

[Translation]

April 10, 2020

To whom it may concern

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Notice Regarding Revision of Officer Remuneration Policy

1. Purpose of Revision of Officer Remuneration Policy

J. FRONT RETAILING Co., Ltd. (the “Company”) hereby announces that it has further revised the details of the Officer Remuneration Policy (hereinafter the “Policy”) that was established and published in April 2017, to reflect the Company’s initiatives to promote sustainability management and so forth, and to further enhance the details of the Policy.

The Company has also designed officer remuneration to function as an incentive for achieving and promoting sustainability management.

2. Regarding PARCO CO., LTD.

As explained in the press release “Notice Regarding Demand for Share Cash-Out Pertaining to Shares of PARCO CO., LTD. (Securities Code: 8251),” dated February 27, 2020, the Company has made PARCO CO., LTD. a wholly-owned subsidiary.

The Company plans to decide the remuneration for the officers of PARCO (the Directors and Executive Officers, and if PARCO has transitioned from a Company with a Nominating Committee, etc. to a Company with Corporate Auditors, the Directors, Corporate Auditors and Executive Officers) for the fiscal year ending February 28, 2021 based on PARCO’s existing officer remuneration system. However, from the fiscal year ending February 28, 2022, the basic policy for officer remuneration set out in the Policy will also be applied to PARCO, and the Company plans to decide on the details giving consideration also to the deliberation of the Company’s Remuneration Committee.

3. Details of the Officer Remuneration Policy

(1) Initiatives for sustainability management

(i) Corporate Credo

The Company has established its corporate credo and Group mission statement as its unchanging values and purpose.

The corporate credo, “Service before profit” is a phrase taken from a passage from “Of Honor and Disgrace,” written by Xunzi, a Chinese thinker in the Zhanguo period, “Those who give priority to service over profit will prosper.”

The most important thing is to approach things with sincerity and good faith. “Do not sell any products that are of no benefit to customers.” “Do not rank customers.” “Honesty and loving-kindness come first.” “An unfaithful person is useless regardless of how gifted he/she may be.” Thus Daimaru has told its employees to keep a humble attitude to serve customers.

At Matsuzakaya, the spirit of “Abjure all evil and practice all good” has been valued.

These expressions can be modernized as “Customer-first principle” and “Contribution to society.” Thinking of stakeholders thoroughly and acting accordingly will lead to business growth.

We believe “Creating Shared Value (CSV)” to solve social issues through business activities is nothing less than practicing the Group’s corporate credo simply and honestly.

(ii) Group Mission Statement

We aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations.

We aim at developing the Group by contributing to society at large as a fair and reliable corporation.

(iii) Group Vision

The Company has adopted the Group Vision:

“Create and Bring to Life ‘New Happiness.’”

Now is the time when lifestyles are changing speedily. To meet these changes quickly, and what is more, to find budding needs are J. Front Retailing’s important missions.

More women’s social advancement. Changing lifestyles due to falling birthrate and aging population. Increasing globalization and digital consumption. Various factors bring you more new ways to enjoy your life as well as triggering concerns and stresses.

Seeing both these “positive and negative” factors, we will evolve into a group that can serve you in all aspects of life.

With regard to “enjoyment,” we will not only “sell goods” but create new events and experiences to excite you.

With regard to “concerns,” we will address areas of “dissatisfaction” such as “busyness,” “uneasiness” and “hassle” and create services to brighten your mood.

Our domain will expand beyond the framework of “retail.”

And there should be creative ideas, or the creation of “new happiness.”

Now is the time for J. Front Retailing to drastically change.

We promise to remain part of people’s lives not only for the next 10 years, but even for the next 100 years, all the while “changing with the times.”

(iv) JFR-Way

The JFR-Way is the ideas we value to realize the Vision.

“Create the future!”

We will create things that society and consumers have never before perceived as well as create new amazing and delightful things.

“Try without fear of failure!”

We will take action without fear of failure, and we will all learn from the challenges we have faced.

“Introduce new ideas!”

We will not succumb to an inward-looking approach, but instead will take a broader view developed by coming into contact with people, objects and events in the outside world.

“Act for yourself!”

