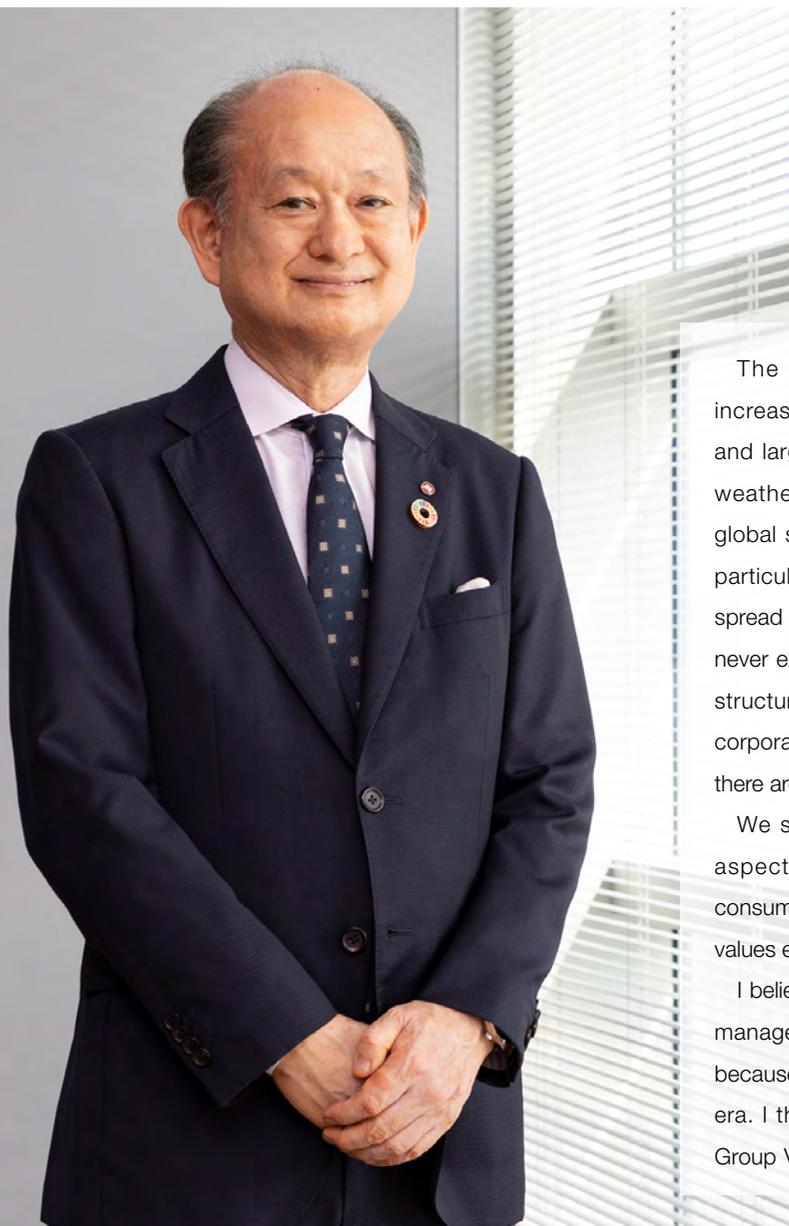


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# Realization of Sustainable Society for the Next Generation

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The environment surrounding us is becoming increasingly uncertain due to frequent heavy rainfall and large-scale typhoon damage caused by extreme weather conditions in Japan, as well as the recent global spread of the new corona virus (COVID-19). In particular, the world changed dramatically due to the spread of COVID-19. This global shock, which we have never experienced before, is greatly changing our social structure and consumption structure. Along with this, corporate responsibilities to the earth and people living there are increasing.

We see COVID-19 as a major turning point in all aspects. People's values about consumption and consumption behavior will change, and accordingly, the values expected of retailers will also change.

I believe that it is important to proceed with the Group management unwaveringly with a firm "axis" precisely because we are in such an unpredictable and uncertain era. I think the "axis" is our Corporate Credo and the Group Vision. The Group Vision says: "Create and Bring

to Life 'New Happiness.'" We have committed ourselves to evolving into a group that looks at both "positive and negative" aspects in life and serves our customers in every aspect of their lives.

Because it is such an era, the Group as a whole is required to make efforts to support customers' lifestyles by emphasizing with their "concerns." We are confident that this will lead to sustainable management. Parco became a wholly owned subsidiary and we intend to further instill the Group Vision in our organization and promote sustainable management with an "axis."

The Group has formulated a Sustainability Policy aimed at realizing sustainable management. The Sustainability Policy makes it clear that we will realize the Group Vision, that is, help solve social issues through our business activities, create value for our stakeholders, and contribute to the creation of a sustainable society.

Next, based on the concept of the Sustainability Policy, we identified five materiality issues.

With regard to materiality, we first set the following five

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issues from the perspectives of the issues we can tackle through our core businesses and the issues that are meaningful for us to address and can produce results: "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 targets for each materiality issue for 2030 and 2050 in order to clarify our initiatives.

Let me now talk about the progress of our initiatives for five materiality issues in FY2019. Firstly, I will talk about "contribution to a low-carbon society," which the Group has positioned as a top priority.

