Annual Securities Report

(Report in accordance with Article 24, paragraph (1) of
the Financial Instruments and Exchange Act)

The 14th fiscal year (from March 1, 2020 to February 28, 2021)

J. FRONT RETAILING Co., Ltd.

E03516

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Independent Auditor's Report

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Document title	Annual Securities Report
Clause of stipulation	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	May 28, 2021
Fiscal year	The 14th fiscal year (from March 1, 2020 to February 28, 2021)
Company name	Ｊ.フロントリテイリング株式会社 (*J. FRONT RETAILING Kabushiki Kaisha*)
Company name in English	J. FRONT RETAILING Co., Ltd.
Job title and name of representative	YOSHIMOTO Tatsuya, President and Representative Executive Officer
Address of registered headquarters	10-1, Ginza 6-chome, Chuo-ku, Tokyo
	(Above is the address registered as the location of the head office of the Company. Actual business operations are conducted at the following “Nearest place of contact.”)
Telephone number	+81-3-6895-0179 (from overseas)
Name of contact person	IWATA Yoshimi, Executive Officer, Senior General Manager of Accounting and Tax Affairs Division of Financial Strategy Unit
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	(2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)
	Nagoya Stock Exchange, Inc.
	(8-20, Sakae 3-chome, Naka-ku, Nagoya)

A. Company Information

I. Overview of the Company

1. Summary of business results

(1) Business results of the Group

Term	International Financial Reporting Standards (IFRS)				
	10th fiscal year	11th fiscal year	12th fiscal year	13th fiscal year	14th fiscal year
Fiscal year-end	February 2017	February 2018	February 2019	February 2020	February 2021
Sales revenue (Millions of yen)	452,505	469,915	459,840	480,621	319,079
Profit (loss) before tax (Millions of yen)	42,608	48,271	42,126	37,161	(28,672)
Profit (loss) attributable to owners of parent (Millions of yen)	27,052	28,486	27,358	21,251	(26,193)
Comprehensive income attributable to owners of parent (Millions of yen)	31,393	34,450	25,631	19,259	(27,296)
Equity attributable to owners of parent (Millions of yen)	368,571	395,519	412,700	387,188	352,171
Total assets (Millions of yen)	1,005,069	1,022,348	1,029,573	1,240,308	1,263,722
Equity attributable to owners of parent per share (Yen)	1,409.20	1,511.91	1,576.68	1,479.07	1,344.91
Basic earnings (loss) per share (Yen)	103.43	108.92	104.55	81.19	(100.03)
Diluted earnings per share (Yen)	103.43	108.86	104.52	81.17	–
Ratio of equity attributable to owners of parent to total assets (%)	36.7	38.7	40.1	31.2	27.9
Profit/equity attributable to owners of parent (ROE) (%)	7.6	7.5	6.8	5.4	(7.1)
Price earnings ratio (PER) (Times)	16.69	17.91	11.79	14.13	–
Net cash provided by (used in) operating activities (Millions of yen)	33,764	57,079	34,870	73,358	56,471
Net cash provided by (used in) investing activities (Millions of yen)	(27,952)	(19,030)	(26,836)	(49,559)	(20,870)
Net cash provided by (used in) financing activities (Millions of yen)	(2,097)	(31,048)	(21,274)	(14,829)	58,727
Cash and cash equivalents at end of period (Millions of yen)	31,867	38,883	25,659	34,633	128,925
Number of employees (Persons)	6,871	6,723	6,695	6,579	6,528
[Separately, average number of temporary employees]	[3,861]	[3,706]	[3,581]	[3,265]	[3,107]

Notes:
1. The Company has adopted the International Financial Reporting Standards (IFRS) from the 11th fiscal year.
2. Amounts have been rounded down to the nearest one million yen.
3. Sales revenue does not include consumption taxes.
4. The average number of temporary employees includes dedicated employees and fixed-term employees.
5. Diluted earnings per share for the 14th fiscal year are not presented because there were no potential shares that have dilutive effects.
6. The price earnings ratio (PER) for the 14th fiscal year is not presented because a loss attributable to owners of parent was recorded.

Term	Japanese GAAP	
	10th fiscal year	11th fiscal year
Fiscal year-end	February 2017	February 2018
Net sales (Millions of yen)	929,546	947,879
Ordinary profit (Millions of yen)	44,425	41,032
Profit attributable to owners of parent (Millions of yen)	26,950	26,110
Comprehensive income (Millions of yen)	33,425	36,695
Net assets (Millions of yen)	465,839	493,713
Total assets (Millions of yen)	1,050,109	1,066,480
Net assets per share (Yen)	1,553.60	1,651.46
Basic earnings per share (Yen)	103.04	99.83
Diluted earnings per share (Yen)	103.04	–
Equity ratio (%)	38.7	40.5
Return on equity (ROE) (%)	6.8	6.2
Price earnings ratio (PER) (Times)	16.75	19.54
Net cash provided by (used in) operating activities (Millions of yen)	36,239	57,001
Net cash provided by (used in) investing activities (Millions of yen)	(30,353)	(18,719)
Net cash provided by (used in) financing activities (Millions of yen)	(2,189)	(31,280)
Cash and cash equivalents at end of period (Millions of yen)	31,846	38,863
Number of employees (Persons)	6,871	6,723
[Separately, average number of temporary employees]	[3,861]	[3,706]

Notes:
1. Net sales do not include consumption taxes.
2. The average number of temporary employees includes dedicated employees who shifted to non-fixed term contracts and fixed-term employees.
3. Effective from the 10th fiscal year, the Company changed the presentation of tenant sales in the PARCO Business from gross to net, and the presentation of store operating expenses borne by tenants from the method of deducting the item from “Selling, general and administrative expense” to including it in “Net sales.” In addition, the Company has changed the presentation of store operating expenses from the method of including that item in “Selling, general and administrative expense” to that of including it in “Cost of sales.”
4. The Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) and other accounting standards. Accordingly, “Profit” is represented as “Profit attributable to owners of parent” from the 10th fiscal year.
5. The figures for the 11th fiscal year are based on Japanese GAAP and were not subject to an audit pursuant to provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

(2) Business results of the reporting company

Term	10th fiscal year	11th fiscal year	12th fiscal year	13th fiscal year	14th fiscal year
Fiscal year-end	February 2017	February 2018	February 2019	February 2020	February 2021
Operating revenue (Millions of yen)	13,646	14,776	18,770	34,116	13,812
Ordinary profit (Millions of yen)	9,750	9,892	13,987	28,163	8,849
Profit (Millions of yen)	8,702	8,579	13,897	27,948	7,487
Share capital (Millions of yen)	30,000	31,974	31,974	31,974	31,974
Total number of issued shares (Shares)	268,119,164	270,565,764	270,565,764	270,565,764	270,565,764
Net assets (Millions of yen)	305,105	305,802	310,329	328,871	329,351
Total assets (Millions of yen)	434,921	421,361	415,927	531,341	675,917
Net assets per share (Yen)	1,166.55	1,169.25	1,186.13	1,256.46	1,258.07
Dividends per share (Yen)	28.00	35.00	35.00	36.00	27.00
[Interim dividends per share]	[14.00]	[16.00]	[17.00]	[18.00]	[9.00]
Basic earnings per share (Yen)	33.27	32.80	53.12	106.80	28.60
Diluted earnings per share (Yen)	33.27	–	–	–	–
Equity ratio (%)	70.2	72.6	74.6	61.9	48.7
Return on equity (ROE) (%)	2.86	2.81	4.51	8.74	2.28
Price earnings ratio (PER) (Times)	51.88	59.48	23.21	10.74	35.56
Dividend payout ratio (%)	84.15	106.71	65.89	33.71	94.41
Number of employees (Persons)	97	99	132	147	133
[Separately, average number of temporary employees]	[13]	[15]	[19]	[17]	[17]
Total shareholder return (%)	133.3	153.0	101.0	97.3	89.5
[Benchmark index: Dividend-included TOPIX] (%)	[120.9]	[142.2]	[132.2]	[127.3]	[161.0]
Highest share price (Yen)	1,792	2,190	1,944	1,612	1,175
Lowest share price (Yen)	1,010	1,426	1,184	1,116	600

Notes: 1. Operating revenue does not include consumption taxes.
2. The dividends per share of ¥35 for the 11th fiscal year include a commemorative dividend of ¥2.
3. The highest and lowest share prices were those recorded on the first section of the Tokyo Stock Exchange.

2. Company history

Apr. 9, 2007	The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd. resolve at their meetings of the Board of Directors to jointly establish a holding company through a share transfer, subject to the approval at their respective Annual Shareholders Meetings, and at the same time to prepare a "Share Transfer Plan" and conclude an "Agreement on Business Integration." The details of the proposals regarding the share transfer to be submitted to the respective Annual Shareholders Meetings are resolved at the meetings of the Boards of Directors of both companies.
May 24, 2007	At the Annual Shareholders Meetings of both companies, it is resolved that the two companies would become the holding company's wholly owned subsidiaries by way of joint share transfer.
Sept. 3, 2007	The two companies establish the Company by way of a share transfer.
	The Company's common shares are listed on Tokyo Stock Exchange, Inc., Osaka Securities Exchange Co., Ltd., and Nagoya Stock Exchange, Inc.
Nov. 1, 2007	The Company merges with and absorbs Matsuzakaya Holdings Co., Ltd.
Sept. 1, 2008	Daimaru Design & Engineering Co., Ltd. merges with three other companies, Daimaru Mokko Co., Ltd., Matsuzakaya Seiko Co., Ltd., and Refex Japan, Inc., and changes the company name to J. Front Design & Construction Co., Ltd. Dimples' Co., Ltd. merges with and absorbs Daimaru Sales Associates Co., Ltd.
Jan. 1, 2009	Matsuzakaya Co., Ltd. merges with and absorbs Yokohama Matsuzakaya Co., Ltd., which ceased its operations on October 26, 2008.
Mar. 1, 2009	Restaurant Peacock Co., Ltd. merges with and absorbs Shoei Foods Co., Ltd. and changes the company name to J. Front Foods Co., Ltd.
Dec. 1, 2009	JFR Service Co., Ltd. (renamed from Matsuzaka Services Co., Ltd. on September 1, 2009) merges with and absorbs Daimaru Lease & Service Co., Ltd.
Mar. 1, 2010	Matsuzakaya Co., Ltd. merges with and absorbs The Daimaru, Inc. and changes the company name to Daimaru Matsuzakaya Department Stores Co. Ltd.
	J. Front Design & Construction Co., Ltd. merges with and absorbs DHJ Co., Ltd.
Sept. 1, 2010	The Company establishes JFR Consulting Co. Ltd.
	The Daimaru Tomonokai, Inc. merges with and absorbs Matsuzakaya Tomonokai Co., Ltd. and changes the company name to Daimaru Matsuzakaya Tomonokai Co., Ltd.
Mar. 1, 2011	The Daimaru Home Shopping, Inc. takes over part of the direct marketing business split off from Daimaru Matsuzakaya Department Stores Co. Ltd. and changes the company name to JFR Online Co. Ltd.
Mar. 30, 2011	The Company acquires shares of StylingLife Holdings Inc. and makes it an associate accounted for using the equity method.
Jan. 4, 2012	Daimaru Kogyo, Ltd. establishes Daimaru Kogyo (Thailand) Co., Ltd.
Mar. 23, 2012	The Company acquires shares of PARCO Co., Ltd. and makes it an associate accounted for using the equity method.
Aug. 20, 2012	The Company establishes JFR PLAZA Inc.
Aug. 27, 2012	The Company acquires additional shares of PARCO Co., Ltd., making PARCO Co., Ltd. and its five subsidiaries consolidated subsidiaries of the Company, and also making two subsidiaries and one associate of PARCO Co, Ltd. associates accounted for using the equity method.
Sept. 3, 2012	The Company splits off the commissioned sales business operated by Dimples' Co., Ltd., and Daimaru Matsuzakaya Sales Associates Co. Ltd., which established the said business, takes over the business.
	On the same day, Dimples' Co., Ltd. transfers all of its shares in Daimaru Matsuzakaya Sales Associates Co. Ltd. to Daimaru Matsuzakaya Department Stores Co. Ltd., and Daimaru Matsuzakaya Sales Associates Co. Ltd. becomes a subsidiary of Daimaru Matsuzakaya Department Stores Co. Ltd.
Apr. 1, 2013	The Company transfers all shares in Peacock Store Ltd. to Aeon Co., Ltd.
Aug. 31, 2013	Liquidation of Imabari Daimaru Co., Ltd. is completed.
Dec. 20, 2013	The Company acquires shares of Forest Co., Ltd. and makes it a consolidated subsidiary.

Feb. 24, 2014	Liquidation of Central Park Building Co., Ltd. is completed.
Aug. 18, 2014	Liquidation of Parco Consulting (Suzhou) Co., Ltd. is completed.
Jan. 7, 2015	Daimaru Kogyo, Ltd. establishes Taiwan Daimaru Kogyo, Ltd.
Apr. 22, 2015	The Company acquires shares of Senshukai Co., Ltd.
May 7, 2015	The Company acquires additional shares of Senshukai Co., Ltd. and makes it an associate accounted for using the equity method.
Dec. 17, 2015	Daimaru Matsuzakaya Department Stores Co. Ltd. transfers all shares of Hakuseisha Co., Ltd. to AEON DELIGHT CO., LTD.
Sept. 1, 2016	Daimaru Matsuzakaya Department Stores Co. Ltd. merges with and absorbs Daimaru COM Development Inc.
	JFR Service Co. Ltd. merges with and absorbs JFR Office Support Co., Ltd. and JFR Consulting Co. Ltd.
Mar. 1, 2017	JFR Online Co. Ltd. transfers all its business operations to Feel Life Inc., a wholly owned subsidiary of Senshukai Co., Ltd.
Aug. 31, 2017	The Company transfers all shares of Forest Co., Ltd. to EDION Corporation.
Dec. 31, 2017	Liquidation of JFR PLAZA Inc. is completed.
Feb. 26, 2018	Senshukai Co., Ltd. is excluded from the scope of associates accounted for using the equity method due to the Company’s agreement upon the purchase of treasury shares by Senshukai Co. Ltd.
Jul. 2, 2019	Liquidation of JFR Online Co. Ltd. is completed.
Dec. 9, 2019	Daimaru Matsuzakaya Department Store Co., Ltd. acquires a part of the preferred shares of Ginza 6-chome Kaihatsu Tokutei Mokuteki Kaisha (G6TMK) through Ginza 6-chome Shogyo Godo Kaisha and makes it an associate accounted for using the equity method.
Mar. 1, 2020	Daimaru Matsuzakaya Department Stores Co. Ltd. merges with and absorbs The Shimonoseki Daimaru, Inc.
Feb. 26, 2021	The Company transfers all shares in J. Front Foods Co., Ltd. to Dancin’ Diner co., ltd.

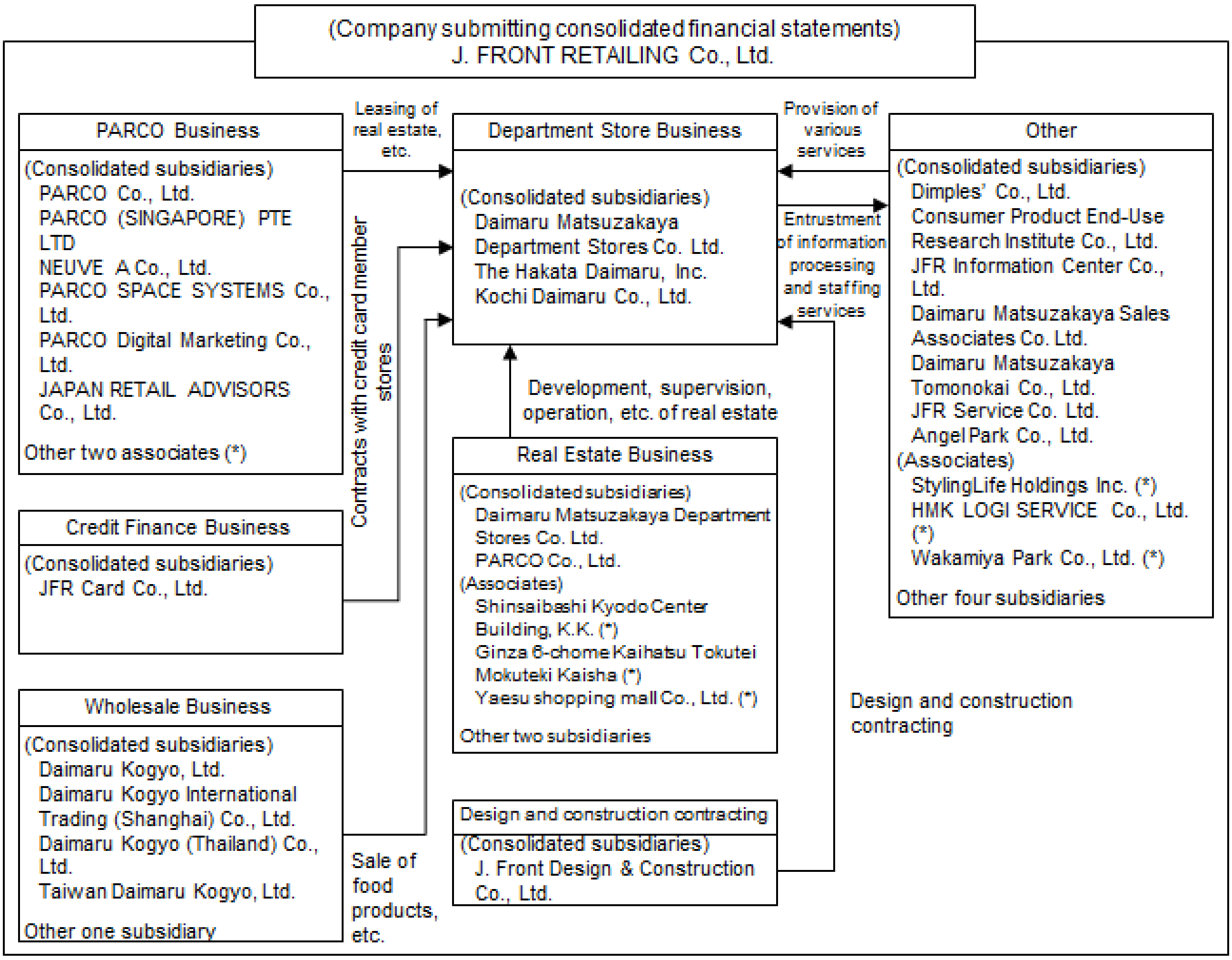
3. Description of business

The corporate group, of which the Company is the pure holding company, consists of 38 companies (including the Company). Its principal business is the Department Store Business, and its other businesses include the PARCO Business, the Real Estate Business, the Credit Finance Business, wholesaling, commissioned back-office service, leasing, parking, design and construction contracting, etc.

The Company is a specified listed company. As a result of falling under the category of specified listed company, the criteria for insignificant material events under the insider trading regulations will be determined based on consolidated figures.

Description of business, etc.	Names of major Group companies	Number of companies
Department Store Business	Daimaru Matsuzakaya Department Stores Co. Ltd., The Hakata Daimaru, Inc., and Kochi Daimaru Co., Ltd.	Consolidated subsidiaries: 3
Real Estate Business	Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd.	Consolidated subsidiaries: 3 Associates: 3
PARCO Business	PARCO Co., Ltd., PARCO (SINGAPORE) PTE LTD, NEUVE A Co., Ltd., PARCO SPACE SYSTEMS Co., Ltd., PARCO Digital Marketing Co., Ltd., and JAPAN RETAIL ADVISORS Co., Ltd.	Consolidated subsidiaries: 6 Associates: 2
Credit Finance Business	JFR Card Co., Ltd.	Consolidated subsidiaries: 1
Wholesale Business	Daimaru Kogyo, Ltd., Daimaru Kogyo International Trading (Shanghai) Co., Ltd., Daimaru Kogyo (Thailand) Co., Ltd., and Taiwan Daimaru Kogyo, Ltd.	Consolidated subsidiaries: 4
Commissioned back-office service, real estate leasing, parking and leasing	JFR Service Co. Ltd. and Angel Park Co., Ltd.	Consolidated subsidiaries: 2 Associates: 1
Design and construction contracting	J. Front Design & Construction Co., Ltd.	Consolidated subsidiaries: 1
Other	Dimples' Co., Ltd., Consumer Product End-Use Research Institute Co., Ltd., JFR Information Center Co., Ltd., Daimaru Matsuzakaya Sales Associates Co. Ltd., and Daimaru Matsuzakaya Tomonokai Co., Ltd.	Consolidated subsidiaries: 5 Associates: 2

Our business structure is shown below.



Notes:
1. Companies marked with an asterisk (*) are equity method associates.
2. In segment information, wholesaling, design and construction contracting, parking, leasing, etc. are shown together as "Other." The other businesses are categorized in accordance with the segments.
3. Daimaru Matsuzakaya Department Stores Co. Ltd. merged with and absorbed The Shimonoseki Daimaru, Inc. on March 1, 2020.
4. The Company transferred all shares of J. Front Foods Co., Ltd. on February 26, 2021.

4. Overview of subsidiaries and associates

Name	Address	Capital (Millions of yen)	Major businesses	Ratio of voting rights holding (held) (%)	Relationship
(Consolidated subsidiaries)					
Daimaru Matsuzakaya Department Stores Co. Ltd. (Notes 3 and 4)	Koto-ku, Tokyo	10,000	Department Store Business, Real Estate Business	100.0	Interlocking of officers: 5 persons Lending of funds
The Hakata Daimaru, Inc.	Chuo-ku, Fukuoka	3,037	Department Store Business	69.9 [69.9]	
Kochi Daimaru Co., Ltd.	Kochi, Kochi	300	Department Store Business	100.0 [100.0]	
PARCO Co., Ltd. (Notes 3 and 4)	Toshima-ku, Tokyo	34,367	PARCO Business, Real Estate Business	100.0	Interlocking of officers: 4 persons Lending of funds
PARCO (SINGAPORE) PTE LTD	Singapore	Millions of Singapore dollars 4	PARCO Business	100.0 [100.0]	
NEUVE A Co., Ltd.	Shibuya-ku, Tokyo	100	PARCO Business	100.0 [100.0]	
PARCO SPACE SYSTEMS Co., Ltd.	Shibuya-ku, Tokyo	490	PARCO Business	100.0 [100.0]	
PARCO Digital Marketing Co., Ltd.	Shibuya-ku, Tokyo	10	PARCO Business	100.0 [100.0]	
JAPAN RETAIL ADVISORS Co., Ltd.	Shibuya-ku, Tokyo	10	PARCO Business	100.0 [100.0]	
JFR Card Co., Ltd.	Takatsuki, Osaka	100	Credit Finance Business	100.0	Interlocking of officers: 3 persons Lending of funds
Daimaru Kogyo, Ltd.	Chuo-ku, Osaka	1,800	Other (Wholesale)	100.0	Interlocking of officers: 2 persons
Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	Shanghai, China	Millions of US dollars 2	Other (Wholesale)	100.0 [100.0]	
Daimaru Kogyo (Thailand) Co., Ltd.	Bangkok, Thailand	Millions of Thai baht 202	Other (Wholesale)	99.9 [99.9]	
Taiwan Daimaru Kogyo, Ltd.	Taipei, Taiwan	Millions of New Taiwan dollars 60	Other (Wholesale)	100.0 [100.0]	
J. Front Design & Construction Co., Ltd.	Chuo-ku, Osaka	100	Other (Design and construction contracting)	100.0	Interlocking of officers: 3 persons
Dimples' Co., Ltd.	Chuo-ku, Osaka	90	Other (Staffing service)	100.0	Interlocking of officers: 2 persons
Consumer Product End-Use Research Institute Co., Ltd.	Nishi-ku, Osaka	100	Other (Merchandise test and quality control)	100.0	Interlocking of officers: 1 person
Angel Park Co., Ltd.	Naka-ku, Nagoya	400	Other (Parking)	50.2 [49.8]	Interlocking of officers: 2 persons
JFR Service Co. Ltd.	Koto-ku, Tokyo	100	Other (Commissioned back-office service, parking and leasing)	100.0	Interlocking of officers: 1 person Lending of funds
JFR Information Center Co., Ltd.	Tennoji-ku, Osaka	10	Other (Information service)	100.0	Interlocking of officers: 1 person
Daimaru Matsuzakaya Sales Associates Co. Ltd.	Koto-ku, Tokyo	90	Other (Commissioned sales and store operations)	100.0 [100.0]	Interlocking of officers: 1 person

Name	Address	Capital (Millions of yen)	Major businesses	Ratio of voting rights holding (held) (%)	Relationship
Daimaru Matsuzakaya Tomonokai Co., Ltd.	Chuo-ku, Osaka	100	Other (Specified prepaid transaction service)	100.0 [100.0]	
(Equity method associates)					
Shinsaibashi Kyodo Center Building, K.K.	Chuo-ku, Osaka	50	Real Estate Business (Real estate leasing)	50.0 [50.0]	
StylingLife Holdings Inc.	Shinjuku-ku, Tokyo	100	Other (General retailing)	49.0	Interlocking of officers: 3 persons
Ginza 6-chome Kaihatsu Tokutei Mokuteki Kaisha	Chuo-ku, Tokyo	6,320	Real Estate Business (Services related to the acquisition of specified assets and their management and disposal, etc.)	33.3 [33.3]	
HMK LOGI SERVICE Co., Ltd.	Chuo-ku, Osaka	34	Other (Freight transportation)	32.4 [32.4]	
Wakamiya Park Co., Ltd.	Naka-ku, Nagoya	1,063	Other (Parking)	20.9 [20.9]	
Yaesu shopping mall Co., Ltd.	Chuo-ku, Tokyo	100	Real Estate Business (Real estate leasing and tenant leasing)	28.3 [28.3]	
Apparel-web, Inc.	Chuo-ku, Tokyo	590	PARCO Business	20.3 [20.3]	
SAN-A PARCO, Inc.	Ginowan, Okinawa	10	PARCO Business	49.0 [49.0]	

Notes:
1. The names in the "Major businesses" column are the segment names.
2. The figures in brackets in the "Ratio of voting rights holding (held)" column indicate the percentage of indirect ownership.
3. Falls under the category of specified subsidiary.
4. For Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd., the ratio of sales revenue (excluding internal sales revenue among consolidated companies) to consolidated sales revenue exceeds 10%. The main profit and loss information of Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd. is as follows:

(Millions of yen)

	Daimaru Matsuzakaya Department Stores Co. Ltd.	PARCO Co., Ltd.
(i) Sales revenue	161,818	48,971
(ii) Profit before tax	(20,339)	(8,743)
(iii) Profit	(13,067)	(10,460)
(iv) Total equity	144,270	142,302
(v) Total assets	475,963	429,489

5. Information about employees

(1) Consolidated companies

As of February 28, 2021

Segment name	Number of employees (Persons)	
Department Store Business	2,232	[532]
PARCO Business	1,575	[514]
Real Estate Business	47	[7]
Credit Finance Business	182	[40]
Other	2,359	[1,997]
Corporate (shared)	133	[17]
Total	6,528	[3,107]

Notes: 1. The number of employees indicates the number of working employees.

2. Figures in brackets in the "Number of employees" column (not included in number of employees) represent dedicated employees and fixed-term employees.

(2) Reporting company

As of February 28, 2021

Number of employees (Persons)		Average age (Years old)	Average length of service (Years)	Average annual salary (Yen)
133	[17]	45.7	19.4	7,140,164

Segment name	Number of employees (Persons)	
Corporate (shared)	133	[17]
Total	133	[17]

Notes: 1. The number of employees indicates the number of working employees.

2. Average annual salary includes bonuses and surplus wages.

3. Figures in brackets in the "Number of employees" column (not included in number of employees) represent dedicated employees and fixed-term employees.

4. The Company's employees are seconded from Daimaru Matsuzakaya Department Stores Co. Ltd. and other group companies. The average years of service of employees is calculated by aggregating the employee's number of years of service at each company.

(3) Status of labor union

The Group includes the J. Front Retailing Group Federation of Labor Union which is a member of UA ZENSEN.

As the relationship between the Company and the union is favorable and based on mutual trust, there are no significant matters to report.

II. Overview of Business

1. Management policy, management environment, issues to be addressed, etc.

Forward-looking statements in this Annual Securities Report are based on the Company's management decisions and forecasts made according to information available as of the filing date of this document (May 28, 2021).

(1) Management policy

Under a holding company structure, the Group will strive to enhance the competitiveness and profitability of the Department Store Business, the PARCO Business and all constituent companies by optimizing and making an effective use of management resources including the store network and customer bases of Daimaru, Matsuzakaya and PARCO as well as responding appropriately to changing times, maximizing customer satisfaction and operating in the most efficient way.

In addition, with the aim of realizing the Group Vision "Create and Bring to Life 'New Happiness,'" we will restructure our business portfolio by allocating resources to areas with greater potential so that it consists of highly competitive and profitable businesses in a balanced manner.

(2) Management target

On April 13, 2021, the Group formulated the FY2021-FY2023 Medium-term Business Plan.

From fiscal 2021, the Group will have four business segments: the Department Store Business, the SC (Shopping Center) Business, the Developer Business, and the Payment and Finance Business.

1. Key performance indicator targets

ROIC (Return on Invested Capital) will be applied as the indicator to manage the capital's profitability from this medium-term business plan.

For fiscal 2023, we will aim to achieve consolidated operating profit of ¥40,300 million, profit/equity attributable to owners of parent (ROE) of 7%, Return on Invested Capital (ROIC) of 5%. In addition, as sustainability targets, we will aim to achieve a reduction in greenhouse gas (GHG) emissions of 40% and a ratio of women in management positions of 26%.

	FY2019 results	FY2020 results	FY2023 targets
Consolidated operating profit (IFRS) (Millions of yen)	40,286	(24,265)	40,300
Consolidated ROE (%)	5.4	(7.1)	7.0
Consolidated ROIC (%)	–	–	5.0
GHG emissions* (%)	(16.3)	(under calculation)	(40)
Ratio of women in management positions (%)	16.6	19.9	26

* Compared with fiscal 2017 Scope 1 (direct GHG emissions from the business operators) and Scope 2 (indirect emissions from the use of electricity, heat, and steam supplied by other companies); fiscal 2020 results are currently being calculated.

2. Financial policy

We will generate operating cash flow of ¥190,000 million or more (including depreciation of right-of-use assets) over three years, ¥90,000 million of which will be injected into the growth and capital investments. Until fiscal 2023, investment allocation will be made giving priority to projects that contribute to profit and the "developer strategy."

We will reduce interest-bearing debt (excluding lease liabilities) to ¥260,000 million by the end of fiscal 2023.

We will provide shareholder returns on the basis of maintaining a consolidated dividend payout ratio of at least 30% and also consider the option of purchasing treasury shares as appropriate.

(3) Priority operational and financial issues that the Company should address

1. Preparation of the Medium-term Business Plan

The Group positioned the period of the previous Medium-term Business Plan starting in fiscal 2017 as a phase of changing its structure towards transforming its business portfolio. Under the Group Vision, “Create and Bring to Life ‘New Happiness’,” we have steadily worked to expand our business domain and transform the business models of our existing businesses, as well as promoting ESG management and so forth. Further, the Group established a system enabling the Group-wide initiatives to be undertaken to evolve fundamental but flexible portfolios by making PARCO a wholly owned subsidiary and consolidating the Real Estate Business.

Meanwhile, the spread of COVID-19 has had a significant impact on social and economic activities in Japan and overseas, and the Group was obliged to record heavy losses in its operating results for the fiscal 2020. With these and other factors, the Group faces a severe situation.

There are ongoing trends such as the declining birthrate and aging population, population decline, and technology advancement. Moreover, consumer awareness and behavior have changed due to the COVID-19 pandemic, creating a “new normal.” We recognize that the environment surrounding management will not return to its pre-COVID-19 state.

However, such times of great uncertainty in the future all the more provide a good opportunity for the Group to reexamine the values that it considers important and the significance of its existence amid changes in society and the times.

In preparing the Medium-term Business Plan, we have formulated specific strategies and measures that the Group should focus on for the three-year period to achieve early recovery of earnings and improvement of financial position. The strategies and measures have been formulated by developing the Group’s vision toward 2030 and a strategic direction for achieving it.

2. Basic policy　　Promoting sustainability management

The spread of COVID-19 has provided people with opportunities to rethink their lives and work and remind themselves of the importance of health, safety and security, and the connection between people.

Corporations are strongly called for to play a role and fulfill their responsibilities to tackle and address issues over the environment, society, and human rights through business activities, alongside economic values.

We have set seven materiality issues, with the newly added “realization of customers’ healthy/safe/secure life” and “promotion of circular economy,” in order to position sustainability at the core of management and embody it in Group-wide corporate activities, with a view to realizing the Group Vision. By promoting business activities based on these materiality issues, we will work to realize “Well-Being Life” for all of our stakeholders.

3. Management direction looking ahead to 2030

(1) Corporate vision

“A corporate group producing fulfilling lifestyles and unique urban development in coexistence with local communities”

When we consider management direction looking ahead to 2030, the Group’s values to date will become even more important. These are “respect for human thought and individuality,” “coexistence with local communities,” and “passing on traditional culture and communicating a cutting-edge culture.” The Group has developed business with the commercial field at its core, such as the Department Store Business and Shopping Center Business (PARCO Business). Looking forward, we will expand our business portfolio beyond the commercial field into areas such as the Real Estate Business, and provide consumers with cultural and fulfilling lifestyles through the Group’s distinctive unique urban development in coexistence with local communities.

(2) Strategic direction

For business environment looking ahead to 2030, we consider the following external environmental changes will have a significant impact on the Group: 1) the “resilience of the urban commercial area” amid a shrinking national population, 2) the “fusion of real and digital,” in which information received through “people” and its reliability are reevaluated, and 3) “continued polarization of income and consumption.”

Moreover, we recognize that the Group’s four strengths are 1) store real estate assets in major Japanese cities such as Tokyo, Nagoya, and Osaka, 2) commercial production capabilities developed through store and urban development, 3) partners such as suppliers and specialist stores with excellent content and original creators, and 4) a high quality customer base that enjoys active lifestyles.

1) Three key strategies - Shift to a developer strategy -

We have taken these long-term environmental changes as an opportunity to carry out business structure reforms and create new businesses. We have reconfigured the Group’s four strengths and determined the Groups’ three key strategies: “developer strategy,” “real x digital strategy,” and “prime life strategy,” to make full use of them across the Group. Among these, the “developer strategy” is positioned as a growth driver for regrowth of the Group, and we will concentrate our allocation of management resources in this area as our top priority strategy.

(i) Developer strategy

- We will maximize the value of the Group’s real estate assets. In complex redevelopment and so forth, we will adjust the scale of department stores and PARCO and make use of the relaxed floor-area ratio. We will increase the share of non-commercial applications to increase profitability.
- In the development of large-scale complexes in key areas, we will contribute to lively towns through attractive urban development that respects individuality of the towns, while seeking to increase our share of consumer sentiment.
- We will diversify multiple revenue streams by acquiring and developing new real estate, organizing private subscription investment funds, and engaging in asset management. In addition, we will expand our development area to include suburban areas.

(ii) Real x digital strategy

- With use of digital technology inspired by stores, we will transform the business model into one that provides new experience value beyond time and space.
- We will increase the sophistication of customer data analysis and use of digital tools to deepen the relationships with customers putting “people” at the start.
- In addition to sales revenue, we will diversify multiple revenue streams, such as rental revenue and commission revenue through the use of digital technology.

(iii) Prime life strategy

- We will further strengthen our proposals for consumers who value culture and arts and enjoy fulfilling, sustainable lifestyles.
- We will enhance our content by utilizing the Group’s entertainment and arts, as well as developing new products and service that provide premium experiences through alliances with companies outside the Group.
- We will promote the acquisition of customers beyond department store gaisho, such as the new rich in Japan and wealthy classes overseas in Asia, including through alliances with other companies.
- We will expand our pool of loyal customers by offering new payment methods and developing high added value financial services through customer life planning.

2) Area strategy bringing together the three key strategies

In Shinsaibashi district, Osaka and Sakae district, Nagoya, in which our department stores and PARCO are adjacent, we will bring together the three key strategies to promote unique urban development in coexistence with local communities.

Our area customer strategy will be advanced by utilizing the integrated customer database across multiple businesses such as department stores, PARCO, and new commercial and non-commercial facilities, and by promoting links with JFR Card customer services.

3) Alliances, M&As, and wing expansion

We will realize long-term, highly important Group strategies, such as alliances with other companies and business acquisitions with a view to expanding the scale and increasing the speed of our key strategies.

(3) Pursue Group synergies with strategy committees

The three key strategies shall each have a newly established committee comprising members from across the Group to guide the proposal and execution of plans from an optimal Group perspective.

(4) Approach to long-term profit growth and business portfolio

From fiscal 2024 onward, through annualized profit growth of over 10%, we will aim to achieve consolidated operating profit of ¥80,000 million and ROE of 10% for fiscal 2030. We will increase the shares of the Developer Business and the Payment and Finance Business in consolidated operating profit in the business portfolio in 2030 to 40% from 20% in fiscal 2019.

4. FY2021-FY2023 Medium-term Business Plan

(1) Positioning of the Medium-term Business Plan - Complete recovery and start on regrowth -

This Medium-term Business Plan aims to achieve “complete recovery” from the COVID-19 pandemic by returning our financial figures to fiscal 2019 levels in the final fiscal year of the plan, fiscal 2023, while at the same time positioning this period as one for getting back on track for “regrowth” from fiscal 2024 onward.

Aiming for early recovery in profitability, we will concentrate our efforts at the renovation of flagship stores and digital investment under a key strategy, the “real x digital,” as well as solid customer base underpinned by the department store gaisho under the “prime life strategy.” At the same time, we will steadily promote efforts to achieve "management structure reforms" as the most important measure for complete recovery.

In the "developer strategy," we will increase our investment allocation in advance, starting during the period of this plan as a medium- to long-term growth driver.

(2) Framework for the medium-term business plan

・ Key strategies

1) Real x digital strategy

<Department Store Business>

(i) Increase the attractiveness of stores and content

・ We will focus on expanding the categories in which department stores have strengths, such as by further enhancing luxury, centered on flagship stores, and delving deep into cosmetics, watches, art and other item groupings that have a high share within the industry, aiming to establish a competitive advantage in each location.

・ We will work to increase the value of the customer experience by increasing the attractiveness of stores, through efforts such as developing new content and sales floors that utilize a variety of customer contact points, such as physical stores, gaisho and e-commerce, improving the comfortable sales floors and store environment that are exclusive to physical stores, and developing high-quality service menus.

(ii) Expand businesses that utilize online spaces

・ We will increase the attractiveness of our stores and develop original OMO sales spaces (merging physical stores with online) for cosmetics, art, and so forth, inspired by physical stores. In tandem with this, we will enrich and expand product lineups such as foods and gifts and rebuild department stores' websites to develop brands and the like.

(iii) Conduct business activities from a CSV (Creating Shared Value) perspective

・ We will develop business activities connected with increasing social value, such as development and sale of limited products created with local communities, entry into the subscription business that utilizes online spaces, and collaboration with suppliers to contribute to decarbonized society.

<SC (Shopping Center) Business>

(i) Rebuild the PARCO store brand value

・ We will combine elements form our development of the Shibuya PARCO and Shinsaibashi PARCO stores with the local culture of each store's area to rebuild the original brand value provided by each store.

(ii) Pursue a digital SC platform

・ Through a digital SC platform developed in collaboration with our business partners, we will promote the construction of PARCO's proprietary OMO sales spaces, including the mutual transfer of customers between the physical world and online based on the stores' power of communication.

(iii) Develop alliance-based sales floors and new content

・ We will work to develop sales floors, zones, and content that provide experience value such as "health," "beauty," "food," and "learning" through real x digital.

(iv) Develop content from a CSV perspective

- We will work to enhance online events for art, theatrical performance, and music, hold cultural events in cooperation with towns, and develop businesses that cater to new values and lifestyles such as wellness and shared offices.

2) Prime life strategy

(i) Develop solution services

- Based on department store gaisho, we will deepen our mainstay categories while also taking steps to provide content and experience value beyond the conventional framework by developing new categories and services, and so forth.

(ii) Evolve communication with customers

- We will work to strengthen online communication, such as promoting digitalization in department store gaisho activities and enhancing remote sales services.
- We will work to increase the sophistication of CRM (Customer Relationship Management) activities, including strengthening relationships with customers through full use of our customer database and retaining overseas customers who visit Japan.

(iii) Enhance products in the Payment and Finance Business

- We will develop new products aligned with customers' life stages, such as insurance and financial services while collaborating with Department Store Business to strengthen the customer base.

3) Developer strategy

(i) Work on diverse applications that are not limited to the commercial field

- In addition to the commercial field, we will work on development of residences, offices, hotels, and complexes that include combinations of them by working together with other companies.

(ii) Promote CRE (Corporate Real Estate) strategies

- We will work to improve profitability through measures such as asset sales and asset replacement.

(iii) Start operation of a circular investment scheme

- We will organize a private subscription fund and start a circular investment scheme. Furthermore, we will diversify multiple revenue streams by entering the asset management business.

(iv) Expand into suburban areas

- We will work to develop complex facilities in suburban areas where needs for closely situated "work, living, and commercial" facilities are expected to increase.

(v) Promote key area development

- We will work to develop large-scale complexes in the Group's key areas such as Shinsaibashi, Osaka and Sakae, Nagoya, looking ahead to 2030.

- Management structure reforms

1) Reduction of fixed costs through structure reforms

We will reduce fixed expenses by ¥10,000 million in fiscal 2023 compared with fiscal 2019 and lower our break-even point.

(i) Organizational and personnel structure reforms

- We will promote organizational and personnel structure reforms, including business model reforms in each business as well as revision of store operation methods and areas for business process outsourcing.

(ii) Cost structure reforms

- We will promote cost reductions, such as streamlining offices through work style reforms, use of digital media for advertising and promotion, and Group purchasing of material and supplies.

2) Increase management efficiency and asset efficiency

We will narrow down our businesses based on the future and growth potential of each business to increase the efficiency of management. We will also increase asset efficiency by identifying non-business assets.

- Strengthening of management foundation

1) Group financial strategy

We will respond flexibly to ensure liquidity of funds while monitoring the impact of the COVID-19 pandemic on business. In addition, we will perform new fund procurement to promote ESG investment. In addition, we will strengthen the governance in accordance with the Group's tax policies, and promote optimization of tax costs.

2) Group human resource strategy

We will strengthen human resource management through measures such as skill development for employees who will carry out the key strategies and boosted recruitment of specialists. To become a People Development Company where employees can demonstrate their full individuality and capabilities, we will conduct various measures such as encouragement of active participation of women, work style reforms, employment of people with disabilities, and initiatives related to LGBT issues.

3) Group IT strategy

To increase the sophistication of management and administration, we will work to rebuild backbone systems. We also aim to improve productivity through efforts such as revising our business processes. Furthermore, we will promote IT governance including optimization of IT investment and strengthening of information security.

4) Sophistication of corporate governance

To expedite management decision-making and execution, we will work to increase the sophistication of corporate governance, such as further delegating business execution authority to executive officers and clarifying responsibilities, while strengthening the supervision function in the Board of Directors.

2. Business risks

The matters recorded in the annual securities report concerning the overview of business, financial information, etc., include following key risks that are recognized by the management as having the potential to exert material impact on the financial position, operating results, and cash flows of consolidated companies.

Forward-looking statements in this Annual Securities Report represent the judgement of the Group as of the filing date of this document (May 28, 2021).

(1) Definition of risk and risk management system

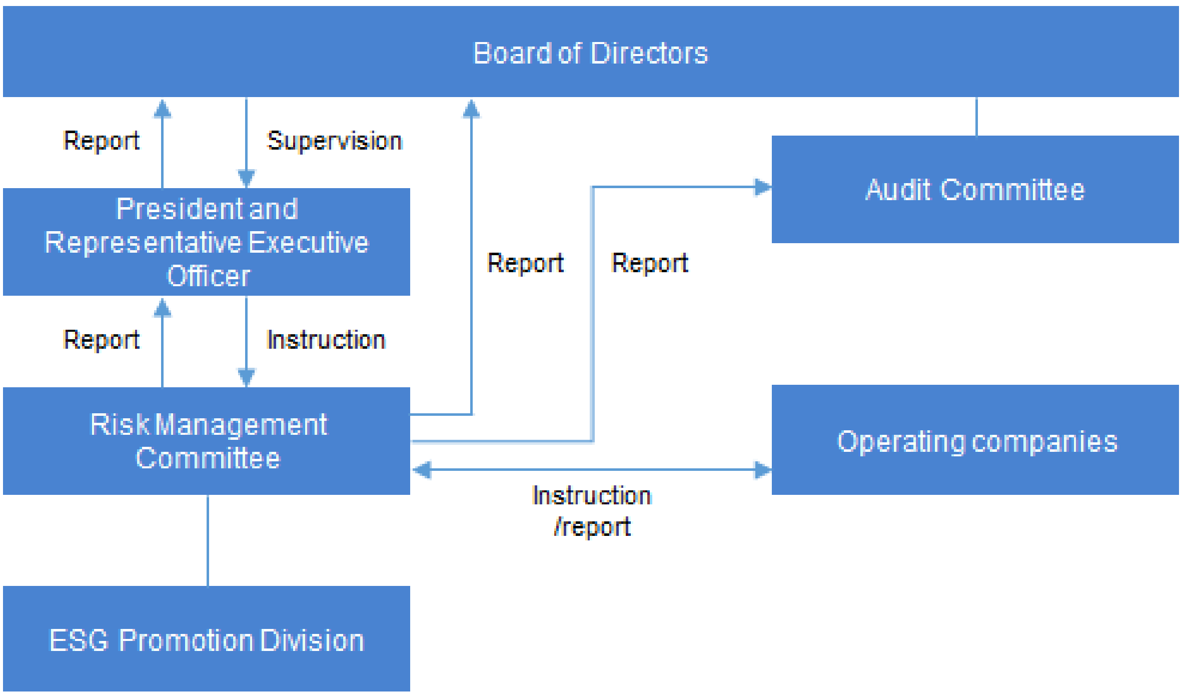
- Definition of risk

  The Group defines risk as “uncertainties that have both potential positive and negative sides that could have an impact on the achievement of targets by a company’s management.” We think a company will grow in a sustainable way if the positive side and the negative side of risk are addressed properly.

- Risk management system

  The Company has established the Risk Management Committee as an advisory body to the President and Representative Executive Officer. The committee is chaired by the President and Representative Executive Officer and comprises Executive Officers and others. The committee has established a secretariat headed by an officer in charge of risk management. The secretariat shares important decisions of the committee with operating companies, and promotes enterprise risk management (ERM).

  Moreover, by positioning risk as the starting point of strategy and linking it to strategy, we are striving to make risk management contributes to corporate value increase.

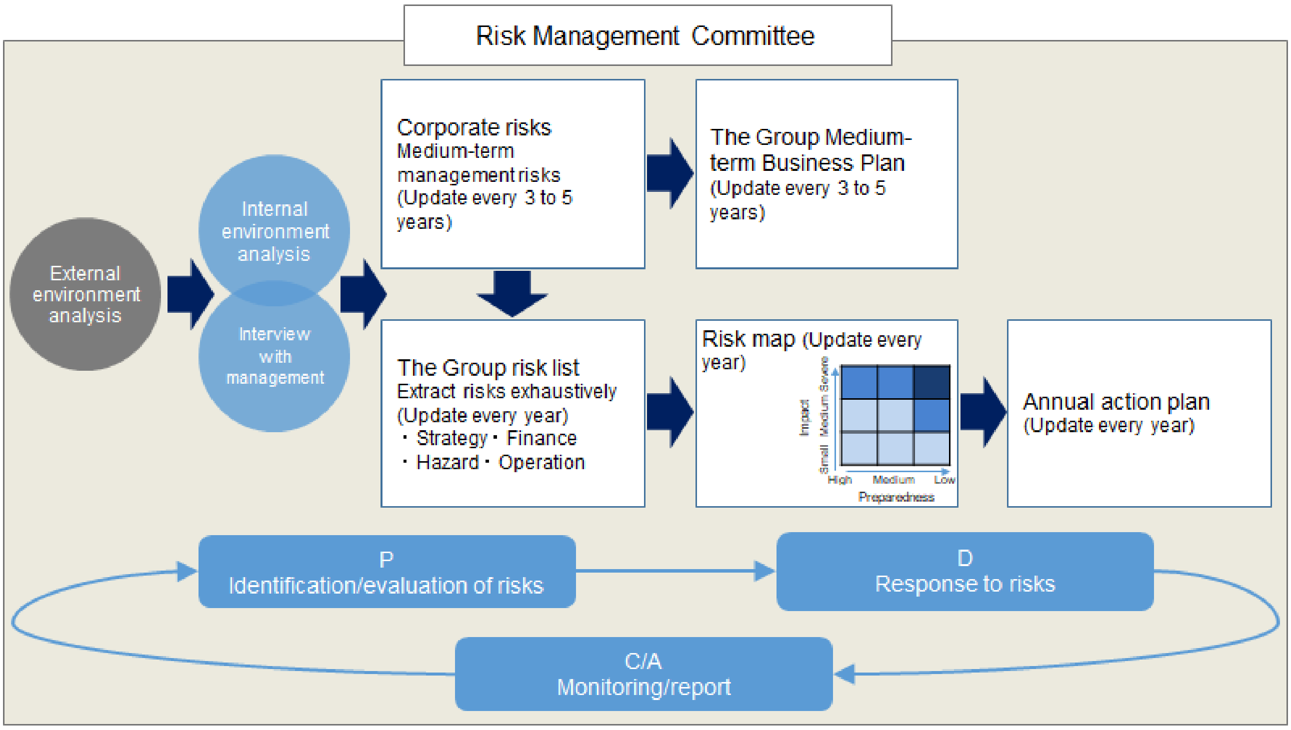


(2) Risk management process

The Group promotes risk management through the following processes. Specifically, we are striving to ensure that risks of high importance to the Group are not overlooked, under the external and internal environmental analysis, and based on the recognition of the management team, including Directors, and the persons responsible for practical operation.