We will think for ourselves when taking action without waiting to be told, and will enthusiastically accomplish our goals.

“Be sensible and honest!”

We will take action as members of society in a manner commensurate with a sense of social decency, while unwaveringly conducting ourselves with sincerity and honesty at all times.

(v) Commitments to stakeholders

- (Customers) We are committed to providing genuine satisfaction captivating customers by offering new value.
- (Shareholders) We are committed to increasing corporate value over the long term by practicing highly profitable and highly efficient management.
- (Business partners) We are committed to building the relations of trust through mutual endeavors, and to growing together.
- (Employees) We are committed to ensuring rewarding workplace environments where employees' performance and contributions are evaluated fairly and they can demonstrate their abilities, achieve growth, and have job satisfaction.
- (Communities) We are committed to contributing to the development of the communities as well as promoting environmentally friendly business activities as a good corporate citizen.

(vi) Sustainability Policy

In 2018, the Company established its Sustainability Policy:

With People, with Local Communities, with Environment
To Realize New Happiness in Sustainable Society and Life

Then, through repeated discussions at the Management Meetings and Board of Directors meetings based on the results of a questionnaire survey of 4,250 stakeholders, we finally identified five materiality issues to be addressed by the Company: "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."

In addition, we formulated the "Eco Vision" and "Social Vision" to clarify our stance and action policies for resolving environmental and social issues, set medium- and long-term targets for each materiality issue, and promote initiatives linked with our business strategy.

We created the Sustainability Committee to promote sustainability management in all companies in the Group in a cross-organizational manner and we formulate action plans for each JFR Group company and manage their progress.

Looking ahead, we will continue to promote initiatives unique to the Company, working with people, with the local community, and with the environment to realize new happiness in sustainable society and life.

(vii) Human Resource Development Company

For lasting growth in a highly uncertain environment, the Company recognizes it is only "human resources" who can unlock the future and that companies cannot grow without growth of "human resources." Based on the recognition that "employees are treasure (assets)," we will thoroughly confront each individual and aim to realize a "human resource development company" that develops human resource capabilities.

With a focus on clarifying a policy on dealing with internal and external risks and maximizing human resource capabilities, which are essential for growth, and with the aim of realizing the Group Vision "Create and Bring to Life 'New Happiness,'" we will strive to contribute to creating a highly competitive group of companies that makes each individual employee commit to autonomy and challenges and realize his/her growth through work and continues to create new value by combining diverse human resources.

(viii) FY 2017 to 2021 Medium-term Business Plan of the Group

We have positioned the FY 2017 to 2021 Medium-term Business Plan as a turning point to drastically alter the course of the management of the Group toward realizing discontinuous growth

based on the new Group Vision, that is, a “phase of changing the Group structure” and aimed to realize ROE of 8% or more in fiscal 2021.

With the recent conversion of PARCO into a wholly-owned subsidiary, we aim to create new value by maximizing Group synergies. At the same time, we will complete the current Medium-term Business Plan to rebuild our business strategies with a view to reforming the business structure in a way that we have not been able to achieve until now, amid a management environment undergoing greater-than-expected changes. We are also discussing the formulation of a new Medium-term Business Plan starting in fiscal 2021.

(2) Basic policies for officer remuneration

The Company’s Officer Remuneration System follows the basic approach below, aiming to achieve the objectives of realizing and promoting sustainability management (pay for purpose). Moreover, the JFR Group’s main subsidiary, Daimaru Matsuzakaya Department Stores Co. Ltd. has adopted the same basic policies.

- (i) Contribute to the sustainable growth of the JFR Group and increase corporate value over the medium to long term, and be consistent with the corporate culture.
- (ii) A highly performance-based remuneration system that provides incentives to Executive Officers both for accomplishing objectives set under management strategies and business plans, and for achieving targets with respect to corporate performance.
- (iii) Remuneration levels that can secure and retain personnel who have the desirable managerial talent qualities required by the Company.
- (iv) Increase shared awareness of profits with shareholders and awareness of shareholder-focused management.
- (v) Enhanced transparency and objectivity in the remuneration determining process.

