TOP MESSAGE



Top Message

Realization of Well-Being Life through **New Value Creation**

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Pursue CSV

Amid increasingly uncertainty about the future due to aggravated global environmental problems such as global warming and ocean pollution, human rights issues in supply chains, prolonged COVID-19, and increasing geopolitical risk, social structure and consumption behavior are greatly changing. Currently companies cannot develop without coexistence with the environment and society. It is evident that we cannot conduct business activities looking away from issues such as the environment, society and human rights.

With this awareness, the Group is promoting sustainability management that simultaneously solves environmental and social issues and achieves corporate profits through business. Specifically, we will realize it as Creating Shared Value (CSV) to integrate sustainability with corporate strategies and business strategies.

The Group has conducted business based on the

spirit of its Corporate Credo "Service before Profit" (Those who give priority to service over profit will prosper) and "Abjure All Evil and Practice All Good" since Daimaru and Matsuzakaya were founded. They represent "customer-first principle" and "contribution to society," expressing the idea that thinking of stakeholders thoroughly and acting accordingly will lead to business growth.

I believe CSV that solves social issues through business activities for the Group is nothing less than simply and honestly practicing this Corporate Credo, which has long been its basis.

The Group has built the foundation of so-called sustainability management since 2018 by identifying materialities, formulating the Sustainability Policy, and working to reduce environmental and social risks. I am aware that we are in the phase of creating new value for society and ourselves on this foundation through business and realizing our unique new value creation. To this end, we need to pursue CSV.

Propose

Well-Being Life

through new value

creation

→ Top Message

Top Message

AnotherADdress, a fashion subscription business launched in 2021, has gained popularity among many customers because the sustainable idea behind the business as well as its attractive products have drawn sympathy. I believe the Group will be able to grow in a sustainable way by providing stakeholders with many businesses based on new value.

We hold the JFR Creation Award every year since 2017 to make employees compete over ideas on products and services and plans for new businesses that realize the Group Vision. More and more plans with a sustainable perspective are selected each time. I feel social and customer needs and employee mindset are changing. I think my role is to firmly support these employees' ideas, which we can call the seeds of CSV, so as to set a course as a business, and to sprout and bloom them.

Practice CSV

(Creating Shared Value)

using the Group's

strength

Furthermore, we began to strengthen the organizational structure of the Company's head office in fiscal 2022 to create new value. We newly created the Business Portfolio Transformation Promotion Division, which studies and finds business domains that can become the next pillar of growth. The division set the "business domain that solves materialities" as one of the domains to be given priority consideration.

Integrate corporate strategy / business strategy with sustainability management

> Corporate Credo

Service before Profit

Abjure All Evil and **Practice All Good**

Group Vision

Create and Bring to Life "New Happiness."

Sustainability Policy

With People, with Local Communities, with Environment

Corporate vision and value delivery

Producing fulfilling lifestyles and creating unique communities to coexist with local communities

Management strategy / business strategy

→ Top Message

Top Message

— Human resources will create new value

It is "human" power that will open the way to the future by achieving discontinuous growth instead of remaining on the current path in the highly uncertain environment. The Group would like to more actively invest in human resources than ever for new value creation.

Beginning in 2020, the Group considers the ability to perform duties, which directly leads to results and contributions, and the ability to create new value as "human resource value" and adopts a personnel system "based on human resource capabilities" with human resource value at its core. "Human resource capabilities" are the total power of actions that lead to the realization of results, highly specialized knowledge and skills, underlying ability to perform duties, energy and learning to promote changes, and underlying character and spirit.

In addition, my focus is on strengthening engagement through dialogue with employees. I provide more opportunities to have direct mutual communication with young employees who will lead the next generation of the Group, in particular, which we call Catch Ball Meeting, in the hope that they will seize opportunities. I would like to gather "people who voluntarily try to do what they want to do" and deepen each other's understanding through talks with various people inside and outside the Group including the management team to create a structure in which we act as one to realize sustainability management.

— Diversity & inclusion and value creation

The Group, which is in the phase of great change, would like to closely support stakeholders and society in a present progressive form in their lives after 10 years and even 100 years. To this end, we need creative ideas beyond retail, that is, creation. From this idea, the Group Vision "Create and Bring to Life 'New Happiness'" was born.

I think diversity & inclusion are essential to realize this vision. Diverse people who agree to the vision and want to realize it accept each other's individuality, values, and views and repeatedly discuss. By doing so, foreign elements will be connected, which will lead to new creation and new value. It will create innovation and become a driving force for the sustainable growth of the Group.

Currently we are implementing various initiatives such as the promotion of personnel exchanges in the Group, cross-Group projects in which different genders and generations mingle, and the employment of professionals from outside. Stimulated by them, we will foster corporate culture and organizational culture in which diverse people can exercise their abilities and be empowered while treating each other as equals.

— Realization of Well-Being Life (both mentally and physically fulfilling life)

The Group articulated its intention to realize Well-Being Life

for its stakeholders in the Medium-term Business Plan launched in fiscal 2021. The Group thinks of Well-Being Life as "both mentally and physically fulfilling life" that realizes spiritual wealth (intellectual and cultural wealth), physical wealth and social wealth as well as conventional material wealth and economic wealth and wealth for the environment surrounding them.

While valuing the places in which we communicate with various people such as customers, employees, business partners, and local people, we will realize Well-Being Life for all and contribute to realizing sustainable society by committing to sustainable management that simultaneously creates social value and economic value.

