

We asked our Outside Director of four years, Ms. Sakie Tachibana FUKUSHIMA, who possesses global knowledge and experience and has been deeply involved in the management of many companies, about J. Front Retailing's business strategy and corporate governance.



## Ms. Sakie Tachibana FUKUSHIMA

Outside Director

Joined Braxton International in 1980. After working at Bain & Company, joined Korn/Ferry International in 1991, based in Tokyo. Served on the Board of Directors of the global US headquarters of Korn/Ferry International for 12 years from 1995. Appointed President and Representative Director of Korn/Ferry International - Japan in 2000 and Chairman and Representative Director in 2009. Became President and Representative Director of G&S Global Advisors in August 2010 (current position). Has served as Outside Director of J. Front Retailing since May 2012.

### Business models will change dramatically

Recently, the definition of “industries” is changing dramatically and becoming increasingly complex. Particularly in the retail industry, there was a relatively clear division among business categories such as department stores, supermarkets, and convenience stores, and they could coexist to some extent. Now, however, channels have diversified due to the use of ICT, and particularly because of the rise of Internet retailing, they have been changing drastically. Looking at J. Front Retailing, it ranks second in sales in the department store category, and its operating margin is higher than the top sales company. But as the industry's ROE is low, the pressure from shareholders is bound to increase. There will be significant industry-wide structural changes in the future. How the industry is defined varies, but the Company will not settle for the current position and, as a matter of course, it aims to be the top in the department store industry. However, I personally hope the Company will aim to reach the top in the wider retail industry, including convenience stores and others. In the traditional department store

category, I see J. Front Retailing as a pioneer because the Company successfully merged two companies (Daimaru and Matsuzakaya) and has taken proactive actions in an industry facing severe challenges. Changes in the buying behavior of customers can result in the rapid change of business models, so the Company needs to act ahead of such changes. I believe it has the ability to become an industry pioneer. In my previous job as a human resources consultant covering the luxury, retail, and consumer goods industry for almost 20 years, I saw the industry through the lens of human resources. Even in those days, I saw foreign luxury brands, which had been centered on department stores, expand their distribution channels to freestanding locations and to the Internet. However, even those changes pale in comparison to the speed of changes we see today.

I think J. Front Retailing's strategy of becoming a multifaceted retailer to meet the changes in customer buying behavior is heading in the right direction. The Company will be able to grow further by recognizing that the competitive paradigm is shifting and focusing on not just the Internet business but the adoption of ICT to manage with speed. To this end, it is crucial to achieve thorough synergy with acquired companies.

## Changing the mindset is crucial to changing a company

I think optimal corporate governance varies according to the country, industry, and company. Serving on the board of the headquarters of an American company, I experienced American-style governance, in which all the board members except the CEO and me were outside directors. During those years, I learned much from outside directors, who had the experience of serving as CEO and other positions at American companies, about the role of outside directors as well as the role of inside directors. At that time, the CEO of my company had just been recruited from the outside, so I was given the role of explaining to him and the board what had happened to the company in the past. I had to think of what to do so that outside people with different experiences in different industries could understand why we had made certain decisions. It forced me to look at my company objectively. I became keenly aware of the importance of the process of thinking about whether decisions had been really necessary, whether they were considered from the standpoint of optimizing the whole company rather than a particular team, and so on—that is, the importance of thinking objectively about the company from an outside perspective.

To change a company is to change the mindset of its people. I may think this way especially since my previous job was to find and recruit change agents to change the mindset of employees, improve performance, and change the company's business model. The best people for my clients differed according to their strategic needs, and my job was to find the best people for the position, that is, "to fill the position with the person who can accomplish the mission." Putting the right people in the right job is important when fostering people. When there are no right people in the company for the position, it is necessary to search outside the company "to fill the position with the



right person" because new perspectives and approaches are introduced. A company should use diversity to globalize. I believe that J. Front Retailing, which was successful in uniting different cultures in its merger, has the ability to utilize diversity effectively.

## It is important to keep reiterating using a different benchmark

The role of outside directors is to promote the improvement of executive performance through optimal governance. In this respect, the best form of governance may vary by company, but the role of outside directors is the same.

An important role of outside directors in Japan is to use a benchmark different from that of the company to ensure that "what is considered common sense inside the company is not something that is in fact contrary to common sense outside the company." This is because many CEOs in Japan work at only one company their entire career, whereas many in Europe and the US accumulate experience through career changes and form their own benchmarks independent of any one company.

The notion of who outside directors represent is also different between the US and Japan. In the US, they clearly represent the shareholders and ask how shareholders or markets would evaluate any decision made at a board meeting. In US business schools, maximizing shareholder value is thoroughly inculcated as the responsibility of management. In Japan, in general, stakeholders are broadly defined to include employees, partners, suppliers, and customers. Actually, the definition of stakeholder is also being reviewed in the US recently. In Japan, companies need to have more awareness of shareholders, and I make a point of consciously emphasizing this at board meetings.

And even if the management and the board don't like to hear what I have to say at the board meetings, I will insist on reiterating it as many times as needed. I have seen the retail industry and J. Front Retailing through my experience working for foreign consulting firms and a foreign human resources firm, so I always have in mind the competitive advantage of the Company and how it should differentiate itself in the industry and from other companies. In addition, I will continue to advocate the effective use of what was acquired through M&As, the use of ICT, and in particular, channel strategy. The Company's executives may get tired of hearing from me, but I intend to reiterate over and over what I think is globally and strategically important for the Company to succeed.