

J. Front Retailing

Q & A summary at results presentation for the fiscal year ended February 29, 2020

Date and time: 10:00 – 11:00 on Monday, April 13, 2020

Q. Do you see something like opportunities and merits for the Company in a rapidly changing consumption environment? I think the expansion of telework will provide a big opportunity to digitize the Company. Do you see some opportunities such as cost reduction?

A. Concerning changes in consumers, it is difficult to specifically judge because they have much less opportunities to visit stores due to COVID-19. However, fact finding is required to think of new business after COVID-19. I see from five major perspectives: (i) globalization; (ii) innovation; (iii) how the internet will be used; (iv) how we will use AI; and (v) work style reform.

I think they are important factors we should incorporate into the preconditions for building business after COVID-19 outbreak. Globalization is a matter of course. Businesses that have achieved innovation perform well even in the current situation where COVID-19 is spreading. We cannot hold an online meeting like today without using the internet. So we need to develop business making full use of the internet, which has become more accessible. Concerning AI, as a matter of course, it is important to analyze and use data. As for work style reform, currently we are forced to work at home or do telework and it turned out that we can do that. Given these matters, I think it is important to build business after COVID-19 in light of these facts, five factors.

Another point is critical thinking. In other words, I have to see what I did in the past critically in terms of these factors to think of next business. I have to think of a new model for success, which includes complete denial of what I did in the past. At this point it is difficult to know how customer behavior will change, but I think it is important to develop strategies and measures to voluntarily open up the future.

Q. Concerning five facts you mentioned now, I understand that the direction will lead to the new medium-term plan, which will be announced in April next year, and that the new midterm plan will be built along these lines. Is it correct?

A. They are yet to be discussed concretely. I think we need to build the new midterm plan with due awareness of these factors and background. I think we will not develop a conventional department store model but need to work on this with dynamic ideas further increasing synergy with PARCO.

A. As additional information, I strongly feel something in these two months, March and April. It is changes in consumers, and particularly, I think it is very important to think about the situation after COVID-19. I felt something about what we did in the past. One is the current situation where duty-free sales are almost zero. We actively captured inbound tourism demand amid globalization. On the other hand, we excessively focused on tourists from China, luxury brands and cosmetics, and the Shinsaibashi store. We have increased sales steadily in such a situation, but I would like to analyze details and think of the future.

As you can imagine easily, department store EC sales of cosmetics are growing. As customers cannot visit stores, EC sales increase twofold. However, I do not think it means that efficiency and customer convenience have been improved. Just placing real stores at the core as in the past and complementing them with digital will make the future difficult.

The Department Store Business in the Group is actively working on telework. Though I thought it would be difficult to do telework in the business that mainly operates stores, most of head office operations have transitioned to telework in the current situation. On the other hand, many employees conduct payment operations at the head office. I feel that there has been a delay in launching the reform of these

operations. In any event, I would like to think of our future direction in light of these five factors in the right way.

Q. Mr. Yamamoto has been responsible for oversight and execution in J. Front and will be dedicated to oversight as the Chairperson of Board of Directors. What is your first focus as the Chairperson of Board of Directors in the top management of J. Front in order to enhance the value of J. Front? What have you most focused on in coaching Mr. Yoshimoto?

A. I think the functions of oversight and execution have become clear after we made the transition to a Company with Three Committees (Nomination, Audit and Remuneration Committees) in 2017. When I served as the President and Representative Director, I was responsible for both execution and oversight and acted as such. My focuses as the missions of the top management include: (i) business portfolio management; (ii) resource reallocation by business segment; (iii) synergy between business segments; (iv) development and thorough dissemination of the company-wide vision; (v) business domain; (vi) the design and operation of company-wide organization; (vii) company-wide human resource management; (viii) company-wide governance; and (ix) shareholder management. Going forward, I would like to specifically supervise and give guidance about how accurately and promptly the next executive officers will carry out these missions so that they will lead to results/achievements.

With regard to coaching to Mr. Yoshimoto, we have discussed when the top management will be replaced in discussions about succession planning at the Nomination Committee meetings since the transition to the Company with Three Committees (Nomination, Audit and Remuneration Committees). While developing successors, we selected candidates, and among them, the right person was selected by people outside the Company. I have provided coaching from the perspectives of motivation to achieve goals, grit and a strategic mindset, which are required of the top management, and furthermore, succession planning. Mr. Yoshimoto has these qualities enough and so I have decided to pass the baton to him.

Q. Mr. Yoshimoto, where do you want to focus as the top management in light of coaching?

A. I think the strength of the Group is “to complete what we decide to do.” There are some things I have been told at all times: grasp facts; the process to move into concrete action is abstract; and I lack speed.

We have the Group Vision “Create and Bring to Life ‘New Happiness.’” And I have always encouraged myself and the organization to particularly take two actions of JFR Way (five ideas we value to realize the Vision): “Try without fear of failure!” and “Act for yourself!” Though the world is significantly changing affected by COVID-19, I think I myself should offer a direction considering these strengths and weaknesses and looking ahead to the future of the Group.

Q. Concerning the forecast of the Real Estate Business, the variable portion of rent under fixed-term lease is expected to decrease and do you factor in a decrease in the fixed portion? In the meantime, will the rents of your large stores paid under long-term contracts change if the impact of COVID-19 will be prolonged?

A. A certain variable portion of rent under fixed-term lease was factored in, but concerning the fixed portion, we have no choice but to decide it seeing the closure period. In the meantime, concerning the rents of flagship stores payable by us, negotiations are going to start or have just begun. There is nothing decided at the moment.

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