon society and promotes the Sustainability Policy, evolved into a store of new era using 100% renewable energy. We will also convert other stores to the ones that combine new department store business model and the idea of sustainability (CSV stores).

New Shibuya Parco operates as a new urban shopping complex and also in an eco-friendly manner incorporating the idea of the Sustainability Policy. Specific initiatives to create both the next-generation commercial space and CO₂-saving complex building with enhanced energy operation efficiency include attractive outdoor space,

efficient energy system including a cogeneration system, digital communication to promote efficient energy use.

We have a long way to go before achieving sustainability management. The Group has set goals for 2050. As a matter of course, we have to address them not only during my generation but also permanently as long as the Company exists. There are various issues including the issues to be addressed continuously and the issues to be newly addressed. For this purpose, we have to keep ahead of changes of the times and respond to them with the corporate credo at the core. This is the determination of myself who launched these initiatives, and at the same time, the company's determination.

We will continue to ask for what we do business, what issues we should address, and what roles we will take to realize a sustainable society. And the Group will realize sustainable corporate growth and contribute to creating a sustainable society by promoting ESG initiatives simply and honestly.

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