Over the medium-term, we have positioned “corporate risks” as having extremely high importance for the Group’s management, and have used these as starting points for the Group Medium-term Business Plan.

Furthermore, the risks for the fiscal year identified from “corporate risks” are summarized in the Group risk list, evaluated using a risk map, then ranked by priority before implementing countermeasures.



(3) Corporate risks *Risks that are highly important to the Group’s management and form the starting point for strategies.

In fiscal 2020, we updated our “corporate risks,” which form the starting point for the Fiscal 2021-23 Group Medium-term Business Plan. In doing so, to prevent falling into short-term thinking, we started with long-term mega-trend projections for 2030 and added the impacts of the COVID-19 pandemic, then considered the risks using back-casting.

・ Long-term megatrends for 2030

The trends with the greatest impact are technology, such as the acceleration of DX, and environmental issues, such as global warming. Technology is set to cause dramatic changes to lifestyles and business over the next 10 years, while environmental issues will depend on the success of global initiatives going forward. Stakeholder capitalism is expected to penetrate society steadily over the next 10 years.

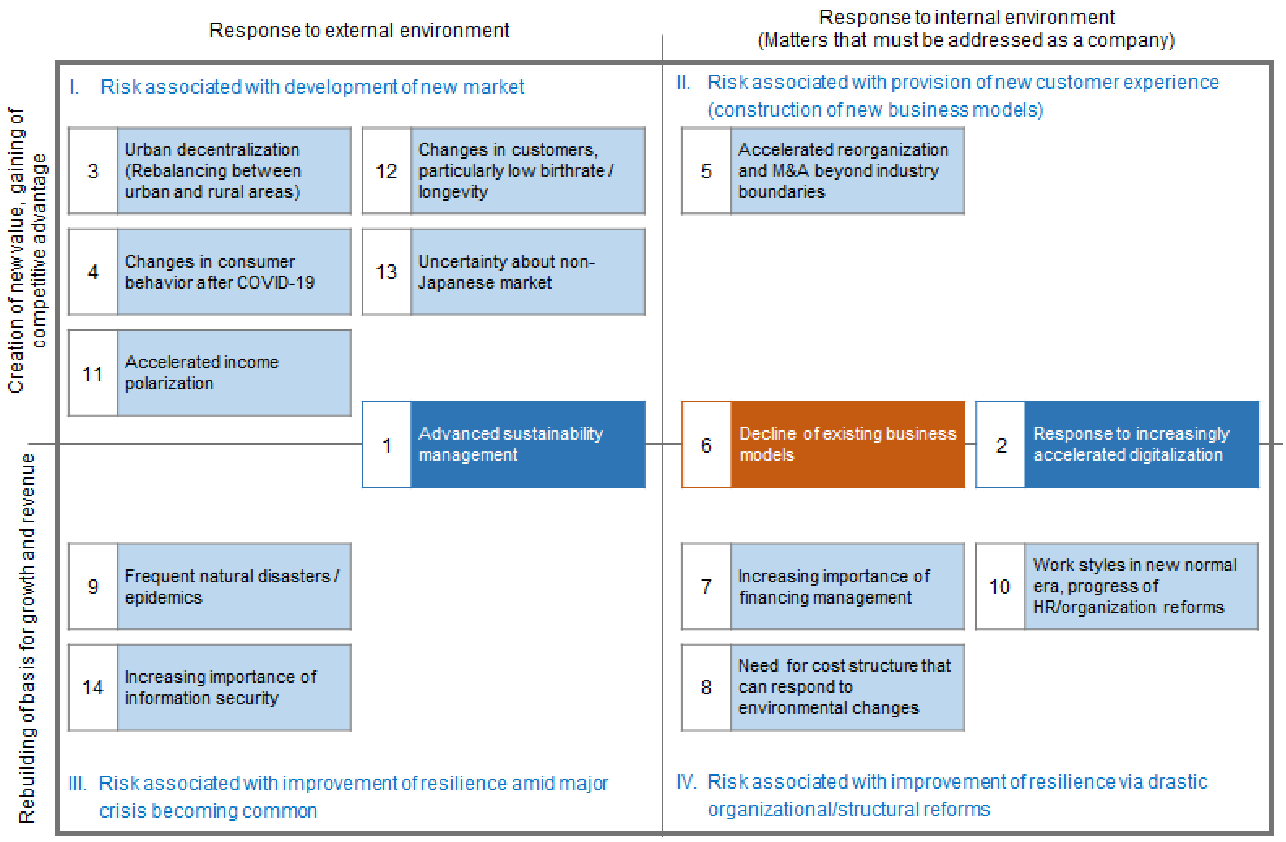
Geopolitical	・ US-China struggle for supremacy, leadership vacuum ・ Emergence of state capitalist countries ・ Increasing incidence of pandemics
Economic	・ Advance of globalization ・ Shift towards Asia of the global economy ・ Entrenchment of stakeholder capitalism
Social	・ Population growth in emerging countries ・ Advance of population aging ・ Increasing wealth and status inequality
Technological	・ Acceleration of DX through 6G ・ Practical implementation of autonomous driving ・ Formation of digital economic zones
Environmental	・ Global warming ・ Accelerated transition to renewable energy ・ Resource depletion

- Impact of COVID-19

The current COVID-19 pandemic has had a significant impact on the long-term megatrends, and the impact is expected to continue going forward. In particular, the development of a "new normal" in the values and consumption patterns of private individuals is likely to have a significant impact on the Group's business.

Economy and business	Short-term	・ Economic slump due to prolonging of COVID-19 pandemic ・ Increased concerns over unemployment and inflation ・ Evaporation of demand and supply
	Long-term	・ Financial crises occurring in reaction to continuation of monetary easing policies ・ Increased demands on management emphasizing sustainability ・ Exponential evolution of technology ・ Rebuilding of global supply chains ・ Change in urbanization ・ Paradigm changes in organization and work styles
Society and individuals	Short-term	・ Increased unemployment, decreased incomes, and uncertainty over the future ・ Avoidance of the three C's (closed spaces, crowded places, close-contact settings) ・ Consumption trends started by COVID-19 (stay-at-home consumption, neighborhood consumption)
	Long-term	・ Increased awareness of realizing a sustainable society ・ Investment in safety and security such as healthcare and insurance ・ Increase in the importance of local regions ・ Increase in virtual consumption and virtual communication ・ Increase in the importance of the physical world (connections with people and places) ・ Shift to a new normal that includes epidemics and disasters

Through the above analysis we have identified the following "corporate risks." Among these, "6. Decline of existing business models," "1. Advanced sustainability management," and "2. Response to increasingly accelerated digitalization" could potentially have an extremely large impact on the Group's management, and have therefore been positioned as the priority concerns in formulating the medium-term business plan.



(4) Recognition of recent environmental changes and risks

After its unprecedented impact on the Group’s management, the COVID-19 pandemic has begun to spread again through variants of the virus. Recently the Group has faced an extremely adverse management environment as a third state of emergency declaration was issued, requiring suspension of operations at commercial facilities and other customer attractions in the relevant areas, aimed at broadly suppressing flows of people.

This year it is certain that business activities will continue to be placed under pressure amid an uncertain future. During the first state of emergency declaration, we strove to secure customer contact through online channels, as our connection with customers was severed for a long period. Going forward, however, we have a strong sense of crisis that a next-level transformation will be needed.

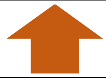
Thus far, the Group has overcome crises that have impacted its businesses, such as the Global Financial Crisis and the Great East Japan Earthquake. However, the COVID-19 pandemic has had an incomparably broader and deeper impact, and the Group is truly facing a crisis of survival.

Changes in people’s values toward consumption and consumer behavior and changes in the value required of the retail business caused by the COVID-19 pandemic have been progressing more quickly than anticipated. Work styles, people’s lifestyles, and even the way that cities function are all changing dramatically due to remote working and so forth. Amid this rapidly changing environment, our existing business models, such as the core department store business, have been significantly affected, and now they urgently need to undergo a dramatic transformation.

In the Group’s transformation, there are things that must not change as well as things that must change. Things that must not change are our corporate credo “Service before profit” and “Abjure all evil and practice all good,” as well as the Group Vision, “Create and Bring to Life ‘New Happiness’.” On the other hand, things that must change include the transformation of our existing business model and a pivot towards sustainable management.

Looking ahead, we will hold steadfastly to our principle of things that must not change and things that must change, as we continue our journey towards sustainable growth.

The corporate risks identified based on these environmental changes are considered risks that could have an impact on investors' decisions as of the filing date of the annual securities report. In line with the Group's risk definition (uncertainties that have both potential positive and negative sides that could have an impact on the achievement of targets by a company's management), we present our risk recognition and countermeasures below.

<table>
<tr><td>6</td><td colspan="3">Decline of existing business models</td></tr>
<tr><td>Impact</td><td>Very severe</td><td>Outlook for next fiscal year</td><td></td></tr>
<tr><td>The Company’s risk recognition</td><td colspan="3">Under the state of emergency declaration due to the COVID-19 pandemic, the Group’s core large-scale store retail business experienced a severing of customer contact points, and received a significant blow, including other businesses that are deeply involved with the stores.

The Group’s reliance on physical large-scale stores was already an issue to be addressed, but reforms to the business model were delayed as operating results remained strong, partly supported by inbound tourism.

While continuing to use the existing business model is a significant risk, we recognize the potential to restart growth by taking this event as an opportunity to engage in transformation.</td></tr>
<tr><td>Negative side</td><td colspan="3">• Decreased vitality of the entire Group due to weak performance of core business</td></tr>
<tr><td>Positive side</td><td colspan="3">• Regrowth by radical change of core business model</td></tr>
<tr><td>Measures</td><td colspan="3">While there are risks to continuing the business model of large-scale store-based retail business, our large-scale stores in city centers are important Group assets.

We will make it our first priority to enhance the attractiveness of large-scale stores in city centers, which are our important assets. To achieve this, we will promote efforts to enhance the appeal of store content, fuse physical stores with digital ones, and enhance the environmental value of stores. To enhance the appeal of store content, we will compress zones in existing sales floors where customer support is fading, and develop and introduce new-category products and services adapted to customer needs.

Specifically, in addition to our existing retail functions, we will also enhance the media function for communicating various information, the gallery function for introducing high-value goods and services, entertainment functions, and solutions functions, among others, thereby enhancing their synergistic appeal with the retail function.

In fusing physical stores with digital ones, we will launch an online-merged with offline (OMO) shopping structure that connects stores and sales staff with customers online, enabling them to purchase products while enjoying the same level of communication that they receive when shopping in-store.

In terms of enhancing the environmental value of stores, we will continue to promote environmental awareness at stores as part of our sustainability management. We believe that enhancing the environmental value of stores will attract customers who share these values and lead to store openings by leading business partners with a strong environmental awareness.

The Group will not achieve a complete recovery without transforming the business model of its core businesses. Through these efforts, we will transform our existing business models and increase the maximum potential value of our large-scale store assets in city centers.</td></tr>
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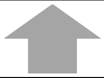
<table>
<tr><td>1</td><td colspan="3">Advanced sustainability management</td></tr>
<tr><td>Impact</td><td>Very severe</td><td>Outlook for next fiscal year</td><td></td></tr>
<tr><td>The Company's risk recognition</td><td colspan="3">The global tide of business is turning from conventional shareholder capitalism to stakeholder capitalism. This sea change is being accelerated by the impact of COVID-19. Going forward, management will be examined regarding whether it is preparing for sustainability rather than short-term gains, and whether it has a clear vision for the Company's purpose for existence and future growth. This risk is therefore recognized as one of the highest priority.</td></tr>
<tr><td>Negative side</td><td colspan="3">• Defection of investors and shareholders, lower rating due to delay in taking action</td></tr>
<tr><td>Positive side</td><td colspan="3">• Sustainable growth by steady action</td></tr>
<tr><td>Measures</td><td colspan="3">The Company's sustainability management goal is to realize "Well-Being Life." Towards realizing this goal, we will pursue the creation of shared value (CSV) through the solving of social issues by Group companies conducting their businesses, guided by seven materiality issues. The seven issues comprise our original five issues: "realization of decarbonized society," "promotion of diversity & inclusion," "realization of work-life integration," "coexistence with local communities," and "management of the entire supply chain," with the new addition of another two: "realization of customers' healthy/safe/secure life" and "promotion of circular economy."

The highest priority among these is "realization of decarbonized society," and we will aim to achieve the target values not only through the Group's internal efforts, but in cooperation with our stakeholders as well. Regarding the new materiality issue, "realization of customers' healthy/safe/secure life," we will engage in encouraging ethical consumption, wellness business, and creating store environments with efforts made to prevent disasters and epidemics. In addition, with regard to the newly added "promotion of circular economy," we will engage in expanding waste reduction, the "ECOFF" initiative to collect and recycle disused products, and the fashion subscription business. Through all of these initiatives, we will realize "Well-Being Life."</td></tr>
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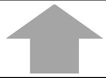
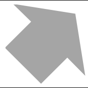
2	Response to increasingly accelerated digitalization		
Impact	Very severe	Outlook for next fiscal year	
The Company’s risk recognition	The wave of digitalization was already growing steadily, but it has been expanding much more rapidly than we expected due to restrictions on going out during the COVID-19 pandemic. The Company is also under pressure from the need to dramatically revise its business and work styles, and we recognize that the speed and method of our response to digitalization, which is likely to continue accelerating going forward, is a risk that will affect the Group’s overall growth.		
Negative side	• Sluggish growth of the entire Group • Declining competitiveness		
Positive side	• Changing the business models of existing businesses • Renewing awareness of real connection with people		
Measures	A response to digitalization is essential for growth, and we are proceeding to transform both our business models and our operations. Regarding business model transformation, we see digitalization as a means rather than an end, and we are promoting the use of digitalization to create added value using the Company’s strengths. Customers are at the center of every business, and we are working to maximize customer experience value through OMO (online merges with offline), to diversify payment methods, and so forth. While digitalization proceeds, the value of human connections increases. We will therefore emphasis face-to-face customer contact and increase the level of communication through both physical and digital channels. While the Group’s response to digitalization to date has not been entirely adequate, transformation of the business model through use of digital technology is the key to transitioning from recovery to sustainable growth. Therefore, we will strengthen the organization structure and increase the speed of execution. With regard to transformation of business operations, we are promoting the expansion of teleworking and online meetings, the digitalization of authentication and approval operations, and so forth, increasing the productivity of operations as well as the flexibility of work styles. This also helps to realize one of the Company’s seven materiality issues, “realization of work-life integration.”		

<table>
<tr><td>3</td><td colspan="3">Urban decentralization (Rebalancing between urban and rural areas)</td></tr>
<tr><td>Impact</td><td>Severe</td><td>Outlook for next fiscal year</td><td></td></tr>
<tr><td>The Company’s risk recognition</td><td colspan="3">Until 2020, we recognized “return to cities and shrinkage of local regions and suburbs” as a risk, but the COVID-19 pandemic has caused this flow to reverse, and we have therefore changed our view of this risk.

The population has continued to flow out of cities, and we expect this flow to continue at a relaxed pace even after the COVID-19 pandemic.

From our business environment analysis, real estate values in city center locations are seen to be firm, but the condition in cities is beginning to change due to changes in work styles and consumer behavior. In regional cities and suburbs, which had been in decline, the population outflow has stopped, and revitalization is now expected.

The Company has real estate assets dotted all over the country, and it will be of key importance to develop each business while focusing on rebalancing between cities and local regions.</td></tr>
<tr><td>Negative side
Positive side</td><td colspan="3">• Decline in conventional urban commercial facilities’ ability to attract customers
• Business in response to urban decentralization</td></tr>
<tr><td>Measures</td><td colspan="3">As customers grow less attracted to commercial facilities in central city locations, stores in city centers has strengthened their epidemic prevention measures in response to concerns about infection, and strengthened contactless services such as payment methods.

The Company has had some measure of success in making effective use of its real estate assets, mainly by developing large-scale commercial facilities in city centers. Now, the Company will respond to changes in cities and engage in development for multiple purposes, not only commercial, also targeting suburban areas as well as city centers.

In particular, the Company has designated Shinsaibashi, Nagoya, and the Fukuoka district as key areas where department stores and PARCO are adjacent, and will promote complex redevelopments aiming to coexist with the local community, propose diverse urban lifestyles, and create attractive urban development.</td></tr>
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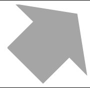
<table>
<tr><td>4</td><td colspan="3">Changes in consumer behavior after COVID-19</td></tr>
<tr><td>Impact</td><td>Severe</td><td>Outlook for next fiscal year</td><td></td></tr>
<tr><td>The Company’s risk recognition</td><td colspan="3">The COVID-19 pandemic has sparked dramatic changes in consumer values and consumer behavior. Awareness of infection prevention has driven a marked increase in the rate of online purchases, while there is also a clear trend towards reducing spending in response to lower incomes.

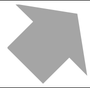
On the other hand, consumption of products and services that satisfy individuals’ exacting requirements or help to resolve environmental and social issues is growing steadily.

The Group operates businesses that handle a diverse range of products and services, which means it must always be sensitive to changes in consumer behavior, which are a significant risk that could represent either an opportunity or a threat.</td></tr>
<tr><td>Negative side
Positive side</td><td colspan="3">• Poor performance due to failure to meet consumer needs
• New market development</td></tr>
<tr><td>Measures</td><td colspan="3">The online purchase rate for commodities (general goods mainly selected based on price and availability) is increasing due to convenience. We are reviewing the development of this business on an appropriate scale. Although the Group does not have a large share of the e-commerce market by any means, it is growing due to the COVID-19 pandemic. Therefore, the Group plans to strengthen the market share.

However, as the competition environment becomes more intense, rather than simply strengthening e-commerce, the Group must strengthen OMO customer contact points in order to keep pace with changes in consumer behavior. Cosmetic products are a leader in this initiative. The Group will provide stress-free, highly satisfying purchase experiences using new contactless sales methods, such as live streaming and online counseling, and in-store customer service.

In addition, we will strengthen markets that are expected to grow, mainly through enhancing art and culture, with a view to satisfying customers’ exacting requirements, and through the development of ethical products and wellness business, with a view to solving environmental and social issues.

We will continue to eliminate misalignments with consumer needs through internal and external data analysis, constantly developing and providing new content based on a grasp of changes in consumer values and behavior. In this way, we expect to increase customer satisfaction.</td></tr>
</table>

<table>
<tr><td>5</td><td colspan="3">Accelerated reorganization and M&A beyond industry boundaries</td></tr>
<tr><td>Impact</td><td>Severe</td><td>Outlook for next fiscal year</td><td></td></tr>
<tr><td>The Company’s risk recognition</td><td colspan="3">The COVID-19 pandemic has increased momentum for reorganization of industry and businesses restructuring for the sake of survival. Aided by upgraded laws and the financial environment, M&As have been on the increase. Full-scale acceleration of M&As is only now about to start, but they are certainly becoming more necessary and important in corporate management.

We recognize the acceleration of M&A activity as an important risk to be monitored from both offensive and defensive perspectives.</td></tr>
<tr><td>Negative side
Positive side</td><td colspan="3">• Hostile takeover of the Group
• Overhaul of business portfolio
• Corporate growth using M&A</td></tr>
<tr><td>Measures</td><td colspan="3">The Group has optimized the balance between business that are highly responsive to the economic climate and businesses that are not easily affected by it, aiming to increase the resilience of its portfolio in order to secure its corporate value and strengthen its position against hostile takeovers.

Meanwhile, as an offensive measure, the Group has utilized its customer data and management resources, which are shared assets of the Group, and focused on creating new businesses around the periphery of its core businesses. We believe that in creating new businesses, we should engage in open innovation, which is superior to independent in-house initiatives in terms of both speed and economic rationality. To this end, the Company is examining M&As and business alliances with companies that seem likely to produce synergies with our business fields.</td></tr>
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<table>
<tr><td>7</td><td colspan="3">Increasing importance of financing management</td></tr>
<tr><td>Impact</td><td>Severe</td><td>Outlook for next fiscal year</td><td></td></tr>
<tr><td>The Company’s risk recognition</td><td colspan="3">In regard to fund procurement, the Company had recognized a continuing favorable fund procurement environment and adequate preparation to secure funding commitments; however, the COVID-19 pandemic gave rise to the need to prepare further funding measures, making fund procurement a higher risk for the Group.

We recognize that, for building a foundation to support the growth of the overall Group, the importance of fund procurement management will continue to become more important.</td></tr>
<tr><td>Negative side</td><td colspan="3">• Business failure due to lack of funds
• Sluggish growth due to financing on unfavorable terms</td></tr>
<tr><td>Positive side</td><td colspan="3">• Business development by investing in growth areas and securing funds</td></tr>
<tr><td>Measures</td><td colspan="3">Regarding funds procurement, the Group subsidiaries do not procure funds from financial institutions, but instead we promote centralized and streamlined means of procuring funds by means of intra-Group financing using a cash management system.

During the COVID-19 pandemic, we procured funds to increase cash on hand with a view to securing liquidity on hand and safety, and we increased our fund-procurement limits, such as commitment lines. Going forward, we will work to reduce interest-bearing debt in accordance with the status of control over the COVID-19 pandemic, while paying close attention to safety. At the same time, we will adjust our commitment lines to an appropriate level in stages.

Furthermore, we will diversify our fund procurement methods mainly by conducting ESG procurement, including the issuance of sustainability bonds, and implementing asset finance. These initiatives will support the promotion of sustainability management and growth strategies.</td></tr>
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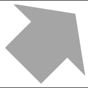
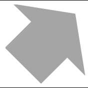
<table>
<tr><td>8</td><td colspan="3">Need for cost structure that can respond to environmental changes</td></tr>
<tr><td>Impact</td><td>Very severe</td><td>Outlook for next fiscal year</td><td></td></tr>
<tr><td>The Company’s risk recognition</td><td colspan="3">Since the COVID-19 pandemic, all of our core businesses have received a major shock, and their operating results continue to be extremely unfavorable. The business environment is expected to remain adverse for some time.

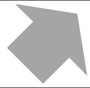
Improving our earnings structure, which is highly susceptible to crises, reducing our high break-even point, and building a structure that can cope with environmental changes are essential for the Group’s full recovery and change back to a growth trajectory, and we recognize this risk is of the highest priority in the short term.</td></tr>
<tr><td>Negative side</td><td colspan="3">• Business survival crisis
• Delay in performance recovery</td></tr>
<tr><td>Positive side</td><td colspan="3">• Business portfolio realignment
• Investment in growth businesses</td></tr>
<tr><td>Measures</td><td colspan="3">The Company established the Structural Reform Promotion Division in October 2020 to promote fixed cost reductions throughout the Group and strengthen the business foundation.

Management structural reforms are based on two themes: “Reduce costs via business model reform” and “Narrow business base.” In “Reduce costs via business model reform,” in addition to cost structure reforms such as office reorganization and Group bulk procurement, we will also conduct staff structural reforms following a revision of business operations. In “Narrow business base,” we will examine selling non-business assets and rehabilitating or withdrawing from non-performing businesses, and reorganize our business portfolio.

Our goal is to reduce the break-even point and achieve structural improvements to ensure our competitive survival in the future. We will accelerate initiatives to build resilience and return to growth going forward.</td></tr>
</table>

9	Frequent natural disasters / epidemics		
Impact	Very severe	Outlook for next fiscal year	➡
The Company's risk recognition	Pandemics such as COVID-19 are said to be once-in-100-year events; however, considering the global environment and globalization of the world economy, we believe we must assume that such an event could occur again in the near future. Major disasters such as typhoons, torrential rains, and earthquakes have also been increasing in frequency and scale of damage year by year. We recognize the risk of frequent natural disasters and epidemics as an extremely serious one, that could threaten the survival of the Company going forward.		
Negative side	• Damage to the lives of customers and employees • Business continuity crisis		
Positive side	• Contribution to ensuring the safety and security of local communities		
Measures	Over the past few years, the Group has been focusing on its response to natural disasters, which are increasingly recognized as a risk. These efforts include working to strengthen its business continuity plan (BCP) in anticipation of the occurrence of disasters. We have also started a sweeping revision of our countermeasures against epidemics, prompted by the COVID-19 pandemic. To prepare against natural disasters that threaten business continuity, we have prepared a "Business Continuity Manual," and have been continuously implementing BCP training for continuing important services (financial services and system maintenance) and rapidly recovering from a disaster and restarting operations. In response to the COVID-19 pandemic, we quickly established an emergency response headquarters and are continuing to rigorously implement organizational measures to prevent infection. At the same time, we are reexamining our countermeasures to date and working to prepare an "Infectious Disease Response Manual" for any new pandemic that may arise in the future. Going forward, we aim to realize highly disaster resistant business activities and contribute to ensuring safety and security for local communities.		

10	Work styles in new normal era, progress of HR/organization reforms		
Impact	Severe	Outlook for next fiscal year	
The Company's risk recognition	Working from home expanded rapidly with the state of emergency declaration. Even in the era of the new normal after the COVID-19 pandemic subsides, we expect that a hybrid work style of working from home and attending the office will become well established. Increasing fluidity of human resources such as second jobs and mid-career hiring, as well as company transformations using human resources with different corporate cultures are also becoming increasingly common. The Group also needs to undertake major business reforms, and it recognizes this risk as having an increased priority going forward.		
Negative side	• Talent drain • Losing the war for talent		
Positive side	• Creating innovation by changing corporate culture		
Measures	In human resources, we are stepping up our employment of working mothers (mid-career hire of women who want to balance highly specialized careers with childcare) and mid-career hires of specialists needed to execute our digital strategies and so forth. With regard to work styles, we are enabling diverse work styles such as expanding use of teleworking, in which people are allowed to work outside of the office or their homes. In addition, we are promoting the use of childcare leave, paid leave, and so forth, as we create systems that enable people to work flexibly depending on their life stage. Through these initiatives, we are preparing for an increasingly tough competition for human resources. To create a sustainable organizational structure, we are working to reform our hiring, training, evaluation, and promotion systems from the perspectives of "diversity & inclusion" and "work-life integration." With these organizational reforms, we aim to break free from a conservative corporate culture and spark innovation.		

<table>
<tr><td>11</td><td colspan="3">Accelerated income polarization</td></tr>
<tr><td>Impact</td><td>Severe</td><td>Forecast of next fiscal year</td><td></td></tr>
<tr><td>The Company’s risk recognition</td><td colspan="3">The COVID-19 pandemic has exacerbated the continuing polarization in incomes that was already occurring. While purchasing power has been decreasing for the middle classes, it has been increasing for the wealthy, buoyed by rising stock prices and so forth.

Going forward, continued implementation of monetary easing policies is expected to continue driving increases in the assets of the wealthy. We recognize that without a policy-based correction of inequality, the polarization of incomes will increase even further.</td></tr>
<tr><td>Negative side</td><td colspan="3">• Poor performance due to shrinkage of volume market</td></tr>
<tr><td>Positive side</td><td colspan="3">• Emergence of new affluent markets</td></tr>
<tr><td>Measures</td><td colspan="3">As income polarization accelerates, volume price-range products and services show prominent market contraction, centered on fashion, and we continue to review their development to an appropriate scale.

On the other hand, the markets for the wealthy are expanding, and we have been expanding products and services for these in each business. Previously the Group has served wealthy customers mainly through face-to-face services provided by out-of-store sales (gaisho) staff. However, during the COVID-19 pandemic, we have strengthened our relations with customers through use of digital channels, such as using a website to provide product introductions and live shopping for gaisho customers.

Furthermore, to increase customer lifetime value (LTV), we will develop solution services for the wealthy, such as asset formation.

Moreover, since developing new customers is vital for strengthening the market, we are striving to strengthen our ties with organizations whose customers are primarily the wealthy, and to acquire customers among the young wealthy class.</td></tr>
</table>

12	Changes in customers, particularly low birthrate / longevity		
Impact	Severe	Outlook for next fiscal year	
The Company's risk recognition	In 2020, the number of births in Japan reached a record historical low, and the trend of birthrate decline and population aging is accelerating more than expected. Since the number of weddings in Japan is also decreasing due to the impact of COVID-19, the decline in birthrate is expected to continue. Meanwhile, due to increased awareness of hygiene, the number of deaths in Japan is declining. Healthcare has also advanced with digitalization, and further increases in longevity are expected along with longer healthy lifespans. Population trends are deeply connected with consumption, and they are always an important risk in the Group's strategy.		
Negative side Positive side	• Shrinkage of domestic markets • Expansion of senior markets		
Measures	While the number of children in Japan is decreasing due to the declining birthrate, the amount of consumption per child is increasing, partly due to assistance from grandparents. The markets for luxury children's apparel and accessories and for early childhood education and childcare remain strong. The Group entered the education business with a special focus on English language education several years ago, and is also focusing on high quality children's clothing and accessories. Going forward, we will continue to strengthen our efforts towards developing future customers based on market analysis. At the same time, as the concept of a "life shift" (transition to an era of 100 year life-spans) gradually approaches reality, the retirement age is being extended and the number of seniors with financial power is increasing. We believe that stores will continue to be the main channel for serving the senior market, and we are working to create stores where seniors can shop with confidence with environments that have excellent epidemic and disaster prevention measures, a system for booking consulting customer services before visiting a store, and so forth. In addition, we aim to strengthen categories of high interest to seniors, such as art, culture, and wellness, focus on providing services as well as products, and support the achievement of "Well-Being Life" for seniors.		

13	Uncertainty about non-Japanese market		
Impact	Severe	Outlook for next fiscal year	
The Company's risk recognition	The COVID-19 pandemic has delivered a huge blow to inbound tourism consumption, which had been driving sales in the department store business. However, while the situation remains unclear, inbound tourism consumption is expected to recover gradually following the relaxation of border controls as measures to tackle COVID-19 progress going forward. On the other hand, market analysis shows firm demand for Japanese products among foreigners. How to respond to the increasingly opaque non-Japanese market is a significant risk affecting the Group's operating results.		
Negative side Positive side	• Prolonged significant decrease in inbound sales • Acquisition of foreign demand with new approach		
Measures	It will take considerable time for inbound tourism consumption to recover. However, the market is expected to expand over the medium to long term. Inbound tourists remain the central core of the Group's foreigner market. We are gathering information regarding the outlook for recovery in visitors to Japan and preparing new sales promotion strategies so that we can launch them without delay when flights to Japan increase. Moreover, after reflecting that there have been some biases in the countries that we focused on appealing to, the stores that strengthened their response to inbound tourism, and the products that we proposed, we are revising our strategies to eliminate such biases. Furthermore, using our experience from the recent COVID-19 pandemic, we will strengthen our cross-border e-commerce and live commerce in Asia, as a method of opening markets that is free from geographic and time restraints, and are expanding the lineup of products.		

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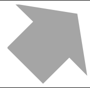
<tr><td>14</td><td colspan="3">Increasing importance of information security</td></tr>
<tr><td>Impact</td><td>Severe</td><td>Outlook for next fiscal year</td><td></td></tr>
<tr><td>The Company’s risk recognition</td><td colspan="3">Following the digitalization of business and operations, and the expansion of remote working, the incidence of confidential and personal information leakage due to unauthorized access and so forth are increasing.

Furthermore, with rising awareness of consumer privacy protection, the use of customer data requires the introduction of more robust systems and system security measures. Digital transformation (DX) through use of data is essential for business growth; but we recognize that business growth and information security risk are inextricably linked.</td></tr>
<tr><td>Negative side</td><td colspan="3">• Loss of social credibility and operating loss due to the leakage of important information
• Delay/stagnation of operations
• Increased cost of security measures</td></tr>
<tr><td>Positive side</td><td colspan="3">• Promotion of smooth DX (digital transformation)</td></tr>
<tr><td>Measures</td><td colspan="3">We continuously strengthen information security as our highest priority. However, incidents are becoming more diverse and complex year by year, and we believe that further initiatives are needed in both hard and soft measures.

In hard measures, we have established an “Information Security Policy” and “IT Governance Policy” and so forth, and we are strengthening our check system for implementation of new systems and the like. We also conduct vulnerability diagnostic tests. In addition, we are proceeding to migrate our systems to the cloud to reduce risks that could occur due to the aging of existing systems, the expansion of remote working, and so forth.

With regard to soft measures, we are working to increase the level of information literacy among all employees, including awareness raising using e-learning based on information about the latest incidents, and conducting targeted attack email training.
Robust information security is essential for accelerating DX using integrated Group customer databases, and we will strengthen it in tandem with DX.</td></tr>
</table>

・ List of Group "corporate risks"

Category	Item	Impact	Outlook for next fiscal year	Negative side	Positive side	Measures
Strategy risk	Decline of existing business models	Very severe	↑	・Decreased vitality of the entire Group due to weak performance of core business	・Regrowth by radical change of core business model	・Increasing store appeal and asset value of large-scale stores in city centers due to increase in content appeal, fusing with digital technology, and increasing environmental value
	Advanced sustainability management	Very severe	↑	・Defection of investors and shareholders, lower rating due to delay in taking action	・Sustainable growth by steady action	・Realizing Well-Being Life by promoting 7 materiality issues including "realization of decarbonized society"
	Response to increasingly accelerated digitalization	Very severe	↑	・Sluggish growth of the entire Group ・Declining competitiveness	・Changing the business models of existing businesses ・Renewing awareness of real connection with people	・Changing business models through OMO ・Improving communication physically and digitally ・Changing operations by digitalization
	Urban decentralization (Rebalancing between urban and rural areas)	Severe	↗	・Decline in conventional urban commercial facilities' ability to attract customers	・Business in response to urban decentralization	・Strengthening epidemic prevention and contactless services in urban stores ・Real estate development in urban and semi-urban areas for not only commercial but mixed use
	Changes in consumer behavior after COVID-19	Severe	↗	・Poor performance due to failure to meet consumer needs	・New market development	・Rightsizing commodities ・Enhancing customer satisfaction through OMO ・Strengthening art, culture and ethical products
	Accelerated reorganization and M&A beyond industry boundaries	Severe	↗	・Hostile takeover of the Group	・Overhaul of business portfolio ・Corporate growth using M&A	・Increasing resilience of business portfolio ・Creating new businesses by M&A and business alliance with other companies
	Work styles in new normal era, progress of HR/organization reforms	Severe	↗	・Talent drain ・Losing the war for talent	・Creating innovation by changing corporate culture	・Strengthening mid-career employment ・Improving flexibility in work styles ・Changing to sustainable organization
	Accelerated income polarization	Severe	↗	・Poor performance due to shrinkage of volume market	・Emergence of new affluent markets	・Rightsizing products/services in volume price ranges ・Deep cultivation of affluent markets with diverse approaches
	Changes in customers, particularly low birthrate / longevity	Severe	→	・Shrinkage of domestic markets	・Expansion of senior markets	・Deep cultivation of high quality children's markets ・Creation of safe and secure environment ・Strengthening art/culture/wellness
	Uncertainty about non-Japanese market	Severe	→	・Prolonged significant decrease in inbound sales	・Acquisition of foreign demand with new approach	・Review of inbound strategy ・Strengthening cross-border EC and live commerce
Finance risk	Increasing importance of financing management	Severe	→	・Business failure due to lack of funds ・Sluggish growth due to financing on unfavorable terms	・Business development by investing in growth areas and securing funds	・Centralizing the Group's financing and improving fund efficiency ・Diversifying financing methods
	Need for cost structure that can respond to environmental changes	Very severe	↗	・Business survival crisis ・Delay in performance recovery	・Business portfolio realignment ・Investment in growth businesses	・Cost reduction by business model reform ・Narrowing down business base
Hazard risk	Frequent natural disasters / epidemics	Very severe	→	・Damage to the lives of customers and employees ・Business continuity crisis	・Contribution to ensuring the safety and security of local communities	・Development of manuals for "business continuity" and "response to infections" ・Continuously conducting BCP training
	Increasing importance of information security	Severe	↗	・Loss of social credibility and operating loss due to the leakage of important information ・Delay/stagnation of operations	・Promotion of smooth DX (digital transformation)	・Development of Information Security Policy and IT Governance Policy ・Promotion of transition to cloud-based systems ・Improvement of information literacy through education/training

(5) Information disclosure in line with TCFD recommendations

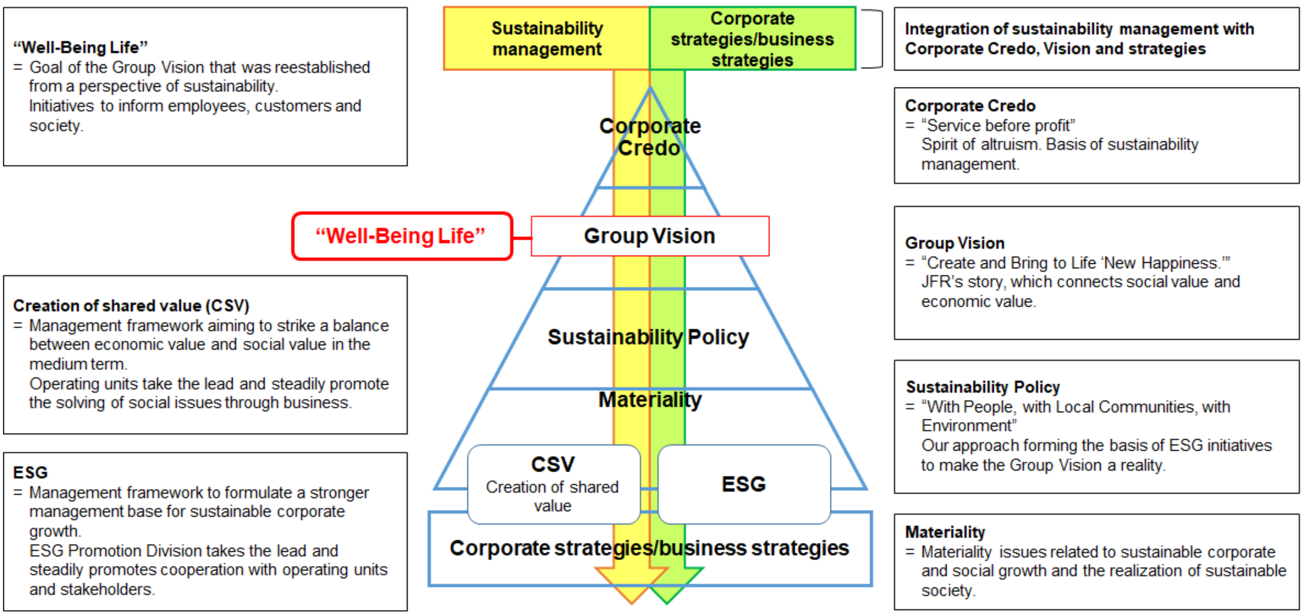
(i) Sustainability management that the Group aims for

Recently, the business environment has become increasingly uncertain. In addition, in the society that has transitioned to the new normal of living with COVID-19, companies should understand social value and carry out sustainability management.

We believe that we will be able to obtain a "framework for sustainable management" for future growth by incorporating the concept of sustainability into our corporate strategies and business strategies.

Our strength (core competence) is the ability to connect (discover / dig up, curate) "makers" and "users." We have defined unique new affluence as Well-Being Life based on a perspective that combines "sustainability" with our unique characteristics of "beauty," "health," "high quality," "culture," and "trust" and our strength of the "ability to connect makers and users." Well-Being Life is the goal of our Group Vision that we have rebuilt from a perspective of sustainability, and we will disseminate it to our stakeholders as an initiative to resolve environmental and social issues.

- Overview of sustainability management



(ii) Strengthening materiality issues under the new Medium-term Business Plan

To ensure corporate growth, the Group believes that we must identify effective materiality issues for sustainable growth, incorporate these into its vision and business plans, which are the core of its corporate management, and execute them.

The Group has taken account of environmental issues, external environmental changes due to the COVID-19 pandemic, etc., the balance of existing materiality issues, and contribution to the SDGs, which are international sustainable development goals for 2030. Backcasting from 2030, we have newly added "realization of customers' healthy/safe/secure life" and "promotion of circular economy" to the materiality issues to be addressed during the three years of the next Medium-term Business Plan. Furthermore, to reflect the evolution of our initiatives, the names of certain existing materiality issues have been changed from "contribution to a low-carbon society," "promotion of diversity," and "realization of work-life balance" to "realization of decarbonized society," promotion of diversity & inclusion," and "realization of work-life integration."

The Group has set key goal indicators (KGIs) for the newly identified seven materiality issues, as well as key performance indicators (KPIs) for fiscal 2023 and fiscal 2030, clarifying the vision for the Group to achieve by fiscal 2030. The whole Company will work together as one to achieve these.

・ The Group's newly identified seven materiality issues

Materiality issues	KPIs for FY2030	The Group's commitment to realizing a sustainable society
Realization of decarbonized society	Leading a carbon-free society and creating a global climate for the next generation	In order to pass on the irreplaceable environment of the earth to the next generation, we will contribute to the realization of a decarbonized society by working together as one to expand procurement of renewable energy and rigorously implement energy-saving measures, etc.
Promotion of circular economy	Realizing a sustainable global environment for the future and growth as a company through the promotion of circular economy	We will cooperate with our suppliers and customers to create innovative business models for generating new environmental value and capture competitive advantages in the circular economy.
Management of the entire supply chain	Realizing sustainable supply chain created along with suppliers	We will share our thinking on sustainability with our suppliers and work together with them to fulfill our social responsibilities, thereby contributing to the creation of a sustainable society for the future through our entire supply chain.
	Realizing decarbonization throughout the entire supply chain created along with suppliers	We will engage in procurement, etc., of environmentally considerate products and services with our suppliers, while also working to shift to renewable energy and energy saving so that we can contribute to the realization of a decarbonized society throughout the entire supply chain.
	Realizing Well-Being in which we, along with suppliers, protect the human rights and health of the people working along the supply chain	We will work with our suppliers to create working environments in our supply chain in which the human rights of workers are protected, and in which people can continue to work healthily.
Coexistence with local communities	Together with local communities, creating prosperous future-oriented communities where people gather, centered on our stores	We will contribute to the creation of sustainable communities that utilize local assets by working with local communities, governments, NGOs and NPOs, centered on our stores. Moreover, we will provide exciting new experiences for the people who gather in communities by discovering and disseminating the appeal of the local region.
Realization of customers' healthy/safe/secure life	Realizing a future-oriented Well-Being Life that satisfies the mind and body of customers	We will propose personally adapted Well-Being and abundant and exciting futures to each customer by providing high quality, comfortable products and services conducive to lifestyles of healthy mind and body and peace of mind.
	Creating safe, secure, and resilient stores with an eye on the future	We will increase the resilience of our stores by addressing disaster-prevention and epidemic risk, and business continuity plans (BCPs). Moreover, at the same time we will build operations that make use of digital technology to create new customer contact points that consider safety and security as we promote the creation of stores that meet society's expectations.

Materiality issues	KPIs for FY2030	The Group’s commitment to realizing a sustainable society
Promotion of diversity & inclusion	Realizing a highly diversified society where everyone recognizes each other’s diversity and flexibly demonstrates his/her individuality	Based on the themes of diversity and flexibility, we will value the different individuality and perspectives of all our stakeholders, which form the essence of diversity, and create a company where diverse abilities can be demonstrated. We will also aim to grow our business in line with diverse customers’ expectations by driving innovation through the mutual interaction and complementary functions of diverse individualities and abilities (inclusion).
Realization of work-life integration	Realizing Well-Being for the employees and their families through new work styles for the future to realize diversity and flexibility	We will promote work styles that reflect the concepts of diversity and flexibility as the new work styles for the new normal era, and at the same time preserve mental and physical health. In this way, we will realize the Well-Being of employees and their families, which will lead to improved productivity in our organization.

(iii) Action on climate change

Recently, environmental issues such as climate change have been growing more serious globally. Japan has also experienced a significant impact from abnormal weather, including multiple large-scale natural disasters. Companies today cannot ignore climate change.

Amid these circumstances, the Group considers climate change as the most important issue for sustainability management and recognizes that climate risks and opportunities have a significant impact on its business strategies. Of the seven materiality issues newly identified by the Group in fiscal 2021, we consider "realization of decarbonized society" to be the most important, and we are actively making efforts to reduce Scope 1 and 2 GHG emissions, such as introducing renewable energy-derived electricity and reducing energy consumption. Furthermore, at this juncture we added "promotion of circular economy" as a new materiality issue for resolving environmental issues.

On the other hand, as the Group is centered on the retail business, we recognize that it is extremely important to reduced Scope 3 emissions in cooperation with our business partners who are suppliers and our customers who are consumers. We are therefore engaging in "management of the entire supply chain" as one of our materiality issues.

(iv) Information disclosure in line with the four disclosure items recommended by the TCFD

The Task Force on Climate-related Financial Disclosures (TCFD) has recommended that all companies make disclosures based on four items: governance, risk management, strategy, and metrics and targets. The Group discloses climate-related information in line with the four disclosure items of the TCFD recommendations.

Disclosure items	Specific disclosures	
Governance	(a)	Process by which the Board of Directors receives reports on climate-related issues, frequency with which these issues are tabled for discussion, and monitored items
	(b)	Responsibility of management for climate-related issues, process for receiving reports (committees, etc.), and method of monitoring
Risk management	(a)	Detailed processes for identifying and assessing climate-related risks, and method for determining importance
	(b)	Detailed processes for management of important climate-related risks, and method of prioritizing them
	(c)	How the processes are integrated into the organization's overall risk management
Strategy	(a)	Detailed risks and opportunities the organization has identified over the short, medium and long term
	(b)	Description of risks and opportunities and their degree of impact on the organization's business, strategy and financial planning
	(c)	Risks, opportunities and financial impacts based on relevant scenarios, and strategies and resilience against it
Metrics and targets	(a)	The metrics used to manage climate-related risks and opportunities
	(b)	GHG emissions (Scope 1, 2 and 3)
	(c)	The targets used by the organization to manage climate-related risks and opportunities and performance against targets

Source: Recommendations of the Task Force on Climate-related Financial Disclosures (final report), 2017

<Governance (Governance concerning environmental issues)>

(a) Process by which the Board of Directors receives reports on climate-related issues, frequency with which these issues are tabled for discussion, and monitored items

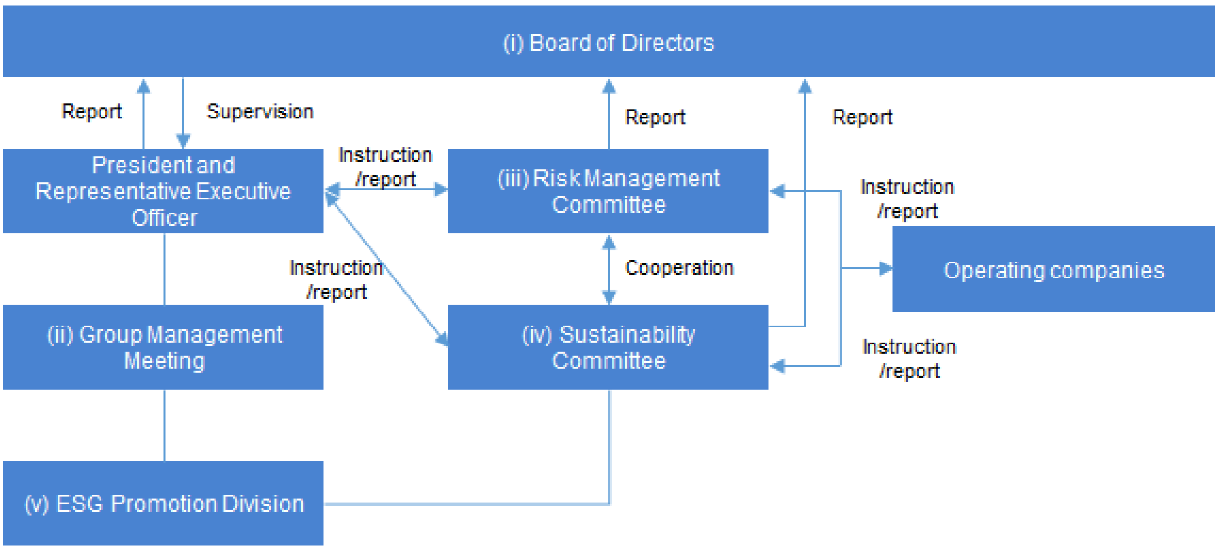
In the Group, the Group Management Meeting, which is the highest decision-making body in business execution, discusses and makes decisions on specific measures related to environmental issues in order to promote sustainability management across the Group in a cross-organizational manner. Furthermore, the Sustainability Committee, which meets once every six months, shares the policies for responding to environmental issues discussed and decided by the Group Management Meeting, formulates action plans for the Group's environmental issues, and monitors their progress.