(3) Approach to remuneration levels

To make quick responses to changes in the external environment and the market environment, the Company uses objective remuneration survey data, and so forth, from external specialist organizations, adopts officer remuneration levels of companies in the same industry (department store, retailer) and companies of a comparable size (selected based on market capitalization and consolidated operating profit) in other industries as a benchmark and compares the remuneration levels of its Executive Officers and Directors with the benchmark annually. The same treatment shall apply to the Directors and Executive Officers of Daimaru Matsuzakaya Department Stores.

(4) Overview of remuneration composition

Executive Officers

Remuneration for Executive Officers shall comprise (i) basic remuneration (monetary remuneration) in accordance with rank (position), (ii) bonuses (monetary remuneration) based on individual evaluations conducted each business year, and (iii) performance shares (performance-linked stock-based remuneration, which is trust-type stock based remuneration) linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan as a stock-based remuneration system.

In the Executive Officers’ remuneration composition, the ratio of performance-linked remuneration and stock-based remuneration shall be set so as to function as a healthy incentive for sustainable growth.

Specifically, for the Company’s President, the ratio of basic remuneration to bonuses to performance-linked stock-based remuneration is set at 10:6:10, to increase the correlation between remuneration and performance considering the importance of the President’s responsibilities, while for Executive Officers excluding the President, the ratio for basic remuneration to bonuses to performance-linked stock-based remuneration is 10:6:6.

Daimaru Matsuzakaya Department Stores shall adopt the same remuneration composition for its Directors and Executive Officers. Meanwhile, for its performance shares (performance-linked stock-based remuneration), shares of the Company are issued.

Type of remuneration	Payment basis			Payment method	Composition of remuneration		
					President	Officers other than President	
Basic remuneration (fixed)	Determined separately for each rank (position)			Monthly payment in cash	38.5%	45.4%	
Bonuses (variable)	Base amount by rank (position) × Evaluation factor *1 *1 Determined based on the following quantitative and qualitative evaluation using a balanced scorecard.			Annual payment in cash	23.0%	27.3%	
	Details		Evaluation weights				
	Quantitative evaluation <60%※2>	Financial perspective	Consolidated revenue				21%
			Consolidated operating profit				28%
Qualitative evaluation <40%※2>	Customer perspective	ROE	21%				
		Process perspective	30%				
Organizational and human resource perspective							
Performance-linked stock-based remuneration (variable)	[Short-term: 40%] Base amount by rank (position) × Performance achievement factor *3 *3 Calculated based on the following measures of achievement*4			Annual payment in stocks	38.5%	27.3%	
	Details		Evaluation weights				
	Consolidated operating profit		20%				
	Basic earnings per share		20%				
	[Medium to long term: 60%] Base amount by rank (position) × Performance achievement factor *5 *5 Calculated based on the following measures of achievement *4 If free cash flow and ROE targets are not met, the amount paid will be cut by 50% (if only one of the targets is not met, by 25%).			At the expiration of the term of each Mediumterm Business Plan in stocks			
Details		Evaluation weights					
Consolidated operating profit		30%					
Basic earnings per share		30%					

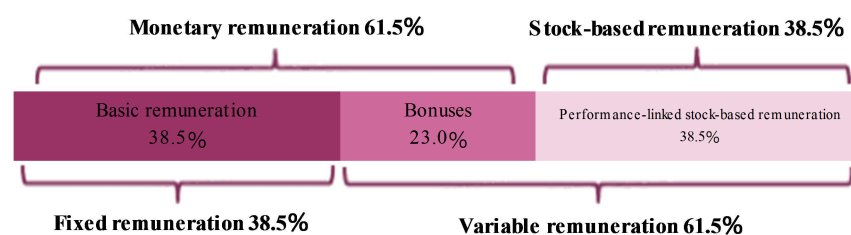
*2 At the Affiliated Business Unit, which includes evaluations of departments in charge, the quantitative evaluation is 70% and the qualitative evaluation 30%.

