

J. Front Retailing, Co., Ltd.
Q & A summary
15th Annual Shareholders Meeting

Date and time: 10:00 – 11:15 on Thursday, May 26, 2022
Venue: New Pier Hall

Q. Department Store and Parco, of which business formats are different, were included in the same group. By doing so, what benefits are generated? On the other hand, could you provide supplementary explanation about issues or matters that are different from your original intention, if any?

A. (Yoshimoto, President)

When Parco was converted into a wholly owned subsidiary in 2019, we expected it would generate four synergies. The first is the “strengthening of business foundation as a retail and real estate business group,” the second is “development as a Multi Service Retailer,” the third is the “improvement of management efficiency,” and the fourth is the “strengthening of competitiveness through the exchange of human resources.”

The most important is that how we will generate synergies as a retail and real estate business group. The achievements we have made up to now include opening of the main building of the Daimaru Shinsaibashi store in 2019, and subsequently, opening of Shinsaibashi Parco in 2020. Thereby the strengths of Department Store and Parco were shown and their customer bases were mutually expanded. Thus great synergies were created in the area in spite of the COVID-19 pandemic. We will further such efforts in each of our key areas.

In terms of management efficiency, as Parco operates B to B business and Daimaru Matsuzakaya operates B to C business, I think we need to organize their businesses based on their respective business characteristics. In light of these issues, I would like to evolve them in the next core system to further improve management efficiency.

Concerning the exchange of human resources, in the current fiscal year, more people were appointed as officers from Parco to be involved in the management of J. Front Retailing (the “Company”). Accordingly, we have in place a system to use Parco’s human resources and know-how as a group. I feel a system that can further generate synergies was ready. I do hope you will expect from that.

Q. I would like to ask you about your human resources strategy. Specifically, how are you addressing women’s empowerment?

A. (Matsuda, Executive Officer)

We are working on promoting women’s empowerment from early on. In our workforce composition, women are larger in number than men. The ratio of women in management positions was 21.3% in FY2021, up 1.4 points from a year earlier. On the other hand, we acknowledge a lack of female human resources who will be responsible for the future management, which is our challenge. So I strongly recognize the need to find and develop human resources in a systematic manner. We will further promote various experiences and initiatives to facilitate the growth of individual employees, for example, by developing career development programs for individual employees.

(Yoshimoto)

In both Department Store and Parco, a half of employees are women. Meanwhile, the ratio of women in management positions is 20-plus %. So we would like to promote our own initiatives with an eye to the future.

Q. Currently in Japan, prices are rising but wages do not rise. For retailers, I think it is difficult to increase sales unless wages rise. What does J. Front Retailing think about wages and treatment?

A. (Matsuda)

As for the Group's wages, we strive to decide, maintain, and improve adequate levels on an annual income basis while keeping in mind the views of Keidanren (Japan Business Federation) concerning wage hike demands at so-called Shunto (annual spring wage negotiations), giving importance to the performance of each operating company, studying competitors' levels, and considering recruitment competitiveness and employees' motivation.

In terms of employee treatment, we recognize that it is important to implement the measures that improve employee engagement, that is, job satisfaction and easiness to work. We would like to deepen discussions on them.

Q. You told you would strengthen your response to the affluent market more than ever before. I would like to know about your future initiatives including those for overseas customers.

A. (Sawada, Director)

First, concerning response to the domestic affluent market, the most important point is what we will provide, which is the perspective of content. In addition, the number of customers in their 20s and 30s is increasing and I recognize that customer touch points are an important viewpoint. In terms of content, for example, modern art and luxury mechanical watches are popular among customers. We will strengthen our product mix in collaboration with suppliers to further increase our share. Recently, we sold a rare figurine online. It drew interest from many customers and it was sold on the same day. Like this, we are promoting use of digital technologies as well as physical stores as touch points.

As for response to the overseas affluent market, our app has an English version and a Chinese version. The Chinese version connects with approximately 13,000 people. The majority of our inbound sales were from cosmetics. However, what is important is what products and categories we will provide, like in the domestic market. So we will study the provision of products such as those with ultimate Japaneseness or Japanese locality.

(Yoshimoto)

We have not yet brought in the overseas affluent market enough. However, I recognize that there are many means and possibilities. The Prime Life Strategy, which is one of our key strategies, is a strategy not just for affluent customers but for all "consumers who enjoy fulfilling, sustainable lifestyles." So we, including Parco and the Payment and Finance Business, would like to proactively build relationships with customers. I would be happy if we could propose the appeal of Japan as a whole.

Q. Compared with your peers, particularly Isetan Mitsukoshi and Takashimaya, what do you think are your advantages?

A. (Yoshimoto)

Let me explain our uniqueness and what we would like to further improve.

Our greatest advantage is having an extremely unique operating company Parco in the Group. Parco, whose businesses include an entertainment business, has evolved uniquely unlike Department Store. Also in strengthening a retail business and a real estate business, I think our initiatives will be completely different from those by only Department Store.

The second is having the store networks of Daimaru, Matsuzakaya, and Parco in major areas nationwide from Hokkaido to Kyushu. I think it will become a great advantage in promoting the Company's strategies in the future.

The third is having "power to get it through" if we decide to do something because we have accumulated various management reforms such as sales reforms since past years. To give an example, Department Store created excellent app and penetrated it in the front line, and many customers use it. I am confident that such power to thoroughly pursue something is superior to any other company.

The fourth is in our strategy for affluent customers. I think other businesses and companies have also made such strategies. However, we have strengthened *gaisho* business in Department Store since more than ten years ago. We have made steady progress, for

example, by increasing the number of customer members, creating a members-only website, and changing the organization and work styles. We have many examples that are a step ahead of the pack. We will promote initiatives that are one step ahead of the competition with an eye to the changing times.

Q. Concerning the Developer Strategy in the Sakae area, Nagoya, I am pleased as a shareholder that it got favorable coverage on NHK program this morning. It was reported that you are planning to build a 40-story building. And I would like to know your concrete measures, such as differentiation from existing Matsuzakaya store.

A. (Makiyama, Director)

The Group holds many properties mainly in Sakae. Of these properties, all employees are excited to promote the plan to build a symbolic building in the center of the Sakae area. We are not thinking of simply integrating what the department store Matsuzakaya has fostered and what Parco has fostered but thinking hard of creating what is needed to enrich people's lives in the future, which is neither Department Store nor Parco, but something like a media center, which is not a simple commercial facility. It is scheduled to open in 2026 and I would like to create something beyond imagination. Please look forward to it.

(Yoshimoto)

The revitalization of the whole area enables each of our stores to show maximum performance. Like the Daimaru Kobe store, if surrounding area prospers, our stores located in the center of the area will become stronger. Increasing the area's ability to attract customers will give our stores much more power, though the competition will increase. In Nagoya, amid competition between the station area and the Sakae area, we will draw interest from many people through this redevelopment, which will produce positive effects on both Matsuzakaya and Parco. We will create a commercial facility that can play a role in contributing to attracting crowd to the area. So please look forward to it.

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