The Board of Directors receives reports on the discussions and decisions made by the Group Management Meeting and the Sustainability Committee, then discusses and oversees the Group's policies for responding to environmental issues and its action plans and so forth.

(b) Responsibility of management for climate-related issues, the process for receiving reports (committees, etc.), and method of monitoring

The President and Representative Executive Officer chairs the Group Management Meeting, also serves as the chairperson of the Risk Management Committee and the Sustainability Committee, both of which are advisory committees under his direct supervision, and assumes the ultimate responsibility for business decisions related to environmental issues. The matters discussed and resolved by the Group Management Meeting and the Sustainability Committee are finally reported to the Board of Directors.

- Environmental management structure of the Group



・ Meeting bodies and their roles in the environmental management structure

Meeting body and structure	Role
(i) Board of Directors	Supervises the progress of environment-related initiatives discussed and approved in business execution. Meets monthly.
(ii) Group Management Meeting	Discusses and decides on the measures related to the group-wide management including specific environment-related initiatives. The decisions are reported to the Board of Directors. Held weekly.
(iii) Risk Management Committee	Extracts comprehensive risks, and discusses and decides on the measures against them. Monitors the progress of operating companies, and the decisions are reported to the Board of Directors. Meets as needed.
(iv) Sustainability Committee	Discusses and decides on the policy to address environmental issues discussed at the Group Management Meeting. Formulates the long-term plans and KGIs/KPIs related to environmental issues and monitors the progress of operating companies. The decisions are reported to the Board of Directors. Meets semiannually.
(v) ESG Promotion Division	Promotes the group-wide response to environmental issues. Collects environment-related information and reports to the Group Management Meeting, the Sustainability Committee and the Risk Management Committee.

<Risk management>

(a) Detailed processes for identifying and assessing climate-related risks, and method for determining importance

The Group considers risk to be an inspiration for strategy, and we have defined it as “uncertainty that affects the corporate management’s achievement of goals, having both a positive and a negative side.” We believe that appropriate handling of risk leads companies to sustainable growth.

The Sustainability Committee conducts more detailed examinations of the environmental risks and shares the results with operating companies. Operating companies incorporate climate actions into their action plans. They discuss and confirm the progress of the action plans at the meetings chaired by their presidents. The Group Management Meeting, the Risk Management Committee and the Sustainability Committee monitor the progress, and finally, report to the Board of Directors.

(b) Detailed processes for management of important climate-related risks, and method of prioritizing them

With the recognition that climate risks and opportunities have a great impact on its business strategies, the Group identified climate risks and opportunities through the process below and assessed their importance.

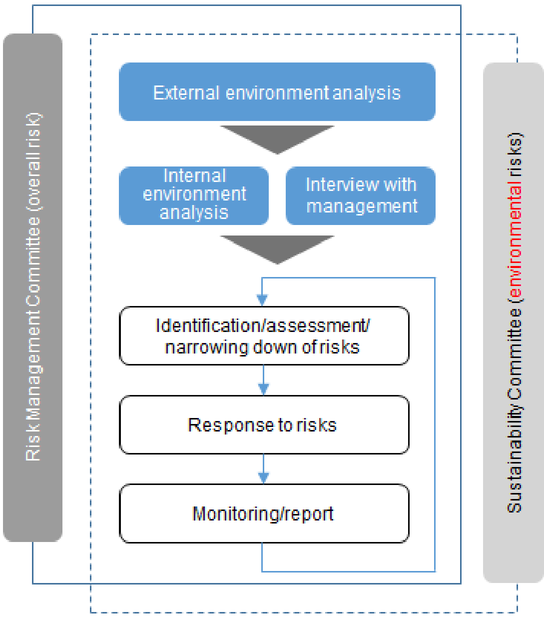
Firstly, the Group extracted climate risks and opportunities exhaustively for each activity item of supply chain process: “product procurement,” “transportation and customer movement,” “sales in stores,” “use of products and services” and “disposal.” Next, we identified important climate risks and opportunities for the Group from among the exhaustively extracted climate risks and opportunities. Finally, we assessed the importance of the identified climate risks and opportunities based on two assessment criteria including the “degree of impact on the Group and the probability of occurrence” and the “degree of impact on stakeholders.”

The Group reflects, under the supervisory system of the Board of Directors, the climate risks and opportunities rated as particularly important through the above process in its strategies as its corporate risks to address them.

(c) How the processes are integrated into the organization's overall risk management

The Group has established the Risk Management Committee based on the importance of building a structure for managing risk companywide. The Risk Management Committee identifies and assesses corporate risks, including environmental risks, based on external environment analysis, narrows them down to the risks that need to be preferentially addressed, and monitors progress on them. The matters discussed and approved by the Risk Management Committee are reflected in the Group's strategy and implemented under the supervisory system by the Board of Directors.

- Risk management process



- Risk management system

Risk management process	Meeting body in charge
• Identification/assessment/narrowing down of risks	• Board of Directors • Group Management Meeting • Risk Management Committee (Overall management risk) • Sustainability Committee (Environmental risks)
• Response to risks	• Operating companies
• Monitoring/report	• Board of Directors • Group Management Meeting • Risk Management Committee (Overall management risk) • Sustainability Committee (Environmental risks)

<Strategy>

(a) Detailed risks and opportunities the organization has identified over the short, medium and long term

The Group considers it important to examine environmental risks at the appropriate milestone occasions because of the potential impact of environmental risks on its business activities over the long term. The Group has conducted an examination* of the physical risks such as the risk of abnormal weather brought about by climate change and the transition risks such as the risk of policy regulation introduction by governments and the risk of changes in market needs, looking ahead to fiscal 2021–fiscal 2023 as the execution phase of the Medium-term Business Plan and fiscal 2030 as the Science Based Targets (SBT) setting fiscal year, and the risks and opportunities identified as a result have been reflected in the Group's strategies and implemented.

*Listed in table of (b) "Overview of the Group's risks and opportunities and their impact on business and finance"

・ Definition of the periods for consideration of climate-related risks and opportunities in the Group

	Period	Definition
Medium-term	FY2021 to FY2023	Execution period of the FY2021-FY2023 Medium-term Business Plan
Long-term	Until FY2030	Period until the SBT setting fiscal year for the Group's Scope 1, 2 and 3 GHG emissions

(b) Description of risks and opportunities and their degree of impact on the organization's business, strategy and financial planning

The Group conducts scenario analysis in order to understand the risks, opportunities, and impacts of climate change for the Group and to examine the resilience of the Group's strategies envisaging the world in 2030, and the necessity of further measures.

In the scenario analysis, we referenced multiple existing scenarios announced by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). We then considered two world scenarios: one that envisages the achievement of the goal of the Paris Agreement to limit the increase in the global average temperature to 2℃ above pre-industrial levels (the below 2℃ scenario); and one that envisages the increase in global GHG emissions beyond the present based on achieving already announced policies and regulations without the introduction of new policies and systems (the 4℃ scenario).

To realize our most important materiality issue, "realization of decarbonized society," we analyzed the impacts of climate change on the Group's business activities, assuming the above scenarios, then examined our countermeasures to verify the Group's strategy resilience.

・ Existing scenarios taken into consideration

Possible world	Existing scenarios
Below 2˚C scenario	"Sustainable Development Scenario (SDS)" (IEA, 2019, 2020)
	"Representative Concentration Pathways (RCP2.6)" (IPCC, 2014)
4˚C scenario	"Stated Policy Scenario (STEPS)" (IEA, 2019, 2020)
	"Representative Concentration Pathways (RCP6.0, 8.5)" (IPCC, 2014)

- Impact on the Group’s business and finances in the below 2˚C scenario and the 4˚C scenario estimated for 2030

Overview of the Group’s risks and opportunities in two scenarios and their impact on business and finance are as follows. The degree of impact on business and finance is shown qualitatively by the slope of the arrows in the table in three stages.

- Overview of the Group’s risks and opportunities and their impact on business and finance

Type of risk and opportunity			Overview of the Group’s risks and opportunities	Impact on business and finance	
				Below 2˚C scenario	4˚C scenario
Risk	Transition risk	Policy regulation	・Increase in operation costs associated with the introduction of policies to control GHG emissions, such as carbon taxes (carbon pricing) and the strengthening of regulations.	↑	↗
			・Increased disclosure obligations related to GHG emissions and the risk of fines due to inadequate response	↑	↗
		Market	・Loss of growth opportunities due to a delay in response to market changes such as increased demand for low-carbon (carbon neutral) products resulting from diversification of consumer behavior and increased customer awareness of environmental issues	↗	→
			・Loss of growth opportunities due to a delay in response to risk of infectious diseases (COVID-19, etc.) caused by climate change	↗	→
	Physical risk	Acute	・Loss of sales opportunities for products and services resulting from disruption of procurement and logistics routes due to natural disasters caused by climate change	↗	↑
			・Damage to stores and offices and suspension of operations due to natural disasters caused by climate change	↗	↑
			・Loss of sales opportunities in stores due to increased risk of infectious diseases (COVID-19, etc.) caused by climate change	↗	↑

Type of risk and opportunity		Overview of the Group’s risks and opportunities	Impact on business and finance	
			Below 2˚C scenario	4˚C scenario
Opportunity	Energy source	・ Reduction in energy procurement costs associated with the development and use of new policies and systems related to renewable energy	↗	→
		・ Avoidance of energy procurement risks associated with the expansion of renewable energy, strengthening of energy saving, and introduction of energy creation	↗	→
	Products and services	・ Increase in sales revenue due to an increase of demand for reuse products and recycled products	↑	↗
		・ Decrease in Scope 3 emissions due to expansion in sales of reuse and recycling products	↑	↗
	Market	・ Expansion of new growth opportunities through new entry into the sharing and upcycling businesses	↑	↗
		・ Improvement in profitability due to rebuilding of business portfolio across the framework of the retail business and entry into and expansion in the market for low carbon (carbon neutral) products associated with diversification of consumer behavior and increased customer awareness of environmental issues.	↑	↗
		・ Expansion of new growth opportunities by response to increased infectious disease risk (such as COVID-19) caused by climate change	↑	↗

↑ : The impact on the Group’s business and finance is expected to be very large.

↗ : The impact on the Group’s business and finance is expected to be slightly large.

→ : The impact on the Group’s business and finance is expected to be negligible.

(c) Risks, opportunities and financial impacts based on relevant scenarios, and strategies and resilience against it

Around 90% of the Group’s GHG emissions originate from the use of electricity. We therefore believe it is important that the Group’s initiatives to reduce GHG emissions emphasize procurement of renewable energy-derived electricity. In light of such current situation, the Group believes that, among the business and financial impacts estimated for 2030 in the two scenarios, the introduction of a carbon tax* and fluctuations in renewable energy-derived electricity rates in Japan, in particular, will be important parameters (indicators). Therefore, for the two parameters in the below 2˚C scenario and the 4˚C scenario, we quantitatively estimate the financial impacts on the Group.

*Taxes levied on CO_2 emissions, which is the main cause of climate change

・ Financial impacts on the Group estimated for 2030

Important parameter (indicator)	Financial impacts on the Group estimated for 2030		
	Item	Below 2˚C scenario	4˚C scenario
Carbon tax	・ Carbon tax (thousand yen/t-CO_2)	10	3.3
	・ Increase in costs due to carbon tax (millions of yen)	770	254
Renewable energy-derived electricity rates	・ Increase in renewable energy-derived electricity rates (yen/kWh)	1-4	
	・ Increase in procurement costs of renewable energy-derived electricity (millions of yen)	196-784	

(Assumptions for 2030)

・ Carbon tax price[*1]: \$100/t-CO_2 (below 2°C scenario), \$33/t-CO_2 (4°C scenario)[*2]

*1: Based on "Stated Policy Scenario (STEPS)" (IEA 2019).

*2: Tentatively calculated assuming that carbon tax will have been introduced in Japan as of 2030, based on the EU carbon tax price under the 4°C scenario.

・ The Group's GHG emissions: Approximately 77,000 t-CO_2 (60% reduction vs. fiscal 2017)

・ Renewable energy-derived electricity rate: Increase of 1 to 4 yen/kWh (vs. electricity rate other than renewable energy)

・ The Group's usage of renewable energy-derived electricity: 196,000 MWh (ratio of renewable energy: 60%)

Under either the below 2°C scenario or the 4°C scenario, the Group will strengthen its high strategic resilience from a medium- to long-term perspective. For this reason, in the business strategies and the Medium-term Business Plans, we will formulate appropriate measures to avoid negative risks, while for positive opportunities, we will aim to capture new growth opportunities such as responding actively to market changes and so forth.

<Metrics and targets>

(a) The metrics used to manage climate-related risks and opportunities

The Group has established two metrics for managing climate-related risks and opportunities: Scope 1, 2 and 3 GHG emissions and the ratio of renewable energy within electricity used in business activities.

(b) GHG emissions (Scope 1, 2 and 3)

The Group started calculating the total GHG emissions for the Group in fiscal 2017. The Group's Scope 1 and 2 GHG emissions in fiscal 2020 are forecast at approximately 136,000 t-CO_2 (down 16.3% from fiscal 2019). Further, the Group's Scope 3 GHG emissions in fiscal 2020 are forecast at approximately 2,830,000 t-CO_2 (down 25.2% from fiscal 2019).

Since fiscal 2017, the Group has acquired third-party assurance of its GHG emissions. It expects to acquire third-party assurance for its fiscal 2020 GHG emissions as well.

・ The Group's Scope 1, 2 and 3 GHG emission results and forecast

(Unit: t-CO_2, %)

		GHG emission results			GHG emission forecast	
		FY2017	FY2018	FY2019	FY2020	Vs. FY2019
Total Scope 1 and 2 emissions		194,154*	182,565*	162,508*	136,000	(16.3)
Breakdown	Scope 1 emissions	16,052*	15,960*	15,214*	13,000	(14.6)
	Scope 2 emissions	178,102*	166,605*	147,294*	123,000	(16.5)
Total Scope 3 emissions		3,075,130	3,123,238	3,782,555*	2,830,000	(25.2)

* Obtained third-party assurance from Lloyd's Register Quality Assurance Limited

(c) The targets used by the organization to manage climate-related risks and opportunities and performance against targets

The Group has set long-term GHG emission reduction targets since fiscal 2018 aimed at achieving the global target of keeping temperature increase to below 2°C. The Group has set a target of reducing Scope 1 and 2 and Scope 3 GHG emissions by 40% (compared to fiscal 2017) by 2030 and it was approved by the SBT initiative (SBTi)[*1]. Following the evolution of its initiatives to date, the Group has revised its Scope 1 and 2 GHG emissions reduction target to a more ambitious target of a 60% reduction (compared to fiscal 2017) by 2030. In addition, the Group has set a target of reducing Scope 1 and 2 GHG emissions to zero by 2050, as it aims to realize carbon neutrality.

To achieve these long-term targets, the Group has started procuring renewable energy-derived electricity for its facilities since fiscal 2019. In October 2020, we joined RE100[*2]. We will continue to expand our procurement of renewable energy-derived electricity, aiming to achieve carbon neutrality.

*1: Established by a collaboration between four organizations including CDP, the UN Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) in 2015 for the purpose of promoting the achievement of science-based GHG emissions reduction targets to limit the temperature increase to below 2˚C compared to pre-industrial levels.

*2: A global initiative that aims to source 100% renewable energy to power business operations by 2050

・ The targets used by the Group to manage climate-related risks and opportunities

Metrics	Target year	Details of targets
GHG emissions	2050	Zero Scope 1 and 2 GHG emissions
	2030	60%*1 reduction of Scope 1 and 2 GHG emissions (vs. FY2017) Aiming for 40% reduction of Scope 3 GHG emissions (vs. FY2017)*2 *1: The reduction rate approved by the SBTi is 40%. *2: Approved by SBTi
Ratio of renewable energy in electric power used in business activities	2050	100% ratio of renewable energy in electric power used in business activities*3 *3: Joined RE100 in 2020
	2030	60% ratio of renewable energy in electric power used in business activities

(v) Future efforts

Recently, the conventional "linear economy" premised on the one-time use and disposal of natural resources and products has brought about serious climate change, such as natural resource depletion due to large-scale extraction, global warming due to emissions of GHGs, and ocean pollution due to large quantities of waste.

The Group believes it is important to respond to these climate risks and opportunities using the strength of corporate group with retail at its core. Therefore, we will strive to:

- Realize a strong supply chain by strengthening the measures against physical climate risks;
- Contribute to local communities by creating sustainable stores through CSV initiatives with stores at the core;
- Realize new business opportunities through promoting "circular economy"; and
- Actively provide low-carbon products and services that respond to changes in consumers' consumption behavior.

Going forward, the Group will promote strengthening of governance in environmental management under the supervisory system of the Board of Directors and promote companywide initiatives such as the formulation of action plans for achieving medium- to long-term targets.

3. Management analysis of financial position, operating results and cash flows

(1) Financial position and operating results

(i) Operating results for the current fiscal year

In the fiscal year under review, the Japanese economy was significantly affected by the spread of COVID-19. Although the economy bottomed out after it registered a record negative real GDP growth rate at the beginning of the fiscal year under review, and subsequently showed signs of picking up, it ended up with only a moderate recovery due to the rebound of the epidemic in the latter half of the fiscal year. While corporate earnings were robust in certain industries, many businesses were forced to control investments and reduce employment and wages. Despite a gradual recovery from a slump in the early fiscal year under review, personal spending remained weak mainly due to the declaration of another state of emergency in the late fiscal year.

Amid the unprecedented business environment, the Group strove to operate its respective businesses in response to the changing circumstances, with the highest priority given to ensuring the safety and security of customers and employees, as well as the viability of its business. At the same time, with an eye to the future, we promoted efforts to contribute to a sustainable society and to achieve the Group’s medium- and long-term growth.

As part of “countermeasures against COVID-19” to adequately respond to the unprecedented business environment caused by the pandemic, the Group set up the Emergency Response Headquarters in the early stage of the infection spread and implemented a range of measures to ensure safety and security with thorough hygiene management as well as its business continuity and management stability.

In our sales activities, we suspended store operations or shortened operating hours taking into account demands by the Japanese government and each local government. For sales, we endeavored to prevent the spread of COVID-19 by taking such measures as creating a safe in-store environment, where customers can feel secure while shopping, by carrying out in-store disinfection, ensuring safe traffic flows for customers and adequate air circulation, and reviewing event plans. Also, while providing suppliers with sales support through the utilization of the Company’s website, we worked to improve the work environment through meticulous hygiene management for sales staff at stores, including rest areas and lockers, and by encouraging remote work and staggered working hours and utilizing online meetings for back-office departments.

At the same time, from the perspective of ensuring business continuity and management stability, we took early actions to brace for a situation where the impact of COVID-19 becomes even more severe than expected, including controlling investments, cutting expenses, accumulating cash on hand and increasing the amount of credit lines for financing so as to ensure financial stability and liquidity.

Meanwhile, we promoted the use of digital technologies in our sales activities to adapt to new lifestyles amid the spread of self-curfew. Specifically, we worked on enhancing the selection of products in the online stores of our department stores and offering a remote sales service by providing online customer service and distributing videos from the department stores. In addition, as part of “Think LOCAL,” which was launched in September as support for manufacturers in various regions, we introduced, on our website, local specialties in areas where our stores are located. In the PARCO Business, we also moved forward with our efforts toward the integration of brick-and-mortar stores with the online store by implementing measures such as distributing a virtual tour video of Shinsaibashi PARCO and strengthening online sales in cooperation with suppliers.

As part of “initiatives toward the achievement of medium- and long-term growth,” we implemented organizational reforms and consolidation of the Real Estate Business as part of necessary structural adjustments following the conversion of PARCO into a wholly-owned subsidiary. In the organizational reforms, we set up the “Organizational Structure Review Committee” and built a new structure which allows PARCO to be dedicated to strengthening its own business by restructuring and integrating head office functions for the holding company and PARCO from the perspective of promptly generating the Group synergies and facilitating highly efficient management. As for the consolidation of the Real Estate Business, we transferred the Daimaru Matsuzakaya Department Store’s real estate business to PARCO in September to concentrate the Group assets and centralize operation, supervision and development functions.

As part of our efforts to generate the Group synergies, we also opened Shinsaibashi PARCO in November. Shinsaibashi PARCO is a new commercial facility that embodies sustainability management and fusion of our department stores and PARCO, which are what the Group promotes, and aims to expand the area customer base through coexisting with local communities and contributing to generating the prosperity of the Shinsaibashi area together with Daimaru Shinsaibashi store, with which its management was integrated, and by attracting new customers. After the opening, Shinsaibashi PARCO has been visited by a broad range of customers, and its synergy with Daimaru Shinsaibashi store has been demonstrated.

Along with such efforts to reinforce our foundation toward the achievement of medium- and long-term growth, we worked on the formulation of a new Medium-term Business Plan starting from fiscal 2021. Regarding the reform of management structure that is included in the plan, we aim to work on improving revenue by accelerating the transformation of business models and streamlining business operations by restructuring the Group's business to quickly build a future growth platform, while taking a serious look at the future survivability and growth potential of each of our businesses. As part of such efforts, in light of environmental changes in each of our businesses and the future survivability of the market, we decided to close Tsudanuma PARCO and Shintokorozawa PARCO in the PARCO Business (on February 28, 2023, and February 29, 2024, respectively), and excluded J. Front Foods Co., Ltd., which is engaged in the restaurant business, from the scope of consolidated subsidiaries by transferring all the shares in the company in February.

As for consolidated revenue for the fiscal year under review, the spread of infectious disease caused the stagnation in both domestic and inbound spending, which impacted, among others, our core Department Store Business. Despite various measures including those mentioned above, sales revenue was ¥319,079 million, down 33.6% year on year.

In this environment, despite securing a profit of ¥2,366 million in business profit as a result of controlling investments and reducing expenses throughout the fiscal year, operating loss was ¥24,265 million (operating profit of ¥40,286 million in the previous fiscal year) as a result of reclassification of fixed costs primarily due to suspending store operations, and the recording of expenses, such as those for store closures and impairment loss. Loss before tax was ¥28,672 million (profit before tax of ¥37,161 million in the previous fiscal year), and loss attributable to owners of parent was ¥26,193 million (profit attributable to owners of parent of ¥21,251 million in the previous fiscal year) due to an increase in expenses as a result of reversing the deferred tax assets of subsidiaries.

Regarding dividends, given the unprecedented business environment as well as severe earnings forecasts and financial conditions, the Company paid an interim dividend of ¥9 per share (¥18 in the previous fiscal year), but from the perspective of ensuring stable dividend payments to shareholders, has decided to pay a year-end dividend of ¥18 per share, which is the same as the previous fiscal year. As a result, the annual dividend is ¥27 per share.

Business results by segment

<Department Store Business>

Due to the spread of COVID-19, we downsized operations at each of our department stores from March. After the declaration of state of emergency in April, we suspended operations at almost all the stores, excluding the food sales floors. Despite successively restarting operations in the middle of May, both the number of customers visiting stores and sales decreased significantly throughout the year, reflecting self-curfew and the reconsideration of the events and sales from the perspective of avoiding "Three Cs" (closed spaces, crowded places, and close-contact settings) and overseas travel restrictions.

Meanwhile, we promoted the enhancement of product lineups in the "Daimaru Matsuzakaya Online Shopping" to meet stay-at-home demand; the offering of remote sales services, through which customers can enjoy shopping at home; and sales activities using digital technologies such as the visit reservation system. In addition, we carried out new activities amid the COVID-19 pandemic, such as the installment of non-contact collection boxes of used clothing for the "ECOFF Recycle Campaign," in which customers can participate.

Besides that, customers were invited to the Daimaru Shinsaibashi store in conjunction with the opening of Shinsaibashi PARCO, and a mutual customer referral campaign using both Daimaru's and PARCO's house cards was implemented.

As part of the restructuring of regional suburban department stores, we brought Shimonoseki Daimaru under direct management. Then, we re-opened the Daimaru Shimonoseki store in March. In addition, we proceeded with creating community-based stores at the Daimaru Ashiya store and the Daimaru Suma store.

Despite our efforts including capital investments and reduction of expenses throughout the fiscal year, coupled with various measures such as those mentioned above, sales revenue decreased significantly to ¥164,024 million, down 37.8% year on year, partly due to the stagnation in both domestic and inbound spending, and operating loss was ¥22,199 million (operating profit of ¥17,625 million in the previous fiscal year) partly due to the recording of impairment loss.

<PARCO Business>

As a result of the impact of the spread of COVID-19, we suspended store operations and shortened operating hours, and were forced to restrict entrance to entertainment venues, which caused both the number of customers visiting stores and tenant transaction volume to decrease significantly. In this environment, in order to further progress customer communication, we worked on new digital measures, such as strengthening the "PARCO ONLINE STORE" in cooperation with suppliers, holding online exhibitions, promoting live commerce and implementing e-commerce services for overseas.

Additionally, in November, we opened Shinsaibashi PARCO, the first store for PARCO to open in Shinsaibashi, Osaka in approximately nine years. Despite opening in the midst of the rebound of the pandemic, the store has been visited by a broad range of customers and maintained sales exceeding expectations.

Despite securing a profit of ¥2,062 million in business profit as a result of initiatives, such as cutting capital investments, cost of sales and expenses, in addition to various measures such as those mentioned above, sales revenue was ¥68,861 million, down 38.6% year on year, partly due to a rebound following the sales of reserve floor space in the Shibuya redevelopment project in the previous fiscal year. Furthermore, operating loss was ¥6,895 million (operating profit of ¥10,823 million in the previous fiscal year) partly due to the recording of store closure-related expenses.

<Real Estate Business>

As was the case with the Department Store Business and the PARCO Business, rental income decreased due to a drop in tenant sales impacted by self-curfew as well as being forced to suspend the operations of facilities and shorten operating hours of facilities. On the other hand, we promoted the development in the Nagoya Sakae area to make the area more appealing to customers by working with the Matsuzakaya Nagoya store and Nagoya PARCO. Specifically, in July, we entered into a basic agreement for the "development of Nishiki 3-chome District 25," which is scheduled to complete and open in 2026, and opened "BINO SAKAE" in November.

Despite various measures such as those mentioned above, sales revenue was ¥15,372 million, down 13.6% year on year, partly due to the impact of rent concessions on fixed rent income during the suspension period and decreased percentage rents, and operating profit was ¥1,986 million, down 70.5% year on year, due to a rebound following the recording of gain on sale of property in the previous fiscal year.

<Credit Finance Business>

In order to strengthen business, we updated Daimaru Matsuzakaya Card in January to enhance services and introduced a new point program "QIRA POINT." We also started the offering of a personal card loan service "QIRA LOAN - BRIGHT LIFE -" in February.

Despite various measures such as those mentioned above, sales revenue was ¥9,035 million, down 15.7% year on year, partly due to decreased transaction volume at department stores and increased costs associated with the update of the card, and operating profit was ¥421 million, down 77.9% year on year.

<Other>

The electronic devices division of Daimaru Kogyo, which is engaged in the wholesale business, had strong performance. Despite this, sales revenue was ¥95,722 million, down 22.4% year on year, and operating profit was ¥2,852 million, down 39.3% year on year, as a result of a reactionary drop in the design and construction contracting business engaged by J. Front Design & Construction, following the special demand associated with the renovation of the main building of the Daimaru Shinsaibashi store in the previous fiscal year; and an adverse impact on Dimple's personnel recruitment business resulting from the suspension of operations at its client facilities.

(ii) Financial position

Total assets as of February 28, 2021 was ¥1,263,722 million, up ¥23,414 million compared with February 29, 2020. Total liabilities was ¥899,378 million, up ¥58,751 million compared with February 29, 2020. Interest-bearing debt (including lease liabilities) was ¥562,815 million, up ¥84,042 million compared with February 29, 2020. Total equity was ¥364,343 million, down ¥35,338 million compared with February 29, 2020.

(iii) Cash flows

The balance of cash and cash equivalents (hereinafter "cash") as of February 28, 2021 was ¥128,925 million, up ¥94,292 million compared with February 29, 2020. This was due to an increase in cash on hand to secure financial stability.

Cash flow positions in the current fiscal year and the factors for these are as follows.

Net cash provided by operating activities was ¥56,471 million. In comparison with the previous fiscal year, cash provided decreased by ¥16,887 million, largely due to the recording of loss before tax.

Net cash used in investing activities was ¥20,870 million. In comparison with the previous fiscal year, cash used decreased by ¥28,689 million, largely reflecting a decrease in purchase of property, plant and equipment.

Net cash provided by financing activities was ¥58,727 million. In comparison with the previous fiscal year, cash provided increased by ¥73,556 million, largely reflecting issuances of commercial papers.

(iv) Production, orders received and sales

1) Production

Production by segments for the current fiscal year are as follows.

Segment name	Production (Millions of yen)	Year-on-year comparison (%)
Other	756	84.5

Notes: 1. Consumption taxes are not included in the amounts above.
2. No items to report for segments other than above.

2) Orders received

Orders received by segments for the current fiscal year are as follows.

Segment name	Orders received (Millions of yen)	Year-on-year comparison (%)
PARCO Business	7,798	79.4
Other	31,809	53.3

Notes: 1. Consumption taxes are not included in the amounts above.

2. No items to report for segments other than above.

3) Sales

Sales by segments for the current fiscal year are as follows.

Segment name	Breakdown	Sales (Millions of yen)	Year-on-year comparison (%)
Department Store Business	Daimaru Matsuzakaya Department Stores Co. Ltd.	149,602	63.3
	The Hakata Daimaru, Inc.	11,153	59.8
	Kochi Daimaru Co., Ltd.	3,269	71.9
	Total	164,024	62.2
PARCO Business	Shopping center business	42,829	58.5
	Specialty store business	11,873	66.4
	Space engineering and management business	10,680	74.0
	Other business	3,478	51.8
	Total	68,861	61.4
Real Estate Business	Real estate leasing and tenant leasing	15,372	86.4
Credit Finance Business	Issuance and administration of credit cards	9,035	84.3
Other	Wholesale	34,826	115.8
	Design and construction contracting	24,137	53.9
	Staffing service	15,634	70.4
	Other	21,124	80.5
	Total	95,722	77.6
Adjustments		(33,937)	–
Total		319,079	66.4

Notes: 1. Adjustments for inter-segment transactions are made in the adjustments column.

2. Sales amount shows sales revenue.

3. Consumption taxes are not included in the amounts above.

(2) Management’s analysis and discussion of operating results

Analysis and discussion of the Group’s financial position and operating results are, in principle, content that has been analyzed based on the consolidated financial statements.

Items in the text below that concern the future were determined as of the end of the current fiscal year.

(i) Significant accounting policies and estimates

The Group’s consolidated financial statements are prepared in accordance with the International Financial Reporting Standards. The preparation of the consolidated financial statements requires selection and application of accounting policies by management and accounting estimates that affect the reported amounts and disclosures of assets, liabilities, revenues and expenses. Although the management makes reasonable judgments for these estimates based on past results and current circumstances, actual results may differ from these estimates due to uncertainties unique to the estimation.

The significant accounting policies for preparation of the Group's consolidated financial statements are described in "V. Financial Information, 1. Consolidated Financial Statements, etc., Notes to Consolidated Financial Statements, 3. Significant Accounting Policies."

In addition, accounting estimates used in the preparation of the consolidated financial statements and assumptions used in those estimates are described in "V. Financial Information, 1. Consolidated Financial Statements, etc., Notes to Consolidated Financial Statements, 4. Significant Accounting Estimates and Judgments."

(ii) Perception, analysis and discussion of operating results, etc. for the current fiscal year

1) Operating results, etc.

Information by segment is described in (1) Financial position and operating results (i) Operating results for the current fiscal year.

a) Sales revenue

Sales revenue decreased by ¥161,542 million from the previous fiscal year to ¥319,079 million, reflecting a decline in revenue across all segments caused by a drop in consumption due to the impact of the spread of COVID-19.

b) Operating profit

Operating profit decreased by ¥64,551 million from the previous fiscal year to operating loss of ¥24,265 million.

c) Profit before tax

Profit before tax decreased by ¥65,833 million from the previous fiscal year to loss before tax of ¥28,672 million.

d) Profit attributable to owners of parent

Profit attributable to owners of parent decreased by ¥47,444 million from the previous fiscal year to loss attributable to owners of parent of ¥26,193 million.

e) Financial position

Total assets as of February 28, 2021 was ¥1,263,722 million, up ¥23,414 million compared with February 29, 2020 mainly due to accumulating cash on hand. Total liabilities was ¥899,378 million, up ¥58,751 million compared with February 29, 2020. Interest-bearing debt (including lease liabilities) was ¥562,815 million, up ¥84,042 million compared with February 29, 2020 mainly due to loans from financial institutions and issuances of commercial papers.

Total equity was ¥364,343 million, down ¥35,338 million compared with February 29, 2020.

As a result, operating profit/total assets (ROA) was (1.9)%, profit/equity attributable to owners of parent (ROE) was (7.1)%, and the ratio of equity attributable to owners of parent to total assets was 27.9%.

f) Cash flows

Net cash provided by operating activities was ¥56,471 million. Net cash used in investing activities was ¥20,870 million and net cash provided by financing activities was ¥58,727 million.

As a result, cash and cash equivalents as of February 28, 2021 was ¥128,925 million, up ¥94,292 million compared with February 29, 2020.

Looking forward, the Group plans to provide appropriate distribution of profit and capital investment, giving consideration to the level of profit, cash flow trends, among other factors.

g) Liquidity and capital resources

(Basic capital policy)

The Company believes that any increase in free cash flow and improvement in ROE should help to ensure its sustainable growth and increase corporate value over the medium to long term. To such ends, the Company promotes a capital policy that takes a balanced approach to undertaking strategic investment, enhancing shareholder returns, and expanding net worth being equipped to address risks.

Moreover, in procuring funds through interest-bearing debt, we aim to achieve an optimal structure of debt to equity in a manner cognizant of our funding efficiency and cost of capital, carried out on the basis of having taken into consideration our capacity for generating free cash flows and our balance of interest-bearing debt.

A business strategy where higher sales are accompanied by profits and a financial strategy (encompassing the capital policy) that heightens profitability of invested capital are essential elements with respect to improving free cash flows and ROE. In addition, we believe it is crucial that we achieve maximization of the operating profit and sustainable improvement of the operating profit margin by strengthening our core businesses and concentrating management resources on initiatives such as business field expansion and active development of new businesses.

(Status of procurement)

The Group's basic policy is to source funds needed for business activities using internally generated funding. Moreover, when the need arises for business investment or other expenditures, such funds are procured mainly by issuing bonds and borrowing from financial institutions, with consideration placed on maintaining financial soundness.

The Group subsidiaries do not procure funds from financial institutions, but instead we promote centralized and streamlined means of procuring funds by means of intra-Group financing using a cash management system. PARCO also completed centralizing fund procurement timed to coincide with it becoming a wholly owned subsidiary to generate the Group synergies and facilitate the highly efficient management.

For the current fiscal year, based on the above policy, funds were procured in the following ways to prepare for a shortage of funds resulting from the spread of the infectious disease and secure sufficient cash on hand. They consisted of procuring ¥82,000 million in non-current borrowings and ¥47,000 million in current borrowings from financial institutions, and ¥66,000 million through commercial papers. In addition to the redemption of the third unsecured straight bonds of ¥10,000 million, after having repaid current borrowings of ¥60,000 million and non-current borrowings of ¥23,400 million, the interest-bearing debt (excluding lease liabilities) increased by ¥101,700 million compared to the end of the previous fiscal year to ¥359,900 million, and the balance of cash and deposit stood at ¥128,900 million. The commitment line of ¥300,000 million was also set in preparation for a cash shortage possibly caused by the unexpectedly lingering spread of infectious disease.

Details on risks associated with financing are mentioned in "II. Overview of Business, 2. Business risks."

(Financial policy)

Financial policies under the "FY2021-FY2023 Medium-term Business Plan" are described in "II. Overview of Business, 1. Management policy, management environment, issues to be addressed, etc."

(Dividend policy)

The Company's basic policy on dividends of surplus and dividend results for the current fiscal year are described in "IV. Information About Reporting Company, 3. Dividend policy."

2) Achievement status of management goals

Since the "FY2017-FY2021 Medium-term Business Plan" finished in fiscal 2020, statements on the achievement status of key performance indicator targets set for fiscal 2021 have been omitted.

As noted in "II. Overview of Business, 1. Management policy, management environment, issues to be addressed, etc.," the Company has formulated the "2021-2023 Medium-term Business Plan." Through this Medium-term Business Plan, we aim to recover our financial figures to fiscal 2019 levels by fiscal 2023, the final year of the plan, achieving "complete recovery" from the COVID-19 pandemic. In addition, we will strive to achieve our targets, having positioned this period as a period for getting back on track for "regrowth" from fiscal 2024 onward.

4. Critical contracts for operation

<Consolidated subsidiaries>

Agreements relating to leases

Company name	Office name	Lessor	Leased property	Area (m^2)	Rent
Daimaru Matsuzakaya Department Stores Co. Ltd.	Daimaru Osaka Umeda store	Osaka Terminal Building Co., Ltd.	Building	95,101	(1) Fixed portion of rent expenses ¥6,186 million per annum (2) Variable portion of rent expenses 1.5% of net sales amount in excess of ¥85,000 million
	Daimaru Tokyo store	Tetsudo Kaikan Co., Ltd.	Building	64,657	(1) Fixed portion of rent expenses ¥5,330 million per annum (2) Variable portion of rent expenses 1% of the amount in excess of the highest annual net sales in the most recent three fiscal years.
The Hakata Daimaru, Inc.	Main Building	The Nishinippon Shimbun Building Inc. KAMIYO FUDOSAN CO. LTD	Building	31,258	¥1,266 million per annum
	East hall (ELLE GALA)	The Nishinippon Shimbun Building Inc.	Building	15,155	¥1,041 million per annum

5. Research and development activities

There are no significant matters to report.

III. Information About Facilities

1. Overview of capital expenditures, etc.

In the current fiscal year, total capital expenditures of ¥29,996 million were made, mainly in the Department Store Business and PARCO Business.

The breakdown by segment is as follows:

Segment name	Capital expenditures (Millions of yen)
Department Store Business	11,785
PARCO Business	13,455
Real Estate Business	4,246
Credit Finance Business	149
Other	796
Adjustments	(436)
Total	29,996

Notes: 1. Guarantee deposits for store opening, etc. are included in the amounts above.
2. Newly acquired right-of-use assets are included in the amounts above.

Mainly, in the Department Store Business this included building of the north wing of the Daimaru Shinsaibashi store, and in the PARCO Business this included asset purchases associated with new opening of Shinsaibashi PARCO.

The funds required for these expenditures were appropriated from funds on hand and borrowings.

2. Major facilities

Major facilities of the Group are as follows:

(1) Reporting company

As of February 28, 2021

Office name (Location)	Segment name	Facilities	Carrying amounts (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Land [Area in m^2]	Right-of-use assets	Other	Total	
J. FRONT RETAILING Co., Ltd. (Chuo-ku, Tokyo)	Corporate (Shared)	Office, etc.	90	– [–]	387	21	499	133 [17]

Notes: 1. Consumption taxes are not included in the amounts above.
2. The number in brackets in the “Number of employees” column (not included in number of employees) refers to the yearly average number of fixed-term employees.

(2) Domestic subsidiaries

As of February 28, 2021

Company name	Office name (Location)	Segment name	Facilities	Carrying amounts (Millions of yen)					Number of employees (Persons)
				Buildings and structures	Land [Thousands of m^2]	Right-of-use assets	Other	Total	
Daimaru Matsuzakaya Department Stores Co. Ltd.	Daimaru Osaka Shinsaibashi store (Chuo-ku, Osaka)	Department Store Business	Store, etc.	31,414	7,919 [11]	12,065	1,018	52,417	177 [42]
	Daimaru Osaka Umeda store (Kita-ku, Osaka)	Department Store Business	Store, etc.	10	– [–]	26,648	–	26,658	65 [2]
	Daimaru Tokyo store (Chiyoda-ku, Tokyo)	Department Store Business	Store, etc.	3,395	– [–]	31,071	114	34,581	67 [6]
	Daimaru Kyoto store (Shimogyo-ku, Kyoto)	Department Store Business	Store, etc.	10,023	8,759 [9]	3,417	31	22,232	140 [28]
	Daimaru Kobe store (Chuo-ku, Kobe)	Department Store Business	Store, etc.	7,720	1,693 [11]	7,906	87	17,408	159 [27]
	Daimaru Suma store (Suma-ku, Kobe)	Department Store Business	Store, etc.	922	– [–]	649	2	1,575	13 [2]
	Daimaru Ashiya store (Ashiya, Hyogo)	Department Store Business	Store, etc.	–	– [–]	945	–	945	7 [1]
	Daimaru Sapporo store (Chuo-ku, Sapporo)	Department Store Business	Store, etc.	7,340	12,696 [8]	156	75	20,268	98 [13]
	Daimaru Shimonoseki store (Shimonoseki, Yamaguchi)	Department Store Business	Store, etc.	2,253	1,408 [11]	54	137	3,854	53 [34]
	Matsuzakaya Nagoya store (Naka-ku, Nagoya)	Department Store Business	Store, etc.	16,977	65,919 [19]	6,417	377	89,691	304 [26]
	Matsuzakaya Ueno store (Taito-ku, Tokyo)	Department Store Business	Store, etc.	5,017	27,718 [7]	843	68	33,647	119 [15]
	Matsuzakaya Shizuoka store (Aoi-ku, Shizuoka)	Department Store Business	Store, etc.	3,659	6,628 [7]	83	182	10,554	61 [4]
	Matsuzakaya Takatsuki store (Takatsuki, Osaka)	Department Store Business	Store, etc.	1,750	3,738 [5]	6	10	5,505	8 [3]
	Matsuzakaya Toyota store (Toyota, Aichi)	Department Store Business	Store, etc.	–	– [–]	–	–	–	7 [1]
	Head office/Others (Koto-ku, Tokyo, and other locations)	Department Store Business	Office, etc.	17,819	87,082 [41]	4,983	669	110,554	608 [185]
	Total	–	–	108,305	223,564 [134]	95,248	2,775	429,894	1,886 [389]

Company name	Office name (Location)	Segment name	Facilities	Carrying amounts (Millions of yen)					Number of employees (Persons)
				Buildings and structures	Land [Thousands of m^2]	Right-of-use assets	Other	Total	
The Hakata Daimaru, Inc.	Daimaru Fukuoka Tenjin store, etc. (Chuo-ku, Fukuoka, and other locations)	Department Store Business	Store, etc.	5,616	7,101 [8]	10,489	248	23,456	262 [109]
Kochi Daimaru Co., Ltd.	Kochi Daimaru store (Kochi, Kochi)	Department Store Business	Store, etc.	1,199	414 [3]	744	64	2,423	94 [38]
PARCO Co., Ltd.	Ikebukuro PARCO, etc. (Toshima-ku, Tokyo, and other locations)	PARCO Business Real Estate Business	Store, etc.	114,590	190,856 [118]	80,100	3,322	388,870	554 [99]

Notes: 1. Consumption taxes are not included in the amounts above.

2. The number in brackets in the "Number of employees" column (not included in number of employees) refers to the yearly average number of dedicated employees, fixed-term employees, etc.

3. Of the major facilities, the ones rented from external sources are listed in "Agreements relating to leases" under "4. Critical contracts for operation" in "II. Overview of Business."

3. Planned additions, retirements, etc. of facilities

Planned additions, retirements, etc. of significant facilities are as follows:

(1) Additions, etc. of significant facilities

Company name	Office name (Location)	Segment name	Facilities	Planned investment amount		Funds procurement method	Start	Scheduled completion
				Total (Millions of yen)	Amount already paid (Millions of yen)			
Daimaru Matsuzakaya Department Stores Co. Ltd.	Matsuzakaya Nagoya store, etc. (Naka-ku, Nagoya, and other locations)	Department Store Business	Sales floor renovation, etc.	7,732	36	Funds on hand and borrowings	March 2021	February 2022
PARCO Co., Ltd.	Chiyoda, Nagoya (Naka-ku, Nagoya)	PARCO Business	Sales floor renovation, etc.	3,853	–	Funds on hand and borrowings	March 2021	Summer 2023

Note: Consumption taxes are not included in the amounts above.

(2) Retirements, etc. of significant facilities

There are no significant matters to report.

IV. Information About Reporting Company

1. Company's shares, etc.

(1) Total number of shares

(i) Authorized shares

Class	Number of shares authorized (Shares)
Ordinary shares	1,000,000,000
Total	1,000,000,000

(ii) Number of issued shares

Class	Number of issued shares as of fiscal year end (Shares) (As of February 28, 2021)	Number of issued shares as of filing date (Shares) (As of May 28, 2021)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Details
Ordinary shares	270,565,764	270,565,764	First section of the Tokyo Stock Exchange First section of the Nagoya Stock Exchange	The number of shares per share unit 100 shares
Total	270,565,764	270,565,764	–	–

(2) Share acquisition rights

(i) Employee share option plans

No items to report.

(ii) Rights plans

No items to report.

(iii) Share acquisition rights for other uses

No items to report.

(3) Exercises of moving strike convertible bonds, etc.

No items to report.

(4) Changes in number of issued shares, share capital and legal capital surplus

Date	Change in the total number of issued shares (Thousands of shares)	Balance of the total number of issued shares (Thousands of shares)	Change in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
July 24, 2017 (Note)	2,446	270,565	1,974	31,974	1,974	9,474

Note: Third-party allotment

Price of issue: ¥1,614

Amount to be included in capital: ¥807

Allottee: The Master Trust Bank of Japan, Ltd. (Trust account for officer remuneration BIP trust)

(5) Shareholding by shareholder category

As of February 28, 2021

Category	Shareholding status (Number of shares per share unit: 100 shares)								Shares less than one unit (Shares)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors, etc.		Individuals and others	Total	
					Companies, etc.	Individuals			
Number of shareholders (Persons)	–	62	35	895	302	133	132,497	133,924	–
Number of shares held (Units)	–	1,012,013	173,722	165,344	520,342	389	827,764	2,699,574	608,364
Shareholding ratio (%)	–	37.49	6.44	6.12	19.28	0.01	30.66	100.00	–

Notes: 1. The 6,596,977 treasury shares include 65,969 share units under "Individuals and others" and 77 shares under "Shares less than one unit." In addition, the 6,596,977 treasury shares are the shares listed on the shareholder register, and this is the same as the actual number of treasury shares owned as of the end of the fiscal year.

2. The number of units under "Other corporations" includes 94 share units registered in the name of Japan Securities Depository Center, Incorporated.

(6) Status of Major Shareholders

As of February 28, 2021

Name / Company Name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	24,946	9.45
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	14,201	5.37
Nippon Life Insurance Company	1-6-6 Marunouchi, Chiyoda-ku, Tokyo	9,828	3.72
SMBC Nikko Securities Inc.	3-3-1 Marunouchi, Chiyoda-ku, Tokyo	8,491	3.21
J. Front Retailing Kyoei Supplier Shareholding Association	Nihonbashi 1-Chome Mitsui Building, 1-4-1 Nihonbashi, Chuo-ku, Tokyo	6,353	2.40
The Dai-ichi Life Insurance Company, Limited	1-13-1 Yurakucho, Chiyoda-ku, Tokyo	5,470	2.07
MUFG Bank, Ltd.	2-7-1 Marunouchi, Chiyoda-ku, Tokyo	4,373	1.65
Custody Bank of Japan, Ltd. (Trust Account 9)	1-8-12 Harumi, Chuo-ku, Tokyo	4,326	1.63
GOLDMAN SACHS & CO.REG (Standing proxy: Goldman Sachs Japan Co., Ltd.)	200 WEST STREET NEW YORK, NY, USA (6-10-1 Roppongi, Minato-ku, Tokyo)	4,325	1.63
Custody Bank of Japan, Ltd. (Trust Account 5)	1-8-12 Harumi, Chuo-ku, Tokyo	3,740	1.41
Total	—	86,056	32.60

Notes: 1. J. Front Retailing Kyoei Supplier Shareholding Association is a shareholder association comprised of business partners of the Group.

2. In addition to the above, there are 6,596,000 treasury shares (the percentage of number of treasury shares owned to total number of issued shares is 2.43%), and the shareholding ratio is calculated after excluding those treasury shares.

Treasury shares do not include shares held by the officer remuneration BIP trust.

(7) Voting rights

(i) Issued shares

As of February 28, 2021

Category	Number of shares (Shares)	Number of voting rights (Rights)	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares) Ordinary shares 6,596,900	–	–
Shares with full voting rights (Other)	Ordinary shares 263,360,500	2,633,605	–
Shares less than one unit	Ordinary shares 608,364	–	–
Total number of issued shares	270,565,764	–	–
Total number of voting rights	–	2,633,605	–

Notes:
1. Figures under "Shares with full voting rights (Other)" include 2,178,300 shares of the Company held by the officer remuneration BIP trust (21,783 voting rights) and 9,400 shares registered in the name of Japan Securities Depository Center, Incorporated (94 voting rights).
2. The number of "Shares less than one unit" includes 77 treasury shares held by the Company and 3 treasury shares held by the officer remuneration BIP trust.

(ii) Treasury shares, etc.