*4 The performance-linked factor for performance-linked stock-based remuneration is calculated by the following calculation method:

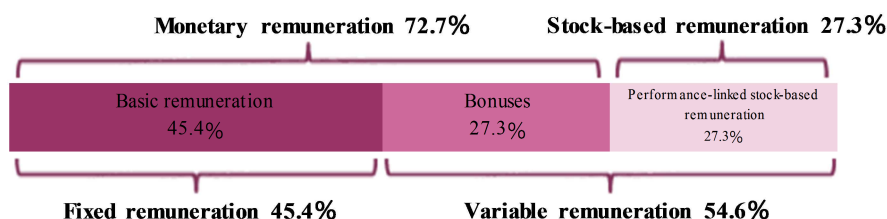
Performance target achievement	Performance-linked factor
150% or more	2
50% or more, but less than 150%	(Actual results ÷ Target - 0.5) × 2
Less than 50%	0

Proportions of remuneration by type for Executive Officers of each rank

President



Executive Officers excluding the President



Note: The above figure represents the case of a bonus for a standard ranking where the performance achievement rate for stock-based remuneration was 100%.

Note: The remuneration composition for Directors and Executive Officers at Daimaru Matsuzakaya Department Stores is the same as that shown for “Executive Officers excluding the President” in the figure above.

Basic remuneration

Basic remuneration is positioned as a fixed remuneration, and is decided for each rank (position) based on the size (weight) of the responsibility borne by each officer.

Bonuses

Bonuses are performance-linked remuneration, which is tied to results and success in accordance with each year’s business performance. Evaluations are performed with balanced scorecards that cover a financial perspective comprising numerical targets, a customer perspective comprising important issues, a process perspective, and an organizational and human resource perspective. The evaluation of important issues for achieving the Medium-term Business Plan is emphasized, with the basic ratio for weighting numerical targets and important issues at 60:40. For the Affiliated Business Unit, which includes evaluations of departments in charge, the weighting is 70:30.

From the financial perspective, comprising numerical targets, to work as an incentive for the officers the evaluation is performed based on the degree of achievement of targets for the fiscal year and the year-on-year achievement, using the indicators that show the earnings of the Company and its main business, namely consolidated revenue, consolidated operating profit, and ROE.

In terms of important issues, the President, who performs the evaluation, interviews each Executive Officer to determine the issues, evaluation point weight and performance targets, etc. for the Executive Officer’s duties. The issues are set out for each perspective mainly as follows: for the “customer perspective,” issues for the counterparties who are customers in the performance of duties; for the “process perspective,” issues related to increasing productivity, efficiency, and so forth; and for the “organizational and human resource perspective,” issues related to human resource development.

From fiscal 2020 onward, in any of the perspectives for important issues, in principle the Company will be obliged to set the weighting of 10% or higher for ESG-related issues in accordance with the Company’s five materiality issues (“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”). The status of setting the issues will be reported to the Sustainability Committee during the fiscal year.

The Remuneration Committee will conduct an interim confirmation of each Executive Officer’s balanced scorecard during the fiscal year. In principle, the final bonus payment amount will be decided at the meeting of the Remuneration Committee in May of the following fiscal year, making reference to the balanced scorecard for the previous fiscal year.

In certain cases, bonuses may not be paid by resolution of the Remuneration Committee. Usually, however, the amount of bonuses will be set variably between 75% and 125% depending on the performance achievement rate.

Performance Shares (Performance-Linked Stock-Based Remuneration)

Performance-linked stock-based remuneration is issues of the Company’s shares linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan. The shares are designed to help the JFR Group achieve sustainable growth and increase corporate value over the medium to long term.

Under this system, 60% of the entire amount of performance-linked stock-based remuneration will be issued in a single issuance at the end of the Medium-term Business Plan, with the remaining 40% to be issued each year in order to promote management from the shareholders’ perspective.

The portion of shares issued at the end of the Medium-term Business Plan is weighted, with 50% based on the consolidated operating profit, for which there is a numerical target (IFRS basis; numerical targets may be subject to separate timely disclosure) in the Medium-term Business Plan, and 50% based on basic earnings per share. If free cash flow and ROE targets are not met, the amount of shares issued is reduced.

The portion issued each year is weighted, with 50% based on consolidated operating profit and 50% based on basic earnings per share for the level of achievement with respect to the initial forecast (IFRS basis).