The Group's Scope 1 and 2 GHG emissions in FY2019 were reduced by 11.0% compared to FY2018. This is a 16.3% reduction compared to the SBT base year FY2017, and we are making steady progress toward achieving the targets approved by the SBTi. In addition, in order to respond to the risks and opportunities posed by climate change to the Group, the Group conducted climate-related scenario analyses based on the TCFD recommendations and disclosed them in its Securities Report. Based on the results of the scenario analysis, we joined RE100 in October 2020 and will give top priority to procuring renewable energy. Efforts to address environmental issues, which are considered as one of the factors behind the current COVID-19, are becoming increasingly important. The Group will continue to place top priority on this materiality issue.

This is followed by the "management of the entire supply chain," which was significantly affected by COVID-19.

In FY2019, we reviewed the calculation and tabulation rules for Scope 3, which is the amount of GHG emitted in the supply chain, to improve accuracy and completeness. As a consequence, the Group obtained third-party assurance for Scope 3 GHG emissions for the first time.

Moreover, in an era of great uncertainty like this, it will become more important to disseminate and share the "JFR Principles of Action for Suppliers" formulated in FY2019. We must build a robust supply chain in cooperation with suppliers. To this end, we will continue to put even more effort into the management of the entire supply chain.

Similarly, we reaffirmed the importance of the materiality issue of "coexistence with local communities." The Group works hand-in-hand with local communities to revitalize them. To this end, in FY2019, we opened the main building of the Daimaru Shinsaibashi store and Shibuya PARCO as the Group's ESG model stores and worked to improve the attractiveness of the region, centered on our stores. In the Nagoya area as well, we will open a new commercial complex in November 2020. Thus we are strengthening and promoting the Urban Dominant strategy.

In addition, Daimaru Matsuzakaya Department Stores contributes to the revitalization of local communities by, for example, expanding local production for local consumption (*chisan-chisho*) by leveraging the strengths of its nationwide store network. Though the situations of the cities where department stores are located have become uncertain due to COVID-19, the Group will be quick to find out what urban stores should be and work toward it.



Next, we worked on "promotion of diversity" and "realization of work-life balance."

With work styles greatly changing affected by COVID-19, in particular, the importance of "work-life balance" is becoming extremely significant. There is growing need for a true work-life balance in society where work and housing convergence is spreading. In order to realize creative and productive work styles in this environment, it is important that work and lifestyles are in good harmony. Employees enrich both work and life and are proud of them. We believe that this will lead to the realization of true growth for people and corporations.

To this end, we were quick to expand telework, which had already been introduced, and built a work style that was adapted to COVID-19. Leveraging telework and technology leads to new ways of working that do not lower organizational productivity.

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In FY2019, we introduced a short-term childcare leave system (paid) of about two weeks to encourage male employees to participate in childcare as part of efforts to ensure a good work-life balance. Eighteen employees took this leave. The Group has established and promotes the use of various childcare and nursing care support systems that exceed legal standards so that employees can work with satisfaction and balance work with childcare and nursing care.

Next, I would like to talk about "promotion of diversity," which aims to become a company that transcends the boundaries of age and gender and where individual abilities can be exercised by responding to an aging society and promoting women's empowerment.

The Group promotes the utilization of human resources in accordance with the abilities and motivation of individual employees, and in March 2020, five companies in the Group, including Daimaru Matsuzakaya Department

Stores, extended the retirement age to 65. In FY2019, the percentage of women in managerial positions in the Group was 16.6%, and the percentage of persons with disabilities was 2.21%. Furthermore, we are advancing initiatives that maximize the capabilities of each employee and lead to the creation of innovation, such as LGBT initiatives and new business development through the "Challenge Card" program.

With regard to our initiatives to address the above five materiality issues, we will continue to work toward the achievement of our medium- to long-term targets.

Next, I would like to talk about corporate governance reforms. We have been working on corporate governance reforms from an early stage. In pursuit of what we should be in order to achieve discontinuous growth, we made a transition to a Company with Three Committees (Nomination, Audit and Remuneration Committees) following the resolution of the Shareholders Meeting in May 2017. Even after the transition to a Company with Three Committees (Nomination, Audit and Remuneration Committees), we have further promoted the reform of the Board of Directors, which is the key to corporate governance reform.

As part of these efforts, we reviewed our Officer Remuneration Policy in April 2020. This revision is intended to reflect the promotion of sustainability management and to further enhance the content of this policy. Based on these efforts to strengthen corporate governance, we are working to realize sustainable management that embodies our aspiration to do the right things to make the world good.

As described above, we have been pursuing initiatives for sustainability management. We believe that these initiatives must be continued and strengthened in the future.

The current COVID-19 has an impact enough to transform the paradigm up to now. Going forward, in addition to economic growth, we will aim for "inclusive growth" that simultaneously realizes "sustainability" and "resilience." Aiming to create a society in which everyone can share the benefits of growth and leading it to sustainable growth will become new normal.

Finally, I would like to talk about the Group's approach to sustainability management. Our role as a public entity in society is to work together with our stakeholders to realize both social and economic value. We cannot enhance corporate value over the long term without coexisting with society.

Going forward, we will work to expand economic value at the same time by resolving the five materiality issues that society faces. The Group intends to realize initiatives that are unique to it based on the concept of CSV.

Our commitment to sustainability management is a long way to go. The Group has set a goal for 2050 and it is an initiative that must be undertaken permanently as long as the Group exists. To this end, we must anticipate and respond to changes in the times while placing the Group Vision at the core. The Group will continue to contribute to the realization of sustainable society for the next generation.

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