As of February 28, 2021

Name of shareholder	Address of shareholder	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Shareholding ratio (%)
(Treasury shares) J. FRONT RETAILING Co., Ltd.	10-1, Ginza 6-chome, Chuo-ku, Tokyo	6,596,900	–	6,596,900	2.43
Total	–	6,596,900	–	6,596,900	2.43

Note: Treasury shares do not include shares of the Company held by the officer remuneration BIP trust.

(8) Share ownership plan for directors (and other officers) and employees

(i) Performance-linked share-based payment plan

1) Overview of performance-linked share-based payment plan

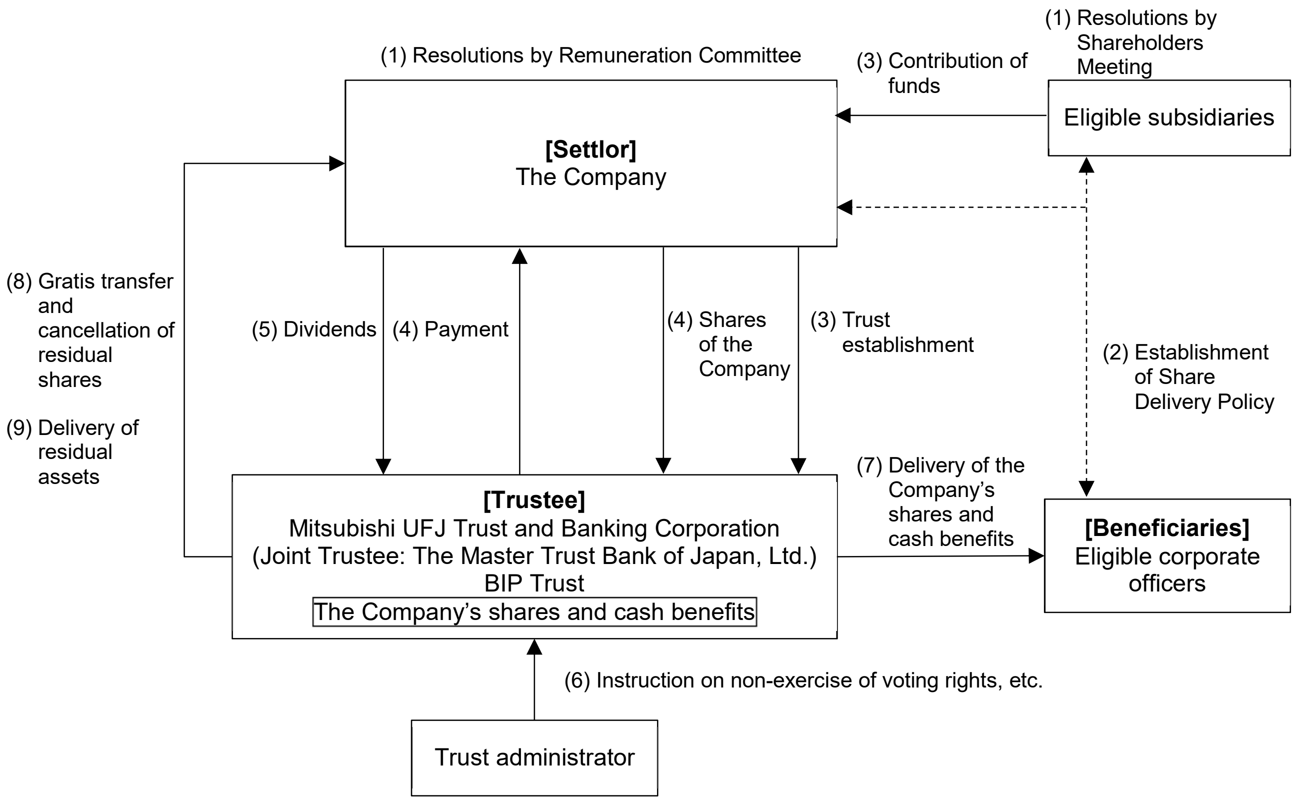
At the meeting of the Remuneration Committee held on June 28, 2017, the Company resolved to introduce an Officer Remuneration BIP (Board Incentive Plan) Trust (hereinafter, the "BIP Trust") for officers of the Company and Daimaru Matsuzakaya Department Stores, which is one of the major subsidiaries of the Company, as follows. This is to ensure, among eligible directors of eligible companies, steady execution and promotion of the Medium-term Business Plan for realizing the new Group Vision.

The BIP Trust, which is similar to performance share plans and restricted stock plans in the U.S. and Europe, is a system of granting the Company's shares to officers (in certain cases, the Company's shares are converted into cash within the trust and cash in the amount equivalent to their conversion value is paid) in accordance with the officers' rank and level of achievement of the Medium–term Business Plan, etc.

2) Overview of the trust agreement

• Trust category:	Monetary trust other than a specific individually operated monetary trust (third-party benefit trust)
• Trust objective:	To provide incentive to Executive Officers of the Company and Directors and Executive Officers of the Company's subsidiaries, and to have non-executive directors of the Company engage in management as representatives of stakeholders from a medium- to long-term perspective and from a standpoint that is different from that of Executive Officers
• Settlor:	The Company
• Trustee:	Mitsubishi UFJ Trust and Banking Corporation
	(Joint Trustee: The Master Trust Bank of Japan, Ltd.)
• Beneficiaries:	Executive Officers of the Company and Directors and Executive Officers of the Company's subsidiaries who meet the beneficiary requirements, and non-executive directors of the Company who meet the beneficiary requirements
• Trust administrator:	Third party with no relationship of interest with the Company (certified public accountant)
• Date of trust agreement:	July 14, 2017
• Trust period:	July 14, 2017 – August 31, 2022 (planned)
• Class of shares acquired:	Ordinary shares of the Company
• Total amount of shares acquired:	¥3,948,812,400
• Acquisition period of shares:	July 24, 2017
• Method of acquiring shares:	Acquisition of the Company's shares by third-party allotment (issuance of new shares by third-party allotment)

3) The structure of the BIP Trust



2. Acquisition and disposal of treasury shares

Class of shares, etc. Acquisition of ordinary shares under Article 155, item (vii) of the Companies Act

(1) Acquisitions by resolution of Shareholders Meeting

No items to report.

(2) Acquisition by resolution of Board of Directors meeting

No items to report.

(3) Acquisition not based on resolution of Shareholders Meeting or Board of Directors meeting

Category	Number of shares (Shares)	Total value (Yen)
Treasury shares acquired during the current fiscal year	4,859	4,129,444
Treasury shares acquired during the period from March 1, 2021 to the filing date of this Annual Securities Report	883	943,343

Note: The figure for treasury shares acquired during the period from March 1, 2021 to the filing date of this Annual Securities Report does not include the number of shares arising from purchases of shares less than one unit from shareholders upon request during the period from May 1, 2021 until the filing date of this Annual Securities Report.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Fiscal year ended February 28, 2021		From March 1, 2021 until the filing date of this Annual Securities Report	
	Number of shares (Shares)	Total disposal value (Yen)	Number of shares (Shares)	Total disposal value (Yen)
Acquired treasury shares offered for subscription	–	–	–	–
Acquired treasury shares that were disposed	–	–	–	–
Acquired treasury shares transferred for merger, share exchange, share delivery and company split	–	–	–	–
Other (Decrease due to share consolidation)	–	–	–	–
Other (Decrease due to sales of shares less than one unit to shareholders upon request)	214	342,350	–	–
Treasury shares held	6,596,977	–	6,597,860	–

Note: The “Treasury shares held” includes the number of shares from purchases of shares less than one unit. The figure does not include the number of shares from purchases of shares less than one unit from May 1, 2021 until the filing date of this Annual Securities Report.

3. Dividend policy

The Company's basic policy is to appropriately return profits. Hence, while maintaining and enhancing its sound financial standing, the Company strives to provide stable dividends and target a consolidated dividend payout ratio of no less than 30%, taking profit levels, future capital investment, free cash flow trends and other such factors into consideration. The Company also gives consideration to the option of purchasing its own shares as appropriate, in accordance with aims that include improving capital efficiency and implementing a flexible capital policy.

With respect to internal reserves, the Company intends to enhance corporate value by using them for such purposes as investing in store refurbishments and business expansions to strengthen sales, as well as strengthening the Company's financial standing.

The Company has paid an annual dividend of ¥27 per share for the current fiscal year, comprising an interim dividend of ¥9 per share and a year-end dividend of ¥18 per share.

The Company's basic policy on dividends of surplus is to pay a dividend twice a year, in the form of an interim dividend and a year-end dividend, and the Articles of Incorporation stipulate that the Company may pay dividends based on resolution of a Board of Directors meeting.

Note: Dividends of surplus with record dates falling in the current fiscal year are as follows:

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
October 13, 2020 Resolution of the Board of Directors	2,375	9.0
April 13, 2021 Resolution of the Board of Directors	4,751	18.0

4. Status of corporate governance, etc.

(1) Overview of corporate governance

(i) Overview of corporate governance system and reasons for adopting the system

The Company has established Corporate Governance Guidelines that set out the role of corporate governance in the Company and its subsidiaries (the "Group"). The aims of the Guidelines are to realize our best possible corporate governance practices in order to ensure the sustainable growth of the Group and increase corporate value over the medium to long term.

The Company is a pure holding company and, with the exception of authority for important matters relating to business of the Group, it accordingly delegates authority to its respective business subsidiaries with respect to matters involving business execution by the business subsidiaries, in order to speed up business decisions and to make managerial responsibilities clear.

The roles and responsibilities of the Company, as a pure holding company, are as described below. Accordingly, the Company:

- Establishes corporate governance practices for the entire Group;
- Plans and formulates the Group Vision, Group Management Strategy and Group Business Plan and tracks the progress and results thereof;
- Optimally allocates the Group's management resources;
- Establishes Group-wide risk management system and is involved in internal audits;
- Makes decisions on important matters of business execution relating to management of the Group; and
- Provides advice and approval for management policy and management strategy of respective operating companies, and oversees and evaluates progress thereof.

The Company has five supervisory units (Management Strategy Unit, Group Digital Strategy Unit, Financial Strategy Unit, Human Resources Strategy Unit and Administration Unit) as management bodies of the Company to clarify each unit's roles, responsibilities and authorities, thereby reinforcing the supervisory function and improving the internal control systems of the entire Group.

The Company has adopted the organizational structure of a company with three committees (nomination, audit and remuneration committees). This is for the purpose of carrying out initiatives to further strengthen corporate governance from the following perspectives:

- Strengthening of the management oversight function by separating oversight from execution

  The Company will strengthen the oversight function for business execution of the Board of Directors by separating oversight from execution. In addition, the Company aims to promote sophistication of strategy by having the Board of Directors actively include the insights of external persons in order to hold rigorous discourse on important strategic issues relating to the Group management.

- Greater clarity of authority and responsibility in business execution and promotion of agile management

  The Company will enable decisions of business execution to be delegated to Executive Officers and carry out speedy management decision making.

- Improvement of transparency and objectivity of management

  The Company will improve the transparency and objectivity of management by adopting the structure of a company with three committees (nomination, audit and remuneration committees). The majority of the members of each of these committees are independent Outside Directors.

- Building an organizational structure compatible with global perspectives

  The Company will build a governance structure that is easy to understand from global perspectives, such as those of overseas investors.

1) Organization of the Company

A. Board of Directors

Directors who are appointed by the shareholders and are entrusted with management of the Company are to carry out the roles and responsibilities in the Board of Directors as listed below. They are to do so in accordance with of their fiduciary responsibility and accountability to shareholders, and with the aim of realizing the Group Vision. Accordingly, these roles and responsibilities include:

- Indicating the overall direction that Group management is to take, by engaging in constructive discussions with respect to the Group Vision, Group Medium-term Business Plan, Group Management Policy and other fundamental management policies, and carrying out multifaceted and objective deliberations that include evaluation of risks with respect to the aforementioned;
- Appropriately making decisions in terms of overall policy and plans pertaining to Group management on the basis of the direction noted above and overseeing progress and results of the plans;
- Developing an environment conducive to encouraging offense-oriented management geared to achieving discontinuous growth;
- Taking steps to build and develop internal control systems of the Group overall, and otherwise overseeing the operational status of such systems;
- Overseeing conflicts of interest between related parties; and
- On the basis of summary reports furnished by the Nomination Committee, overseeing progress of senior management team succession planning, personnel assignment plans pertaining to managerial talent and management team training, as delegated to the Nomination Committee.

The Board of Directors of the Company is to be composed of an appropriate number of Directors, but not more than 15, as stipulated in the Articles of Incorporation. The number of Directors is currently twelve (12) (including six (6) independent Outside Directors), and the term of office is one year. From the standpoint of separating supervision and execution and ensuring the effectiveness of the Board of Directors' discussions, more than half of Directors are independent Outside Directors and a majority of Directors are independent Outside Directors and/or internally promoted Directors who do not execute business. The chairperson of the Board of Directors is chosen from among internally promoted Directors who do not execute business from the standpoint of separating supervision and execution and ensuring the smooth operation of the Board of Directors.

We take steps to ensure diversity when nominating candidates for positions of Director, upon giving consideration to bringing about a balance of knowledge, experience and abilities within the Board of Directors as a whole.

Members of the Board of Directors are as follows.

Internal Directors:	YAMAMOTO Ryoichi (Chairperson), HAMADA Kazuko, YOSHIMOTO Tatsuya, SAWADA Taro, MAKIYAMA Kozo, and WAKABAYASHI Hayato.
Outside Directors:	YAGO Natsunosuke, HAKODA Junya, UCHIDA Akira, SATO Rieko, SEKI Tadayuki, and KOIDE Hiroko.

B. Three Committees

(Nomination Committee)

The Nomination Committee is composed of three (3) independent Outside Directors and chairperson of the Board of Directors who does not execute business. The chairperson is chosen from among independent Outside Directors from the standpoint of ensuring transparency and objectivity. The Nomination Committee determines the contents of proposals on the nomination and dismissal of Directors submitted to shareholders meetings and reports to the Board of Directors upon consultations from the Board of Directors regarding the nomination and dismissal of Executive Officers as well as the chairpersons and members of individual statutory committees, and other matters.

Members: YAGO Natsunosuke (Chairperson), UCHIDA Akira, KOIDE Hiroko, and YAMAMOTO Ryoichi

(Audit Committee)

To maintain and improve audit accuracy, the Audit Committee is composed of three (3) independent Outside Directors and one (1) internal full-time Director who does not execute business and is well informed about internal information. The chairperson is chosen from among independent Outside Directors from the standpoint of ensuring transparency and objectivity. In addition, at least one of the Audit Committee members must have appropriate knowledge of finance and accounting. In accordance with the overall policy and plan determined by the Board of Directors, the Audit Committee audits the execution of business by Directors and Executive Officers, important matters submitted to the Board of Directors, and other individual matters the Audit Committee considers necessary, as well as the status of establishing and implementing internal controls, and then prepares audit reports.

To ensure the reliability of accounting information, the Audit Committee also oversees the Accounting Auditor, and determines the contents of proposals on the nomination and dismissal of such Auditor and other matters submitted for discussion at shareholders meetings.

Members: HAKODA Junya (Chairperson), SATO Rieko, SEKI Tadayuki, and HAMADA Kazuko

(Remuneration Committee)

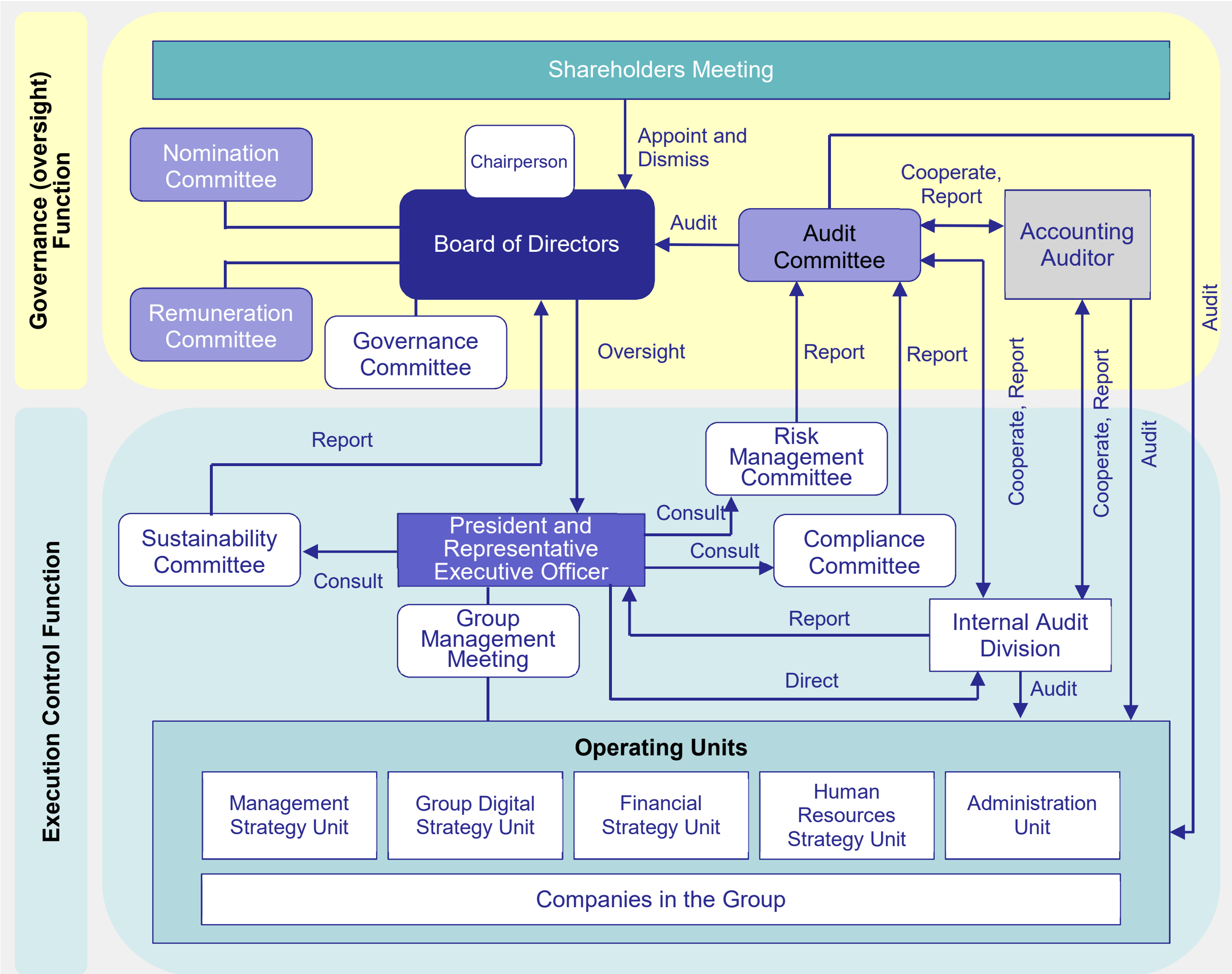
The Remuneration Committee is composed of three (3) independent Outside Directors and chairperson of the Board of Directors who does not execute business. The chairperson is chosen from among independent Outside Directors from the standpoint of ensuring transparency and objectivity. The Remuneration Committee determines the policy on deciding the contents of individual remuneration to management personnel of the Company and its subsidiaries, and the contents of individual remuneration to management personnel of the Company.

Members: UCHIDA Akira (Chairperson), YAGO Natsunosuke, KOIDE Hiroko, and YAMAMOTO Ryoichi

C. Governance Committee

The Governance Committee is an advisory body for the Board of Directors, and its membership is comprised of the chairperson of the Board of Directors, all the independent Outside Directors, and the President and Representative Executive Officer. The committee serves as a place to discuss the shape of the Board of Directors and the Group’s governance that can best support the robust growth of the entire Group through such efforts as strengthening the composition and supervisory function of the Board of Directors in the future.

2) Corporate governance structure



(ii) Status of internal control system

The Board of Directors of the Company adopted the following resolution (Basic Policy to Build Internal Control System) concerning "the matters prescribed by Ministry of Justice Order as those necessary for the execution of the duties of the audit committee" (Article 416, paragraph (1), item (i) (b) of the Companies Act), and "the development of systems necessary to ensure that the execution of duties by executive officers complies with laws and regulations and the articles of incorporation, and other systems prescribed by Ministry of Justice Order as systems necessary to ensure the properness of operations of a Stock Company and of operations of a group of enterprises consisting of the Stock Company and its Subsidiary Companies" (Article 416, paragraph (1), item (i) (e) of the Companies Act).

Basic Policy to Build Internal Control System

A. Group management system

Regarding the group management system, the Board of Directors shall perform an oversight function by monitoring the Executive Officers' and Directors' execution of business. The Board of Directors shall discuss and resolve matters defined in the Companies Act and/or the Articles of Incorporation, as well as the Group Vision, Group Medium-term Business Plan, overall policy and plan for Group management, M&As, Group financing plans, and other individual matters relating to Group management. In order to speed up business decisions and execution, matters involving business execution other than the above shall be delegated to execution, with the exception of matters which have a material impact relating to Group management.

Regarding a management execution framework, the Company shall clearly separate management oversight and execution and strengthen the Board of Directors' oversight function while delegating authority for execution to enable swift management decision-making.

B. Risk management system

Regarding the risk management, the Company shall establish the Risk Management Committee. The committee is chaired by the President and Representative Executive Officer and comprises Executive Officers and others. For risks involved in business operations, the Risk Management Committee shall carry out evaluations and management, and for important risks, the committee shall periodically report on the risk management status to the Board of Directors.

In addition, under the direction of President and Representative Executive Officer, the Company shall assign full-time staff to the ESG Promotion Division in the Management Strategy Unit to strengthen internal control over execution. The person responsible shall develop and manage the control environment at the Company and the operating companies.

Regarding crisis risk response, crisis management shall be controlled by the "Emergency Response Headquarters," which is headed by the President and Representative Executive Officer, for crisis events such as large-scale earthquakes, fires and accidents.

C. Legal compliance system

Regarding the legal compliance system, the Company shall establish the Compliance Committee. The President and Representative Executive Officer shall be the chairperson and the members of the committee shall be corporate lawyers, Executive Officers and others. The Compliance Committee shall work to develop the foundations of compliance management such as internal company rules, operation management manuals and formulation of management systems. In addition, the committee shall periodically formulate and track progress on compliance penetration activities such as e-learning, through departments in charge of promotion of compliance of respective operating companies.

In addition, regarding a whistle-blowing system, the Company shall establish the "JFR Group Compliance Hotline" as the whistle-blowing system of the Group that also extends beyond companies (to a corporate lawyer), which may be used by all persons working at the Company and operating companies. For hotline reports concerning management personnel, the Company shall build a structure whereby the reports are submitted directly to the Audit Committee and subjected to directions from the Audit Committee so as to secure an independent reporting route.

D. Internal audit structure

Regarding the internal audit structure, the Company shall establish an independent Internal Audit Division (9 persons) under the President and Representative Executive Officer. In accordance with internal audit rules and under the direction of the President and Representative Executive Officer, the Internal Audit Division shall audit the operations of the Company and operating companies or properly report the results of audits of operations, examine the properness and effectiveness of the processes for their operations, and provide guidance, advice and proposals to all departments at the Company and to operating companies.

E. Structure of the Audit Committee

Regarding the structure of the Audit Committee, the Audit Committee shall audit the legality and suitability of the execution of duties by the Executive Officers and Directors. The Audit Committee shall have periodic meetings with the President and Representative Executive Officer to share information. Moreover, the Company's Executive Officers and Directors may be asked to attend Audit Committee meetings to provide reports and opinions as necessary.

The Audit Committee Secretariat has been established as an organization in charge of assistance for the Audit Committee's duties. Regarding personnel affairs related to the Audit Committee Secretariat organization and staff members, the Audit Committee's advance approval is required to ensure independence.

F. Other

For documents relating to the execution of duties by Executive Officers and Directors, in accordance with the rules on confidential information management, each responsible department shall carry out document storage and management during the stipulated period and shall develop a system to enable inspections of such documents at any time.

Regarding digital information security, Senior Executive General Manager of the Group Digital Strategy Unit shall control digital information management of the Company based on the IT Governance Policy, and shall report periodically and whenever necessary on the status of digital information management and related matters to the Board of Directors, the Audit Committee, the Management Meeting and the President and Representative Executive Officer.

(iii) Overview of limited liability agreement

The Company concludes a limited liability agreement with each Director who does not execute business pursuant to the provisions of Article 427, paragraph (1) of the Companies Act so that Directors who do not execute business can adequately fulfill their expected roles. The limited liability agreement stipulates that the maximum amount of liability for damages due to negligence of duties by a Director who does not execute business shall be the higher of twelve million (12,000,000) yen or the amount fixed by laws and regulations; however, the limitation of liability is applicable only when the duties that caused the liability were executed by the Director who does not execute business in good faith and without gross negligence.

(iv) Number of Directors

The Articles of Incorporation stipulate that the number of Directors of the Company shall be fifteen (15) or fewer.

(v) Requirements for a resolution to elect Directors

The Articles of Incorporation stipulate that a resolution to elect a Director of the Company shall be adopted by a majority of the voting rights of shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their voting rights are present, and such resolution shall not be held by cumulative voting.

(vi) Requirements of special resolution of a shareholders meeting

The Articles of Incorporation stipulate that a special resolution of a shareholders meeting provided for in Article 309, paragraph (2) of the Companies Act shall be adopted by at least two-thirds of the voting rights of the shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their voting rights are present. The purpose of this is to facilitate the operation of the shareholders meeting by providing an easier quorum requirement for special resolutions at shareholders meetings.

(vii) Organizational body to determine dividends of surplus, etc.

To implement even more flexible dividend measures, the Company provides in the Articles of Incorporation that matters regarding dividends of surplus, including matters prescribed in the items of Article 459, paragraph (1) of the Companies Act, shall be determined by a resolution of a Board of Directors without obtaining a resolution at a shareholders meeting unless otherwise provided for by laws and regulations.

(viii) Basic policy regarding control of the Company

1) Contents of basic policy

The Company believes it is necessary for the party controlling the Company’s financial and business policy decisions to be a party who sufficiently understands the financial and business details of the Group and the sources of the Group’s corporate value, continuously and sustainably ensures that the corporate value of the Group and, by extension, the common interests of shareholders are served, and enables further improvement in this area.

As the Company is a listed enterprise, the Company’s policy regarding its shareholders is that, in general, they are determined through free market transactions on the financial instruments market. Furthermore, even in the case of a purchase of shares of the Company above a certain scale by specific shareholders or specific groups (hereinafter “Large-Scale Purchase”), if this Large-Scale Purchase will contribute to the corporate value of the Group and, by extension, the common interests of its shareholders, the Company believes that this should not be rejected outright and that, ultimately, the decision on whether to accept or reject it should be left to the discretion of the Company’s shareholders.

Nevertheless, a Large-Scale Purchase that involves a serious risk of causing damage to the corporate value of the Group may be envisaged. This may include a Large-Scale Purchase that, in view of its purpose and other factors, would demonstrably harm the Group's corporate value; one with the potential to involve substantial coercion of shareholders to sell shares of the Company; or one that would not provide sufficient time and information for the Company's Board of Directors and shareholders to consider factors such as the details of the large-scale purchaser's proposal, or for the Company's Board of Directors to make an alternative proposal.

A party attempting this kind of Large-Scale Purchase, which would not contribute to the corporate value of the Group and, by extension, the common interests of its shareholders (hereinafter, the "Large-Scale Purchaser"), would not be appropriate as a party controlling the Company's financial and business policy decisions. Accordingly, the Company believes that it is the duty of the Company's Board of Directors, which is entrusted by the shareholders to manage the Company, to respond to this kind of Large-Scale Purchase by ensuring that processes such as provision of information by the Large-Scale Purchaser and considerations and evaluations by the Company's Board of Directors are carried out, and securing sufficient time for the Company's Board of Directors and shareholders to consider the details of the Large-Scale Purchaser's proposal in order to prevent damage to the corporate value of the Group and, by extension, the common interests of its shareholders.

2) Frameworks contributing to realization of basic policy

Since the foundation of Daimaru and Matsuzakaya, the Group has been engaged in businesses of kimono fabric stores and department stores for many years based on the corporate philosophies and traditional spirits of these businesses, which are: "Service before profit (those who place service before profit will prosper)," "Abjure all evil and practice all good" and "In doing good to others, we do good to ourselves."

The Company believes that the sources of the Group's corporate value are the relationships of trust it has established with customers and with society, which have been refined on the basis of these philosophies and spirits.

Accordingly, in order to exemplify the principles of "customer-first principle" and "contribution to society," which are in common with these philosophies and spirits, the Company has established the following basic philosophies of the Group: "to aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations" and "to aim at developing the Group by making a broad contribution to society as a fair and trusted business entity." Based on these basic philosophies, the Company established "Create and Bring to Life 'New Happiness'" as the Group's vision and implements a wide range of measures in order to make a contribution to securing and enhancing the corporate value of the Group and, by extension, the common interests of shareholders.

3) Framework to prevent parties deemed inappropriate in light of basic policy from controlling the financial and business policy decisions of the Company

At present, the Company has not specifically stipulated a concrete framework for a case in which a Large-Scale Purchaser appears, commonly known as takeover defense measures.

Nevertheless, the Company believes that, in order to prevent damage to the Group's corporate value if a Large-Scale Purchaser appears, it is necessary to carefully examine the impact a Large-Scale Purchase would have on the Group's corporate value after ascertaining certain information about the Large-Scale Purchaser. Such information would include the nature of the Large-Scale Purchaser, the purpose of the Large-Scale Purchase, the Large-Scale Purchaser's proposed financial and business policies and their policy for handling shareholders, the Group's customers, business partners, employees, the communities that surround the Group and other stakeholders.

Accordingly, if this occurs, the Company will establish an independent committee composed of Outside Directors and experts with viewpoints that are independent from the Company's Internal Directors. If the Company judges that the said Large-Scale Purchaser is inappropriate in light of the aforementioned basic policy after considering advice and opinions from the committee, the Company will act to secure the Group's corporate value and, by extension, the common interests of shareholders by taking necessary and appropriate measures.

4) Judgment of the Company’s Board of Directors regarding concrete framework and reasons for such judgment

Various measures formulated by the Group are formulated based on the Group’s basic philosophy, and are intended to further build up the relationships of trust with customers and with society, which are the sources of the Group’s corporate value. Therefore, the Company believes that these measures are in line with the contents of the basic policy and contribute to securing and enhancing the corporate value of the Group and, by extension, the common interests of shareholders.

Furthermore, if the Company takes necessary and appropriate measures against a Large-Scale Purchaser judged to be inappropriate in light of the basic policy, the fairness, neutrality and rationality of this judgment will be ensured by making it in consideration of advice and opinions from an independent committee whose independence from the Internal Directors of the Company is assured. Accordingly, the Company believes that these measures would not damage the corporate value of the Group or the common interests of shareholders, and that they are not intended to maintain the positions of the officers of the Company.

(2) Information about officers

(i) List of officers

Officers include 17 males and 3 females. (Percentage of female officers: 15.00%)

(1) Directors

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director Chairperson of Board of Directors	YAMAMOTO Ryoichi	March 27, 1951	April 1973	Joined The Daimaru, Inc.	(Note 2)	95
			May 2003	President and COO and General Manager of Department Store Operations, Group Headquarters		
			September 2007	Director of J. FRONT RETAILING Co., Ltd. In charge of Sales Reform and Out-of-Store Sales (gaisho) Reform Promotion		
				Executive General Manager of Department Store Operations Headquarters and Planning Office for New Umeda Store, Head Office of The Daimaru, Inc.		
				Director of Matsuzakaya Co., Ltd.		
			March 2008	Executive General Manager of Sales Headquarters, Head Office of The Daimaru, Inc.		
			March 2010	President of Daimaru Matsuzakaya Department Stores Co. Ltd.		
			September 2012	President of Daimaru Matsuzakaya Department Stores Co. Ltd. and President of Daimaru Matsuzakaya Sales Associates Co. Ltd.		
			April 2013	President and Representative Director of J. FRONT RETAILING Co., Ltd.		
			May 2017	Director, President and Representative Executive Officer		
			May 2020	Director, Chairperson of Board of Directors (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	HAMADA Kazuko	September 6, 1962	April 1985	Joined PARCO Co., Ltd.	(Note 2)	–
			September 2000	General Manager of Marketing Department of Sales Management Division		
			March 2002	Deputy General Manager of Kichijoji PARCO		
			March 2005	General Manager of Kichijoji PARCO		
			March 2007	General Manager of Shintokorozawa PARCO		
			March 2010	Executive Officer (Personnel)		
			March 2013	Executive Officer (Administration and Personnel)		
			March 2015	Executive Officer (Group Audit Office)		
			May 2020	Auditor		
			May 2021	Director of J. FRONT RETAILING Co., Ltd. (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	YAGO Natsunosuke	May 16, 1951	April 1977	Joined EBARA CORPORATION	(Note 2)	2
			June 2002	Executive Officer		
			April 2004	Senior Executive Officer, Group Executive of Precision Machinery Group of EBARA CORPORATION, Representative Director and Chairman of Ebara Precision Machinery Europe GmbH, Representative Director and Chairman of Ebara Technologies Inc. and Chairman of Ebara Precision Machinery Shanghai Inc.		
			June 2004	Director of EBARA CORPORATION		
			April 2005	Director of EBARA CORPORATION and Chairman of Ebara Precision Machinery Taiwan Inc.		
			June 2005	Director, President of Precision Machinery Company and General Manager of Fujisawa Operation of EBARA CORPORATION		
			April 2006	Director and Managing Executive Officer President of Precision Machinery Company		
			April 2007	President and Representative Director		
			May 2007	President and Representative Director and General Manager of Internal Control Promotion Department		
			July 2009	President and Representative Director and General Manager of Internal Control Department		
			April 2013	Chairman & Director		
			October 2017	Representative Director of The Ebara Hatakeyama Memorial Foundation (present)		
			March 2019	Retired from the office of Chairman & Director of EBARA CORPORATION		
			June 2019	Outside Director of SUBARU CORPORATION (present)		
			May 2020	Outside Director of J. FRONT RETAILING Co., Ltd. (present)		
			May 2021	Director of PARCO Co., Ltd. (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	HAKODA Junya	July 10, 1951	April 1974	Joined Mitsubishi Rayon Co., Ltd. (present Mitsubishi Chemical Corporation)	(Note 2)	–
			November 1980	Joined Pricewaterhouse CPA Office (Reorganized as Aoyama Audit Corporation in June 1983)		
			April 1984	Registered as Certified Public Accountant		
			April 2000	Partner at the merged firm, ChuoAoyama Audit Corporation/PricewaterhouseCoopers		
			August 2006	Representative of Arata Audit Corporation/Partner of PricewaterhouseCoopers		
			April 2008	Eminent Professor of Graduate School of Keio University (internal audit theory)		
			September 2009	Member of the Agreement Monitoring Committee of the Japan External Trade Organization (JETRO)		
			September 2010	Director of Japan Internal Control Research Association		
			December 2014	Outside Corporate Auditor of Schroder Investment Management (Japan) Limited (present)		
			March 2015	Director of Institute of Corporate Governance, Japan (present)		
			June 2015	Outside Corporate Auditor of Yamaha Corporation		
			June 2015	Outside Director of AEON Financial Service Co., Ltd.		
			June 2017	Outside Director and Chairperson of the Audit Committee of Yamaha Corporation		
			September 2019	Member of the Ethics Committee of the Japanese Institute of Certified Public Accountants (present)		
			August 2020	Vice Chairperson of the Committee on Training and Research for Outside Officers (present)		
			May 2021	Outside Director of J. FRONT RETAILING Co., Ltd. (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	UCHIDA Akira	October 4, 1950	April 1975	Joined Toray Industries, Inc.	(Note 2)	3
			June 1996	Executive Vice President of Toray Industries (America), Inc.		
			June 2000	General Manager on Special Assignment of Corporate Strategic Planning Division 1, General Manager on Special Assignment of Corporate Communications Dept. of Toray Industries, Inc.		
			June 2004	Counsellor of Corporate Strategic Planning Division, and Counsellor of Investor Relations Dept.		
			June 2005	Member of the Board, General Manager of Finance and Controller's Division		
				President, Toray Holding (USA), Inc.		
			June 2009	Senior Vice President (Member of the Board), General Manager of Finance and Controller's Division		
				President, Toray Holding (USA), Inc.		
			June 2012	Senior Vice President (Member of the Board), in charge of CSR; General Manager of General Administration and Legal Division, Investor Relations Dept., Corporate Communications Dept., and Advertising Dept., Tokyo Head Office		
			June 2016	Adviser		
			March 2019	Retired from Adviser		
			May 2019	Outside Director of J. FRONT RETAILING Co., Ltd. (present)		
			June 2019	Outside Director of Yokogawa Electric Corporation (present)		
			May 2020	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	SATO Rieko	November 28, 1956	April 1984	Registered as attorney at law	(Note 2)	1
			August 1989	Shearman & Sterling LLP		
			July 1998	Partner of Ishii Law Office (present)		
			June 2004	External Audit & Supervisory Board Member of Ajinomoto Co., Inc.		
			June 2012	Outside Corporate Auditor of NTT DATA CORPORATION		
			June 2015	Outside Director of The Dai-ichi Life Insurance Company, Limited		
			October 2016	Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc. (present)		
			May 2018	Outside Director of J. FRONT RETAILING Co., Ltd. (present)		
			May 2019	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)		
			June 2020	Outside Director (Member of the Audit and Supervisory Committee) of NTT DATA CORPORATION (present)		
				Outside Audit & Supervisory Board Member of Mitsubishi Corporation (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	SEKI Tadayuki	December 7, 1949	April 1973	Joined ITOCHU Corporation	(Note 2)	0
			June 1998	General Manager, Finance Division, ITOCHU International Inc. (Stationed in New York)		
			June 2004	Executive Officer of ITOCHU Corporation, CFO of Food Company		
			April 2007	Managing Executive Officer, General Manager of Finance Division		
			June 2009	Representative Director, Managing Director, Chief Officer for Finance, Accounting, Risk Management and CFO		
			April 2010	Representative Director, Senior Managing Executive Officer		
			May 2011	Representative Director, Senior Managing Executive Officer and CFO		
			April 2013	Representative Director, Executive Vice President and CFO		
			April 2014	Representative Director, Executive Vice President, Executive Advisory Officer, CFO & CAO		
			April 2015	Adviser		
			May 2016	External Director of PARCO Co., Ltd.		
			June 2016	Outside Director of NIPPON VALQUA INDUSTRIES, LTD. (present VALQUA, LTD.) (present)		
			April 2017	Advisory Member of ITOCHU Corporation (present)		
			June 2017	Outside Director of JSR Corporation (present)		
			July 2017	Outside Statutory Auditor of Asahi Mutual Life Insurance Company (present)		
			May 2020	Outside Director of J. FRONT RETAILING Co., Ltd. (present)		
				Director of PARCO Co., Ltd. (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	KOIDE Hiroko	August 10, 1957	September 1986	Joined J. Walter Thompson Japan K.K. (present J. Walter Thompson Japan G.K.)	(Note 2)	–
			May 1993	Joined Nippon Lever K.K. (present Unilever Japan K.K.)		
			April 2001	Director		
			April 2006	General Manager of Marketing Management Division of Masterfoods Ltd. (present Mars Japan Limited)		
			April 2008	Chief Operating Officer		
			November 2010	President and Representative Director of Parfums Christian Dior Japon K.K.		
			January 2013	Outside Director of Kirin Co., Ltd.		
			April 2013	Senior Vice President of Global Marketing of Newell Rubbermaid Inc. (U.S.) (present Newell Brands Inc.)		
			June 2016	Outside Director of Mitsubishi Electric Corporation (present)		
			April 2018	Director of Vicela Japan Co., Ltd.		
			June 2019	Outside Director of Honda Motor Co., Ltd (present) Outside Director of J-OIL MILLS, Inc. (present)		
			May 2021	Outside Director of J. FRONT RETAILING Co., Ltd. (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	YOSHIMOTO Tatsuya	April 13, 1956	April 1979	Joined The Daimaru, Inc.	(Note 2)	75
			March 2000	Senior Manager of Preparatory Office for Opening Sapporo Store of Planning Office for Sapporo Store, Head Office		
			January 2008	General Manager of Tokyo Store		
			May 2008	Corporate Officer, General Manager of Tokyo Store		
			January 2010	Corporate Officer, General Manager of Sales Planning Promotion Division and Marketing Planning Promotion Division of Department Stores Coordination Division of J. FRONT RETAILING Co., Ltd.		
			March 2010	Corporate Officer of Daimaru Matsuzakaya Department Stores Co. Ltd. Senior General Manager of Management Planning Division		
			May 2012	Director and Corporate Officer		
			April 2013	President of Daimaru Matsuzakaya Department Stores Co. Ltd. and President of Daimaru Matsuzakaya Sales Associates Co. Ltd.		
			May 2013	Director of J. FRONT RETAILING Co., Ltd. (present)		
			May 2017	Representative Managing Executive Officer		
			May 2020	Director, President and Representative Executive Officer (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	SAWADA Taro	January 17, 1960	April 1983	Joined The Daimaru, Inc.	(Note 2)	20
			June 2004	Department Manager of Sales Promotion Department, Sales Planning & CS Promotion Division of Kobe Store		
			March 2010	Division Manager of Management Planning Division of Daimaru Matsuzakaya Department Stores Co. Ltd.		
			January 2011	Executive Store Manager of Daimaru Kobe		
			May 2011	Corporate Officer		
			May 2012	Executive Store Manager of Daimaru Osaka Shinsaibashi		
			September 2015	Executive Store Manager of Daimaru Osaka Shinsaibashi and Executive General Manager of Shinsaibashi New Store Planning Office		
			July 2016	Executive General Manager of Management Planning Unit		
			March 2017	Executive General Manager of Management Planning Unit, Senior General Manager of Management Planning Division and Executive General Manager of Future Standard Laboratory		
			May 2017	Director and Managing Executive Officer		
			May 2018	Director of J. FRONT RETAILING Co., Ltd. Managing Executive Officer Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management		
			March 2019	Senior General Manager of New Business Division		
			May 2020	Director of J. FRONT RETAILING Co., Ltd. (present) Senior Managing Executive Officer of J. FRONT RETAILING Co., Ltd. (present)		
				President of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)		
				President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd. (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	MAKIYAMA Kozo	August 28, 1958	April 1981	Joined PARCO Co., Ltd.	(Note 2)	26
			March 2004	Executive Officer, Executive General Manager of Store Operation Division		
			March 2007	Managing Executive Officer, Executive General Manager of Store Management Division		
			March 2008	Senior Executive Officer, Senior Executive General Manager of Store Operation Headquarters and Executive General Manager of Store Management Division		
			May 2008	Director and Senior Executive Officer		
			March 2009	Supervisor of Store Operation Division		
			March 2010	In charge of Store Management		
			March 2011	In charge of Business Management		
			May 2011	Director, President and Representative Executive Officer		
			May 2013	Director of J. FRONT RETAILING Co., Ltd. (present)		
			May 2017	Managing Executive Officer		
			May 2020	Representative Director, President and Executive Officer of PARCO Co., Ltd. (present)		
				Senior Managing Executive Officer of J. FRONT RETAILING Co., Ltd. (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	WAKABAYASHI Hayato	August 31, 1961	April 1985	Joined Matsushita Electric Industrial Co., Ltd. (present Panasonic Corporation)	(Note 2)	12
			April 1998	President of Panasonic Financial Center Malaysia Co., Ltd.		
			April 2007	Director and Chief Executive Officer of Matsushita Electric (China) Finance Limited		
			February 2009	Finance Planning Team Leader (Manager), Headquarters Finance & IR Group of Panasonic Corporation		
			July 2013	General Manager, Finance & IR Group, Corporate Strategy Division and Finance Strategy Team Leader of Panasonic Corporation (Director)		
			May 2015	Joined J. FRONT RETAILING Co., Ltd. In charge of Finance Policy, Administration Unit		
			September 2015	Executive Officer In charge of Financial Strategy and Policy, Administration Unit		
			March 2016	Senior Executive General Manager of Financial Strategy Unit and in charge of Finance Policy		
			May 2016	Director (present)		
			March 2017	In charge of Financing and Finance Policy		
			May 2017	Managing Executive Officer (present)		
			May 2018	Senior General Manager of Financing and Finance Policy Division		
			May 2020	Director of PARCO Co., Ltd. (present)		
			June 2020	Senior Executive General Manager of Financial Strategy Unit of J. FRONT RETAILING Co., Ltd. (present)		
Total						237

Notes: 1. Directors YAGO Natsunosuke, HAKODA Junya, UCHIDA Akira, SATO Rieko, SEKI Tadayuki, and KOIDE Hiroko are Outside Directors.

2. The term of office will be from the conclusion of the Annual Shareholders Meeting for the fiscal year ended February 28, 2021 to the conclusion of the Annual Shareholders Meeting for the fiscal year ending February 28, 2022.