The fluctuation range for remuneration in accordance with the performance achievement rate is between 0% and 200%.

Administration of the trust-type stock-based remuneration system is contracted to Mitsubishi UFJ Trust and Banking Corporation to ensure independence, objectivity, and fairness.

Details of performance-linked stock-based remuneration

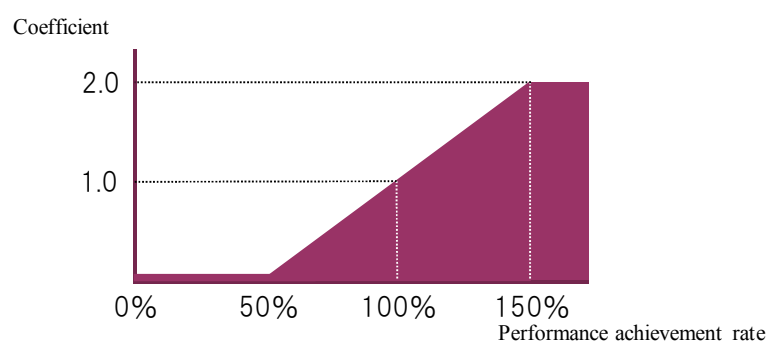
KPI		Short term	Medium to long term	Methods of use
Profitability	(i) Consolidated operating income	○	○	Evaluation based on achievement rate of targets (absolute value)
	(ii) Basic earnings per share	○	○	Evaluations are weighted as 50% for each indicator
	(iii) Free cash flow	-	○	If targets are not achieved, the amount of stock-based remuneration is reduced by 50%
Efficiency	(iv) ROE	-	○	(reduced by 25% if one target is not achieved)

Note: KPI stands for Key Performance Indicator.

Note: Short-term targets are the initial forecasts for that business year as announced in the Consolidated Financial Results each April (IFRS basis).

Note: The Company is discussing finishing its current Medium-term Business Plan and formulating a new Medium-term Business Plan to start from fiscal 2021, aiming to create new value by maximizing Group synergies from the conversion of PARCO into a wholly-owned subsidiary. However, the Company is also discussing leaving the medium- to long-term targets for performance-linked stock-based remuneration unchanged and evaluating performance at the end of fiscal 2021.

Conceptual drawing of performance-linked coefficient fluctuation



Note: If the performance achievement rate is less than 50%, the performance-linked coefficient is 0 (0%). If the performance achievement rate is 150% or higher, the performance-linked coefficient is 2.0 (200%).

Directors

Non-executive Directors' remuneration shall consist only of fixed remuneration, which shall be (i) basic remuneration (monetary remuneration) in accordance with rank (position) and (ii) restricted stock (non-performance-linked stock-based remuneration, which is trust-type stock-based remuneration), which is not linked to performance, as part of the stock-based remuneration system.

Type of remuneration	Payment basis	Payment method
Basic remuneration (fixed)	Determined separately for each rank (position)	Monthly payment in cash
Non-performance-linked stock-based remuneration (fixed)	Determined separately for each rank (position)	Retirement shares

Note: Non-executive Directors refer to Outside Directors as well as Audit Committee Members and other internal Non-executive Directors.

Basic remuneration

Basic remuneration is positioned as fixed remuneration and is decided based on a table for each rank (position) according to the size (weight) of each officer's responsibility.

Restricted stock (non-performance-linked stock-based remuneration)

Non-performance-linked stock-based remuneration is a system for issuing the Company's shares in a way that it not linked to performance, with the objective of involving Non-executive Directors in management with a medium- to long-term view in order that they should strengthen proactive and defensive governance of the Company from a different standpoint to the executives as representatives of stakeholders. The shares are issued upon their retirement from office. The Company plans to disclose the number of shares held as the number of dilutive potential shares until the shares are issued.

Administration of the trust-type stock-based remuneration system is contracted to Mitsubishi UFJ Trust and Banking Corporation to ensure independence, objectivity, and fairness.