2) Executive officers

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
President and Representative Executive Officer	YOSHIMOTO Tatsuya	April 13, 1956	(Note 1)	(Note 2)	75
Senior Managing Executive Officer	SAWADA Taro	January 17, 1960	(Note 1)	(Note 2)	20
Senior Managing Executive Officer	MAKIYAMA Kozo	August 28, 1958	(Note 1)	(Note 2)	26
Managing Executive Officer Senior Executive General Manager of Financial Strategy Unit	WAKABAYASHI Hayato	August 31, 1961	(Note 1)	(Note 2)	12

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Managing Executive Officer Senior Executive General Manager of Management Strategy Unit	HIRANO Hidekazu	June 27, 1958	April 1981	Joined PARCO Co., Ltd.	(Note 2)	1
			March 2004	Executive Officer, General Manager of Nagoya PARCO		
			March 2005	Executive Officer (Corporate Planning Office)		
			March 2007	Managing Executive Officer, General Manager of Corporate Planning Office		
			March 2008	President and Representative Executive Officer		
			May 2008	Director, Chairman of the Board, President and Representative Executive Officer		
			May 2011	Senior Executive Officer (Business Administration)		
			March 2012	Senior Executive Officer (Affiliated Business)		
			May 2013	Director and Senior Executive Officer (Business Strategy Division and Related Business Group)		
			March 2015	Director and Senior Executive Officer (Business Strategy Division, New Business Planning Group and Related Business Group)		
			March 2016	Director and Senior Executive Officer (Business Strategy Division, Restaurant Business Development Group, New Business Planning Group and Related Business Group)		
			March 2017	Director and Senior Executive Officer (Related Businesses Division and Related Business Group)		
			March 2019	Director, Senior Executive Officer and General Manager of Related Business Group		
			May 2020	Director and Senior Executive Officer (Related Businesses Division)		
				Managing Executive Officer of J. FRONT RETAILING Co., Ltd. (present) Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Managing Executive Officer Senior Executive General Manager of Human Resources Strategy Unit and Administration Unit	MATSUDA Hirokazu	March 29, 1960	April 1983	Joined The Daimaru, Inc.	(Note 2)	12
			April 2005	General Manager in charge of Labor, Personnel Department, Administration Division, Group Headquarters		
			January 2008	General Manager of Personnel Department, Administration Division, Group Headquarters		
			March 2010	General Manager of Administration Headquarters and in charge of Personnel Structure Reform, Head Office of Daimaru Matsuzakaya Department Stores Co. Ltd.		
			March 2014	General Manager of Personnel Department of Administration Headquarters, in charge of Personnel Structure Reform, and in charge of Personnel Planning and Labor, Head Office		
			May 2014	Corporate Officer and in charge of Group Organizational and Personnel Policy, Management Strategy Unit of J. Front Retailing Co., Ltd. Corporate Officer and General Manager of Personnel Department, Administration Headquarters of Daimaru Matsuzakaya Department Stores Co. Ltd.		
			January 2015	Senior Executive General Manager of Administration Headquarters and in charge of Compliance and Risk Management		
			May 2015	Director and Corporate Officer		
			May 2017	Director and Corporate Executive Officer		
			May 2018	Corporate Executive Officer		
			March 2021	Managing Executive Officer, Senior Executive General Manager of Human Resources Strategy Unit and Administration Unit and in charge of Compliance (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Managing Executive Officer Senior Executive General Manager of Group Digital Strategy Unit	NAKAYAMA Takashi	October 14, 1966	April 1992	Joined Mitsubishi Corporation	(Note 2)	5
			April 1998	General Manager of New Business Development Department of eCubeNet. com Co., Ltd.		
			April 2003	Executive Officer Partner of Eupholink Co., Ltd.		
			April 2004	Vice President and COO		
			April 2008	Distribution Trading Company Sector Partner of SIGMAXYZ Inc.		
			April 2015	Leader of Process Engineering Unit, IT Planning Dept. of Mitsubishi Corporation		
			March 2017	Retired from Mitsubishi Corporation		
			April 2017	Joined J. FRONT RETAILING Co., Ltd. Senior General Manager of Group Digital Strategy Division and Senior General Manager of New Business Division, Management Strategy Unit		
			September 2017	Executive Officer, Senior General Manager of Group Digital Strategy Division, Management Strategy Unit and Senior General Manager of New Business Division		
			March 2019	Executive Officer and Senior General Manager of Group Digital Strategy Division, Management Strategy Unit		
			May 2020	Executive Officer, Senior Executive General Manager of Group Digital Strategy Unit and Senior General Manager of Digital Promotion Division		
			May 2021	Managing Executive Officer and Senior Executive General Manager of Group Digital Strategy Unit (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Executive Officer	IMAZU Takahiro	July 31, 1971	April 1995	Joined The Daimaru, Inc.	(Note 2)	11
			March 2013	General Manager of Sales Division 2, Tokyo store of Daimaru Matsuzakaya Department Stores Co. Ltd.		
			September 2013	General Manager of Sales Promotion Department, Daimaru Tokyo store		
			September 2014	Senior General Manager of Management Strategy Unit and in charge of Management Planning of J. FRONT RETAILING Co., Ltd.		
			May 2015	Corporate Officer, Senior General Manager of Management Strategy Unit and in charge of Management Planning		
			March 2016	Senior Executive General Manager of Management Strategy Unit and in charge of Group Management Strategy Promotion		
			March 2017	Senior Executive General Manager of Group Digital Strategy Division, Senior General Manager of Management Strategy Unit and Senior General Manager of New Business Division		
			April 2017	Senior General Manager of Management Planning Division, Management Strategy Unit		
			May 2017	Executive Officer		
			January 2018	Corporate Officer and Executive Store Manager of Daimaru Osaka Umeda of Daimaru Matsuzakaya Department Stores Co. Ltd.		
			January 2020	Executive Officer of J. FRONT RETAILING Co., Ltd. Senior General Manager of Management Planning Division and Group Communication Promotion Division, Management Strategy Unit		
			May 2020	Executive Officer (present) Senior General Manager of Management Planning Division and Group Communication Promotion Division, and Senior General Manager of New Business Division, Management Strategy Unit		
			March 2021	Senior General Manager of Management Planning Division and Group Communication Promotion Division, Management Strategy Unit (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Executive Officer	IWATA Yoshimi	April 27, 1963	April 1987	Joined Matsuzakaya Co., Ltd.	(Note 2)	13
			March 2013	Senior General Manager of Finance Division and in charge of Finance, Administration Unit of J. FRONT RETAILING Co., Ltd.		
			March 2016	In charge of Finance and Accounting and General Manager of Finance Department, Financial Strategy Unit		
			March 2017	Corporate Officer, Senior General Manager of Financial Strategy Unit and in charge of Budget and Management Support		
			May 2017	Executive Officer, Senior General Manager of Financial Strategy Unit and in charge of Budget and Management Support		
			May 2018	Executive Officer and Senior General Manager of Budget and Management Support Division, Financial Strategy Unit		
			March 2021	Executive Officer and Senior General Manager of Accounting and Tax Affairs Division, Financial Strategy Unit (present)		
Executive Officer	ONO Keiichi	August 2, 1975	April 1998	Joined The Daimaru, Inc.	(Note 2)	3
			September 2016	General Manager of Sales Promotion Department, Daimaru Kyoto store of Daimaru Matsuzakaya Department Stores Co. Ltd.		
			March 2018	Executive Officer of J. FRONT RETAILING Co., Ltd.		
				President and Representative Director of Dimples' Co., Ltd.		
			October 2020	Executive Officer and Senior General Manager of Structural Reform Promotion Division, Financial Strategy Unit of J. FRONT RETAILING Co., Ltd. (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Executive Officer	NINOBE Mamoru	October 13, 1961	April 1986	Joined Japan Office of American Express International, Inc.	(Note 2)	3
			August 2000	Representative Director and Vice President of The Sumitomo Bank Amex Service, Limited		
			November 2000	Vice President of Global Network Service in Japan/South Korea Areas, Japan Office of American Express International, Inc.		
			October 2003	Representative Director and President of Amex Card Service Co., Ltd.		
			April 2004	Vice President of Global Network Service in Japan and Asia Franchise Areas (Vietnam, Sri Lanka, Pakistan, Maldives and Brunei)		
			August 2005	Vice President of Traveler's Check & Prepaid Service		
				Director of Amex Prepaid Card Co., Ltd.		
			September 2007	General Manager of Cartier Retail Division of Richemont Japan Limited		
			September 2011	Head of Business Development II of Visa Worldwide Japan Co., Ltd.		
			October 2015	Representative of Business Advisory Service (Settlement and Financial Services)		
			February 2017	Advisor of Origami Inc.		
			March 2018	Executive Officer of J. FRONT RETAILING Co., Ltd. (present)		
				President and Representative Director of JFR Card Co., Ltd. (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Executive Officer	KONDO Yasuhiko	February 14, 1963	April 1985	Joined Matsuzakaya Co., Ltd.	(Note 2)	14
			September 2011	Executive Store Manager of Matsuzakaya Toyota store of Daimaru Matsuzakaya Department Stores Co. Ltd.		
			February 2013	General Manager of Sales Promotion Department, Matsuzakaya Nagoya store		
			January 2014	Executive Store Manager of Matsuzakaya Ueno store		
			January 2016	Corporate Officer and Executive Store Manager of Matsuzakaya Nagoya store		
			January 2018	Corporate Officer and in charge of Special Assignments from President		
			March 2018	Executive Officer of J. FRONT RETAILING Co., Ltd. (present)		
				President and Representative Director of J. Front Design & Construction Co., Ltd. (present)		
Total						200

Notes: 1. Described in “(1) Directors” in “(i) List of officers” in “(2) Information about officers.”

2. The term of office of an Executive Officer shall expire at the end of the first meeting of the Board of Directors held after the end of the Annual Shareholders Meeting that relates to the latest business year that ending within one (1) year after his/her election to office.

(ii) Outside officers

The Company has six Outside Directors.

The basic views of the Company under the corporate governance structure with three committees are that more than half of the Board of Directors must be independent Outside Directors and a majority of members must be independent Outside Directors and/or internally promoted Directors who do not execute business. By doing so, the Company aims to separate supervision and execution, ensure the effectiveness of the Board of Directors’ discussions, and maintain and improve transparency and objectivity. Two internal Directors who do not execute business, and are well informed about internal information because of their extensive business experience in businesses of the Group companies, fulfill their roles as chairperson of the Board of Directors and as Audit Committee member, and six independent Outside Directors, who have extensive external management experience or in-depth knowledge in specialized areas, fulfill their roles as chairperson of any of the Nomination, Audit and Remuneration Committee, or members of the three committees, so that the effectiveness of independent and objective management supervision can be ensured.

1) Relationship with the Company and appointment of Outside Directors

Name	Important concurrent positions (As of May 28, 2021)	Relationship with the Company and appointment
YAGO Natsunosuke	Outside Director of SUBARU CORPORATION	YAGO Natsunosuke has been involved in top-level company management for many years, and has abundant experience in strengthening financial bases and in compliance management. He also possesses highly specialized knowledge of internal control and corporate governance gained through his experience of being involved in the transition to a company with three committees (nomination, audit and remuneration committees). He has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice on the overall management strategy of a holding company, including approaches to setting appropriate targets for structural reform, how to identify issues for the formulation of medium-term business plans, the ideal form of management in matrix management, and how to set and assess materiality and specific promotion measures thereof. Moreover, he has contributed to strengthening the management personnel function by providing necessary advice as appropriate on transparent and fair decision making of officer personnel appointment plan and when deliberating on the Nomination Committee’s operational policies focusing on succession plan as a member of the Nomination Committee, as well as facilitating deliberation on specific remuneration amounts and revisions to the officer remuneration system, etc. as a member of the Remuneration Committee. In light of his track record, abundant experience and high level of insight, the Company expects him to contribute greatly to management of the Group, and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him.
HAKODA Junya	Member of the Ethics Committee of the Japanese Institute of Certified Public Accountants; Vice Chairperson of the Committee on Training and Research for Outside Officers, Japanese Institute of Certified Public Accountants	HAKODA Junya was involved in accounting audits, management consulting, and internal audits of auditing firms, etc. as a certified public accountant for many years at PricewaterhouseCoopers, also served as an eminent professor teaching internal audit theory at Graduate School of Keio University, and therefore has abundant experience and high-level expertise in corporate auditing. He also has a high level of expertise in corporate governance and management auditing, having served as the Chairperson of the Audit Committee of Yamaha Corporation when the company changed its organizational design to a company with three committees (nomination, audit, and remuneration committees). In light of his track record, abundant experience and high level of insight, the Company expects that he will apply them to the appropriate supervision of management in the Group, and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him.

Name	Important concurrent positions (As of May 28, 2021)	Relationship with the Company and appointment
UCHIDA Akira	Outside Director of Yokogawa Electric Corporation	UCHIDA Akira possesses broad experience and knowledge in the corporate division, as a manager in charge of management planning and IR, and as the person responsible for the finance and accounting division. He has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight with respect to how to strengthen collaboration among organizations that will lead to group synergies, clarify the chain of command in promoting structural reforms and digital initiatives, and formulate and communicate visions and strategies expected by stakeholders, as well as approaches to ESG and CSV management that will lead to increased corporate value. Moreover, he has contributed to strengthening the management personnel function, by facilitating deliberation on specific remuneration amounts and revisions to the officer remuneration system, etc., as the Chairperson of the Remuneration Committee, as well as by providing necessary advice as appropriate on transparent and fair decision making of officer personnel appointment and when deliberating on the Nomination Committee's operational policies focusing on succession plan as a member of the Nomination Committee. In light of his track record and abundant insight, the Company expects him to contribute greatly to management of the Group, and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him.
SATO Rieko	Partner of Ishii Law Office; Outside Director (Member of the Audit and Supervisory Committee) of NTT DATA CORPORATION; Outside Director (Audit & Supervisory Committee Member) of Dai-ichi Life Holdings, Inc.; Outside Audit & Supervisory Board Member of Mitsubishi Corporation	SATO Rieko possesses abundant experience as an outside director and outside audit & supervisory board member at other companies, in addition to having made a career in handling many projects with in-depth and specialized knowledge as an attorney at law specializing in corporate legal affairs. She has contributed to improving the effectiveness of the Board of Directors by providing active advice and oversight from legal perspectives on how to promote structural reforms, points to keep in mind in conducting them, the importance of analyzing the future environment in medium- to long-term strategies, and what digital-based services customers expect, etc. Moreover, as a member of the Audit Committee, she has endeavored to strengthen the audit function by auditing the execution of duties by Directors and Executive Officers of the company with three committees (nomination, audit, and remuneration committees), while engaging in discussions from the perspective of legality and appropriateness related to items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee. In light of her track record and abundant insight, the Company expects her to contribute greatly to management of the Group, and has accordingly appointed her as an Outside Director. The Company has no interest in or relationship with her.
SEKI Tadayuki	Outside Director of VALQUA, LTD.; Outside Director of JSR Corporation; Outside Statutory Auditor of Asahi Mutual Life Insurance Company	SEKI Tadayuki was involved in international business management and risk management at a general trading company for many years, and has extensive experience in finance and accounting as CFO, as well as abundant experience as an outside director and outside corporate auditor of multiple companies. He has contributed to improving the effectiveness of the Board of Directors by actively and affirmatively providing advice to the Board of Directors on how to promote structural reforms, how the Payment and Finance Businesses and new businesses should be structured in the Medium-term Business Plan, and how to formulate capital cost-conscious financial strategies, etc. As a member of the Audit Committee, he has contributed to strengthening the audit function by auditing the execution of duties by Directors and Executive Officers of the company with three committees (nomination, audit, and remuneration committees), while engaging in discussions from the perspective of legality, appropriateness, etc. related to items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee. In light of his track record and high level of insight, the Company expects him to contribute greatly to management of the Group, and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him.

Name	Important concurrent positions (As of May 28, 2021)	Relationship with the Company and appointment
KOIDE Hiroko	Outside Director of Mitsubishi Electric Corporation; Outside Director of Honda Motor Co., Ltd; Outside Director of J-OILMILLS, Inc.	KOIDE Hiroko served as an officer at foreign companies for many years, also engaged in corporate management as the head of marketing at the head office of a U.S. company, and therefore has abundant experience in global management and knowledge based on her extensive experience in the marketing field. She also has wide-ranging insight as an outside director of multiple listed companies. In light of her track record, abundant experience, and deep knowledge, the Company expects that she will apply them to the appropriate supervision of management in the Group, and has accordingly appointed her as an Outside Director. The Company has no interest in or relationship with her.

(iii) Coordination between supervision by the Outside Directors, the internal audits and accounting audit, and relationship with the internal control department

The Company's Outside Directors, as members of the Board of Directors, make decisions on the basic policy for management policy and management strategy of the Group, and execution of other management-related operations, and fulfill the highly effective oversight function over the management from the standpoint independent from the execution of operations. As stated in "(3) Status of audit" below, the Audit Committee conducts audits for the legal compliance and appropriateness of the execution of operations by Directors and Executive Officers by cooperating with the Accounting Auditor and utilizing internal organizations in accordance with the audit policy and plan developed by the Audit Committee.

(3) Status of audit

(i) Status of audit by Audit Committee

1) Organization, members and procedures of Audit Committee

The Audit Committee consists of four Audit Committee Members (as of the filing date of the annual securities report; one full-time member and three outside members).

Chairperson of the Audit Committee, HAKODA Junya, has a wealth of experience as a Certified Public Accountant and extensive expertise in corporate accounting. Audit Committee Member SEKI Tadayuki has served as CFO at Itochu Corporation and possesses considerable insight in finance and accounting. Moreover, Audit Committee Member SATO Rieko has a wealth of experience and extensive expertise as an attorney in the field of corporate law.

In the current fiscal year, the Audit Committee Members clearly documented in the Rules of Audit Committee the right of approval of the Audit Committee concerning appointments and transfers of Audit & Supervisory Board Members in the Group companies to strengthen the auditing function in accordance with points made regarding the effectiveness evaluation of the Board of Directors, and working to enhance the auditing systems of organizations, the Audit & Supervisory Board Members in the Group companies concurrently serve on the Audit Committee Secretariat.

In accordance with the audit policy and plan developed by the Audit Committee, the Audit Committee conducts audits for the legal compliance and appropriateness of the execution of operations by Directors and Executive Officers by cooperating with the Accounting Auditor and utilizing internal organizations, and prepares an audit report.

2) Activities of Audit Committee

In the current fiscal year, the Company held a total of 18 meetings of the Audit Committee. The attendance of each Audit Committee member at the meetings is as follows.

Category	Name	Attendance at the meetings of the Audit Committee (Note 1)
Chairperson of Audit Committee (outside)	NISHIKAWA Koichiro (Note 2)	18/18
Chairperson of Audit Committee (outside)	HAKODA Junya (Note 3)	–
Audit Committee Member (full-time)	TSUTSUMI Hiroyuki (Note 2)	18/18
Audit Committee Member (full-time)	MURATA Soichi (Note 2)	18/18
Audit Committee Member (full-time)	HAMADA Kazuko (Note 3)	–
Audit Committee Member (outside)	SATO Rieko	18/18
Audit Committee Member (outside)	UCHIDA Akira (Note 4)	5/5
Audit Committee Member (outside)	SEKI Tadayuki (Note 5)	13/13

Notes: 1. Based on the number of meetings held during officers' terms of office.
2. Retired on May 27, 2021.
3. Assumed office on May 27, 2021.
4. Retired on May 28, 2020.
5. Assumed office on May 28, 2020.

As for the Audit Committee's activities in the current fiscal year, the Audit Committee made further efforts to ascertain the current state through interviews and exchange of opinions with Executive Officers and Directors at the Audit Committee Meetings (held 16 times) established in the previous fiscal year, which are distinct from the meetings of the Audit Committee (held 18 times), as well as through attendance by full-time Audit Committee members at important meetings such as the Group Management Meeting, the Compliance Committee meetings and the Risk Management Committee meetings, in examining the status of the execution of business by Executive Officers and Directors and the status of improvement and operation of the internal control system. Moreover, the Audit Committee worked closely to share auditing problem recognition and exchange opinions through regular meetings with the Internal Audit Division, Accounting Auditor and Audit & Supervisory Board Members, and made points and proposals in the form of "audit findings" on matters considered particularly important, in addition to periodical audit report to the Board of Directors.

(ii) Status of internal audit

1) Organization, members and procedures of internal audit

The Company has established an independent Internal Audit Division (nine members) under the President and Representative Executive Officer. The Internal Audit Division verifies and evaluates the legality and effectiveness of systems of corporate governance, risk management and compliance management, in addition to performing audits on business operations of the Company and the Group companies.

The Company shall adopt a double-reporting system where both the President and Representative Executive Officer and the Audit Committee shall receive reports, and audit results and improvement measures related to audit findings are regularly reported on. As for orders related to improvement measures from management, issues are promptly handled in collaboration with the audited departments.

2) Coordination between the internal audits, auditing by the Audit Committee members and accounting audit, and their relationship with the internal control department

In addition to the contents described in "(i) Status of audit by Audit Committee," when the Internal Audit Division prepares its audit policy and plan, it submits the relevant report in advance to the Audit Committee. In addition, its audit results are regularly reported to President and Representative Executive Officer and the Audit Committee. The Audit Committee is authorized to make requests to the Internal Audit Division on the execution of additional audits, or directly conduct audits if necessary. Regarding personnel appointment and changes related to the Executive General Manager of the Internal Audit Division, the Audit Committee's advance approval is required.

(iii) Status of accounting audit

1) Name of audit firm

Ernst & Young ShinNihon LLC

2) Consecutive audit period

69 years

Note: The Company is a holding company jointly established by The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd. through transfer of shares in 2007, and the above consecutive audit period includes the consecutive audit period of The Daimaru, Inc.

3) Certified public accountants who executed the audit duties

TAKENOUCHI Kazunori (Consecutive audit period: 3 years)

SHIBAYAMA Yoshihisa (Consecutive audit period: 4 years)

MATSUURA Hiroshi (Consecutive audit period: 4 years)

4) Breakdown of support staff for audit operations

Support staff for financial audit operations consist of 28 certified public accountants and 36 others.

5) Policies and reasons for selecting audit firm

The Audit Committee draws up criteria in advance for selecting and evaluating the Accounting Auditor, that is composed of matters relating to the auditor's independence, expertise and other aspects of executing the audit, with the aim of ensuring that the Accounting Auditor properly carries out the audit. On the basis of that criteria, the Audit Committee takes into account the opinions of the management team, and then makes decisions on proposals for election, dismissal and non-reappointment of the Accounting Auditor that are submitted to the Shareholders Meeting.

The Audit Committee is to take necessary measures that include dismissing the Accounting Auditor upon resolution of the committee, or otherwise making a decision on proposals to dismiss or not reappoint the Accounting Auditor submitted to the Shareholders Meeting, in the event that the Audit Committee deems it appropriate to dismiss or otherwise not reappoint the Accounting Auditor either if there are grounds for dismissal as provided for in Article 340, paragraph (1) of the Companies Act of Japan, or if a situation arises whereby the audit of the Company has been significantly impeded such as would be the case if the supervisory authorities were to issue an order requiring suspension of auditing activities.

6) Assessment of audit firm by Audit Committee

The Audit Committee assesses the appropriateness and validness of audit activities by the Accounting Auditor based on the Accounting Auditor Evaluation Standards established by the Audit Committee.

(iv) Details of audit fee, etc.

1) Remuneration to certified public accountants, etc. for audits

Category	Previous fiscal year		Current fiscal year	
	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	125	23	102	10
Consolidated subsidiaries	104	7	143	–
Total	230	31	245	10

Note: The content of non-audit service for the Company is consulting service for the International Financial Reporting Standards (IFRS), etc. for the consolidated accounting of the previous fiscal year and accounting support for real estate transfers in the consolidated accounting of the current fiscal year.

2) Remuneration to companies which are comprised of the same network of certified public accountants, etc. for audits (Ernst&Young).

Category	Previous fiscal year		Current fiscal year	
	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	–	17	–	3
Consolidated subsidiaries	3	13	5	4
Total	3	30	5	7

Note: The content of non-audit service for the Company is due-diligence service for the consolidated accounting of the previous fiscal year and accounting support for taxes of real estate transfers for the consolidated accounting of the current fiscal year. The content of non-audit service for consolidated subsidiaries is system-related support service, etc.

3) Details of remuneration for other significant audit certification services

PARCO Co., Ltd., a consolidated subsidiary of the Company, and its subsidiaries were audited by KPMG AZSA LLC. up until the previous fiscal year and the amount of remuneration for audit certification services to the said auditing firm was ¥97 million.

4) Policy on determining audit fee

The fee is determined in view of the audit system, the number of days for audit, and other factors.

5) Rationale for Audit Committee’s agreement on remuneration of the Accounting Auditor, etc.

The Audit Committee furnished its agreement with respect to the amount of remuneration, etc. provided to the Accounting Auditor, which has been deemed appropriate upon conducting a review regarding audit appropriateness with respect to the Accounting Auditor’s audit plan, its execution of duties, the basis used for calculating remuneration estimates and other factors.

(4) Remuneration, etc. for officers

(i) Matters regarding the policy on determination of the amounts of compensation paid to officers and the calculation method thereof

The Company developed and released the Officer Remuneration Policy (hereinafter, the “Policy”) in April 2017, but reviewed the content afresh upon the formulation of the new Medium-term Business Plan on April 13, 2021.

The Company has also designed the officer remuneration to function as incentive for achieving and promoting sustainability management. An overview of the Policy is provided below.

1) Basic policy for officer remuneration

The Company’s officer remuneration system is operated under the following basic policy with a view to realizing and promoting sustainability management (pay for purpose). The same basic philosophy is also established by Daimaru Matsuzakaya Department Stores and PARCO, which are major subsidiaries of the Group.

- Contribute to the sustainable growth and increase of the corporate value of the Group over the medium to long term, and also be compatible with its corporate culture
- Establish a remuneration system that facilitates the achievement of duties (mission) based on management strategies of professional corporate managers.
- Remuneration levels that can secure and retain human resources who have the desirable managerial talent qualities required by the Company.
- Increase shared awareness of profits with shareholders and awareness of shareholder-focused management.
- Enhanced transparency and objectivity in the remuneration determining process.

2) How to determine remuneration levels

To make quick responses to changes in the external environment and the market environment, the Company refers to objectively verifiable remuneration survey data from specialist external organizations (such as from "Manager Remuneration Survey" of Human Resources Governance Leaders Co., Ltd.), adopts the officer remuneration levels of companies in the same industry (department stores / retailers) 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 every year. In principle, the peer group should comprise 30 to 50 companies (including portions that are supermarkets and drugstores). The same treatment shall apply to the Directors and Executive Officers of Daimaru Matsuzakaya Department Stores and PARCO.

3) Composition of remuneration

<Executive Officer>

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

With regard to the composition of remuneration for Executive Officers, the ratio of performance-linked remuneration and of stock-based remuneration is set with an awareness of its function as a healthy incentive to help achieve sustainable growth.

<table>
<tr><th rowspan="2">Type of remuneration</th><th colspan="4" rowspan="2">Payment basis</th><th rowspan="2">Payment method</th><th colspan="2">Composition of remuneration (%)</th></tr>
<tr><th>President</th><th>Officers other than President</th></tr>
<tr><td>Basic remuneration (fixed)</td><td colspan="4">Determined separately for each mission grade</td><td>Monthly payment in cash</td><td>38.5</td><td>45.4</td></tr>
<tr><td rowspan="5">Bonuses (variable)</td><td colspan="4">Base amount by mission grade × Rate of change*1
*1. The rate of change is based on a calculation of scores using the quantitative and qualitative evaluations below.</td><td rowspan="5">Annual payment in cash</td><td rowspan="5">23.0</td><td rowspan="5">27.3</td></tr>
<tr><td colspan="3">Details</td><td>Evaluation weights (%)</td></tr>
<tr><td>Quantitative evaluation <70%></td><td>Fiscal year’s financial evaluation</td><td>Consolidated operating profit*2</td><td>70</td></tr>
<tr><td rowspan="2">Qualitative evaluation <30%></td><td rowspan="2">Fiscal year’s non-financial evaluation</td><td>Level of achievement of action plan for achieving fiscal year’s financial evaluation</td><td>20</td></tr>
<tr><td>Level of achievement of action plan for achieving non-financial targets in line with materiality issues</td><td>10</td></tr>
<tr><td rowspan="9">Performance-linked stock-based remuneration (variable)</td><td colspan="4">[Short term: 40%] Base amount by mission grade × Performance achievement factor*3
*3. Calculated based on the following measures of achievement*4</td><td rowspan="3">Annual payment in stocks*5</td><td rowspan="9">38.5</td><td rowspan="9">27.3</td></tr>
<tr><td colspan="3">Details</td><td>Evaluation weights (%)</td></tr>
<tr><td colspan="3">Consolidated operating profit</td><td>100</td></tr>
<tr><td colspan="4">[Medium to long term: 60%] Base amount by mission grade × Performance achievement factor*3
*3. Calculated based on the following measures of achievement*4</td><td rowspan="6">At the expiration of the term of each Medium-term Business Plan in stocks*5</td></tr>
<tr><td colspan="3">Details</td><td>Evaluation weights (%)</td></tr>
<tr><td rowspan="2">Financial indicators <80%></td><td colspan="2">Consolidated operating profit</td><td>40</td></tr>
<tr><td colspan="2">ROE</td><td>40</td></tr>
<tr><td rowspan="2">Non-financial indicators <20%></td><td colspan="2">GHG reductions (Scope 1 & 2 emissions)</td><td>10</td></tr>
<tr><td colspan="2">Goal achievement for ratio of women in management positions</td><td>10</td></tr>
</table>

*2. In principle, the target figures are based on consolidated financial indicators but if an officer is in charge of a certain business, target figures for that business are used.

*4. The performance-linked factor for performance-linked stock-based remuneration is calculated by the following calculation method: The rate of change for ratio of women in management positions is evaluated using fiscal 2020 results as the reference. Actual results = Results - fiscal 2020 results, Target = 26% - fiscal 2020 results

Performance target achievement	Performance-linked factor
200% or more	2
0% or more, but less than 200%	Actual results ÷ Target
Less than 0%	0

*5. In principle, the equivalent of 50% of the Company’s shares to be issued is converted and paid as cash to provide funds for payment of tax.
However, in cases where there are undisclosed material facts in the Company, the Company’s shares will not be converted.

(Basic remuneration)

Basic remuneration is positioned as a fixed remuneration, and is decided for each mission grade based on the size (weight) of the responsibility borne by each officer. Payments are made every month in the form of money.

(Bonuses)

Bonuses are paid as performance-linked remuneration to facilitate the achievement of goals set for each fiscal year as milestones for the Medium-term Business Plan, and evaluation for the bonuses is carried out using the fiscal year's financial indicators, serving as quantitative evaluation, and the fiscal year's non-financial indicators, which include qualitative evaluation. For the fiscal year's financial indicators, the Company evaluates the level of achievement against target figures set for consolidated financial indicators announced after resolution by the Board of Directors at the start of each fiscal year (where the officer is in charge of a certain business, the target figures for that business are used). For the fiscal year's non-financial indicators, the Company evaluates the level of achievement of the action plan for achieving financial indicators for each fiscal year and the action plan for achieving non-financial targets in accordance with each officer's mission based on the Company's materiality issues. Taking the weighting of the fiscal year's financial and non-financial indicators as 70:30, one-third of the fiscal year's non-financial indicators (10% of the total weight) is taken as the evaluation of the action plan for achieving the Company's materiality issues. For the fiscal year's financial indicators, the evaluation is made based on the achievement level of the fiscal year's target, using the forecast figure of the consolidated operating profit announced at the start of the fiscal year (IFRS based). Where the officer is in charge of a certain business, the target figures for operating profit for that business decided by the Company's Board of Directors at the start of the fiscal year are used. The Company selected the indicators referred to above because they are linked to the respective indicators mentioned in the Medium-term Business Plan. For the fiscal year's non-financial indicators, the President, who is the evaluator, conducts an interview with each Executive Officer (the Chairman of the Board of Directors conducts an interview with the President) at the start of the fiscal year to formulate an action plan based on each Executive Officer's mission.

(Performance share (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. This remuneration is designed to help the Group achieve sustainable growth and increase corporate value over the medium to long term. When the shares are issued, in principle the equivalent of 50% of the Company's shares to be issued is converted and paid as cash to provide funds for payment of tax. However, in cases where there are undisclosed material facts in the Company, the Company's shares will not be converted. 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. Of the portion issued at the end of the Medium-term Business Plan, 80% is evaluated by financial indicators and is weighted so that 40% is evaluated based on consolidated operating profit and 40% on ROE, being the numerical targets of the Medium-term Business Plan (IFRS based) announced following a resolution of the Board of Directors. The remaining 20% is evaluated based on non-financial indicators. For non-financial targets, the system bases evaluation on a weighting of 10% for GHG reductions (scope 1 & 2 emissions) and 10% for raising the ratio of women in management positions. Regarding the portion issued each year, the level of achievement with respect to figures announced in the initial forecast (IFRS based) following a resolution of the Board of Directors will be evaluated based only on consolidated operating profit. The fluctuation range for remuneration in accordance with the performance achievement rate is between 0% and 200%.

[Performance-linked stock-based remuneration targets]

KPI			Target figures for medium to long term	
Profitability	(i)	Consolidated operating profit (¥ million)	40,300	(FY2023)
Efficiency	(ii)	ROE (%)	7	(at the end of FY2023)
Non-financial	(iii)	GHG reductions (Scope 1 & 2 emissions) (%)	(40)	(compared with FY2017)
	(iv)	Raise the ratio of women in management positions (%)	26	(at the end of FY2023)

Note: KPI stands for Key Performance Indicator.

Note: For the short term, only (i) consolidated operating profit is used. The target figure used is the forecast figure (IFRS based) for the fiscal year announced in the Company's financial results reports each year in April.

(Targets and results of indicators for performance-linked remuneration in the current fiscal year (from March 2020 to February 2021))

(Millions of yen)

Type of remuneration			Target	Results
Bonuses	Financial perspective	Consolidated revenue	411,000	319,079
		Consolidated operating profit	12,000	(24,265)
		ROE (%)	1.3	(7.1)
Performance-linked stock-based remuneration	Short-term	Consolidated operating profit	12,000	(24,265)
		Basic earnings per share (Yen)	19.10	(100.03)
	Medium-term	Consolidated operating profit Basic earnings per share (Yen)	–	–

<Director>

Non-executive Directors' remuneration shall consist only of fixed remuneration, which shall be (i) basic remuneration (monetary remuneration) in accordance with responsibilities 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.

4) Remuneration determination 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 the Remuneration Committee comprising independent Outside Directors and a non-executive Chairman of the Board of Directors, and headed by an independent Outside Director. Since the members of the Company's Remuneration Committee and its Nomination Committee are the same, they can coordinate together in activities related to the areas of nomination and remuneration of management, including selection and evaluations. The Remuneration Committee determines the policy for deciding the content of individual remuneration for officers of the Company, Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd. (Directors, Executive Officers and Corporate Officers), as well as deciding the content of individual remuneration for Directors and Executive Officers of the Company. The Committee also deliberates and resolves 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.

It is planned that the Remuneration Committee shall meet at least four times a year. Revisions of the officer remuneration system will be undertaken based on Medium-Term Business Plan periods. The Company will revise the level of basic remuneration during the Medium-term Business Plan if it is necessary to significantly revise basic remuneration due to extreme changes, etc. in the external environment. In the current fiscal year, the Remuneration Committee held 15 meetings.

In addition, the Company appoints an external remuneration consultant (Human Resources Governance Leaders Co., Ltd.) with a view to introducing objective viewpoints from outside the Company and expertise on officer remuneration systems. With its 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.

5) Forfeiture of remuneration, etc. (clawback/malus clauses)

With regard to bonuses and stock-based remuneration, in cases where the Board of Directors has resolved that serious accounting errors or fraudulent adjustments after the settlement of accounts have occurred, or in cases where serious infringements of the delegation agreement, etc. between the Company and an officer have taken place, or in cases where a person has resigned for their own reasons during their tenure against the wishes of the Company, the right to be paid/issued remuneration may be forfeited, and the Company may demand the repayment of remuneration already paid or issued.

Furthermore, if a significant change occurs in the management environment, and so forth, the Remuneration Committee may deliberate reducing the amount of officer remuneration in cases where it receives a submission from Executive Officers and Directors volunteering to reduce their remuneration.

6) Stock acquisition and holding

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 through 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 and PARCO shall adopt the same policy for their acquisition and holding of the Company's shares.

(ii) Total amount of remuneration, etc. by each category of Directors and Executive Officers, total amount of remuneration, etc. by type, and number of Directors and Executive Officers to be paid

Category of officer	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen)				Number of recipient directors (and other officers) (Persons)
		Basic remuneration	Performance-linked bonuses	Performance-linked stock-based remuneration	Non-performance-linked stock-based remuneration	
Director	221	167	–	–	53	12
[of which, Outside Director]	[99]	[80]	[–]	[–]	[18]	[8]
Executive Officer	252	229	23	–	–	14
Total	474	397	23	–	53	26

Notes: 1. Other than the above, the total amount of remuneration, etc. received by Outside Directors from subsidiaries of the Company in the current fiscal year is ¥12 million.

2. In the above table, the remuneration, etc. for Directors of ¥221 million includes ¥21 million (including non-performance-linked stock-based remuneration) paid to three Directors who held the post between March 1 and May 28, 2020.
3. Given the deterioration in earnings performance and downward revisions made in earnings and dividends forecasts impacted by the spread of COVID-19 infectious disease, the Company reduced the basic remuneration amount of Directors (including Outside Directors) and Executive Officers, from July to September 2020, by 10% (they returned 10% of their basic remuneration) with the approval of the Remuneration Committee that received the proposal from Executive Directors and Inside Directors. The amount affected by the reduced (or returned) basic remuneration amount is recorded in other operating income. The total amount of remuneration, etc., and basic remuneration do not reflect the effect of the reduced (or returned) basic remuneration amount.
4. The remunerations, etc. that are paid as compensation for the performance of duties during the term of the Executive Officers is shown in the Executive Officer row.
5. Beginning in the fiscal year ended February 28, 2018, to ensure steady execution of the Medium-term Business Plan for realizing the Group Vision, the Company has adopted the stock-based remuneration system using a trust for officers (a system of granting the Company's shares to officers (in certain cases, the Company's shares are converted into cash within the trust and cash in the amount equivalent to their conversion value is paid) in accordance with the officers' rank and level of achievement of the Medium-term Business Plan, etc.) The stock-based remuneration in the above chart corresponds to monetary remuneration in the Companies Act and is the total recorded as expenses for the period under review according to Japanese accounting standards. It is divided into performance-linked stock-based remuneration corresponding to degree of achievement of single fiscal year results and degree of achievement of the Medium-Term Business Plan targets, as well as non-performance-linked stock-based remuneration for Directors who do not execute business.
6. The figure in the "Performance-linked bonuses" column represents an amount recognized as a provision (expense), factoring in the results of performance evaluation for the fiscal year ended February 28, 2021. The actual amounts to be paid after factoring in the earnings performance assessment of each Executive Officer will be determined by a meeting of the Remuneration Committee scheduled for or after April 2021.
7. The "Performance-linked stock-based remuneration" column reflects the reversal of a provision of ¥65 million for short-term incentives recorded in the first quarter of the fiscal year ended February 28, 2021 as the performance-linked factor was set to zero. As the performance-linked factor was set to zero, a provision of ¥356 million was also reversed for performance shares that are the medium- and long-term incentives of performance-linked stock-based remuneration.

(iii) Total amount of consolidated remuneration, etc. per Director and Executive Officer

Name	Total amount of consolidated remuneration, etc. (Millions of yen)	Category of officer	Category of company	Total amount of remuneration, etc. by type (Millions of yen)			
				Basic remuneration	Performance-linked bonuses	Performance-linked stock-based remuneration	Non-performance-linked stock-based remuneration
YAMAMOTO Ryoichi	60	Director	Reporting company	44	–	–	16
TSUTSUMI Hiroyuki	34	Director	Reporting company	25	–	–	9
MURATA Soichi	34	Director	Reporting company	25	–	–	9
ISHII Yasuo	20	Director (Note 1)	Reporting company	17	–	–	3
UCHIDA Akira	19	Director (Note 1)	Reporting company	16	–	–	3
NISHIKAWA Koichiro	16	Director (Note 1)	Reporting company	13	–	–	3
SATO Rieko	19	Director (Note 1)	Reporting company	16	–	–	3
SEKI Tadayuki	17	Director (Note 1)	Reporting company	14	–	–	3
YAGO Natsunosuke	12	Director (Note 1)	Reporting company	9	–	–	3
YOSHIMOTO Tatsuya	48	Executive Officer	Reporting company	43	5	–	–
MAKIYAMA Kozo	62	Executive Officer	Reporting company	44	–	–	18
WAKABAYASHI Hayato	23	Executive Officer	Reporting company	21	2	–	–
SAWADA Taro	38	Executive Officer	Reporting company	34	4	–	–
HIRANO Hidekazu	21	Executive Officer	Reporting company	20	1	–	–
ARISAWA Hisashi	22	Executive Officer	Reporting company	20	2	–	–
NAKAYAMA Takashi	17	Executive Officer	Reporting company	16	1	–	–
IMAZU Takahiro	17	Executive Officer	Reporting company	16	1	–	–
IWATA Yoshimi	17	Executive Officer	Reporting company	16	1	–	–
NINOBE Mamoru	26	Executive Officer	Reporting company	25	1	–	–
KONDO Yasuhiko	17	Executive Officer	Reporting company	16	1	–	–
ONO Keiichi	17	Executive Officer	Reporting company	16	1	–	–

Notes:
1. Independent Outside Director.
2. Lists only those who were officers as of the shareholders meeting of May 27, 2021.
3. Directors who concurrently serve as officers are listed in the “Executive Officer” column.
4. In the case of Executive Officers who serve concurrently at operating companies, remuneration paid by each company is included.

(5) Ownership of shares

(i) Classification criteria and approaches for investment shares

The Company and the Group have defined the classification of investment shares held for the purpose of pure investment and investment shares held for purposes other than pure investment (cross-shareholdings) as follows.

(Investment shares held for the purpose of pure investment)

Shares held exclusively for the purpose of profiting through fluctuations in share prices or from the receipt of dividends

(Investment shares held for any purpose other than pure investment)

Shares held because the Group judged that they are necessary for the promotion of the Group's business strategy, and that the holding of such shares will contribute to the increase of corporate value in the medium to long term

(ii) Ownership of shares in the Group

1) Investment shares held for any purpose other than pure investment

A. Holding policy and the method to verify the reasonableness of the holding, as well as details of such verification by the Board of Directors concerning the appropriateness of the holding of the respective stocks

The Group has prescribed the holding policy and method for validation of rationale of cross-shareholdings, etc. in the Corporate Governance Policy as follows, and the Board of Directors decides whether or not the holding is appropriate.

(Holding policy)

- Shares will not be newly acquired in principle. However, this does not apply to shares where it has been recognized that they are necessary for the promotion of the Group's business strategy, and that the holding of such shares will contribute to the increase of corporate value in the medium to long term through the validation of rationale for holding them.
- If shares that are already held are judged to "not be rational" based on the results of the validation of the rationale of holding, which occurs every year, the Group will negotiate with corporate customers and business partners, and reduce them as appropriate upon receiving consent regarding sale method, period, etc.

(Method for validation of rationale)

The Group periodically validates the rationale of holding individual issues from the following perspective.

- Qualitative validation

  The perspective relating to business strategies such as maintaining harmonious and favorable business relationships with corporate customers and business partners, and securing supply chains

- Quantitative validation

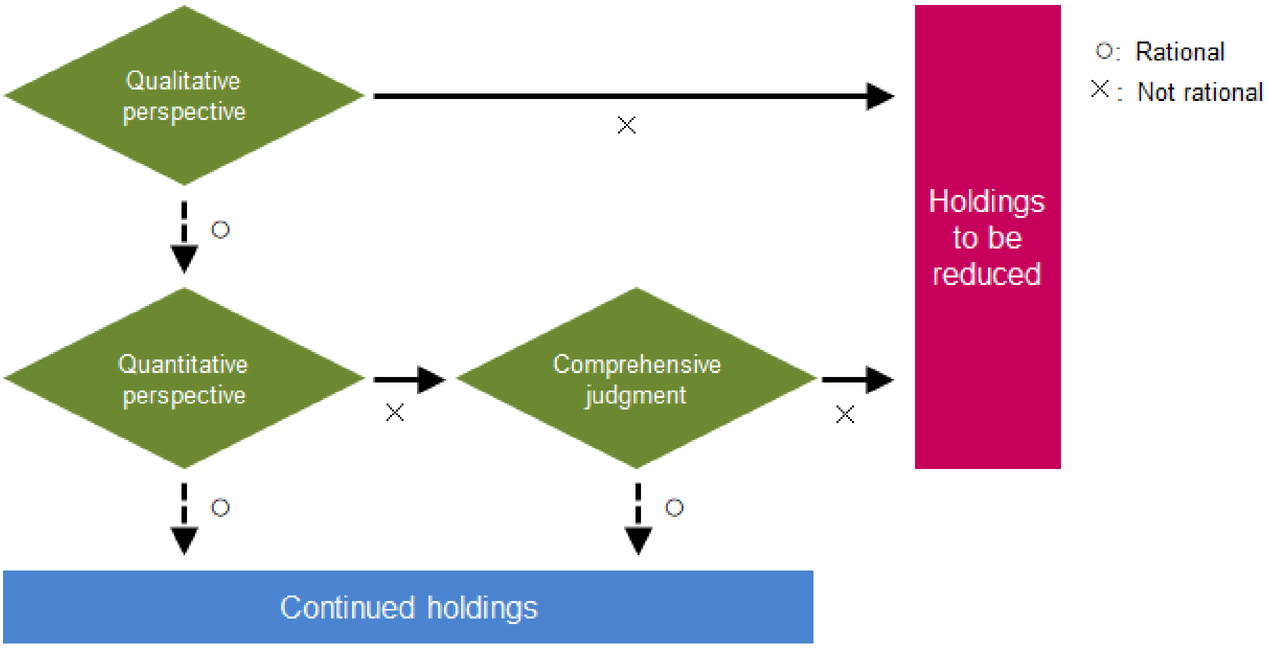
  The perspective relating to whether profitability by holding shares, including related trading profits and dividends, exceed capital costs, etc.

(Details of verification by the Board of Directors concerning the appropriateness of the holding of the respective stocks)

- The results of the above validation that takes place based on the holding policy, judgment regarding the continuation or disposal of held shares, and reduction plan are discussed at the meeting of the Board of Directors held every August, and the Group confirms the reduction result at the meeting of the Board of Directors held the following March.

  As a result, the Group maintained cross-shareholdings (listed shares excluding deemed shareholdings) in 23 issues as of February 28, 2021, a reduction by 37 issues (down by 61%) over the five years starting from fiscal 2016.

- Process for validation of rationale
- Validation is conducted with a focus on continued qualitative rationality in accordance with the purpose at the time of acquisition.



- Schedule for validation of rationale, negotiation and reduction

* ○ : Efforts in : Year X (first year), ● : X + 1 year, ◉ : X + 2 years

Content of implementation \ Implementation period		X			X + 1 year				X +2 years			
		First half	August	Second half	March	First half	August	Second half	March	First half	August	Second half
Operating unit	Validation of rationale	○				●				◉		
	Development of reduction plan	○				●				◉		
	Negotiation/reduction											
Board of Directors	Discussion: Decision on continuation/ reduction		○				●				◉	
	Confirmation: Negotiation/ reduction result				○		●		●		◉	

B. Number of issues and consolidated statement of financial position amount (IFRS)

(Shares not listed)

	Previous fiscal year	Increase	Decrease	Increase or decrease in market value	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)	138	2	(1)	–	139	Acquisition mainly aiming to acquire know-how for new businesses, strengthen existing businesses, etc.
Consolidated statement of financial position amount (Millions of yen)	21,421	100	(49)	(3,203)	18,269	

(Shares other than those not listed)

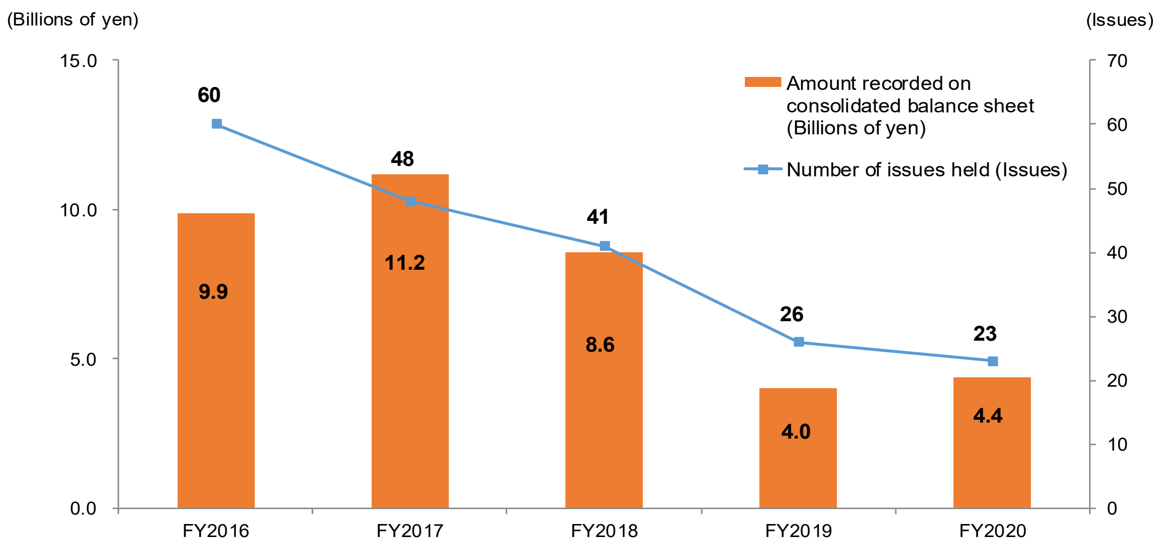
	Previous fiscal year	Increase	Decrease	Increase or decrease in market value	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)*	26	–	(3)	–	23	–
Consolidated statement of financial position amount (Millions of yen)	4,005	–	(105)	527	4,427	

(Deemed shareholdings)

	Previous fiscal year	Increase	Decrease	Increase or decrease in market value	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)*	11	–	(4)	–	7	–
Consolidated statement of financial position amount (Millions of yen)	10,769	–	(3,376)	457	7,850	

* Of the issues, one issue is included in both shares other than those not listed and deemed shareholdings.

- Changes in the number of cross-shareholdings (listed shares excluding deemed shareholdings)



(iii) Ownership of shares in the reporting company (Japanese GAAP)

As for the reporting company, the ownership is as follows.

1) Investment shares held for any purpose other than pure investment

A. Number of issues and carrying amount

(Shares not listed)

	Previous fiscal year	Increase	Decrease	Year-end valuation	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)	6	–	(1)	–	5	–
Carrying amount (Millions of yen)	1,196	–	(48)	(17)	1,131	

(Shares other than those not listed)

	Previous fiscal year	Increase	Decrease	Increase or decrease in market value	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)	1	–	–	–	1	–
Carrying amount (Millions of yen)	32	–	–	(4)	28	

B. Information on the number of shares and carrying amount by issue of specified investment shares and shares subject to deemed shareholding

(Specified investment shares)

The Company validates the rationale of all cross-shareholdings based on the qualitative perspective, which relates to business strategies such as maintaining harmonious and favorable business relationships with corporate customers and business partners, and securing supply chains, as well as the quantitative perspective, which relates to whether profitability by holding shares, including related trading profits and dividends, exceed capital costs, etc.

The quantitative effects of shareholdings have not been provided from the viewpoint of trade secrets, etc.

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding	Quantitative effects of shareholding	Reason for increase in number of shares	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)				
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)				
Misonoza Theatrical Corporation	12,000	12,000	(Purpose of holding) ・Contribution to community development ・Promotion of arts and culture	(Quantitative standard) ・Not met (Comprehensive judgment) ・Made judgment to continue to hold taking into consideration the fact that this company is indispensable for developing art and culture in the area in which the reporting company's stores exist.	–	None
	28	32				

(iv) Ownership of shares in Daimaru Matsuzakaya Department Stores Co. Ltd. (Japanese GAAP)

As for Daimaru Matsuzakaya Department Stores Co. Ltd. of which the carrying amount of investment shares on the balance sheet is the largest among the Company and consolidated subsidiaries (company with the largest holdings), the ownership of shares is as follows.

1) Investment shares held for any purpose other than pure investment

A. Number of issues and carrying amount

(Shares not listed)

	Previous fiscal year	Increase	Decrease	Year-end valuation	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)	93	6	–	–	99	Absorbed and merged The Shimonoseki Daimaru, Inc. in March 2020, and took over the shareholdings
Carrying amount (Millions of yen)	2,683	26	–	–	2,709	

(Shares other than those not listed)

	Previous fiscal year	Increase	Decrease	Increase or decrease in market value	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)*	17	2	(2)	–	17	Absorbed and merged The Shimonoseki Daimaru, Inc. in March 2020, and took over shareholdings
Carrying amount (Millions of yen)	3,564	18	(70)	479	3,991	

(Deemed shareholdings)

	Previous fiscal year	Increase	Decrease	Increase or decrease in market value	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)*	11	–	(4)	–	7	–
Carrying amount (Millions of yen)	10,769	–	(3,376)	457	7,850	

* Of the issues, one issue is included in both shares other than those not listed and deemed shareholdings.

B. Information on the number of shares and carrying amount by issue of specified investment shares and shares subject to deemed shareholding

(Specified investment shares)

The Group validates the rationale of all cross-shareholdings based on the qualitative perspective, which relates to business strategies such as maintaining harmonious and favorable business relationships with corporate customers and business partners, and securing supply chains, as well as the quantitative perspective, which relates to whether profitability by holding shares, including related trading profits and dividends, exceed capital costs, etc.

The quantitative effects of shareholdings have not been provided from the viewpoint of trade secrets, etc.

<table>
<tr><td rowspan="3">Issue name</td><td>Current fiscal year</td><td>Previous fiscal year</td><td rowspan="3">Purpose of holding</td><td rowspan="3">Quantitative effects of shareholding</td><td rowspan="3">Reason for increase in number of shares</td><td rowspan="3">Holding of the Company’s shares</td></tr>
<tr><td>Number of shares (Shares)</td><td>Number of shares (Shares)</td></tr>
<tr><td>Carrying amount
(Millions of yen)</td><td>Carrying amount
(Millions of yen)</td></tr>
<tr><td rowspan="2">Toho Gas Co., Ltd.</td><td>222,893</td><td>222,893</td><td rowspan="2">(Segment)
・ Department store
(Purpose of holding)
・ Stable merchandise sales
・ Maintaining good business relationships</td><td rowspan="2">(Quantitative standard)
・ Not met
(Comprehensive judgment)
・ Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru Matsuzakaya Department Stores exist, and the recognition that it has continuously contributed to a stable level of profit.</td><td rowspan="2">–</td><td rowspan="2">Yes</td></tr>
<tr><td>1,395</td><td>821</td></tr>
<tr><td rowspan="2">OSAKA GAS CO., LTD.</td><td>310,400</td><td>310,400</td><td rowspan="2">(Segment)
・ Department store
(Purpose of holding)
・ Stable merchandise sales
・ Maintaining good business relationships</td><td rowspan="2">(Quantitative standard)
・ Not met
(Comprehensive judgment)
・ Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru Matsuzakaya Department Stores exist, and the recognition that it has continuously contributed to a stable level of profit.</td><td rowspan="2">–</td><td rowspan="2">Yes</td></tr>
<tr><td>591</td><td>541</td></tr>
<tr><td rowspan="2">Misonoza Theatrical Corporation</td><td>200,000</td><td>200,000</td><td rowspan="2">(Segment)
・ Department store
(Purpose of holding)
・ Contribution to community development
・ Promotion of arts and culture</td><td rowspan="2">(Quantitative standard)
・ Not met
(Comprehensive judgment)
・ Made judgment to continue to hold taking into consideration the fact that this company is indispensable for developing art and culture in the area in which stores of Daimaru Matsuzakaya Department Stores exist.</td><td rowspan="2">–</td><td rowspan="2">None</td></tr>
<tr><td>476</td><td>547</td></tr>
</table>

Issue name	Current fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Previous fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Purpose of holding	Quantitative effects of shareholding	Reason for increase in number of shares	Holding of the Company's shares
Hakuyosha Co., Ltd.	171,337 402	171,337 433	(Segment) ・ Department store (Purpose of holding) ・ Provision of services to customers Maintaining good business relationships	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the fact that it is indispensable for maintaining customer service.	–	Yes
CHUBU-NIPPON BROADCASTING CO., LTD.	568,205 313	568,205 329	(Segment) ・ Department store (Purpose of holding) ・ Advertisement including public relations activities ・ Maintaining good business relationships	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru Matsuzakaya Department Stores exist, and the recognition that it has continuously contributed to a stable level of profit.	–	Yes
ANA HOLDINGS INC.	82,200 209	82,200 238	(Segment) ・ Department store (Purpose of holding) ・ Stable merchandise sales ・ Maintaining good business relationships	(Quantitative standard) ・ Met	–	None
Meiko Trans Co., Ltd.	144,803 166	144,803 159	(Segment) ・ Department store (Purpose of holding) ・ Stable merchandise sales ・ Maintaining good business relationships	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru Matsuzakaya Department Stores exist.	–	None

Issue name	Current fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Previous fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Purpose of holding	Quantitative effects of shareholding	Reason for increase in number of shares	Holding of the Company's shares
YOMEISHU SEIZO CO., LTD.	52,000 98	52,000 98	(Segment) ・ Department store (Purpose of holding) ・ Stable merchandise sales ・ Maintaining good business relationships	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the recognition that it has continuously contributed to a stable level of profit.	–	Yes
Toppan Printing Co., Ltd.	42,500 71	42,500 79	(Segment) ・ Department store (Purpose of holding) ・ Securing supply chain ・ Maintaining good business relationships	(Quantitative standard) ・ Met	–	Yes *1
WASHINGTON HOTEL CORPORATION	79,200 66	79,200 65	(Segment) ・ Department store (Purpose of holding) ・ Stable merchandise sales ・ Maintaining good business relationships	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the recognition that it has continuously contributed to a stable level of profit.	–	None
OKAYA & CO., LTD.	6,600 59	6,600 59	(Segment) ・ Department store (Purpose of holding) ・ Stable merchandise sales ・ Maintaining good business relationships	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru Matsuzakaya Department Stores exist, and the recognition that it has continuously contributed to a stable level of profit.	–	None

<table>
<tr><th rowspan="3">Issue name</th><th>Current fiscal year</th><th>Previous fiscal year</th><th rowspan="3">Purpose of holding</th><th rowspan="3">Quantitative effects of shareholding</th><th rowspan="3">Reason for increase in number of shares</th><th rowspan="3">Holding of the Company’s shares</th></tr>
<tr><th>Number of shares (Shares)</th><th>Number of shares (Shares)</th></tr>
<tr><th>Carrying amount (Millions of yen)</th><th>Carrying amount (Millions of yen)</th></tr>
<tr><td rowspan="2">ISEWAN TERMINAL SERVICE CO., LTD. *3</td><td>57,973</td><td>79,173</td><td rowspan="2">(Segment)
・ Department store
(Purpose of holding)
・ Stable merchandise sales
・ Maintaining good business relationships</td><td rowspan="2">(Quantitative standard)
・ Not met
(Comprehensive judgment)
・ Made judgment to continue to hold taking into consideration the recognition that it has continuously contributed to a stable level of profit.</td><td rowspan="2">–</td><td rowspan="2">None</td></tr>
<tr><td>41</td><td>61</td></tr>
<tr><td rowspan="2">Sangetsu Corporation</td><td>24,000</td><td>24,000</td><td rowspan="2">(Segment)
・ Department store
(Purpose of holding)
・ Stable merchandise sales
・ Maintaining good business relationships</td><td rowspan="2">(Quantitative standard)
・ Not met
(Comprehensive judgment)
・ Made judgment to continue to hold taking into consideration the recognition that it has continuously contributed to a stable level of profit.</td><td rowspan="2">–</td><td rowspan="2">None</td></tr>
<tr><td>36</td><td>39</td></tr>
<tr><td rowspan="2">THE ROYAL HOTEL, LIMITED</td><td>21,750</td><td>21,750</td><td rowspan="2">(Segment)
・ Department store
(Purpose of holding)
・ Stable merchandise sales
・ Maintaining good business relationships</td><td rowspan="2">(Quantitative standard)
・ Not met
(Comprehensive judgment)
・ Made judgment to continue to hold taking into consideration the recognition that it has continuously contributed to a stable level of profit.</td><td rowspan="2">–</td><td rowspan="2">None</td></tr>
<tr><td>28</td><td>25</td></tr>
<tr><td rowspan="2">Hayashikane Sangyo Co., Ltd.</td><td>26,620</td><td>–</td><td rowspan="2">(Segment)
・ Department store
(Purpose of holding)
・ Stable merchandise sales
・ Maintaining good business relationships</td><td rowspan="2">(Quantitative standard)
・ Met</td><td rowspan="2">*2</td><td rowspan="2">None</td></tr>
<tr><td>16</td><td>–</td></tr>
<tr><td rowspan="2">Rinnai Corporation</td><td>1,155</td><td>1,155</td><td rowspan="2">(Segment)
・ Department store
(Purpose of holding)
・ Stable merchandise sales
・ Maintaining good business relationships</td><td rowspan="2">(Quantitative standard)
・ Met</td><td rowspan="2">–</td><td rowspan="2">Yes</td></tr>
<tr><td>12</td><td>8</td></tr>
</table>

Issue name	Current fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Previous fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Purpose of holding	Quantitative effects of shareholding	Reason for increase in number of shares	Holding of the Company's shares
Yamaguchi Financial Group, Inc.	5,000 3	– –	(Segment) ・ Department store (Purpose of holding) ・ Stable merchandise sales ・ Maintaining good business relationships	(Quantitative standard) ・ Met	*2	None
TOKYO SOIR CO., LTD. *4	– –	61,200 47	–	–	–	Yes
CHITA KOGYO CO., LTD. *4	– –	11,000 7	–	–	–	Yes

*1. Held by Toppan Printing Co., Ltd. and its subsidiary TOPPAN FORMS CO., LTD.

*2. Daimaru Matsuzakaya Department Stores Co. Ltd. absorbed and merged with The Shimonoseki Daimaru, Inc. in March 2020, and took over shareholdings

*3. Partially sold in the current fiscal year upon reaching an agreement.

*4. Fully sold in the current fiscal year upon reaching an agreement.

(Deemed shareholdings)

Shares of which the holding is considered by the Company to contribute to the increase of corporate value in the medium to long term have been contributed to the retirement benefit trust for the purpose of achieving sound pension financing in Daimaru Matsuzakaya Department Stores Co. Ltd., a subsidiary of the Company.

The right of instructions for the exercise of voting rights is possessed by Daimaru Matsuzakaya Department Stores Co. Ltd.

Furthermore, the quantitative effects of shareholdings have not been provided from the viewpoint of trade secrets, etc.

Issue name	Current fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Previous fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Purpose of holding	Quantitative effects of shareholding	Reason for increase in number of shares	Holding of the Company's shares
Mitsubishi UFJ Financial Group, Inc.	4,913,000 2,741	4,913,000 2,613	(Purpose of holding) ・ Financial transactions and collection of business information ・ Maintaining good business relationships	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the relationship with the company whose shares we hold, and the recognition that it has continuously contributed to a stable level of profit.	–	Yes *1

Issue name	Current fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Previous fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Purpose of holding	Quantitative effects of shareholding	Reason for increase in number of shares	Holding of the Company's shares
Sumitomo Mitsui Trust Holdings, Inc.	670,500 2,348	670,500 2,480	(Purpose of holding) ・ Financial transactions and collection of business information ・ Maintaining good business relationships	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the relationship with this company, and the recognition that it has continuously contributed to a stable level of profit.	–	Yes *2
Sumitomo Mitsui Financial Group, Inc.	280,000 1,047	280,000 975	(Purpose of holding) ・ Financial transactions and collection of business information ・ Maintaining good business relationships	(Quantitative standard) ・ Met	–	Yes *3
YAMATO HOLDINGS CO., LTD.	270,000 756	270,000 459	(Segment) ・ Department store (Purpose of holding) ・ Securing supply chain ・ Maintaining good business relationships	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the fact that it is indispensable for maintaining customer service.	–	Yes
OSAKA GAS CO., LTD.	300,000 571	300,000 523	(Segment) ・ Department store (Purpose of holding) ・ Stable merchandise sales ・ Maintaining good business relationships	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru Matsuzakaya Department Stores exist, and the recognition that it has continuously contributed to a stable level of profit.	–	Yes

Issue name	Current fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Previous fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Purpose of holding	Quantitative effects of shareholding	Reason for increase in number of shares	Holding of the Company's shares
OUG Holdings Inc.	115,000 324	115,000 269	(Segment) ・ Department store (Purpose of holding) ・ Stable merchandise purchasing ・ Maintaining good business relationships	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the recognition that it has continuously contributed to a stable level of profit.	–	None
The Nanto Bank, Ltd.	33,000 59	33,000 70	(Purpose of holding) ・ Financial transactions and collection of business information ・ Maintaining good business relationships	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the relationship with the company whose shares we hold.	–	None
Tokio Marine Holdings, Inc. *6	– –	300,000 1,740	–	–	–	Yes *4
Asahi Group Holdings, Ltd. *6	– –	200,000 830	–	–	–	Yes *5
OBAYASHI CORPORATION *6	– –	440,000 479	–	–	–	None
Takeda Pharmaceutical Company Limited *6	– –	87,000 327	–	–	–	None

*1. Held by Mitsubishi UFJ Financial Group, Inc.'s subsidiaries MUFG Bank, Ltd. and Mitsubishi UFJ Trust and Banking Corporation.

*2. Held by Sumitomo Mitsui Trust Holdings, Inc.'s subsidiary Sumitomo Mitsui Trust Bank, Limited.

*3. Held by Sumitomo Mitsui Financial Group, Inc.'s subsidiaries Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Card Company, Limited.

*4. Held by Tokio Marine Holdings, Inc.'s subsidiary Tokio Marine & Nichido Fire Insurance Co., Ltd.

*5. Held by Asahi Group Holdings, Ltd.'s subsidiary ASAHI BREWERIES, LTD.

*6. Fully sold in the current fiscal year upon reaching an agreement.

V. Financial Information

1. Basis of preparation of the consolidated and non-consolidated financial statements

   (1) Pursuant to the provisions of Article 93 of the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as the "Ordinance on Consolidated Financial Statements"), the consolidated financial statements of the Company have been prepared in compliance with International Financial Reporting Standards ("IFRS").

   (2) The non-consolidated financial statements of the Company have been prepared in accordance with the "Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements" (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the "Ordinance on Financial Statements").

   The Company meets the criteria of a company allowed to file specified financial statements under the Financial Instruments and Exchange Act and prepares non-consolidated financial statements pursuant to the provisions of Article 127 of the Ordinance on Financial Statements.

   (3) The amounts presented in this report are rounded down to the nearest million yen.

2. Note on independent audit

   The consolidated financial statements for the fiscal year (from March 1, 2020 to February 28, 2021) and the non-consolidated financial statements for the fiscal year (from March 1, 2020 to February 28, 2021) were audited by Ernst & Young ShinNihon LLC in accordance with Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

3. Special efforts to ensure the appropriateness of the consolidated financial statements, etc. and development of a system for appropriate preparation of the consolidated financial statements, etc. in accordance with IFRS

   The Company makes special efforts to ensure the appropriateness of the consolidated financial statements, etc. and develops a system for appropriate preparation of the consolidated financial statements, etc. in accordance with IFRS. The details of such are as follows:

   (1) To develop a system for ensuring correct understanding of accounting standards, etc. and appropriate responses to any changes in accounting standards, etc., the Company has joined the Financial Accounting Standards Foundation and attends seminars, etc. held by the foundation and others.

   (2) For the adoption of IFRS, the Company keeps up with the latest accounting standards by obtaining press releases and standards published by the International Accounting Standards Board as needed. To prepare appropriate consolidated financial statements under IFRS, the Company has developed accounting policies of the Group in compliance with IFRS and performs accounting procedures based on these policies.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Notes	As of February 29, 2020	As of February 28, 2021
		Millions of yen	Millions of yen
Assets			
Current assets			
Cash and cash equivalents	6	34,633	128,925
Trade and other receivables	7,27	144,244	113,414
Other financial assets	9,36	5,095	5,841
Inventories	8	19,169	20,684
Other current assets	10	5,281	4,739
Total current assets		208,424	273,605
Non-current assets			
Property, plant and equipment	11,20	473,167	493,644
Right-of-use assets	13	179,632	157,819
Goodwill	12	523	523
Investment property	14	219,354	188,879
Intangible assets	12	5,662	5,752
Investments accounted for using equity method	16	37,439	37,815
Other financial assets	9,20,36	91,379	86,870
Deferred tax assets	18	9,988	6,751
Other non-current assets	10	14,734	12,061
Total non-current assets		1,031,883	990,116
Total assets		1,240,308	1,263,722

	Notes	As of February 29, 2020	As of February 28, 2021
		Millions of yen	Millions of yen
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	19,20	108,400	145,151
Trade and other payables	21	144,020	121,937
Lease liabilities	13	29,493	29,799
Other financial liabilities	13,19, 20,36	30,199	30,211
Income tax payables		4,349	1,957
Provisions	23	999	914
Other current liabilities	24,27	56,427	59,953
Total current liabilities		373,889	389,926
Non-current liabilities			
Bonds and borrowings	19,20	149,876	214,779
Lease liabilities	13	191,003	173,085
Other financial liabilities	13,19, 20,36	41,087	39,237
Retirement benefit liabilities	22	20,175	19,781
Provisions	23	4,909	10,534
Deferred tax liabilities	18	58,829	51,301
Other non-current liabilities	24	855	731
Total non-current liabilities		466,737	509,451
Total liabilities		840,627	899,378
Equity			
Capital	25	31,974	31,974
Share premium	25	189,340	188,542
Treasury shares	25	(14,974)	(14,830)
Other components of equity	25	11,641	9,578
Retained earnings	25	169,206	136,906
Total equity attributable to owners of parent		387,188	352,171
Non-controlling interests		12,493	12,171
Total equity		399,681	364,343
Total liabilities and equity		1,240,308	1,263,722

2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

	Notes	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
		Millions of yen	Millions of yen
Sales revenue	27	480,621	319,079
Cost of sales	29	(273,667)	(184,711)
Gross profit		206,953	134,368
Selling, general and administrative expense	30	(161,590)	(132,001)
Other operating income	28	8,663	5,711
Other operating expense	31	(13,740)	(32,343)
Operating profit (loss)		40,286	(24,265)
Finance income	32	1,091	962
Finance costs	32	(5,862)	(6,086)
Share of profit (loss) of investments accounted for using equity method		1,644	717
Profit (loss) before tax		37,161	(28,672)
Income tax expense	18	(13,767)	2,251
Profit (loss)		23,393	(26,421)
Profit (loss) attributable to:			
Owners of parent		21,251	(26,193)
Non-controlling interests		2,141	(227)
Profit (loss)		23,393	(26,421)
Earnings per share			
Basic earnings (loss) per share (Yen)	34	81.19	(100.03)
Diluted earnings (loss) per share (Yen)	34	81.17	–

Consolidated Statement of Comprehensive Income

	Notes	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
		Millions of yen	Millions of yen
Profit (loss)		23,393	(26,421)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	33,36	(2,318)	(2,106)
Remeasurements of defined benefit plans	33	256	1,107
Share of other comprehensive income of entities accounted for using equity method	33	(37)	(94)
Total items that will not be reclassified to profit or loss		(2,099)	(1,093)
Items that may be reclassified to profit or loss			
Cash flow hedges	33	0	13
Exchange differences on translation of foreign operations	33	24	(26)
Share of other comprehensive income of entities accounted for using equity method	33	1	3
Total items that may be reclassified to profit or loss		26	(9)
Other comprehensive income, net of tax		(2,073)	(1,102)
Comprehensive income		21,320	(27,523)
Comprehensive income attributable to:			
Owners of parent		19,259	(27,296)
Non-controlling interests		2,060	(226)
Comprehensive income		21,320	(27,523)

3) Consolidated Statement of Changes in Equity

	Notes	Equity attributable to owners of parent					
					Other components of equity		
		Capital	Share premium	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at March 1, 2019		31,974	212,210	(15,090)	(83)	(5)	14,834
Effect of changes in accounting policies		–	–	–	–	–	–
Balance reflecting changes in accounting policies		31,974	212,210	(15,090)	(83)	(5)	14,834
Profit (loss)		–	–	–	–	–	–
Other comprehensive income		–	–	–	24	1	(2,237)
Total comprehensive income		–	–	–	24	1	(2,237)
Purchase of treasury shares	25	–	–	(7)	–	–	–
Disposal of treasury shares	25	–	(0)	0	–	–	–
Dividends	26	–	–	–	–	–	–
Changes in ownership interests in subsidiaries		–	(23,106)	–	(6)	(0)	84
Share-based payment transactions		–	236	122	–	–	–
Transfer from other components of equity to retained earnings		–	–	–	–	–	(970)
Total transactions with owners		–	(22,870)	115	(6)	(0)	(885)
Balance at February 29, 2020		31,974	189,340	(14,974)	(65)	(3)	11,710
Profit (loss)		–	–	–	–	–	–
Other comprehensive income		–	–	–	(24)	15	(2,107)
Total comprehensive income		–	–	–	(24)	15	(2,107)
Purchase of treasury shares	25	–	–	(3)	–	–	–
Disposal of treasury shares	25	–	(0)	0	–	–	–
Dividends	26	–	–	–	–	–	–
Share-based payment transactions		–	(796)	148	–	–	–
Transfer from other components of equity to retained earnings		–	–	–	–	–	53
Total transactions with owners		–	(797)	144	–	–	53
Balance at February 28, 2021		31,974	188,542	(14,830)	(89)	11	9,656

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total
		Other components of equity		Retained earnings	Total		
		Remeasure-ments of defined benefit plans	Total				
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at March 1, 2019		–	14,745	168,861	412,700	55,784	468,485
Effect of changes in accounting policies		–	–	(12,675)	(12,675)	(1,914)	(14,590)
Balance reflecting changes in accounting policies		–	14,745	156,185	400,025	53,869	453,895
Profit (loss)		–	–	21,251	21,251	2,141	23,393
Other comprehensive income		219	(1,992)	–	(1,992)	(80)	(2,073)
Total comprehensive income		219	(1,992)	21,251	19,259	2,060	21,320
Purchase of treasury shares	25	–	–	–	(7)	–	(7)
Disposal of treasury shares	25	–	–	–	0	–	0
Dividends	26	–	–	(9,419)	(9,419)	(972)	(10,392)
Changes in ownership interests in subsidiaries		–	77	–	(23,028)	(42,465)	(65,494)
Share-based payment transactions		–	–	–	359	–	359
Transfer from other components of equity to retained earnings		(219)	(1,189)	1,189	–	–	–
Total transactions with owners		(219)	(1,111)	(8,230)	(32,096)	(43,437)	(75,534)
Balance at February 29, 2020		–	11,641	169,206	387,188	12,493	399,681
Profit (loss)		–	–	(26,193)	(26,193)	(227)	(26,421)
Other comprehensive income		1,013	(1,103)	–	(1,103)	0	(1,102)
Total comprehensive income		1,013	(1,103)	(26,193)	(27,296)	(226)	(27,523)
Purchase of treasury shares	25	–	–	–	(3)	–	(3)
Disposal of treasury shares	25	–	–	–	(0)	–	(0)
Dividends	26	–	–	(7,066)	(7,066)	(94)	(7,161)
Share-based payment transactions		–	–	–	(648)	–	(648)
Transfer from other components of equity to retained earnings		(1,013)	(959)	959	–	–	–
Total transactions with owners		(1,013)	(959)	(6,107)	(7,719)	(94)	(7,813)
Balance at February 28, 2021		–	9,578	136,906	352,171	12,171	364,343

4) Consolidated Statement of Cash Flows

	Notes	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
		Millions of yen	Millions of yen
Cash flows from (used in) operating activities			
Profit (loss) before tax		37,161	(28,672)
Depreciation and amortization expense		50,953	50,361
Impairment loss	15	2,496	14,122
Finance income		(1,091)	(962)
Finance costs		5,862	6,086
Share of loss (profit) of investments accounted for using equity method		(1,644)	(717)
Loss (gain) on sales of non-current assets		(2,832)	0
Loss on disposals of non-current assets		3,576	1,260
Decrease (increase) in inventories		20,173	(1,522)
Decrease (increase) in trade and other receivables		(6,899)	26,608
Increase (decrease) in trade and other payables		(4,071)	(12,720)
Increase (decrease) in retirement benefit liabilities		(8,828)	(267)
Decrease (increase) in retirement benefit assets		776	2,988
Other, net		364	5,666
Subtotal		95,995	62,232
Interest received		111	110
Dividends received		275	232
Interest paid		(5,894)	(6,028)
Income taxes paid		(19,783)	(6,251)
Income taxes refund		2,654	6,176
Net cash flows from (used in) operating activities		73,358	56,471
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment		(33,073)	(14,729)
Proceeds from sales of property, plant and equipment		930	7
Purchase of investment property		(2,759)	(3,813)
Proceeds from sales of investment property		3,257	–
Purchase of investment securities		(19,574)	(1,401)
Proceeds from sales of investment securities		4,558	1,480
Other, net		(2,898)	(2,413)
Net cash flows from (used in) investing activities		(49,559)	(20,870)

	Notes	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
		Millions of yen	Millions of yen
Cash flows from (used in) financing activities			
Net increase (decrease) in current borrowings	19	53,480	(13,000)
Net increase (decrease) in commercial papers	19	4,000	66,001
Proceeds from non-current borrowings	19	10,300	82,000
Repayments of non-current borrowings	19	(13,800)	(23,400)
Proceeds from issuance of bonds	19	29,864	–
Redemption of bonds	19	–	(10,000)
Repayments of lease liabilities	13,19	(29,241)	(29,254)
Purchase of treasury shares		(10)	(3)
Dividends paid		(9,396)	(7,056)
Dividends paid to non-controlling interests		(972)	(94)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		(59,042)	(6,471)
Other, net		(10)	6
Net cash flows from (used in) financing activities		(14,829)	58,727
Net increase (decrease) in cash and cash equivalents		8,970	94,328
Cash and cash equivalents at beginning of period	6	25,659	34,633
Effect of exchange rate changes on cash and cash equivalents		4	(37)
Cash and cash equivalents at end of period	6	34,633	128,925

Notes to Consolidated Financial Statements

1. Reporting Entity

J. FRONT RETAILING Co., Ltd. (the “Company”) is the ultimate parent of the Company group (the “Group”) and a company located in Japan. The registered address of its head office is Chuo-ku, Tokyo.
The Company’s consolidated financial statements for the fiscal year ended February 28, 2021 comprise the Company and its subsidiaries’ interests in the Group’s associates.

For the Group’s major business activities, please refer to “5. Segment Information.”

2. Basis of Preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board.

Pursuant to the provisions of Article 93 of the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976), the consolidated financial statements of the Group have been prepared in compliance with IFRS since the Company qualifies as a “Specified Company Complying with Designated International Accounting Standards” prescribed in Article 1-2 of the Ordinance.

(2) Basis of measurement

The Group’s consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, etc. measured at fair value as stated in “3. Significant Accounting Policies.”

(3) Functional currency and presentation currency

The Group’s consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency, and figures are rounded down to the nearest million yen.

(4) Changes in accounting policies

(Application of amendments to IFRS 16 “Leases”)

The Group has applied the amendment “Covid-19-Related Rent Concessions” (issued in May 2020, amended in March 2021) to IFRS 16 “Leases” early from the fiscal year ended February 28, 2021.

For leases as lessee, the Group has selected to apply the practical expedient and not to assess whether rent concessions are lease modifications if the rent concession is a direct consequence of the COVID-19 pandemic and all of the conditions of IFRS 16 paragraph 46B are met.

As a result, the reduced rent expenses were recognized as other operating income in the consolidated statement of income for the fiscal year ended February 28, 2021, but the impact was immaterial.

3. Significant Accounting Policies

Significant accounting policies are applied consistently for all periods presented in these consolidated financial statements, except as otherwise provided.

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities controlled by the Group. Control means the power to govern the financial and operating policies of the entity so as to obtain benefits from its business activities.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date when the Group gains control until the date when it ceases to control the subsidiary.

In cases where the accounting policies applied by a subsidiary are different from those applied by the Group, adjustments are made to the subsidiary’s financial statements, if necessary. All intergroup balances, transactions and unrealized gains or losses arising from transactions within the Group are eliminated in preparing the consolidated financial statements.

When the Company retains control when there has been partial disposal of ownership interest in a subsidiary, the partial disposal is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to owners of the parent.

The additional acquisition of non-controlling interests is accounted for as a capital transaction, and therefore no goodwill is recognized with respect to such transactions.

Non-controlling interests in consolidated subsidiaries are identified separately from the Group's equity therein. Comprehensive income of subsidiaries is attributed to owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a negative balance.

When subsidiaries' fiscal year end is not the end of February, which is the fiscal year end of the Company, because the legal system of the region where the subsidiaries are located does not allow them to have the same fiscal year end as that of the Company, or for other reasons, adjustments are made by additionally preparing their financial statements as of the fiscal year end of the Company or other means.

2) Associates

An associate is defined as an entity over which the Group has significant influence on financial and operating policies but does not have control.

Associates are recognized at cost at the time of the acquisition, and are accounted for by the equity method thereafter. Goodwill recognized on acquisition (less accumulated impairment) is included in investments in associates.

In cases where the accounting policies applied by an associate are different from those applied by the Group, adjustments are made to the associate's financial statements, if necessary.

For associates whose fiscal year end is not the end of February, which is the fiscal year end of the Company, due to relationships with other shareholders or other reasons, adjustments are made by additionally preparing their financial statements as of the fiscal year end of the Company or other means.

3) Joint control

A joint arrangement is a contractual arrangement of which two or more parties have joint control.

The Group classifies its involvement in joint arrangements as joint operations (when the Group has rights to assets and assumes obligations for liabilities in association with the arrangement) and joint ventures (when the Group only has rights to net assets of the arrangement), depending on rights and obligations of the parties to the arrangement.

In the case of joint operations, the Group recognizes its own assets, liabilities, income and expenses as well as the amount equivalent to its share when the Group jointly holds or assumes them. Joint ventures are recognized at cost at the time of the acquisition and are subsequently accounted for using the equity method.

(2) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the acquisition date fair value of the assets transferred, liabilities assumed and equity instruments issued by the Company in exchange for control of the acquiree. Any excess of the consideration transferred over the fair value of identifiable assets and liabilities is recognized as goodwill in the consolidated statement of financial position. Conversely, any deficit is immediately recognized as income in the consolidated statement of income.

The Group elects to measure non-controlling interests at fair value, or at the proportionate share of the recognized amounts of identifiable net assets, on a transaction-by-transaction basis.

Acquisition-related costs are expensed as incurred.

(3) Foreign currency translation

1) Foreign currency transactions

Each entity of the Group has set its own functional currency as the currency of the primary economic environment in which the entity operates. Transactions of each entity are measured at the functional currency.

When each entity prepares non-consolidated financial statements, transactions in currencies other than its functional currencies are translated using the exchange rate prevailing at the dates of transactions.

Foreign currency monetary assets and liabilities at the end of the reporting period are translated using exchange rates at the end of the reporting period.

Exchange differences arising from translation or settlement are recognized as profit or loss. However, when gains or losses on non-monetary items are recorded in other comprehensive income, exchange differences are also recorded in other comprehensive income.

2) Financial statements of foreign subsidiaries and associates

Assets and liabilities of foreign subsidiaries and associates are translated into Japanese yen at the exchange rate prevailing at the end of the reporting period. Income and expenses of foreign subsidiaries and associates are translated into Japanese yen at the average exchange rate for the period, unless there is significant change in the exchange rate during the period. When there is significant change in the exchange rate, the income and expenses are translated using the exchange rate at the transaction date.

Exchange differences arising from translation of the financial statements of foreign subsidiaries and associates are recognized in other comprehensive income. Exchange differences for foreign subsidiaries and associates are recognized as profit or loss in the period during which the foreign subsidiaries and associates are disposed of.

(4) Financial instruments

1) Non-derivative financial assets

Trade and other receivables are initially recognized on the date when they are incurred. All other financial assets are initially recognized on the trade date when the Group becomes a party to the contractual provisions of the financial instruments.

An overview of classification and measurement model of non-derivative financial assets is as follows.

(i) Financial assets measured at amortized cost

With regard to investments in debt instruments, when the contractual cash flows consist of principal and interest paid on specified dates, and the Group holds such investments based on a business model whose objective is to hold the instrument to collect contractual cash flows, the debt instruments are measured at amortized cost. Transaction cost directly attributable to acquisition of financial assets measured at amortized cost is included in the amount of initial measurement.

After the initial recognition, amortization cost is measured using the effective interest method, and impairment losses are deducted when recognized. Interest revenue, foreign exchange gains and losses and impairment losses on financial assets measured at amortized cost are recognized in profit or loss.

(ii) Financial assets measured at fair value through other comprehensive income (financial assets at FVTOCI)

With regard to investments in debt instruments, when the contractual cash flows consist of principal and interest paid on specified dates, and the Group holds such investments based on a business model whose objective is both to collect contractual cash flows and to sell the financial assets, the debt instruments are measured at fair value. In this case, interest revenue, foreign exchange gains and losses and impairment losses measured using the effective interest method are recognized in profit or loss, and changes in the fair value excluding them are recognized in other comprehensive income. The cumulative amount recognized in other comprehensive income as at the time of derecognition of the financial asset is reclassified to profit or loss.

For investments in equity instruments that are not held for sale, the Group may make an irrevocable election at initial recognition to measure them at fair value and recognize any changes in the fair value in other comprehensive income. In this case, changes in the fair value are recognized in other comprehensive income (not reclassified to profit or loss). The cumulative amount recognized as other comprehensive income is transferred to retained earnings when the financial asset is derecognized. Dividends are recognized in profit or loss unless they obviously represent a partial recovery of the cost of the investment.

Transaction cost directly attributable to acquisition of financial assets at FVTOCI is included in the amount of initial measurement.

(iii) Financial assets measured at fair value through profit or loss (financial assets at FVTPL)

Financial assets other than the above are measured at fair value with changes in fair value recognized in profit or loss. Transaction cost directly attributable to acquisition of financial assets at FVTPL is recognized in profit or loss as incurred.

The Group does not designate any debt instrument as measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

(iv) Impairment of financial assets

The Group recognizes impairment of debt instruments measured at amortized cost or at fair value through other comprehensive income based on its evaluation at the end of each reporting period of whether there has been a significant increase in credit risk of financial assets or groups of financial assets since initial recognition. Specifically, when there has been no significant increase in the credit risk since initial recognition, 12-month expected credit losses are recognized as allowance for credit losses. On the other hand, when there has been a significant increase in credit risk since initial recognition, lifetime expected credit losses of the financial assets are recognized as allowance for credit losses. Whether credit risk has significantly increased or not is determined based on changes in default risk.

For trade receivables arising from the ordinary course of business of the Group, since the period up to the collection is short, expected credit losses of such trade receivables are recognized over their remaining lives from the inception simply based on historical credit loss experience.

(v) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or the contractual rights to receive cash flows from the financial asset are transferred in a transaction where substantially all the risks and rewards incidental to ownership of the financial asset are transferred. Any interests in transferred financial assets that are created or continuously retained by the Group are recognized as a separate asset or liability.

2) Non-derivative financial liabilities

The Group recognizes financial liabilities at the date of transaction when the Group becomes a party to the contract for the financial instrument.

The Group derecognizes a financial liability when the financial liability is extinguished, i.e. when the contractual obligation is discharged or cancelled or expires.

The Group principally has borrowings, bonds, trade payables, other short-term payables, common gift certificates for department stores nationwide, deposits received, etc. as non-derivative financial liabilities. These financial liabilities are initially recognized at fair value and subsequently measured at amortized cost based on the effective interest method.

3) Presentation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4) Derivatives and hedge accounting

The Group uses derivatives to hedge interest rate fluctuation risk and foreign exchange fluctuation risk. Derivatives used by the Group primarily include forward exchange contracts and interest rate swaps.

At the time of initial designation of the hedge, the Group documents the relationship between the hedging instrument and the hedged item, the risk management objective, the strategy for implementation of the hedge transaction, the hedging instrument and the hedged item, the nature of hedged risk, the method for assessing effectiveness of the hedge relationship and the method of measuring the effective portion and ineffective portion.

The Group assesses whether the hedging instrument is expected to be highly effective in achieving offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk throughout the period for which the hedge is designated, at the inception of the hedge and on an ongoing basis.

To apply cash flow hedges to forecast transactions, the forecast transaction must be highly probable.

Derivatives are initially recognized at fair value and the transaction costs are recognized in profit or loss as incurred. After initial recognition, derivatives are measured at fair value, and any changes in the fair value are accounted for as follows.

(i) Cash flow hedges

When a derivative is designated as a hedging instrument to hedge changes in cash flows attributable to certain risks related to highly likely forecast transactions that could affect recognized assets and liabilities or profit or loss, the effective portion of the hedge in changes in fair value of the derivative is included in other components of equity as "cash flow hedges." The balance of cash flow hedges is deducted from other comprehensive income in the consolidated statement of comprehensive income and transferred to profit or loss under the same item as the hedged item in the same period as the period in which cash flows of the hedged item affect profit or loss. The ineffective portion of the hedge in changes in fair value of the derivative is immediately recognized in profit or loss.

When the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation of the hedge is revoked, the application of hedge accounting, is discontinued prospectively.

If hedge accounting is discontinued, the Group continues to record the balance of cash flow hedges that have already been recognized in other comprehensive income until the forecast transaction affects profit or loss. When forecast transactions are no longer expected to occur, the balance of cash flow hedges is immediately recognized in profit or loss.

(ii) Fair value hedges

Changes in fair value of derivatives that are hedging instruments are recognized in profit or loss. Carrying amounts of hedged items are measured at fair value. For gains or losses on hedged items attributable to hedged risk, any changes in the fair value are recognized in profit or loss.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition that are readily convertible to cash and subject to insignificant risk of change in value.

(6) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The acquisition cost is calculated mainly using the specific identification method, and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

(7) Assets held for sale

If the carrying amounts of non-current assets are recovered principally through a sale transaction rather than through continuing use, these assets (or disposal groups) are classified under "assets held for sale."

The condition for classifying an asset under "assets held for sale" is only met by an asset whose sale is highly probable and which is available for immediate sale in its present condition. Management must have committed to the execution of a sale plan for that asset, and the sale of the asset must be scheduled to be completed within one year from the day it is classified as an asset held for sale.

An asset held for sale is measured at the lower of its carrying amount and fair value less cost to sell. After property, plant and equipment, intangible assets and investment property have been classified under "assets held for sale," depreciation or amortization will not be applied to these assets.

(8) Property, plant and equipment

Property, plant, and equipment is measured using the cost model and is carried at cost less accumulated depreciation and accumulated impairment.

The acquisition cost includes costs directly attributable to the acquisition of the asset, costs related to disassembly, retirement and site restoration, and borrowing costs that should be capitalized.

Depreciation of assets other than land and construction in progress is recognized using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of major components of property, plant and equipment are as follows:

- Buildings and structures 3 to 50 years
- Machinery and vehicles 2 to 20 years
- Furniture and fixtures 2 to 20 years

The estimated useful lives, depreciation methods, etc. are reviewed at the end of the fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(9) Goodwill

The Group measures goodwill at the amount calculated by deducting the net recognized amount (usually, fair value) of identifiable assets acquired and liabilities assumed at the date of acquisition from the fair value of the consideration for the transfer including the recognized amount of non-controlling interests in the acquiree, which is measured at the date of acquisition.

Goodwill is not amortized. Instead, it is tested for impairment annually, or whenever there are indications of impairment.

Impairment losses of goodwill are recognized in the consolidated statement of income, and not reversed subsequently.

In addition, goodwill is carried at cost less accumulated impairment on the consolidated statement of financial position.

(10) Intangible assets

Intangible assets are measured using the cost model and stated at cost less accumulated amortization and accumulated impairment.

Intangible assets acquired separately are measured at cost at initial recognition.

After initial recognition, intangible assets other than goodwill are amortized using the straight-line method over respective estimated useful lives, except for intangible assets with indefinite useful lives. Estimated useful lives of major intangible assets are as follows. In addition, the Group has no intangible assets with indefinite useful lives.

- Software 5 years

The estimated useful lives, residual values and amortization methods are reviewed at the end of the fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

(11) Right-of-use assets

The Group confirms a right-of-use asset on the lease commencement date and initially measures it at its acquisition cost. The aforementioned acquisition cost consists of the amount of the lease liability, the amount of lease payments made before the lease commencement date adjusted to exclude any received lease incentives, and the initial direct cost that was incurred.

After the initial measurement, right-of-use assets are depreciated using the straight-line method over the lease term. The lease term is determined based on the non-cancellable term of the lease, taking into consideration any term for which there is reasonable certainty of extension and any term for which there is reasonable certainty of non-cancellation. In cases where a right-of-use asset is impaired, the impairment loss is deducted from the carrying amount of the right-of-use asset.

(12) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments to be paid in the future over the lease term on and after the lease commencement date. When calculating the present value, if the interest rate implicit in the lease can be readily determined, that is used, and if it cannot, the lessee’s incremental borrowing rate is used.

The lease payments used in the measurement of lease liabilities mainly include the fixed lease payments, the lease payments of the extended term if the lease term reflects the exercise of a lease extension option, and the cancellation fees if the lease term reflects the exercise of a lease cancellation option.

After the initial measurement, lease liabilities are measured at the amortized cost using the effective interest method. Moreover, if changes in future lease payments arise due to changes in indexes or rates, or if changes in the assessment regarding the potential for execution of an extension option or a cancellation option arises, the Group remeasures the lease liabilities.

If remeasuring the lease liabilities, the carrying amount of the right-of-use asset is also adjusted using the remeasured amount of the lease liabilities. However, if the decrease in liabilities due to remeasurement of the lease liabilities is larger than the carrying amount of the right-of-use asset, the amount remaining after impairing the right-of-use asset to zero is recognized as a net profit.

(13) Investment property

Investment property is property held to earn rentals or for capital appreciation or both.

Investment property is measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment (For the depreciation method and useful lives, please refer to "(8) Property, plant and equipment").

When the investment property portion of a property cannot be accounted for separately from other portions of a property, the entire property is accounted for as investment property only if the owner-occupied portion is insignificant.

(14) Impairment of non-financial assets

The Group determines at the end of every reporting period whether there is any indication that carrying amounts of the Group's non-financial assets excluding inventories and deferred tax assets may be impaired. If any indication exists, the recoverable amount of the asset is estimated. For goodwill and intangible assets that have indefinite useful lives or not yet available for use, the recoverable amount is estimated at the same time each year.

The recoverable amount of an asset or a cash-generating unit is the larger of its value in use and fair value less cost of disposal. In calculating value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the asset. The cash-generating unit is the smallest group of assets that generates cash inflows, from continuous use, that are largely independent of the cash inflows from other assets or groups of assets.

To test goodwill for impairment, cash-generating units to which the goodwill is allocated are integrated so that impairment is tested reflecting the smallest unit related to the goodwill. Goodwill acquired in a business combination is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

Since the Group's corporate assets do not generate independent cash inflows, the recoverable amount of cash-generating units to which the corporate assets are attributed is determined if there is any indication that corporate assets are impaired.

An impairment loss is recognized as profit or loss, if the carrying amount of an asset or cash-generating unit exceeds the recoverable amount. The impairment loss recognized in association with a cash-generating unit is first allocated to reduce the carrying amount of goodwill allocated to this unit, and then the carrying amounts of other assets in the cash-generating unit are reduced on a pro rata basis. Impairment losses related to goodwill are not reversed. With regard to other assets, for previously recognized impairment losses, the Group assesses whether there is any indication that the loss has decreased or been extinguished at the end of the reporting period. An impairment loss is reversed when there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed up to the carrying amount that would have been determined had no impairment loss been recognized, net of necessary depreciation and amortization.

(15) Employee benefits

The Group has established defined benefit plans (such as a corporate pension fund plan and lump-sum retirement benefit plan) as employee retirement benefit plans, and certain consolidated subsidiaries have adopted defined contribution plans.

The projected unit credit method is used to determine the present value of defined benefit obligation, related current service cost and past service cost.

The discount rate is determined by reference to market yields at the end of the fiscal year on high quality corporate bonds corresponding to the discount period established based on the period to the date when the future benefits for each fiscal year are to be paid.

Net defined benefit liability or asset is determined as the present value of defined benefit obligation less the fair value of plan assets.

Remeasurements of net defined benefit liability or asset are recognized as other comprehensive income and immediately transferred from other components of equity to retained earnings. Remeasurements consist of actuarial gains and losses on defined benefit obligation, return on plan assets (excluding the amount of interest revenue on plan assets) and others.

Past service costs are immediately accounted for as profit or loss.

Costs for defined contribution benefits are recognized as expenses when the contributions are made.

(16) Share-based payment

The Company has adopted an officer remuneration BIP (Board Incentive Plan) trust (hereinafter referred to as the "BIP Trust") as a performance-linked, share-based payment to ensure steady execution of the Medium-term Business Plan aimed at realizing the Group Vision.

The BIP Trust is a system of granting the Company's shares to officers (in certain cases, the Company's shares are converted into cash within the trust and cash in the amount equivalent to their conversion value is paid) in accordance with the level of achievement of the Medium-term Business Plan, etc. The consideration for the services received is calculated using the fair value of the Company's shares on the grant date. This value is expensed over the vesting period from the grant date, and a corresponding amount is recognized as an increase in equity.

(17) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of financial resources will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. To determine the amount of a provision, when the effect of the time value of money is material, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the liability. Unwinding of the discount over time is recognized in finance costs.

Asset retirement obligations

Asset retirement obligations are recorded at the estimated amount of restoration costs for leased stores, offices, etc. for which the Group has obligations to restore them to the original state at the time when the lease is terminated.

Provision for loss on business liquidation

Legal or constructive obligations are recorded for the cost of store dismantlement, etc. that is expected to be borne in the future as a result of business liquidation, store closure and store rebuilding.

(18) Sales revenue

Based on the following five-step approach, the Group recognizes revenue as the amount of consideration to which the Group expects to be entitled in exchange for the transfer of goods or services promised to customers.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group, under a holding company structure, develops businesses such as the PARCO Business, Real Estate Business and Credit Finance Business, with the Department Store Business at its core. The

Department Store Business carries out the sale of clothing, general goods, household goods, food products and others. With regard to these sales of goods, since performance obligations are deemed to be satisfied at the time of delivery of goods when customers gain control of such goods, the Group mainly recognizes revenue at the time of delivery of such goods. Furthermore, revenue is measured at the amount of consideration promised in contracts between customers, less any discounts, rebates and sales returns, etc.

1) Revenue recognition by business segment

i) Department Store Business

The Department Store Business carries out the sale of clothing, general goods, household goods, food products and others. With regard to these sales of goods, since performance obligations are deemed to be satisfied at the time when goods are delivered to customers, the Group recognizes revenue at the time of delivery of such goods. Payments for goods are received at the time of delivery of the goods, which is the time when the performance obligation is satisfied.

ii) PARCO Business

The PARCO Business operates the shopping center business, in which it undertakes development, management, supervision and operation of shopping centers; the specialty store business, in which it sells personal belongings, general goods and others; the space engineering and management business, in which it undertakes design, operation, etc. of interior decorating work; and other businesses.

With regard to services in the shopping center business, because these services are provided on a continuous basis and thus performance obligations are deemed to be satisfied over a certain period of time, revenue is recognized as the services are rendered.

With regard to the sale of personal belongings, general goods and others, since performance obligations are usually deemed to be satisfied at the time when goods are delivered to customers, revenue is recognized at the time of delivery of such goods. Payments for goods are received at the time of delivery of the goods, which is the time when the performance obligation is satisfied.

With regard to the design and operation of interior decorating work in the space engineering and management business, if the outcome of a work contract can be estimated reliably, revenue is recognized according to the stage of completion of the performance obligation. If the outcome of a work contract cannot be estimated reliably, revenue is recognized only to the extent that it is probable that the contract costs incurred will be recoverable.

iii) Real Estate Business

The Real Estate Business mainly carries out development of the Group’s own properties focused on areas surrounding each store of Daimaru Matsuzakaya Department Stores, expansion of rental space by leasing and acquiring external properties, management and operation of such properties, and others.

Revenue from lease of real estate and others is recognized in the period in which it is earned, in accordance with IFRS 16.

iv) Credit Finance Business

The Credit Finance Business undertakes issuance and administration of credit cards.

In the Credit Finance Business, annual membership fees from cardholders, fees from department stores and external affiliated stores, and interest from installment sales are recognized as revenue.

2) Interest revenue

Interest revenue is recognized using the effective interest method.

3) Dividends

Divided income is recognized when the right to receive dividends is established.

4) Gross and net presentation of revenue

When the Group conducts transactions as a principal, revenue is presented at the gross amount of consideration received from customers. When the Group conducts transactions as an agent for the benefit of a third party, revenue is presented at the net amount calculated by deducting the amount collected for the benefit of the third party from the gross amount of consideration received from customers.

The following indicators are taken into account in the determination of whether the Group conducts a transaction as a principal or an agent:

- Whether the entity is primarily responsible for fulfilling a contract
- Whether the entity has inventory risk before or after the customer order, during shipping or on return
- Whether the entity has discretion in establishing prices

(19) Government grants

Government grants are measured and recognized at fair value, if the conditions attaching to them are complied with, and there is reasonable assurance that the grants will be received. Grants for expenses incurred are recorded as income in the same fiscal year as the fiscal year in which the expenses are incurred. Grants related to acquisition of an asset are recorded as other operating income on a systematic basis over the useful life of the asset, and unearned government grants are recorded in liabilities as deferred income.

(20) Income tax

Income tax consists of current taxes and deferred taxes. Income tax is recognized as profit or loss, except for taxes related to business combinations and taxes related to items that are recognized directly in equity or in other comprehensive income.