(5) Remuneration determining process

To ensure the appropriateness of the level and amount of remuneration, and the transparency of decision-making processes, decisions are made by deliberation and resolution of a Remuneration Committee comprising independent Outside Directors (a majority), a non-executive Chairman of the Board of Directors, the Representative Executive Officer and President, and headed by an independent Outside Director. The Remuneration Committee decides on the policy for determining remuneration details for the individual officers (Directors and Executive Officers) of the Company, Daimaru Matsuzakaya Department Stores, and PARCO, and on the remuneration details for individual Directors and Executive Officers of the Company. Furthermore, the Committee also deliberates and determines internal regulations and other rules for remuneration of the Company's Directors and Executive Officers. The remuneration details for individual officers of Daimaru Matsuzakaya Department Stores and PARCO are deliberated by the nomination and remuneration committees (whose members include independent Outside Directors of the Company), which are established at the discretion of each company, and are decided by each company's Board of Directors, after being resolved by each company's Annual Shareholders Meeting if such approval is required.

Remuneration Committee meetings are to be held at least four times per year, and the review of the officer remuneration system will be conducted in accordance with each Medium-term Business Plan period. During the Medium-term Business Plan period, the level of basic remuneration will be reviewed if a drastic review becomes necessary due to dramatic changes in the external environment and so forth.

In addition, the Company appoints external remuneration consultants with a view to introducing objective viewpoints from outside the Company and expertise on officer remuneration systems. With their support, the Company reviews its remuneration levels and remuneration system in light of external data, economic environment, industry trends, business conditions, and corporate culture, among others.

Main agenda items of Remuneration Committee

- Discuss whether or not the Officer Remuneration Policy requires revision
- Decide on the level of officer remuneration for each individual (base amount by rank)
- Decide on performance targets and evaluation table for bonuses
- Decide on performance evaluation and individual payment amounts for bonuses for the previous fiscal year
- Report on performance evaluation and individual payment amounts for stock-based remuneration for the previous fiscal year
- Examine officer remuneration level, composition, KPIs and other aspects using external data, etc.

(6) Forfeiture of remuneration (clawback and malus)

Regarding Executive Officers' bonuses and stock-based remuneration, the right to payment of bonuses and granting of stock-based remuneration may be forfeit or the Company may request the return of remuneration that has already been paid or granted in cases such as where the Board of Directors has resolved that the financial results are to be amended afterwards due to a serious accounting misstatement or fraud, or where there has been a serious infringement of the appointment contract, etc., between the Company and an officer, or when an officer has retired for their own reasons during their term of office against the will of the Company.

(7) Acquisition and holding of shares

Any shares of the Company acquired by Executive Officers as stock-based remuneration shall continue to be held by respective Executive Officers at least for three years from the grant date of the shares (or at least for one year after they retire from the office of Executive Officer). The purpose of this requirement is to deepen the common interest of shareholders and officers. In particular, the purpose of granting shares of the Company to Executive Officers who are responsible for business execution as remuneration in the form of performance-linked stock-based remuneration is to provide additional incentive to them to work for the improvement of the financial performance and corporate value of the Company from the medium- to long-term perspective.

Directors and Executive Officers of Daimaru Matsuzakaya Department Stores shall adopt the same policy for their acquisition and holding of the Company's shares.

(8) Engagement policy

Details of the Company's officer remuneration system are disclosed swiftly to the Company's shareholders through the Annual Securities Report, Business Report, Corporate Governance Report, and the Integrated Report, which are prepared and disclosed in accordance with various laws and regulations, and the Company website, among others.

To engage with institutional investors, the Company aims to hold over 100 meetings per year, mainly with the President, Executive Officers, and Directors (including independent Outside Directors). The Company has positioned engagement with shareholders and investors who understand its values and vision as one of its core values, and opinions of shareholders and investors received through engagement are shared at Board of Directors and other bodies, and used to realize and promote sustainability management.

Regarding disclosure of the remuneration, etc., as the officers of the submitting company in the Annual Securities Report (in the case of remuneration, etc., as the officers of major consolidated subsidiaries, including this remuneration; hereinafter, "Consolidated Remuneration, etc."), in principle the Company will disclose it without limiting disclosure to those whose Consolidated Remuneration, etc. is ¥100 million or more.

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