1) Current taxes

Current taxes are measured in the amount of the expected tax payables to or receivables from the taxation authorities. Calculation of the amount of tax is based on the tax rates and tax laws enacted or substantively enacted by the end of the reporting period in countries where the Group conducts business and earns taxable profit.

2) Deferred taxes

Deferred taxes are recognized for temporary differences between the carrying amounts of assets or liabilities in the statement of financial position and its tax base, and for unused tax losses and unused tax credits.

No deferred tax assets and liabilities are recognized on the following temporary differences:

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from initial recognition of assets and liabilities from transactions that are not business combinations and affect neither accounting income or taxable profit
- Taxable temporary differences associated with investments in subsidiaries and associates for which the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

A deferred tax liability is recognized for all taxable temporary differences in principle, and a deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Carrying amount of deferred tax assets is reassessed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to use all or part of the benefit of the deferred tax assets. Unrecognized deferred tax assets are reassessed each period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates and by the tax laws that are expected to apply to the period when the assets are realized or the liabilities are settled, based on the statutory tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against tax liabilities and income taxes are levied by the same taxation authority on the same taxable entity.

(21) Earnings per share

Basic earnings per share are calculated by dividing profit (loss) attributable to ordinary equity holders of the parent entity by the weighted average number of shares outstanding during the period, adjusting treasury shares. Diluted earnings per share are calculated by adjusting for the effects of all dilutive potential shares.

(22) Operating segments

Operating segments are components of entities that engage in business activities that earn revenue and incur costs including transactions with other operating segments. Operating results of all the operating segments, for which the financial information is separately available, are reviewed periodically by the Board of Directors for the purpose of allocating management resources to each segment and assessing performance.

(23) Treasury shares

Treasury shares are assessed at acquisition cost and deducted from equity. No gain or loss is recognized on the purchase, sale or cancellation of the Company's treasury shares. Any difference between the carrying amount and consideration received on the sale of treasury shares is recognized as share premium.

(24) Borrowing costs

The Group includes borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, that is, a qualifying asset as part of the acquisition cost until the asset is substantially ready for its intended use or sale.

All borrowing costs other than those above are recognized as profit or loss in the fiscal period in which they are incurred.

4. Significant Accounting Estimates and Judgments

In the preparation of consolidated financial statements, management is required to make judgments, estimates and assumptions that affect application of accounting policies as well as amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

The estimates and their underlying assumptions are reviewed on an ongoing basis. The effects of changes in accounting estimates are recognized in the fiscal period in which the estimates are changed and in future periods that are affected.

As a result of the global spread of COVID-19, the Group has been impacted by the deterioration in business results due to temporary closures of stores and other factors. Although the second state of emergency was lifted, the future impact is uncertain as it is difficult at this time to predict when the pandemic will end and when there will be a recovery in consumption. Given these circumstances, the Group assumes that there will be a recovery from the impact of COVID-19 around 2023 and has made reasonable estimates that reflect the situation as of the end of the reporting period. If uncertainty further increases, the Group may revise the carrying amounts of assets and liabilities in future accounting periods.

Estimates and judgments made by management that significantly affect the amounts in the consolidated financial statements are as follows.

(1) Property, plant and equipment, goodwill, intangible assets and investment property

The Group conducts impairment tests if there is an indication that property, plant and equipment, goodwill, intangible assets and investment property may be impaired.

Impairment tests are performed by comparing the carrying amount and the recoverable amount of the asset. If the recoverable amount is less than the carrying amount, an impairment loss is recognized.

In calculating the recoverable amount, the Group estimates the discounted present value of future cash flows generated from use of the asset and the discounted present value of future cash flows generated from ultimate disposal of the asset. These estimates are based on management's best estimates, but may differ from actual results due to effects of changes in uncertain future economic conditions.

(2) Useful lives of property, plant and equipment and investment property

The useful lives of property, plant and equipment and investment property are reviewed at the end of the fiscal year, and if any changes are required, those changes are applied prospectively as a change in an accounting estimate.

If revisions to the useful lives become necessary, such revisions could have a material effect on the amounts recognized in the consolidated financial statements in the next fiscal year and beyond.

(3) Recoverability of deferred tax assets

The Group recognizes deferred tax assets to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized, and the judgment of the recoverability is made on the basis of an estimate of taxable profit for each future fiscal year determined based on the Group's business plan. The estimate of taxable profit for future fiscal years may be affected by changes in uncertain future economic conditions.

(4) Provisions

The Group recognizes asset retirement obligations and provision for loss on business liquidation as provisions in the consolidated statement of financial position.

The amount recognized as provisions is estimated based on best estimates which take into account historical and other information on the reporting date for expenditures necessary to settle current obligations, but may differ from actual results.

(Change in estimate of asset retirement obligations)

PARCO Co., Ltd., a subsidiary of the Company, reviewed and examined its business continuity and withdrawal strategies, and formulated a new Medium-term Business Plan. Considering the new plan and other factors including the most recent store closures, the Group determined that it would likely incur additional removal costs, and therefore recorded additional ¥1,809 million in asset retirement obligations.

This change in estimate has no impact on profit or loss for the fiscal year ended February 28, 2021 because the Group changed the estimate at the end of the fiscal year.

(5) Post-employment benefits

The Group has defined benefit and defined contribution post-employment benefit plans for employees and retirees. Present value of defined benefit obligations, service costs and others are determined based on various actuarial assumptions. For actuarial assumptions, a variety of factors, such as discount rates, future payment of salaries, those who withdraw from the plan in the future and life expectancy of members, are estimated. These estimates are made based on management's best estimates, but may differ from actual results due to effects of changes in uncertain future economic conditions and amendment or promulgation of relevant laws and regulations.

(6) Determination and revision of lease periods

The Group determines the lease periods based on the non-cancellable term of the lease, taking into consideration any term for which there is reasonable certainty of extension and any term for which there is reasonable certainty of non-cancellation. Specifically, the Group estimates the period for which there is reasonable certainty considering changes in rent expenses resulting from extension or shortening of the lease period, the existence of cancellation penalties, and the payback period for investments in significant fixtures, facilities, etc. for rental properties.

For real estate leases in which the Group is the lessee in the Department Store Business, there may be revisions to the lease period for the flagship store or properties tied to the flagship store coinciding with the next individual-store large-scale renovation plan or when the next Medium-term Business Plan is decided. If revisions to the lease periods become necessary, such revisions could have a material effect on the amounts recognized in the consolidated financial statements in the next fiscal year and beyond.

5. Segment Information

(1) Overview of reportable segments

The reportable segments of the Group are constituent units of the Group for which separate financial information is obtainable. These segments are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating business results.

The Group is comprised, under a holding company structure, of the reportable segments “Department Store Business,” “PARCO Business,” “Real Estate Business” and “Credit Finance Business,” with the Department Store Business at its core.

The Department Store Business carries out the sale of clothing, general goods, household goods, food products and others. The PARCO Business undertakes development, management, supervision and operation of shopping centers. The Real Estate Business carries out development, supervision, operation, etc. of real estate. The Credit Finance Business undertakes issuance and administration of credit cards.

(2) Segment revenue and business results

Revenue and business results by reportable segments of the Group are as follows. Inter-segment transactions are generally based on prevailing market prices.

Fiscal year ended February 29, 2020

	Reportable segments					Other	Total	Adjustments	Consolidated
	Department Store Business	PARCO Business	Real Estate Business	Credit Finance Business	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
External revenue	263,388	111,614	16,644	6,872	398,519	82,101	480,621	–	480,621
Inter-segment revenue	360	598	1,148	3,846	5,954	41,173	47,128	(47,128)	–
Total	263,748	112,212	17,793	10,719	404,474	123,275	527,749	(47,128)	480,621
Segment profit	17,625	10,823	6,725	1,908	37,082	4,700	41,783	(1,496)	40,286
Finance income									1,091
Finance costs									(5,862)
Share of profit (loss) of investments accounted for using equity method									1,644
Profit before tax									37,161
Segment assets	471,955	344,162	264,663	78,589	1,159,370	139,143	1,298,514	(58,205)	1,240,308
Other items									
Depreciation and amortization expense	29,043	15,804	4,753	107	49,707	1,987	51,695	(741)	50,953
Impairment loss	1,167	1,234	–	–	2,401	94	2,496	–	2,496
Investments accounted for using equity method	3,141	40	18,474	–	21,657	164	21,821	15,618	37,439
Capital expenditures	24,578	14,549	5,180	538	44,846	2,414	47,260	(331)	46,929

Notes:
1. The “Other” category is an operating segment not included as a reportable segment. It includes wholesaling, design and construction contracting, manufacture and sale of furniture, parking, leasing, etc.
2. Capital expenditures are the amount of the increase in property, plant and equipment, right-of-use assets, investment property and intangible assets.
3. Adjustments are made as follows.
   (1) The adjustment for segment profit includes an inter-segment elimination and corporate income and expenses not attributable to any operating segment. Corporate income and expenses are mainly income and expenses of the company submitting consolidated financial statements that are not attributable to any operating segment.
   (2) The adjustment for segment assets includes elimination of segment receivables, unrealized adjustments on non-current assets, and assets of the company submitting consolidated financial statements that are not attributable to any operating segment.
   (3) The adjustment for depreciation and amortization expense consists of inter-segment transfers.
   (4) The adjustment for amounts invested in entities accounted for using equity method consists of investments accounted for using equity method of the company submitting consolidated financial statements that are not attributable to any operating segment.
   (5) The adjustment for capital expenditures consists mainly of inter-segment unrealized profit.
4. Segment profit is adjusted to operating profit in the consolidated financial statements.

Fiscal year ended February 28, 2021

	Reportable segments					Other	Total	Adjustments	Consolidated
	Department Store Business	PARCO Business	Real Estate Business	Credit Finance Business	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
External revenue	163,667	68,307	14,360	5,952	252,287	66,792	319,079	–	319,079
Inter-segment revenue	357	553	1,011	3,083	5,007	28,930	33,937	(33,937)	–
Total	164,024	68,861	15,372	9,035	257,294	95,722	353,017	(33,937)	319,079
Segment profit (loss)	(22,199)	(6,895)	1,986	421	(26,687)	2,852	(23,835)	(430)	(24,265)
Finance income									962
Finance costs									(6,086)
Share of profit (loss) of investments accounted for using equity method									717
(Loss) before tax									(28,672)
Segment assets	457,519	343,870	217,249	70,165	1,088,806	120,612	1,209,418	54,303	1,263,722
Other items									
Depreciation and amortization expense	27,974	16,341	4,691	133	49,141	2,079	51,220	(859)	50,361
Impairment loss	10,357	3,175	–	–	13,533	245	13,778	343	14,122
Investments accounted for using equity method	3,317	45	18,640	–	22,003	158	22,161	15,653	37,815
Capital expenditures	19,599	13,402	4,039	149	37,191	789	37,980	(8,620)	29,360

Notes:
1. The “Other” category is an operating segment not included as a reportable segment. It includes wholesaling, design and construction contracting, parking, leasing, etc.
2. Capital expenditures are the amount of the increase in property, plant and equipment, right-of-use assets, investment property and intangible assets.
3. Adjustments are made as follows.
   (1) The adjustment for segment profit (loss) includes an inter-segment elimination and corporate income and expenses not attributable to any operating segment. Corporate income and expenses are mainly income and expenses of the company submitting consolidated financial statements that are not attributable to any operating segment.
   (2) The adjustment for segment assets includes elimination of segment receivables, unrealized adjustments on non-current assets, and assets of the company submitting consolidated financial statements that are not attributable to any operating segment.
   (3) The adjustment for depreciation and amortization expense consists of inter-segment transfers.
   (4) The adjustment for amounts invested in entities accounted for using equity method consists of investments accounted for using equity method of the company submitting consolidated financial statements that are not attributable to any operating segment.
   (5) The adjustment for capital expenditures consists mainly of an inter-segment elimination and inter-segment unrealized profit.
4. Segment profit (loss) is adjusted to operating profit (loss) in the consolidated financial statements.

(3) Information by geographical area

Sales revenue from external customers

This information has been omitted, as sales revenue from external customers in Japan accounts for a large percentage of sales revenue recorded on the consolidated statement of income.

Non-current assets

This information has been omitted, as the amount of non-current assets located in Japan accounts for a large percentage of the amount recorded on the consolidated statement of financial position.

6. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	As of February 29, 2020	As of February 28, 2021
	Millions of yen	Millions of yen
Cash	3,619	4,031
Deposits (including time deposits with deposit terms of three months or less)	31,013	124,893
Total	34,633	128,925

7. Trade and Other Receivables

The breakdown of trade and other receivables is as follows.

All these receivables have been classified as financial assets measured at amortized cost.

	As of February 29, 2020	As of February 28, 2021
	Millions of yen	Millions of yen
Notes receivable - trade	2,783	2,342
Accounts receivable - trade	69,962	53,512
Accounts receivable - other	60,237	49,990
Contract assets	6,494	3,280
Other	4,765	4,289
Total	144,244	113,414

8. Inventories

The breakdown of inventories is as follows:

	As of February 29, 2020	As of February 28, 2021
	Millions of yen	Millions of yen
Merchandise and finished goods	18,622	20,061
Work in process	221	127
Supplies	324	495
Total	19,169	20,684

The amount of inventories that were recognized as expenses was ¥258,867 million in the fiscal year ended February 29, 2020 and ¥155,579 million in the fiscal year ended February 28, 2021.

The amounts of write-down of inventories recognized as expenses are as follows:

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
	Millions of yen	Millions of yen
Amounts of write-down	388	205

9. Other Financial Assets

The breakdown of other financial assets is as follows:

	As of February 29, 2020	As of February 28, 2021
	Millions of yen	Millions of yen
Financial assets measured at amortized cost		
Time deposits with deposit terms of more than three months	5,544	4,918
Lease and guarantee deposits	56,837	56,820
Loans receivable	2,143	1,693
Other	5,984	5,860
Financial instruments measured at fair value through profit or loss		
Derivative financial assets	8	27
Financial assets measured at fair value through other comprehensive income		
Shares and investments in capital	25,957	23,391
Total	96,475	92,711
Total current assets	5,095	5,841
Total non-current assets	91,379	86,870

10. Other Assets

The breakdown of other assets is as follows:

	As of February 29, 2020	As of February 28, 2021
	Millions of yen	Millions of yen
Prepaid expense	2,310	2,368
Advance payments - trade	974	618
Suspense payments	599	382
Retirement benefit assets	12,086	9,098
Other	4,044	4,332
Total	20,016	16,800
Other current assets	5,281	4,739
Other non-current assets	14,734	12,061

11. Property, Plant and Equipment

(1) Schedule of changes

Changes in acquisition costs and accumulated depreciation and impairment of property, plant and equipment are as follow:

Acquisition costs

	Land	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2019	239,541	438,797	4,106	18,454	70,433	771,333
Effect of changes in accounting policies	–	(4,032)	(483)	(3,280)	–	(7,796)
Balance as of March 1, 2019	239,541	434,764	3,623	15,174	70,433	763,536
Acquisitions	259	12,555	373	2,908	19,615	35,713
Sales or disposals	(589)	(12,674)	(53)	(1,115)	–	(14,432)
Transfer among line items	32,673	47,698	21	1,117	(89,212)	(7,701)
Balance as of February 29, 2020	271,884	482,344	3,965	18,085	835	777,115
Acquisitions	–	11,742	39	939	1,033	13,754
Sales or disposals	–	(5,014)	(26)	(608)	–	(5,648)
Transfer among line items	15,831	20,339	252	(674)	(1,597)	34,150
Other	–	(497)	–	(125)	–	(623)
Balance as of February 28, 2021	287,715	508,914	4,229	17,617	271	818,748

Accumulated depreciation and impairment

	Land	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2019	(487)	(283,927)	(2,679)	(13,000)	–	(300,094)
Effect of changes in accounting policies	–	117	127	1,534	–	1,779
Balance as of March 1, 2019	(487)	(283,809)	(2,551)	(11,466)	–	(298,314)
Depreciation expense	–	(15,803)	(191)	(1,147)	–	(17,142)
Impairment loss	–	(874)	(11)	(89)	–	(976)
Sales or disposals	5	10,750	50	1,053	–	11,860
Transfer among line items	–	700	–	–	–	700
Other	–	(56)	–	(18)	–	(75)
Balance as of February 29, 2020	(481)	(289,092)	(2,704)	(11,669)	–	(303,947)
Depreciation expense	–	(15,471)	(236)	(1,333)	–	(17,041)
Impairment loss	–	(8,240)	(25)	(234)	–	(8,500)
Sales or disposals	–	4,701	24	588	–	5,314
Transfer among line items	(18)	(1,825)	79	251	–	(1,513)
Other	–	476	–	107	–	583
Balance as of February 28, 2021	(499)	(309,452)	(2,863)	(12,289)	–	(325,104)

Carrying amounts

	Land	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2019	239,054	154,870	1,427	5,453	70,433	471,238
Balance as of February 29, 2020	271,403	193,252	1,260	6,415	835	473,167
Balance as of February 28, 2021	287,215	199,462	1,366	5,328	271	493,644

Notes: 1. The amount of depreciation expense for property, plant and equipment is included in "cost of sales," "selling, general and administrative expense" and "other operating expense" in the consolidated statement of income.

2. Please refer to "28. Other Operating Income" for the gain on sales of non-current assets for the fiscal years ended February 29, 2020 and February 28, 2021, and "31. Other Operating Expense" for the loss on disposals of non-current assets for the fiscal years ended February 29, 2020 and February 28, 2021.

(2) Assets pledged as collateral

Please refer to "20. Bonds and Borrowings" for assets pledged as collateral.

(3) Commitments

Please refer to "39. Commitments" for commitments related to purchase of property, plant and equipment.

12. Goodwill and Intangible Assets

(1) Schedule of changes

Changes in acquisition costs, accumulated amortization and impairment and carrying amounts of goodwill and intangible assets are as follows:

Acquisition costs

	Goodwill	Other intangible assets		
		Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2019	568	9,226	571	9,797
Effect of changes in accounting policies	–	(91)	–	(91)
Balance as of March 1, 2019	568	9,135	571	9,706
Acquisitions	–	3,025	201	3,226
Sales or disposals	–	(1,170)	(7)	(1,178)
Transfer among line items	–	177	(177)	(0)
Balance as of February 29, 2020	568	11,167	587	11,754
Acquisitions	–	2,426	1	2,428
Sales or disposals	–	(691)	(40)	(732)
Transfer among line items	–	147	(58)	88
Other	–	(12)	(4)	(16)
Balance as of February 28, 2021	568	13,036	485	13,521

Accumulated amortization and impairment

	Goodwill	Other intangible assets		
		Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2019	(44)	(4,876)	(432)	(5,308)
Effect of changes in accounting policies	–	41	–	41
Balance as of March 1, 2019	(44)	(4,835)	(432)	(5,267)
Amortization expense	–	(1,627)	(1)	(1,628)
Impairment loss	–	(141)	–	(141)
Sales or disposals	–	946	–	946
Other	–	(0)	–	(0)
Balance as of February 29, 2020	(44)	(5,658)	(433)	(6,092)
Amortization expense	–	(1,834)	(1)	(1,836)
Impairment loss	–	(451)	–	(451)
Sales or disposals	–	691	–	691
Transfer among line items	–	(93)	2	(91)
Other	–	10	–	10
Balance as of February 28, 2021	(44)	(7,336)	(432)	(7,769)

Carrying amounts

	Goodwill	Other intangible assets		
		Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2019	523	4,350	139	4,489
Balance as of February 29, 2020	523	5,508	153	5,662
Balance as of February 28, 2021	523	5,699	52	5,752

Note: The amount of amortization expense for intangible assets is included in “cost of sales” and “selling, general and administrative expense” in the consolidated statement of income.

(2) Impairment test on goodwill

Goodwill arising in business combinations is allocated to cash-generating units that benefit from the business combination on the acquisition date. The breakdown of the carrying amount of goodwill by segment is as follows:

	As of February 29, 2020	As of February 28, 2021
	Millions of yen	Millions of yen
PARCO Business	523	523
Total	523	523

The Group tests goodwill for impairment each fiscal year, or whenever there is an indication of impairment.

To test goodwill for impairment, cash-generating units to which the goodwill is allocated are integrated so that impairment is tested reflecting the smallest units related to the goodwill. Goodwill acquired in a business combination is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

In calculating the recoverable amount, the Group estimates the discounted present value of future cash flows generated from use of the asset and the discounted present value of future cash flows generated from ultimate disposal of the asset. These estimates are based on management's best estimates, but may differ from actual results due to effects of changes in uncertain future economic conditions.

There is a risk that impairment may arise if major assumptions used for impairment test are changed. However, the value in use sufficiently exceeds the carrying amount of the cash-generating unit or the group of cash-generating units, and the Group considers value in use unlikely to fall below the carrying amount even if major assumptions used for impairment tests change within a reasonably foreseeable range.

13. Leases

(1) As lessee

The Group enters into lease contracts for real estate, various facilities, etc. in the Department Store Business mainly for the purpose of ensuring flexibility relating to asset replacement, reducing the administrative burden relating to asset management, and efficiently operating funds. In cases where such a contract transfers the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is deemed to be a lease or to contain a lease, and the right-of-use assets and lease liabilities are recognized on the date of the commencement of the lease. However, for short-term leases and leases for which the underlying asset is of low value, the Group may recognize the lease payments related to the lease as an expense using the straight-line method over the lease term.

In some lease contracts among those aforementioned agreements, an option for the lessee to extend the lease period is attached.

The Group exercises the option to extend a lease if it judges it necessary to exercise that option after comprehensively considering the profitability of the underlying asset of the agreement, changes to the environment of the neighborhood market and the exercise conditions of the option. However, in cases where there is no reasonable certainty that the option will be exercised on the start date of the lease, the corresponding extension period is not included in the lease period and the lease payment for that period is not included in the measurement of lease liabilities.

For both the option to extend the lease period and the option to cancel the lease, the Group reviews the possibility of exercising the option each period.

The total amount of agreements that contain contingent rents or residual value guarantee, or the total amount of leases that have not yet started regardless of whether the agreement has been concluded are immaterial.

The breakdown of right-of-use assets is as follows:

(Millions of yen)

	Type of underlying assets				Total
	Buildings and structures	Machinery, tools and fixtures	Land	Intangible assets, other	
As of February 29, 2020	151,134	3,101	23,649	1,746	179,632
As of February 28, 2021	131,651	2,221	22,400	1,546	157,819

Profit or loss related to right-of-use assets

Costs related to leases and cash outflow are as follows.

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Depreciation expense of right-of-use assets (Note)		
Items with buildings and structures as the underlying assets	23,633	23,092
Items with machinery, tools and fixtures as the underlying asset	946	988
Items with land as the underlying asset	1,168	1,161
Items with intangible assets, other as the underlying asset	166	165
Total depreciation expense of right-of-use assets	25,914	25,408
Interest expenses related to lease liabilities	4,793	4,445
Costs related to Current lease obligations	522	428
Costs related to leases of low-value assets	943	1,053
Contingent rents not included in the measurement of lease liabilities	1,054	576
Total (net) of costs related to leases	7,314	6,504
Repayments of lease liabilities	29,241	29,254
Income from subleasing (Note)	16,885	11,720
Profit or loss from sale and leaseback transaction	194	–
Cash outflow related to leases	19,475	24,038

Note: Right-of-use assets that fall under the definition of investment property are excluded.

Lease liabilities

A maturity analysis for lease liabilities is as follows.

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Contractual undiscounted cash flows		
Due within one year	33,709	33,137
Due after one year through two years	30,906	30,347
Due after two years through three years	29,143	28,048
Due after three years through four years	27,044	26,518
Due after four years through five years	25,733	21,676
Due after five years	110,491	90,376
Balance of lease liabilities before discount	257,030	230,103
Current	29,493	29,799
Non-current	191,003	173,085

(2) As lessor

The Group mainly leases investment property and tenant space inside commercial facilities using financial lease or operating lease transactions.

These lease assets are exposed to the risk of being damaged due to the use by the lessee that is above and beyond regular use, or as a result of intentional acts or gross negligence. To avoid and mitigate such risks, the Group requires in accordance with lease contracts that lessees provide a lease or guarantee deposit of a certain amount, and if the asset is actually damaged, the lease or guarantee deposit is used to fund the costs required for repair.

1) Finance leases (As lessor)

The information has been omitted due to its immateriality.

2) Operating leases (As lessor)

Revenue related to operating leases is as follows:

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Lease revenue (other than contingent rents)	23,244	26,372
Lease revenue (contingent rents)	27,805	21,628

The maturity analysis for lease payments relating to operating leases is as follows:

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Due within one year	20,002	21,939
Due after one year through two years	18,239	19,507
Due after two years through three years	17,137	18,945
Due after three years through four years	16,674	17,612
Due after four years through five years	15,599	15,876
Due after five years	131,101	120,612
Total	218,754	214,493

Changes in the carrying amount, acquisition cost, and accumulated depreciation and impairment of underlying assets of operating leases recorded under property, plant and equipment in the consolidated statement of financial position are as follows:

Carrying amount

(Millions of yen)

	Land	Buildings and structures
Balance as of March 1, 2019	77,950	60,553
Acquisitions	34,932	22,909
Acquisition due to business combinations	–	–
Sales or disposals	(410)	(210)
Transfer among line items	–	0
Depreciation expense	–	(4,827)
Impairment loss	–	(41)
Exchange differences on translation of foreign operations	–	–
Other	–	–
Balance as of February 29, 2020	112,472	78,383
Acquisitions	–	13,493
Acquisition due to business combinations	–	–
Sales or disposals	–	(66)
Changes due to commencement and expiration of leases	21,309	6,288
Transfer among line items	14,100	12,837
Depreciation expense	–	(6,364)
Impairment loss	(263)	(1,141)
Exchange differences on translation of foreign operations	–	–
Other	(49)	–
Balance as of February 28, 2021	147,569	103,431

Acquisition costs

(Millions of yen)

	Land	Buildings and structures
Balance as of March 1, 2019	78,171	146,266
Balance as of February 29, 2020	112,687	168,111
Balance as of February 28, 2021	148,048	206,992

Accumulated depreciation and impairment

(Millions of yen)

	Land	Buildings and structures
Balance as of March 1, 2019	221	85,713
Balance as of February 29, 2020	215	89,727
Balance as of February 28, 2021	478	103,561

14. Investment Property

(1) Schedule of changes

Changes in acquisition costs, accumulated depreciation and impairment and carrying amounts of investment property and fair values as of the end of each fiscal year are as follows:

Acquisition costs

	Self-owned assets	Right-of-use assets	Total
	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2019	211,197	–	211,197
Effect of changes in accounting policies	(1,570)	29,487	27,917
Balance as of March 1, 2019	209,627	29,487	239,115
Acquisitions	2,233	5,388	7,622
Sales or disposals	(2,132)	–	(2,132)
Transfer among line items	2,704	–	2,704
Other	–	(3,597)	(3,597)
Balance as of February 29, 2020	212,433	31,278	243,711
Acquisitions	4,569	4,193	8,763
Sales or disposals	(185)	–	(185)
Transfer among line items	(34,227)	(251)	(34,479)
Other	(726)	(132)	(859)
Balance as of February 28, 2021	181,862	35,088	216,950

Accumulated depreciation and impairment

	Self-owned assets	Right-of-use assets	Total
	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2019	(14,035)	–	(14,035)
Effect of changes in accounting policies	104	(6,022)	(5,917)
Balance as of March 1, 2019	(13,930)	(6,022)	(19,953)
Depreciation expense	(2,598)	(3,002)	(5,601)
Impairment loss	(15)	(265)	(280)
Sales or disposals	1,288	–	1,288
Transfer among line items	(700)	–	(700)
Other	(5)	896	890
Balance as of February 29, 2020	(15,962)	(8,394)	(24,356)
Depreciation expense	(2,322)	(3,118)	(5,441)
Impairment loss	(130)	(47)	(177)
Sales or disposals	54	–	54
Transfer among line items	1,509	6	1,516
Other	216	116	332
Balance as of February 28, 2021	(16,634)	(11,436)	(28,071)

Carrying amounts and fair values

(Millions of yen)

	As of February 29, 2020		As of February 28, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	219,354	317,782	188,879	266,687

Fair value of investment property is based on real-estate appraisal by an external real-estate appraiser with recent experience in appraisal for the region where the property is located and the type of the property to be valued who holds certified professional qualifications and others. The appraisal is based on market evidence reflecting the transaction price of similar assets in accordance with valuation standards of the country where the property is located.

(2) Income and expenses from investment property

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Rental income	20,210	16,027
Direct operating expense	11,856	10,271

The amounts of rental income from investment property and accompanying direct operating expense are included in “sales revenue” and “cost of sales,” respectively, in the consolidated statement of income.

(3) Commitments

Please refer to “39. Commitments” for commitments related to purchase of investment property.

15. Impairment of Non-financial Assets

Non-financial assets are grouped based on the smallest cash-generating unit (principally stores) that generates cash inflows largely independent of those of other assets.

Impairment losses are recorded in “other operating expense” in the consolidated statement of income.

The breakdown of the assets for which impairment losses were recognized by segment is as follows:

Fiscal year ended February 29, 2020

(Millions of yen)

Segment	Company name (Location)	Use	Type	Impairment loss
Department Store Business	Daimaru Matsuzakaya Department Stores Co. Ltd. (Toyota, Aichi)	Store, etc.	Buildings and structures	436
			Machinery and vehicles	11
			Furniture and fixtures	1
			Right-of-use assets	296
			Other	4
	Kochi Daimaru Co., Ltd. (Kochi, Kochi)	Office, Parking	Buildings and structures	180
			Furniture and fixtures	3
			Other	231
PARCO Business	PARCO Co., Ltd. (Hiroshima, Hiroshima, etc.)	Store, etc.	Buildings and structures	12
			Furniture and fixtures	0
			Right-of-use assets	33
			Software	1
			Investment property	280
	NEUVE A Co., Ltd. (Shibuya-ku, Tokyo, etc.)	Store, etc.	Buildings and structures	131
			Furniture and fixtures	80
			Right-of-use assets	512
			Software	139
	PARCO SPACE SYSTEMS Co., Ltd. (Odawara, Kanagawa, etc.)	Hotel business	Buildings and structures	27
			Furniture and fixtures	1
			Right-of-use assets	12
			Software	0
Other	J. Front Foods Co., Ltd. (Taito-ku, Tokyo, etc.)	Store, etc.	Buildings and structures	85
			Furniture and fixtures	2
			Right-of-use assets	7
			Total	2,496

1) With regard to the Department Store Business, an impairment loss (¥750 million) was recorded as loss on business liquidation in connection with the decision to cease operations of Matsuzakaya Toyota. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by 4.1%, which was the weighted average cost of capital (WACC) at the time of measurement, taking into account the future profitability and other factors. For Kochi Daimaru Co., Ltd., following the decision to sell the Pianta Building, which had been used as an office by said company, the carrying amount of the respective assets was reduced to zero, and the

amount of the reduction (¥183 million) and the loss on business liquidation (¥231 million) were recorded as impairment losses.

2) With regard to the PARCO Business, the amount invested is not expected to be recovered due to the decreased profitability of shopping centers such as Hiroshima ZERO GATE, etc., and accordingly the carrying amount of the cash-generating unit was reduced to the recoverable amount and the reduction was recognized as an impairment loss (¥329 million). With regard to specialty stores, the amount invested is not expected to be recovered due to decreased profitability, and accordingly the carrying amount of the cash-generating unit was reduced to the recoverable amount and the reduction was recognized as an impairment loss (¥862 million). The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by 3.6%, which was the WACC at the time of measurement, taking into account the future profitability and other factors.

There was no reversal of impairment losses recorded in the fiscal year ended February 29, 2020.

Fiscal year ended February 28, 2021

(Millions of yen)

Segment	Company name (Location)	Use	Type	Impairment loss
Department Store Business	Daimaru Matsuzakaya Department Stores Co. Ltd. (Kita-ku, Osaka, etc.)	Store, etc.	Buildings and structures	6,883
			Machinery and vehicles	2
			Furniture and fixtures	41
			Right-of-use assets	3,386
			Other	44
PARCO Business	PARCO Co., Ltd. (Matsumoto, Nagano, etc.)	Store, etc.	Buildings and structures	1,171
			Machinery and vehicles	7
			Furniture and fixtures	24
			Right-of-use assets	1,204
			Investment property	54
	NEUVE A Co., Ltd. (Shibuya-ku, Tokyo, etc.)	Store, etc.	Buildings and structures	146
			Furniture and fixtures	156
			Right-of-use assets	341
			Software	56
			Other	7
	PARCO SPACE SYSTEMS Co., Ltd. (Tokorozawa, Saitama, etc.)	Office, etc.	Furniture and fixtures	2
			Right-of-use assets	5
Other	J. Front Foods Co., Ltd. (Chuo-ku, Tokyo, etc.)	Office, etc.	Buildings and structures	138
			Furniture and fixtures	3
			Software	5
			Other	13
	Daimaru Kogyo, Ltd. (Chuo-ku, Osaka, etc.)	Office, etc.	Buildings and structures	16
			Machinery and vehicles	16
			Furniture and fixtures	6
			Software	46
Adjustments (corporate)	J. FRONT RETAILING Co., Ltd. (Chuo-ku, Tokyo)	Other	Software	343
			Total	14,122

1) With regard to the Department Store Business, principally because of decreased profitability of Daimaru Matsuzakaya Department Stores Co. Ltd.'s Daimaru Umeda store, the carrying amount of buildings and structures, etc. was reduced to the recoverable amount and the reduction of ¥9,534 million was recognized as an impairment loss. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by 3.7%, which was the WACC at the time of measurement, taking into account the future profitability and other factors.

2) With regard to the PARCO Business, principally because of decreased profitability of PARCO Co., Ltd.'s Matsumoto PARCO, the carrying amount of buildings and structures, etc. was reduced to the

recoverable amount and the reduction of ¥783 million was recognized as an impairment loss. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by 3.6%, which was the WACC at the time of measurement, taking into account the future profitability and other factors.

In addition, with regard to PARCO Co., Ltd.'s Tsudanuma PARCO for which the decision to cease operations was made, an impairment loss (¥925 million) was recorded as loss on business liquidation. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by 3.4%, which was the WACC at the time of measurement, taking into account the future profitability and other factors.

There was no reversal of impairment losses recorded in the fiscal year ended February 28, 2021.

16. Investments Accounted for Using the Equity Method

Investments in associates

The carrying amount of investments in associates that are not individually material is as follows:

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Total carrying amount	37,439	37,815

The Group's share of comprehensive income of associates that are not individually material is as follows:

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Share of profit	1,644	717
Share of other comprehensive income	(35)	(91)
Share of comprehensive income	1,608	626

17. Joint Operations

In the Group, Daimaru Matsuzakaya Department Stores Co. Ltd., a subsidiary, works on the joint operation of GINZA SIX, a commercial facility located at Ginza 6-chome 10, running the joint operation with partners, namely L Real Estate S.C.A SICAR and SUMITOMO CORPORATION. With regard to revenue and expenses related to the operation of this commercial facility, including profit and loss based on tenant agreements, the amount corresponding to the ownership ratio of Daimaru Matsuzakaya Department Stores Co. Ltd. (68%), determined according to the ownership category of the commercial facility and other factors, was recognized.

18. Income Tax

(1) Deferred tax assets and liabilities

The breakdown of and changes in deferred tax assets and liabilities by major cause are as follows:

Fiscal year ended February 29, 2020

(Millions of yen)

	Balance as of March 1, 2019	Adjustment due to application of IFRS 16	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of February 29, 2020
Deferred tax assets					
Retirement benefit liabilities	8,062	–	(2,263)	12	5,810
Allowance for credit losses	628	–	36	–	665
Non-current assets	3,679	–	2,220	–	5,900
Other financial assets	–	–	–	–	–
Asset retirement obligations	917	–	143	–	1,061
Tax loss carryforwards	150	–	(120)	–	30
Gain on adjustment of accounts payable	4,761	–	(47)	–	4,714
Long-term unearned revenue	910	–	(806)	–	104
Prepaid expense (Land leasehold right)	2,961	–	11	–	2,972
Lease liabilities	–	72,673	(10,203)	–	62,469
Other	10,057	–	1,615	0	11,673
Total	32,128	72,673	(9,412)	12	95,401
Deferred tax liabilities					
Non-current assets	75,540	–	(864)	–	74,676
Securities	7,729	–	(286)	(1,000)	6,442
Right-of-use assets	–	67,048	(4,602)	–	62,445
Other	1,033	–	(53)	(300)	678
Total	84,303	67,048	(5,807)	(1,301)	144,243
Net amount of deferred tax assets	(52,174)	5,624	(3,604)	1,313	(48,841)

Fiscal year ended February 28, 2021

(Millions of yen)

	Balance as of March 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note)	Balance as of February 28, 2021
Deferred tax assets					
Retirement benefit liabilities	5,810	1,534	(164)	–	7,180
Allowance for credit losses	665	(50)	–	–	614
Non-current assets	5,900	(527)	–	–	5,372
Other financial assets	–	85	(31)	6	60
Asset retirement obligations	1,061	883	–	–	1,944
Tax loss carryforwards	30	5,457	–	–	5,487
Gain on adjustment of accounts payable	4,714	520	–	–	5,235
Long-term unearned revenue	104	1	–	–	106
Prepaid expense (Land leasehold right)	2,972	–	–	–	2,972
Lease liabilities	62,469	(2,885)	–	–	59,584
Other	11,673	(1,594)	(294)	–	9,784
Total	95,401	3,425	(490)	6	98,343
Deferred tax liabilities					
Non-current assets	74,676	4,612	–	(384)	78,903
Securities	6,442	(781)	(786)	–	4,873
Right-of-use assets	62,445	(6,208)	–	(3)	56,233
Other	678	1,727	611	(134)	2,882
Total	144,243	(650)	(175)	(522)	142,893
Net amount of deferred tax assets	(48,841)	4,076	(314)	529	(44,550)

Note: Changes, etc. due to the sale of a consolidated subsidiary are included in "Other."

Deferred tax assets and liabilities in the consolidated statement of financial position are as follows:

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Deferred tax assets	9,988	6,751
Deferred tax liabilities	58,829	51,301
Net amount	(48,841)	(44,550)

In recognizing deferred tax assets, the Group takes into account the possibility that tax loss carryforwards or deductible temporary differences can be utilized against future taxable profit. In the recoverability of deferred tax assets, the Group considers the scheduled reversal of deferred tax liabilities, projected future taxable profit and tax planning.

Based on the result of the above assessment of recoverability of deferred tax assets, some of the Group's subsidiaries have not recognized deferred tax assets for certain tax loss carryforwards and deductible temporary differences. Tax loss carryforwards and deductible temporary differences for which deferred tax assets have not been recognized are as follows:

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Tax loss carryforwards	10,893	12,310
Deductible temporary differences	43,793	54,097
Total	54,686	66,408

The deferral period of tax loss carryforwards for which deferred tax assets have not been recognized is as follows:

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
1st year	–	–
2nd year	–	–
3rd year	–	–
4th year	35	–
5th year and after	10,857	12,310
Total	10,893	12,310

As of February 29, 2020 and February 28, 2021, the total amount of temporary differences for investments in subsidiaries that were not recognized as deferred tax liabilities were ¥168,970 million and ¥140,938 million, respectively.

(2) Income tax

The breakdown of income tax is as follows:

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Current taxes:		
Current period	10,135	1,910
Prior periods	27	(86)
Total current taxes	10,162	1,824
Deferred taxes:		
Origination and reversal of temporary differences, etc.	678	(9,692)
Changes in unrecognized deferred tax assets	2,925	5,616
Changes in tax rates, etc.	–	–
Total deferred taxes	3,604	(4,076)
Total	13,767	(2,251)

(3) Reconciliation between effective tax rates

Differences between the effective statutory tax rate and average effective tax rate are as follows:

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
	%	%
Effective statutory tax rate	30.6	30.6
Entertainment expense	0.8	(0.3)
Bonuses for directors (and other officers)	0.2	(0.0)
Dividend income	(0.0)	0.0
Share of profit (loss) of investments accounted for using equity method	(1.4)	0.8
Unrecognized deferred tax assets	7.3	(23.2)
Other	(0.6)	(0.1)
Average effective tax rate	37.1	7.9

19. Cash Flow Information

(1) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

Fiscal year ended February 29, 2020

					Changes that do not affect cash flows			
	Balance as of March 1, 2019	Adjustment due to application of IFRS 16	Balance as of March 1, 2019 (Adjusted)	Changes that affect cash flows	New leases and changes in agreements	Changes in fair values	Other	Balance as of February 29, 2020
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Current borrowings	17,520	–	17,520	53,480	–	–	–	71,000
Commercial papers	–	–	–	4,000	–	–	–	4,000
Non-current borrowings	107,010	–	107,010	(3,500)	–	–	–	103,510
Bonds	49,848	–	49,848	29,864	–	–	54	79,766
Lease liabilities	10,301	228,414	238,715	(29,241)	11,023	–	–	220,497
Derivatives	14	–	14	–	–	–	(14)	–
Total	184,694	228,414	413,108	54,602	11,023	–	39	478,773

Derivatives are held in order to hedge interest rate fluctuation risk and foreign exchange fluctuation risk.

Fiscal year ended February 28, 2021

	Balance as of March 1, 2020	Changes that affect cash flows	Changes that do not affect cash flows			Balance as of February 28, 2021
			New leases and changes in agreements	Changes in fair values	Other	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Current borrowings	71,000	(13,000)	–	–	–	58,000
Commercial papers	4,000	66,001	–	–	–	70,001
Non-current borrowings	103,510	58,600	–	–	–	162,110
Bonds	79,766	(10,000)	–	–	52	69,819
Lease liabilities	220,497	(29,254)	11,701	–	(59)	202,885
Total	478,773	72,346	11,701	–	(6)	562,815

(2) Non-cash transactions

Right-of-use assets acquired through leases are as follows:

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
	Millions of yen	Millions of yen
Right-of-use assets acquired through leases	11,409	10,883

20. Bonds and Borrowings

(1) Breakdown of financial liabilities

The breakdown of "bonds and borrowings" and "other financial liabilities" is as follows:

	As of February 29, 2020	As of February 28, 2021	Average interest rate (Note 1)	Repayment deadline
	Millions of yen	Millions of yen	%	
Current borrowings	94,400	75,150	0.30	–
Commercial papers	4,000	70,001	–	–
Non-current borrowings	80,110	144,960	0.38	From March 2022 to March 2035
Bonds (Note 2)	79,766	69,819	(Note 2)	(Note 2)
Guarantee deposits received	40,814	39,555	–	–
Other	30,472	29,893	–	–
Total	329,563	429,379	–	–
Current liabilities	138,599	175,363	–	–
Non-current liabilities	190,964	254,016	–	–

Notes: 1. The average interest rates are weighted-average interest rates based on the contract interest rates and the closing balances for each borrowing.

2. Summary of issuing conditions of bonds is as follows:

(Millions of yen)

Company name	Bond name	Date of issue	As of February 29, 2020	As of February 28, 2021	Interest rate (%)	Maturity date
J. FRONT RETAILING Co., Ltd.	3rd series of unsecured bonds	August 5, 2015	10,000	–	0.30	August 5, 2020
J. FRONT RETAILING Co., Ltd.	4th series of unsecured bonds	August 5, 2015	5,000	5,000	0.46	August 5, 2022
J. FRONT RETAILING Co., Ltd.	5th series of unsecured bonds	August 4, 2017	15,000	15,000	0.16	August 4, 2022
J. FRONT RETAILING Co., Ltd.	6th series of unsecured bonds	August 4, 2017	20,000	20,000	0.43	August 4, 2027
J. FRONT RETAILING Co., Ltd.	7th series of unsecured bonds	May 22, 2019	20,000	20,000	0.20	May 22, 2024
J. FRONT RETAILING Co., Ltd.	8th series of unsecured bonds	May 22, 2019	10,000	10,000	0.37	May 22, 2029
Total			80,000	70,000	0.30	

Agreements on some of borrowings of the Group require the maintenance of specific financial ratios and net assets at a certain level.

The Group has complied with all the agreements on borrowings.

(2) Assets pledged as collateral

The Group has pledged corporate properties as collateral for borrowings, etc. Secured creditors have the right to receive the payment of their claims prior to other unsecured creditors with regard to the Group's properties.

Assets pledged as collateral for borrowings, etc. are as follows:

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Land	5,290	5,290
Buildings and structures	2,442	2,288
Other financial assets	221	241
Inventories	–	83
Total	7,953	7,903

The corresponding obligations are as follows:

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Long-term borrowings	525	225
Trade and other payables	200	110
Total	725	335

21. Trade and Other Payables

The breakdown of trade and other payables is as follows.

These are all classified as financial liabilities measured at amortized cost.

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Notes payable - trade	4,339	2,276
Accounts payable - trade	73,035	61,741
Accounts payable - other	39,359	32,495
Deposits received	26,031	22,893
Other	1,254	2,530
Total	144,020	121,937

22. Employee Benefits

The Group has established defined benefit plans (such as a corporate pension fund plan and lump-sum retirement benefit plan) as employee retirement benefit plans, and certain consolidated subsidiaries have adopted defined contribution plans. In addition, the Group may pay extra retirement payments when employees retire before their normal retirement date. Certain consolidated subsidiaries have instituted a retirement benefit trust.

In regard to the corporate pension fund plan, the Group has obligations including paying contributions to the corporate pension fund under the Defined-Benefit Corporate Pension Act, etc. Directors of the fund have responsibilities including a duty of loyalty to faithfully execute operations related to managing and operating funds in the interests of the fund. In addition, it is stipulated that directors are forbidden from entering into any asset management contract aimed at serving the interests of a third party, and rules of conduct that include forbidding acts that create a conflict of interest are clarified.

The plan is mainly operated by a corporate pension fund that is independent from the Group. The board of representatives comprises the same number of representatives elected from among the employers (elected representatives) and representatives elected from among employees (mutually elected representatives), and the chairperson (president) of the board of representatives is elected from among the employers.

Decisions of the board of representatives are made by a majority of members in attendance, but in the case of a tie, the President, who is the Chairperson, has the authority to make a decision. However, it is stipulated that decisions related to particularly important matters shall be determined by a majority in excess of the above.

The board of representatives holds the authority to make decisions about all important matters, such as investment policies. Actual asset management is conducted by a managing trustee under an investment service agreement, and directions from the board of representatives regarding investment in individual securities, etc. are forbidden by laws and regulations.

The Company is required to pay contributions to the corporate pension fund and contributions are regularly reviewed within the range permitted by laws and regulations. While the Company is obligated to make contributions stipulated by the fund into the future, in addition to these contributions, it also funds a retirement benefit trust on a voluntary basis.

With regard to the lump-sum retirement benefit plan, the Company is obligated to pay benefits directly to the beneficiaries. There are no statutory requirements regarding funding.

(1) Defined benefit plans

The relationship between the present value of the defined benefit obligations and the fair value of the plan assets and the amounts recognized in the consolidated statement of financial position is as follows:

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Present value of funded defined benefit obligations	28,440	25,291
Fair value of plan assets	(39,253)	(36,043)
Subtotal	(10,812)	(10,752)
Present value of unfunded defined benefit obligations	18,900	21,435
Liabilities of defined benefit plans	8,088	10,683
Amounts in the consolidated statement of financial position		
Retirement benefit liabilities	20,175	19,781
Retirement benefit assets	12,086	9,098
Net defined benefit liability or asset in the consolidated statement of financial position	8,088	10,683

Changes in the present value of the defined benefit obligations are as follows:

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Present value of defined benefit obligations at beginning of period	60,207	47,341
Service cost	1,891	1,652
Interest expense	104	79
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	132	(146)
Actuarial gains and losses arising from changes in financial assumptions	(952)	802
Past service cost	(4,128)	–
Benefits paid	(6,766)	(2,877)
Other	(3,148)	(125)
Present value of defined benefit obligations at end of period	47,341	46,726

Note: Past service costs of negative ¥4,128 million in the previous fiscal year were incurred as a result of retirement payments and pension system reform of Daimaru Matsuzakaya Department Stores Co. Ltd.

Changes in the fair value of the plan assets are as follows:

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Fair value of plan assets at beginning of period	44,067	39,253
Interest revenue	80	60
Remeasurements		
Return on plan assets	(436)	2,268
Contributions by employer	876	819
Benefits paid	(3,111)	(2,360)
Return of trust assets	–	(4,000)
Other	(2,223)	2
Fair value of plan assets at end of period	39,253	36,043

The fair value of each item of plan assets is as follows:

As of February 29, 2020

(Millions of yen)

Items of plan assets	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Total
Cash and cash equivalents	4,322	–	4,322
Domestic shares	14,465	–	14,465
Overseas shares	2,384	–	2,384
Jointly operated trusts (shares)	–	933	933
Domestic bonds	345	7,226	7,571
Overseas bonds	128	1,601	1,730
Jointly operated trusts (public and corporate bonds)	–	1,738	1,738
General accounts of life insurance companies	–	5,365	5,365
Other	–	740	740
Total	21,646	17,606	39,253

As of February 28, 2021

(Millions of yen)

Items of plan assets	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Total
Cash and cash equivalents	1,704	–	1,704
Domestic shares	11,085	238	11,323
Overseas shares	3,888	249	4,137
Jointly operated trusts (shares)	–	684	684
Domestic bonds	353	7,758	8,112
Overseas bonds	120	2,588	2,708
Jointly operated trusts (public and corporate bonds)	–	1,149	1,149
General accounts of life insurance companies	–	5,444	5,444
Other	–	778	778
Total	17,151	18,891	36,043

The Group's management of plan assets is aimed at ensuring the necessary income over the long-term to reliably make pension and lump-sum payments into the future. Its investment policy to achieve this is fundamentally to make diversified investments after analyzing characteristics of risks and returns for each asset and taking into account correlations between respective assets.

Specifically, the Group develops the policy asset mix that is the optimal combination now and in the future after taking into account the expected rate of return and risks on eligible investments, and the managing trustee manages assets accordingly.

In regard to plan assets, the status of asset management is managed primarily by regularly reviewing the financial position of the plans, formulating long-term management policies, and monitoring the status of asset allocation.

The Group's pension funding is determined after taking into consideration various factors such as the allowable limit of deductible expenses under tax laws, the funding status of plan assets and actuarial calculations. Contributions to plan assets are intended to cover benefits for services already rendered, in addition to benefits for services to be rendered in future.

In accordance with the provisions of the Defined-Benefit Corporate Pension Act, the rules of the corporate pension fund stipulate that the amount of contributions shall be recalculated every three to five years with a record date of the fiscal year end, in order to preserve a balanced budget into the future. During the recalculation, the basic rates related to contributions (expected interest rates, expected mortality rates, expected withdrawal rates, expected salary increase indexes, expected number of new participants, etc.) are reviewed, and the appropriateness of the contributions is reverified.

The Group plans to pay contributions of ¥732 million in the fiscal year ending February 28, 2022.

The weighted average duration of the defined benefit obligations as of February 29, 2020 was 10.22 years.

The weighted average duration of the defined benefit obligations as of February 28, 2021 was 9.48 years.

The main actuarial assumptions used to calculate the present value of the defined benefit obligations are as follows:

	As of February 29, 2020	As of February 28, 2021
	%	%
Discount rate	Mainly 0.1	Mainly 0.3
Anticipated rate of salary increase	Mainly 4.6	Mainly 4.6

The sensitivity analysis is conducted based on changes in assumptions that are reasonably possible, as of the end of the fiscal year.

The sensitivity analysis is based on the premise that all actuarial assumptions remain constant other than the actuarial assumption that is the focus of the analysis, but in reality there is a possibility that changes in other actuarial assumptions may affect the sensitivity analysis.

If there are no other changes to assumptions, the sensitivity of defined benefit obligations at the end of each fiscal year to changes in the discount rate is as follows. Furthermore, the Group does not expect any changes in the anticipated rate of salary increase.

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Changes in discount rate		
0.5% increase	(2,295)	(2,094)
0.5% decrease	2,484	2,266

Amounts recognized as retirement benefit expense are as follows:

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Service cost	1,891	1,652
Net interest	24	19
Other	(3,929)	76
Total	(2,013)	1,748

Note: The retirement benefit expenses for the fiscal year ended February 29, 2020 decreased significantly due mainly to the revision of the retirement benefit plan.

(2) Defined contribution plans

The amount recorded as expenses in relation to defined contribution plans is ¥5,817 million for the fiscal year ended February 29, 2020 and ¥4,575 million for the fiscal year ended February 28, 2021, and included in “cost of sales” and “selling, general and administrative expense” in the consolidated statement of income. The above amounts include the amount of the employer’s contribution to welfare pension insurance premiums.

(3) Extra retirement payments

Extra retirement payments may be provided when an employee retires prior to the normal retirement date.

The amount recorded as expenses in relation to extra retirement payments was ¥3,056 million in the fiscal year ended February 29, 2020 and ¥101 million in the fiscal year ended February 28, 2021, and included in “other operating expense” in the consolidated statement of income.

(4) Employee benefit expenses

The amount of employee benefit expenses was ¥70,742 million in the fiscal year ended February 29, 2020 and ¥61,307 million in the fiscal year ended February 28, 2021, and included in “cost of sales” and “selling, general and administrative expense” in the consolidated statement of income.

23. Provisions

The breakdown and changes of provisions are as follows:

(Millions of yen)

	Asset retirement obligations	Provision for loss on business liquidation	Total
Balance as of March 1, 2019	3,377	3,651	7,028
Increase during the period	556	706	1,263
Discounted interest expenses for the period	43	–	43
Decrease during the period (use)	(165)	(2,134)	(2,299)
Decrease during the period (reversal)	–	(266)	(266)
Other	139	–	139
Balance as of February 29, 2020	3,952	1,956	5,908
Increase during the period	3,024	3,637	6,661
Discounted interest expenses for the period	43	–	43
Decrease during the period (use)	(118)	(505)	(623)
Decrease during the period (reversal)	–	(102)	(102)
Other	(192)	(245)	(438)
Balance as of February 28, 2021	6,708	4,740	11,449

The breakdown of provisions in the consolidated statement of financial position is as follows:

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Current liabilities	999	914
Non-current liabilities	4,909	10,534
Total	5,908	11,449

(1) Asset retirement obligations

Asset retirement obligations are recorded at the estimated amount of restoration costs for rented stores, offices, etc. for which the Group has obligations to restore to original state at the time when the lease agreement is terminated. These expenses are expected to be mainly paid after one year or longer has passed from the end of the fiscal year, and will be affected by future business plans, etc.

(2) Provision for loss on business liquidation

An amount of loss is recorded for the cost of store dismantlement, etc. that is expected to be borne in the future as a result of business liquidation, store closure and store rebuilding. These expenses are expected to be mainly paid after store closure or rebuilding (within four years from the end of the fiscal year), but will be affected by changes in the surrounding environment and other factors.

24. Other Liabilities

The breakdown of other liabilities is as follows:

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Accrued bonuses	5,509	3,794
Accrued paid absences	3,511	3,389
Advances received	1,590	1,594
Deferred income (Note)	441	434
Contract liabilities	35,411	41,341
Other accrued expense	7,890	6,949
Other	2,928	3,182
Total	57,283	60,685
Other current liabilities	56,427	59,953
Other non-current liabilities	855	731

Note: The breakdown of deferred income in the fiscal year ended February 29, 2020 was ¥441 million in government grants.
The breakdown of deferred income in the fiscal year ended February 28, 2021 is ¥434 million in government grants.

25. Equity and Other Equity Items

(1) Capital and share premium

Changes in the number of authorized shares, number of issued shares, and the balances of capital, etc. are as follows:

	Number of authorized shares (Shares)	Number of issued shares (Shares)	Capital (Millions of yen)	Share premium (Millions of yen)
As of March 1, 2019	1,000,000,000	270,565,764	31,974	212,210
Changes during the period	–	–	–	(22,870)
As of February 29, 2020	1,000,000,000	270,565,764	31,974	189,340
Changes during the period	–	–	–	(797)
As of February 28, 2021	1,000,000,000	270,565,764	31,974	188,542

Note: All shares issued by the Company are ordinary shares with no restrictions and no par value. Issued shares are fully paid.

(2) Treasury shares

Changes in the number and balance of treasury shares are as follows:

	Number of shares (Shares)	Amount (Millions of yen)
As of March 1, 2019	8,933,064	(15,090)
Changes during the period	(70,697)	115
As of February 29, 2020	8,862,367	(14,974)
Changes during the period	(87,087)	144
As of February 28, 2021	8,775,280	(14,830)

Note: Treasury shares include shares of the Company owned by the officer remuneration BIP trust.

(3) Nature and purposes of share premium and retained earnings

1) Share premium

It is stipulated in the Companies Act of Japan ("Companies Act"), that at least 50% of the payment of certain issues of common shares shall be credited to capital. The remainder of the payment shall be credited to legal capital surplus included in share premium. In addition, the Companies Act permits, upon approval of the shareholders meeting, the transfer of amounts from legal capital surplus to capital.

2) Retained earnings

Under the Companies Act, 10% of the amount paid as dividends from surplus shall be reserved as legal capital surplus (an item of share premium) or legal retained earnings (an item of retained earnings), until the total amount of legal capital surplus and legal retained earnings reaches 25% of capital. The legal retained earnings may be used to eliminate or reduce a deficit, or may be reversed by resolution of the shareholders meeting.

(4) Nature and purposes of other components of equity

Exchange differences on translation of foreign operations

Exchange differences on translation of foreign operations represent the translation differences that occurred when consolidating financial statements denominated in a foreign currency for companies including foreign subsidiaries.

Cash flow hedges

The Group uses derivatives to hedge the risk of fluctuations in future cash flows. Cash flow hedges represent the effective portion of changes in fair value of derivative transactions designated as cash flow hedges.

Financial assets measured through other comprehensive income

Financial assets measured at fair value through other comprehensive income represent the changes in fair value of financial assets measured at fair value through other comprehensive income.

Remeasurements of defined benefit plans

Remeasurements of defined benefit plans are the effect of difference between actuarial assumptions as at the beginning of the period and actual results in defined benefit plans and the effect of changes in actuarial assumptions. They are recognized in other comprehensive income when incurred and immediately transferred from other components of equity to retained earnings.

26. Dividends

(1) Dividends paid

Fiscal year ended February 29, 2020

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 9, 2019	Ordinary shares	4,751	18.00	February 28, 2019	May 7, 2019
Board of Directors meeting held on October 8, 2019	Ordinary shares	4,751	18.00	August 31, 2019	November 11, 2019

Note: Total amount of dividends resolved at the Board of Directors meeting held on April 9, 2019 includes ¥42 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Total amount of dividends resolved at the Board of Directors meeting held on October 8, 2019 includes ¥40 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Fiscal year ended February 28, 2021

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 10, 2020	Ordinary shares	4,751	18.00	February 29, 2020	May 8, 2020
Board of Directors meeting held on October 13, 2020	Ordinary shares	2,375	9.00	August 31, 2020	November 11, 2020

Note: Total amount of dividends resolved at the Board of Directors meeting held on April 10, 2020 includes ¥40 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Total amount of dividends resolved at the Board of Directors meeting held on October 13, 2020 includes ¥19 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

(2) Dividends whose effective date belongs to the following fiscal year

Fiscal year ended February 29, 2020

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 10, 2020	Ordinary shares	4,751	18.00	February 29, 2020	May 8, 2020

Note: Total amount of dividends resolved at the Board of Directors meeting held on April 10, 2020 includes ¥40 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Fiscal year ended February 28, 2021

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 13, 2021	Ordinary shares	4,751	18.00	February 28, 2021	May 7, 2021

Note: Total amount of dividends resolved at the Board of Directors meeting held on April 13, 2021 includes ¥39 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

27. Sales Revenue

(1) Disaggregation of revenue

In accordance with the IFRS 8 *Operating Segments*, the Group reports information about its four segments, namely "Department Store Business," "PARCO Business," "Real Estate Business" and "Credit Finance Business." These reportable segments are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and assessing business results. Furthermore, the "Other" category is an operating segment not included as a reportable segment. It includes design and construction contracting, manufacture and sale of furniture, wholesaling, parking, leasing, etc.

The Group considers that the categories of these reportable segments can be used to meet the objective for the disaggregation disclosure requirement in paragraph 114 of IFRS 15. The following table shows the disaggregation of revenue in accordance with the above categories and includes the reconciliation representing how disaggregated revenue relates to each segment.

Revenue arising from these businesses is recorded in accordance with contracts with customers, and the amount of sales revenue related to variable consideration, etc. is immaterial. In addition, the amount of promised consideration does not include any material financial component.

Segment		Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
		Millions of yen	Millions of yen
	Daimaru Osaka Shinsaibashi store	39,857	17,613
	Osaka Umeda store	24,354	14,298
	Tokyo store	25,495	12,650
	Kyoto store	22,164	14,362
	Kobe store	24,296	17,974
	Sapporo store	22,639	13,084
	Matsuzakaya Nagoya store	41,184	30,054
	Ueno store	20,944	16,938
	Other stores	42,811	27,047
	Elimination of inter-segment revenue	(360)	(357)
Department Store Business		263,388	163,667
	Shopping center business	73,186	42,798
	Specialty store business	17,885	11,873
	Space engineering and management business	14,431	10,680
	Other businesses	6,709	3,509
	Elimination of inter-segment revenue	(598)	(553)
PARCO Business		111,614	68,307
	Real Estate Business	17,793	15,372
	Elimination of inter-segment revenue	(1,148)	(1,011)
Real Estate Business		16,644	14,360
	Credit Finance Business	10,719	9,035
	Elimination of inter-segment revenue	(3,846)	(3,083)
Credit Finance Business		6,872	5,952
	Other	123,275	95,722
	Elimination of inter-segment revenue	(41,173)	(28,930)
Other		82,101	66,792
Total		480,621	319,079

	Revenue from contracts with customers	424,362	270,895
	Revenue arising from other sources	56,258	48,183
Sales revenue		480,621	319,079

Note: The categories of "Department Store Business," "PARCO Business" and "Real Estate Business" include lease income under IFRS 16, and lease income is included in "Revenue arising from other sources." The "Other" category is a business segment not included as a reportable segment. It includes wholesaling, design and construction contracting, manufacture and sale of furniture, parking, leasing, etc.

1) Department Store Business

The Department Store Business carries out the sale of clothing, general goods, household goods, food products and others. With regard to these sales of goods, since performance obligations are deemed to be satisfied at the time when goods are delivered to customers, the Group recognizes revenue at the time of delivery of such goods. Payments for goods are principally received at the time of delivery of the goods, which is the time when the performance obligation is satisfied.

This business was greatly affected by shortened operating hours of stores, voluntary business restrictions and other factors due to the spread of COVID-19, thus resulting in a significant decline in sales revenue.

2) PARCO Business

The PARCO Business operates the shopping center business, in which it undertakes development, management, supervision and operation of shopping centers; the specialty store business, in which it sells personal belongings, general goods and others, the space engineering and management business, in which it undertakes design, operation, etc. of interior decorating work, and other businesses.

With regard to services in the shopping center business, because these services are provided on a continuous basis and thus performance obligations are deemed to be satisfied over a certain period of time, revenue is recognized as the services are rendered.

With regard to the sale of personal belongings, general goods and others, since performance obligations are usually deemed to be satisfied at the time when goods are delivered to customers, revenue is recognized at the time of delivery of such goods. Payments for goods are received at the time of delivery of the goods, which is the time when the performance obligation is satisfied.

With regard to the design and operation of interior decorating work in the space engineering and management business, if the outcome of a work contract can be estimated reliably, revenue is recognized according to the stage of completion of the performance obligation. If the outcome of a work contract cannot be estimated reliably, revenue is recognized only to the extent that it is probable that the contract costs incurred will be recoverable.

This business was greatly affected by temporary closures and shortened operating hours of PARCO stores, temporary closures of entertainment facilities and other factors due to the spread of COVID-19, thus resulting in a significant decline in sales revenue.

3) Real Estate Business

The Real Estate Business mainly carries out development of the Group's own properties focused on areas surrounding each store of Daimaru Matsuzakaya Department Stores, expansion of rental space by leasing and acquiring external properties, management and operation of such properties, and others.

Revenue from lease of real estate and others is recognized in the period in which it is earned, in accordance with IFRS 16.

A portion of this business was transferred from Daimaru Matsuzakaya Department Stores Co. Ltd. to PARCO Co., Ltd. on September 1, 2020.

4) Credit Finance Business

The Credit Finance Business undertakes issuance and administration of credit cards.

In the Credit Finance Business, annual membership fees from cardholders, fees from department stores and external affiliated stores, and interest from installment sales are recognized as revenue.

5) Other

Within Other, regarding the design and operation of interior decorating work in the design and construction contracting business, if the outcome of a work contract can be estimated reliably, revenue is recognized according to the stage of completion of the performance obligation. If the outcome of a work contract cannot be estimated reliably, revenue is recognized only to the extent that it is probable that the contract costs incurred will be recoverable.

(2) Balance of contracts

Balance of contracts of the Group is as follows:

Fiscal year ended February 29, 2020

(Millions of yen)

	As of March 1, 2019	As of February 29, 2020
Receivables from Contracts with Customers	101,676	105,283
Contract assets	1,935	6,494
Contract liabilities	42,721	35,411

Fiscal year ended February 28, 2021

(Millions of yen)

	As of March 1, 2020	As of February 28, 2021
Receivables from Contracts with Customers	105,283	87,602
Contract assets	6,494	3,280
Contract liabilities	35,411	41,341

Notes: 1. Receivables from Contracts with Customers

Receivables from contracts with customers primarily consist of receivables in association with the use of credit cards issued by the Group, and the amount includes the amount collected on behalf of third parties as agent transactions. The collection period of these receivables is mainly within one to two months.

2. Contract assets

Contract assets are related to rights to considerations arising when the Group is to receive payments from customers in line with a series of performances, and are recognized mainly in association with contracted work agreements. For the completed part of work, the Group recognizes contract assets in advance, and they are transferred to trade receivables at the time when the customer conducts acceptance inspection and the invoice is sent.
Contract assets are included in trade and other receivables in the consolidated statement of financial position.

3. Contract liabilities

Contract liabilities are related to consideration received prior to performance under contracts and transferred to revenue at the time when the Group performs obligations under contracts.
Contract liabilities are included in other current liabilities in the consolidated statement of financial position.

Of contract liabilities at the end of the previous period, the amount recognized in revenue in the fiscal year ended February 28, 2021 was ¥13,509 million.

The decrease in contract assets in the fiscal year ended February 28, 2021 is mainly due to a decrease of ¥3,214 million resulting from a decline in construction orders received.

The increase in contract liabilities in the fiscal year ended February 28, 2021 is mainly due to a drop in usage of gift certificates relative to the amount of gift certificates issued resulting from lower sales during the COVID-19 pandemic.

Regarding performance obligations satisfied or partially satisfied in prior periods, no amount was recognized in sales revenue in the fiscal year ended February 28, 2021.

(3) Transaction price allocated to the remaining performance obligations

With regard to transaction price allocated to the remaining performance obligations, the Group will recognize revenue in accordance with progress toward completion of construction work, the actual use of gift certificates and points, and performance of services from membership fees. The total amount of transaction price allocated to the remaining performance obligations and the timing when revenue is expected to be recognized are as follows:

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Due within one year	30,720	31,770
Due after one year through two years	5,249	4,175
Due after two years	3,783	5,184
Total	39,753	41,130

28. Other Operating Income

The breakdown of other operating income is as follows:

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Gain on sales of non-current assets	2,832	0
Subsidies for employment adjustment	–	2,574
Compensation income	3,649	5
Other	2,181	3,131
Total	8,663	5,711

Note: The Company was eligible for subsidies for employment adjustment and other special measures due to the impact of COVID-19.

29. Cost of Sales

The breakdown of cost of sales is as follows:

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Cost of goods sold	230,093	143,158
Personnel expense	16,019	12,713
Depreciation expense	20,103	19,737
Other	7,450	9,101
Total	273,667	184,711

30. Selling, General and Administrative Expense

The breakdown of selling, general and administrative expense is as follows:

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Personnel expense	56,880	48,627
Depreciation and amortization expense	30,601	25,135
Advertising expense	11,729	7,996
Rent expense	2,389	2,105
Operational costs	9,296	6,117
Other	50,693	42,018
Total	161,590	132,001

31. Other Operating Expense

The breakdown of other operating expense is as follows:

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Loss on disposals of non-current assets	3,576	1,260
Impairment loss	1,745	13,196
Costs associated with temporary closures	–	11,473
Loss on business liquidation	870	4,663
Business structuring expenses	2,173	–
Revitalization plan expenses	1,075	–
Other	4,298	1,748
Total	13,740	32,343

Notes:

1. Costs associated with temporary closures for the fiscal year ended February 28, 2021 are fixed costs (depreciation, personnel expense, etc.) that arose, primarily at Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd., during the temporary closures of stores that closed temporarily due to the impact of the spread of COVID-19.
2. The main factors resulting in the loss on business liquidation for the fiscal year ended February 28, 2021 are ¥1,843 million in costs related to store closures (removal costs, sales reparations, etc.) and ¥925 million in impairment losses that were recorded following the decision to cease operations at PARCO Co., Ltd.'s Tsudanuma PARCO in the PARCO Business.

32. Finance Income and Finance Costs

The breakdown of finance income is as follows:

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Interest income		
Financial assets measured at amortized cost	816	759
Dividend income		
Equity financial assets measured at fair value through other comprehensive income	275	203
Total	1,091	962

The breakdown of finance costs is as follows:

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Interest expense		
Financial liabilities measured at amortized cost	859	1,135
Interest expenses related to lease liabilities	4,793	4,445
Other	209	505
Total	5,862	6,086

33. Other Comprehensive Income

The amount arising during the period and reclassification adjustments to profit or loss for each item of other comprehensive income and tax effect are as follows:

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Financial assets measured at fair value through other comprehensive income		
Amount arising during the period	(3,319)	(2,564)
Tax effect	1,000	457
Financial assets measured at fair value through other comprehensive income	(2,318)	(2,106)
Remeasurements of defined benefit plans		
Amount arising during the period	384	1,520
Tax effect	(127)	(412)
Remeasurements of defined benefit plans	256	1,107
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the period	(57)	(143)
Tax effect	19	49
Share of other comprehensive income of entities accounted for using equity method	(37)	(94)
Total items that will not be reclassified to profit or loss	(2,099)	(1,093)
Items that may be reclassified to profit or loss		
Cash flow hedges		
Amount arising during the period	0	19
Reclassification adjustments	–	–
Before tax effect	0	19
Tax effect	(0)	(6)
Cash flow hedges	0	13
Exchange differences on translation of foreign operations		
Amount arising during the period	24	(26)
Reclassification adjustments	–	–
Before tax effect	24	(26)
Tax effect	–	(0)
Exchange differences on translation of foreign operations	24	(26)
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the period	2	3
Reclassification adjustments	–	–
Before tax effect	2	3
Tax effect	(0)	(0)
Share of other comprehensive income of entities accounted for using equity method	1	3
Total items that may be reclassified to profit or loss	26	(9)
Total other comprehensive income	(2,073)	(1,102)

34. Earnings Per Share

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Profit (loss) attributable to owners of parent (Millions of yen)	21,251	(26,193)
Adjustment to profit	–	–
Profit (loss) used to calculate diluted earnings per share (Millions of yen)	21,251	(26,193)
Average number of ordinary shares during the period (Shares)	261,763,803	261,842,400
Increase in the number of ordinary shares:		
Officer remuneration BIP trust (Shares)	46,778	–
Average number of diluted ordinary shares during the period (Shares)	261,810,581	261,842,400
Basic earnings (loss) per share (Yen)	81.19	(100.03)
Diluted earnings per share (Yen)	81.17	–

Notes:
1. The calculation of basic earnings (loss) per share and diluted earnings per share excludes the number of the Company's shares owned by the officer remuneration BIP trust from the average number of ordinary shares during the period because such shares are treated as the Company's treasury shares.
2. Diluted earnings per share for the fiscal year ended February 28, 2021 is not presented because there were no potential shares that have dilutive effects.

35. Share-Based Payment

(1) Share-based payment plan

1) Details of share-based payment plan

The Group has adopted an officer remuneration BIP (Board Incentive Plan) trust (hereinafter the "BIP Trust") as a performance-linked share-based payment for officers of the Company and Daimaru Matsuzakaya Department Stores Co. Ltd. to ensure steady execution and progress of the Medium-term Business Plan. The BIP Trust, which is similar to performance share plans and restricted stock plans in the U.S. and Europe, is a system of granting the Company's shares to officers (in certain cases, the Company's shares are converted into cash within the trust and cash in the amount equivalent to their conversion value is paid) in accordance with the officers' rank and level of achievement of the Medium-term Business Plan, etc. In addition, PARCO Co., Ltd. has introduced a Share Distribution Trust as a share-based payment for Executive Officers.

2) Number of points granted during the period and weighted average fair value of the points

In the assessment of fair value, a calculation is made based on the market price of shares adjusted after taking into account expected dividends. The number of points granted during the period and weighted average fair value of the points are as follows:

Fiscal year ended February 29, 2020

	BIP Trust			Share Distribution Trust
	Short-term PS	Medium- to long-term PS	RS	
Number of points granted during the period	84,733	128,585	32,646	86,387
Weighted average fair value (yen)	1,521	1,500	1,500	1,850

Fiscal year ended February 28, 2021

	BIP Trust			Share Distribution Trust
	Short-term PS	Medium- to long-term PS	RS	
Number of points granted during the period	37,560	126,490	33,491	59,981
Weighted average fair value (yen)	1,483	1,475	1,475	1,850

Notes: 1. PS (Performance Share) is a share-based payment plan under which shares are granted when a predetermined performance target for a certain period is achieved. The Company's shares are granted to officers according to the level of annual achievement in performance each year for short-term PS and according to the level of achievement of the Medium-term Business Plan (five years) after the completion of the Medium-term Business Plan for medium- to long-term PS.

2. RS (Restricted Stock) is a share-based payment plan under which shares that have restrictions on transfer for a certain period are granted at the time of retirement in accordance with rank.

3. The Share Distribution Trust is a system of distributing shares at the time of retirement and paying the amount of cash equivalent to their conversion value.

(2) Share-based payment expense

The amounts recognized as share-based payment expense, which were included in the consolidated statement of income, were ¥553 million in the fiscal year ended February 29, 2020 and ¥(537) million in the fiscal year ended February 28, 2021.

36. Financial Instruments

(1) Capital management

The Group works to increase productivity and managerial efficiency as a group and conducts capital management with the aim of achieving sustained improvement in corporate value.

One of the major indicators monitored in the Group's capital management is the D/E ratio, and management uses this for monitoring and confirmation. Furthermore, the Group is not subject to any material capital regulations.

D/E ratio is as follows:

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Interest-bearing debt	478,773	562,815
Equity attributable to owners of parent	387,188	352,171
D/E ratio (%)	1.24	1.60

(2) Financial risk management policy

In the course of its business activities, the Group is exposed to financial risks (credit risk, liquidity risk, foreign currency risk, and interest rate risk), and engages in risk management to reduce these financial risks.

The Group uses derivative transactions to avoid foreign currency fluctuation risk or interest rate fluctuation risk and, in accordance with its policy, does not carry out any speculative transactions.

1) Credit risk management

Credit risk is the risk that a business partner will default on contractual obligations and cause the Group to incur a financial loss.

To address this risk, each Group company carries out due date management and balance management for each business partner and seeks early identification and mitigation of collectability concerns.

The Group's receivables are from a number of business partners in a wide range of industries and regions.

The Group does not have credit risks overly concentrated in a single counterparty or a group to which the counterparty belongs.

The maximum exposure to credit risk on financial assets is the carrying amount after impairment presented in consolidated financial statements. The Group does not hold any properties as collateral or other credit enhancements in regard to exposure to these credit risks.

The Group considers whether or not there has been a significant increase in credit risk from the date of initial recognition, and establishes an allowance for credit losses. Specifically, when there is no significant increase in credit risk since initial recognition, expected credit losses for 12 months are measured as allowance for credit losses.

On the other hand, when there is a significant increase in credit risk since initial recognition, lifetime expected credit losses are measured as allowance for credit losses. Whether credit risk has significantly increased or not is determined based on changes in default risk. Regardless of the above, for trade receivables, lease receivables, etc. without a significant financing component, allowance for credit losses is measured at an amount equal to lifetime expected credit losses.

In the measurement of these expected credit losses, reasonable and supportable information that is available at the fiscal year end is used for past events, current situations and projection of future economic conditions such as credit loss experience in past years, status of delinquent receivables and financial conditions of creditors. Expected credit losses on financial assets for which credit risk has not increased significantly and trade receivables, etc. without a significant financing component are set altogether as a group and collectively assessed based on historical credit losses because they have largely homogeneous credit risk characteristics.

Expected credit losses on financial assets for which credit risk has increased significantly and credit-impaired financial assets are individually assessed, taking into account historical credit loss experience, future estimated collectible amount and others.

If a debtor does not make a payment within 90 days after the due date, the situation is considered as default.

When financial assets are assessed as fully or partially uncollectible and the Group determines, as a result of credit research, that it is appropriate to write off the assets, the Group directly writes off the carrying amount of the credit-impaired financial assets.

(i) Changes in allowance for credit losses

The Group considers whether or not there has been a significant increase in credit risk from the date of initial recognition, and establishes an allowance for credit losses.

Changes in allowance for credit losses are as follows:

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses (Assessed collectively)	Lifetime expected credit losses (Assessed individually)	Credit-impaired financial assets (Lifetime expected credit losses)
Balance as of March 1, 2019	151	64	2,167	914
Transfer to lifetime expected credit losses	(30)	–	74	(43)
Transfer to credit-impaired financial assets	(71)	–	(102)	173
Transfer to 12-month expected credit losses	0	–	(0)	(0)
Changes due to new arising and collection of financial assets	113	2	940	295
Financial assets that were derecognized during the period	–	(2)	–	(36)
Direct write-off	(0)	–	(92)	(375)
Changes in model/risk variables	–	–	–	–
Balance as of February 29, 2020	163	65	2,987	927
Transfer to lifetime expected credit losses	(25)	–	78	(52)
Transfer to credit-impaired financial assets	(86)	–	(147)	233
Transfer to 12-month expected credit losses	0	–	(0)	(0)
Changes due to new arising and collection of financial assets	78	1	265	266
Financial assets that were derecognized during the period	–	(5)	–	(1)
Direct write-off	(0)	–	(98)	(379)
Changes in model/risk variables	–	–	–	–
Balance as of February 28, 2021	131	61	3,085	994

(ii) The carrying amounts of financial assets by risk type (before deducting allowance for credit losses) are as follows:

	As of February 29, 2020	As of February 28, 2021
	Millions of yen	Millions of yen
Financial assets measured at amortized cost, etc. (12-month expected credit losses)	133,240	121,407
Trade and other receivables (Lifetime expected credit losses)	80,635	60,402
Financial assets whose credit risk has increased significantly since initial recognition (Lifetime expected credit losses)	4,056	4,136
Credit-impaired financial assets (Lifetime expected credit losses)	968	1,032

2) Liquidity risk management

Liquidity risk is the risk of failure to make payments on the due date when the Group is required to fulfill its payment obligations for financial liabilities due.

The Group manages liquidity risk with methods such as preparing monthly cash flow management plans at all companies, and securing sufficient liquidity on hand through commitment line contracts and overdraft contracts with its main financing banks.

The balance of financial liabilities (other than lease liabilities, etc.) by payment due date is as follows:

(Millions of yen)

As of February 29, 2020	Carrying amount	Contractual amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	144,020	144,020	144,020	–	–	–	–	–
Current borrowings	94,400	94,488	94,488	–	–	–	–	–
Commercial papers	4,000	4,000	4,000	–	–	–	–	–
Non-current borrowings	80,110	81,491	302	16,945	14,901	12,737	12,090	24,513
Bonds	79,766	81,317	10,226	211	20,187	164	20,144	30,384
Other financial liabilities	71,286	71,262	30,203	3	10	19	16	41,009
Derivative financial liabilities								
Forward exchange	–	–	–	–	–	–	–	–
Interest rate swaps	–	–	–	–	–	–	–	–
Total	473,583	476,579	283,240	17,160	35,099	12,920	32,250	95,907

Notes: 1. Current borrowings include the current portion of non-current borrowings.
2. Receivables and liabilities resulting from derivative transactions are presented on a net basis.

(Millions of yen)

As of February 28, 2021	Carrying amount	Contractual amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	121,937	121,937	121,937	–	–	–	–	–
Current borrowings	75,150	75,334	75,334	–	–	–	–	–
Commercial papers	70,001	70,000	70,000	–	–	–	–	–
Non-current borrowings	144,960	148,100	498	15,688	30,012	12,844	26,764	62,292
Bonds	69,819	71,091	211	20,187	164	20,144	124	30,260
Other financial liabilities	69,449	69,445	30,211	82	1,094	620	26	37,410
Derivative financial liabilities								
Forward exchange	–	–	–	–	–	–	–	–
Interest rate swaps	–	–	–	–	–	–	–	–
Total	551,317	555,909	298,194	35,957	31,271	33,608	26,915	129,963

Notes: 1. Current borrowings include the current portion of non-current borrowings.
2. Receivables and liabilities resulting from derivative transactions are presented on a net basis.

If funds are temporarily insufficient for the payment of trade payables, etc., the Group procures funds with the following financing methods. Fund procurement methods and the status of procurement in each fiscal year were as follows:

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Commitment line		
Used	–	–
Unused	25,200	300,000
Total	25,200	300,000
Overdraft limit		
Used	68,000	40,000
Unused	150,730	141,030
Total	218,730	181,030
Commercial paper issuance limit		
Used	4,000	70,000
Unused	66,000	30,000
Total	70,000	100,000

3) Foreign currency risk management

The Group conducts transactions denominated in foreign currencies and is exposed to the risk of fluctuations in exchange rates of foreign currencies against the Japanese yen, but this has immaterial effect on profit before tax.

4) Interest rate risk management

The Group is exposed to various interest rate fluctuation risks in the course of its business activities. Particularly, fluctuations in interest rates greatly affect borrowing costs.

To mitigate such interest rate fluctuation risks, the Group hedges the risks by conducting interest rate swap transactions and other means.

(3) Fair value of financial instruments

1) Calculation method of fair value

(Cash and cash equivalents, trade and other receivables, other financial assets (current), trade and other payables, and other financial liabilities (current))

The carrying amount is used as the fair value of these instruments, given that the fair value is almost the same as the carrying amount, as they are mostly settled in a short period of time.

Derivatives are measured as financial assets or liabilities measured at fair value through profit or loss based on prices presented by the counterparty financial institutions. Carrying amount and fair value of major financial instruments by type are as follows.

(Other financial assets (non-current), and other financial liabilities (non-current))

The fair value of listed shares is measured based on market prices at the last date of a fiscal year. The fair value of unlisted shares is measured by discounted future cash flows, valuation model based on profit and net assets, comparable company analysis method or the like.

Other financial assets or other financial liabilities measured at amortized cost mainly consist of lease and guarantee deposits paid or lease and guarantee deposits received, and their fair value is measured at present value calculated by discounting future cash flows at rates such as the current market interest rate.

(Bonds and borrowings)

Bonds and borrowings are measured by present value obtained by discounting future cash flows at interest rates that would be charged for a new similar borrowing.

2) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows.

Financial instruments measured at fair value and financial instruments whose carrying amount closely approximates fair value are not included in the following table.

	As of February 29, 2020		As of February 28, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets:				
Other financial assets (non-current)	65,902	70,175	63,893	66,967
Total	65,902	70,175	63,893	66,967
Financial liabilities:				
Borrowings	174,510	174,994	220,110	220,018
Bonds	79,766	80,426	69,819	69,387
Other financial liabilities (non-current)	41,087	41,244	39,237	39,189
Total	295,364	296,665	329,166	328,595

3) Fair value measurement

In regard to financial instruments measured at fair value, the fair value amounts measured are categorized into three levels, from Level 1 to Level 3, in accordance with the observability and materiality of inputs used in measurement.

Level 1: Market prices for identical assets or liabilities in active markets

Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using an observable price

Level 3: Fair value that is determined using a valuation technique including unobservable inputs

The fair value of financial instruments measured at fair value is as follows.

Any transfer between levels in the fair value hierarchy is recognized on each reporting date. In the fiscal year ended February 29, 2020, there were transfers from Level 3 to Level 1 due to the listing of shares held. There were no other transfers. In the fiscal year ended February 28, 2021, there was no transfer between Level 1, Level 2 and Level 3.

As of February 29, 2020

Financial assets measured at fair value on a recurring basis

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Derivative financial assets	–	8	–	8
Financial assets measured at fair value through other comprehensive income				
Other financial assets (non-current)	4,005	–	21,471	25,477
Total	4,005	8	21,471	25,485
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	–	–	–	–
Total	–	–	–	–

As of February 28, 2021

Financial assets measured at fair value on a recurring basis

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Derivative financial assets	–	27	–	27
Financial assets measured at fair value through other comprehensive income				
Other financial assets (non-current)	4,427	–	18,549	22,976
Total	4,427	27	18,549	23,004
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	–	–	–	–
Total	–	–	–	–

4) Changes, from the beginning to the end of the period, in financial instruments whose fair value measurement is categorized within Level 3

Changes, from the beginning to the end of the period, in financial instruments whose fair value measurement is categorized within Level 3 are as follows:

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
	Millions of yen	Millions of yen
Balance at beginning of period	23,620	21,471
Other comprehensive income (Note)	(2,198)	(3,022)
Purchase	100	100
Sale	(37)	(0)
Other	(12)	–
Balance at end of period	21,471	18,549

Note: Gains or losses included in other comprehensive income relate to financial assets measured at fair value through other comprehensive income as of the reporting date. These gains or losses are included in "financial assets measured at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

Financial instruments classified as Level 3 principally consist of unlisted shares. Fair value of unlisted shares is measured by the Group's department in charge using the latest figures available for each quarter in accordance with the Group's accounting policies and others, and reported together with the basis for changes in fair value to superiors and to management where necessary.

Illiquidity discount that is a significant unobservable input used for the measurement of fair value classified as Level 3 in the fair value hierarchy is 30% in the calculation.

A significant increase (decrease) in this input will cause a significant decrease (increase) in the fair value.

(4) Fair value hierarchy for assets and liabilities that are not measured at fair value but of which fair value has been disclosed

Fair values of financial instruments measured at amortized cost are as follows.

Financial instruments measured at fair value and financial instruments whose carrying amount closely approximates fair value are not included in the following tables.

(Millions of yen)

As of February 29, 2020	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at amortized cost				
Other financial assets (non-current)	–	8,985	61,190	70,175
Total	–	8,985	61,190	70,175
Liabilities:				
Financial liabilities measured at amortized cost				
Borrowings	–	174,994	–	174,994
Bonds	–	80,426	–	80,426
Other financial liabilities (non-current)	–	–	41,244	41,244
Total	–	255,420	41,244	296,665

(Millions of yen)

As of February 28, 2021	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at amortized cost				
Other financial assets (non-current)	–	7,931	59,036	66,967
Total	–	7,931	59,036	66,967
Liabilities:				
Financial liabilities measured at amortized cost				
Borrowings	–	220,018	–	220,018
Bonds	–	69,387	–	69,387
Other financial liabilities (non-current)	–	–	39,189	39,189
Total	–	289,406	39,189	328,595

(5) Financial assets measured at fair value through other comprehensive income

The Group designates investments in equity instruments held in order to maintain and strengthen business relationships as financial assets measured at fair value through other comprehensive income in the light of the holding purpose.

1) Fair value of securities

In regard to investments in equity instruments designated as financial assets measured at fair value through other comprehensive income, the fair value of the main securities is as follows:

As of February 29, 2020

(Millions of yen)

Securities	Amount
Asahi Properties Inc.	6,490
Takenaka Corporation	5,471
Chunichi Shimbun Co., Ltd.	995
Toho Gas Co., Ltd.	821
Nagoya Dome Company, Limited	652
Nagashima Resort Co., Ltd.	652
MBS MEDIA HOLDINGS, INC.	650
Misonoza Theatrical Corporation	580
OSAKA GAS CO., LTD.	541
TOKAI TELEVISION BROADCASTING Co., Ltd.	517

As of February 28, 2021

(Millions of yen)

Securities	Amount
Asahi Properties Inc.	4,875
Takenaka Corporation	4,243
Toho Gas Co., Ltd.	1,395
Chunichi Shimbun Co., Ltd.	986
Nagashima Resort Co., Ltd.	697
Nagoya Dome Company, Limited	682
MBS MEDIA HOLDINGS, INC.	638
OSAKA GAS CO., LTD.	591
TOKAI TELEVISION BROADCASTING Co., Ltd.	536
Misonoza Theatrical Corporation	504

2) Dividend income

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Investments derecognized during the period	57	2
Investments held at end of period	217	200
Total	275	203

3) Financial assets measured at fair value through other comprehensive income derecognized during the period

The Group sells financial assets measured at fair value through other comprehensive income for the purpose of periodic portfolio revisions, management of risk assets and others. The fair value on the date of sale thereof and cumulative gain or loss on the sale (before tax) are as follows:

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Fair value on the date of sale	3,479	77
Cumulative gain (loss) on sale	1,438	1

4) Transfer to retained earnings

The Group transfers cumulative gain or loss caused by fluctuations in the fair value of financial assets measured at fair value through other comprehensive income to retained earnings when the asset is derecognized. In the fiscal years ended February 29, 2020 and February 28, 2021, cumulative gain or loss (after tax) in other comprehensive income transferred to retained earnings were ¥970 million and ¥(53) million, respectively.

(6) Derivatives and hedges

1) Cash flow hedges

Cash flow hedges are hedges to avoid the risk of fluctuations in future cash flows. The Company utilizes forward exchange contracts to hedge fluctuations in cash flows for forecast transactions, and interest rate swaps and currency swaps to hedge fluctuations in cash flows related to floating-rate borrowings. Changes in fair value of derivative transactions designated as cash flow hedges are recognized as other comprehensive income, included in other components of equity, and transferred to profit (loss) when the hedged item is recognized as profit (loss).

The details of hedging instruments designated as cash flow hedges are as follows:

As of February 29, 2020

	Contract value	With term exceeding one year	Carrying amount		Line item in the consolidated statement of financial position	Changes in fair value used to calculate the ineffective portion of the hedge
			Assets	Liabilities		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		Millions of yen
Foreign currency risk						
Forward exchange contracts	2,394	–	8	–	Other financial assets	–
Interest rate risk						
Interest rate swaps	–	–	–	–	Other financial liabilities	–

As of February 28, 2021

	Contract value	With term exceeding one year	Carrying amount		Line item in the consolidated statement of financial position	Changes in fair value used to calculate the ineffective portion of the hedge
			Assets	Liabilities		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		Millions of yen
Foreign currency risk						
Forward exchange contracts	2,163	–	27	–	Other financial assets	–
Interest rate risk						
Interest rate swaps	–	–	–	–	Other financial liabilities	–

(7) Transfer of financial assets

The Group securitizes certain trade receivables through the transfer of shares. However, some of such securitized receivables impose an obligation to pay on the Group retrospectively if the debtor does not make a payment. Since these securitized receivables do not meet requirements for derecognition of financial assets, they are not derecognized.

As of February 29, 2020 and February 28, 2021, such transferred assets were recorded in “trade and other receivables” and the amount of money received arising at the time when the assets were transferred as related liabilities was recorded in “bonds and borrowings,” at ¥3,000 million in the fiscal year ended February 29, 2020 and ¥18,000 million in the fiscal year ended February 28, 2021.

37. Subsidiaries

Status of subsidiaries is as follows:

Name	Location	Reportable segment	Equity ratio (%)	
			As of February 29, 2020	As of February 28, 2021
Daimaru Matsuzakaya Department Stores Co. Ltd.	Japan	Department Store Business Real Estate Business	100.0	100.0
The Hakata Daimaru, Inc.	Japan	Department Store Business	69.9	69.9
Kochi Daimaru Co., Ltd.	Japan	Department Store Business	100.0	100.0
PARCO Co., Ltd.	Japan	PARCO Business Real Estate Business	100.0	100.0
PARCO (SINGAPORE) PTE LTD	Singapore	PARCO Business	100.0	100.0
NEUVE A Co., Ltd.	Japan	PARCO Business	100.0	100.0
PARCO SPACE SYSTEMS Co., Ltd.	Japan	PARCO Business	100.0	100.0
PARCO Digital Marketing Co., Ltd.	Japan	PARCO Business	100.0	100.0
JAPAN RETAIL ADVISORS Co., Ltd.	Japan	PARCO Business	100.0	100.0
JFR Card Co., Ltd.	Japan	Credit Finance Business	100.0	100.0
Daimaru Kogyo, Ltd.	Japan	Other (Wholesale)	100.0	100.0
Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	China	Other (Wholesale)	100.0	100.0
Daimaru Kogyo (Thailand) Co., Ltd.	Thailand	Other (Wholesale)	99.9	99.9
Taiwan Daimaru Kogyo, Ltd	Taiwan	Other (Wholesale)	100.0	100.0
J. Front Design & Construction Co., Ltd.	Japan	Other (Design and construction contracting)	100.0	100.0
Dimples' Co., Ltd.	Japan	Other (Staffing service)	100.0	100.0
Consumer Product End-Use Research Institute Co., Ltd.	Japan	Other (Merchandise test and quality control)	100.0	100.0
Angel Park Co., Ltd.	Japan	Other (Parking)	50.2	50.2
JFR Service Co. Ltd.	Japan	Other (Commissioned back-office service/parking and leasing)	100.0	100.0
JFR Information Center Co., Ltd.	Japan	Other (Information service)	100.0	100.0
Daimaru Matsuzakaya Sales Associates Co. Ltd.	Japan	Other (Commissioned sales and store operations)	100.0	100.0
Daimaru Matsuzakaya Tomonokai Co., Ltd.	Japan	Other (Specified prepaid transaction service)	100.0	100.0

38. Related Parties

(1) Transactions with related parties

Notes related to transactions with related parties (excluding those eliminated in the consolidated financial statements) have been omitted because there were no significant transactions, etc.

(2) Remuneration for key management personnel

Description of the remuneration for Directors and other key management personnel of the Group is as follows:

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Officer remuneration	1,939	1,685
Retirement benefit	1	1
Share-based payment	553	(537)
Total	2,494	1,149

39. Commitments

Commitments related to expenditures after the reporting date are as follows:

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Purchase of property, plant and equipment	3,522	1,987
Purchase of intangible assets	405	3
Purchase of investment property	3,578	–
Total	7,506	1,990

40. Contingent Liabilities

Amount of guarantee obligations

The Group has provided guarantee for transactions, etc. between its employees and financial institutions as follows:

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Debt guarantees for employees	3	2
Total	3	2

41. Subsequent Events

(Resurgence of COVID-19)

Due to the resurgence of COVID-19, the Government of Japan declared a state of emergency on April 23, 2021 for the four prefectures of Tokyo, Kyoto, Osaka and Hyogo. In light of the state of emergency declaration and requests from the prefectural governors, the Group adopted measures starting on April 25, 2021, including temporarily closing stores in the affected areas, excluding some sales areas, and reducing the scope of operations and operating hours. Due to such circumstances, there will be a considerable adverse effect on the Group’s business results in the following fiscal year. However, it is difficult to reasonably calculate the extent of this effect at present.

(Issuance of bonds)

Based on a resolution approved at the Board of Directors meeting held on February 24, 2021, the Company decided on May 19, 2021 to issue the 9th and 10th series of bonds and issued the bonds on May 26, 2021.

An overview is as follows.

9th series of unsecured bonds of J. FRONT RETAILING Co., Ltd. (with inter-bond pari passu clause; sustainability bonds)

1. Total issue amount:	¥15,000 million
2. Issue price:	¥100 per bond with face value of ¥100
3. Interest rate:	0.170% per year
4. Maturity date:	May 26, 2026
5. Payment date (Issue date):	May 26, 2021
6. Use of funds:	To be used to allocate funds for loans to the Company's subsidiaries, which will use the funds for expenditures necessary for construction, etc. at the main building of the Daimaru Shinsaibashi store and at Shibuya PARCO, purchasing electricity generated from renewable energy sources, switching to LED lighting, purchasing electric vehicles for Company use, leasing the former foreign settlement in Kobe, and initiatives for promoting active participation of women

10th series of unsecured bonds of J. FRONT RETAILING Co., Ltd. (with inter-bond pari passu clause)

1. Total issue amount:	¥15,000 million
2. Issue price:	¥100 per bond with face value of ¥100
3. Interest rate:	0.470% per year
4. Maturity date:	May 26, 2028
5. Payment date (Issue date):	May 26, 2021
6. Use of funds:	To be used as part of the funds for redemption of commercial papers

42. Approval of Consolidated Financial Statements

These consolidated financial statements were approved by the President and Representative Executive Officer Tatsuya Yoshimoto on May 28, 2021.

(2) Other

Quarterly financial information, etc. for the current fiscal year

(Cumulative)	First three months	First six months	First nine months	Current fiscal year
Sales revenue (Millions of yen)	63,459	147,471	230,699	319,079
Loss before tax (Millions of yen)	(28,492)	(22,760)	(21,593)	(28,672)
Loss attributable to owners of parent (Millions of yen)	(20,334)	(16,311)	(15,632)	(26,193)
Basic loss per share (Yen)	(77.66)	(62.30)	(59.70)	(100.03)

(Quarterly)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings (loss) per share (Yen)	(77.66)	15.36	2.59	(40.33)

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

1) Non-consolidated Balance Sheet

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Assets		
Current assets		
Cash and deposits	14,327	117,810
Short-term loans receivable from subsidiaries and associates	56,245	26,244
Other	6,378	2,050
Allowance for doubtful accounts	(180)	(340)
Total current assets	76,772	145,764
Non-current assets		
Property, plant and equipment		
Buildings and structures	104	90
Other	24	21
Total property, plant and equipment	129	111
Intangible assets		
Software	505	205
Total intangible assets	505	205
Investments and other assets		
Investment securities	1,229	1,159
Shares of subsidiaries and associates	371,288	377,358
Long-term loans receivable from subsidiaries and associates	81,175	151,000
Other	508	636
Allowance for doubtful accounts	(500)	(500)
Total investments and other assets	453,701	529,654
Total non-current assets	454,335	529,972
Deferred assets		
Bond issuance costs	233	180
Total deferred assets	233	180
Total assets	531,341	675,917

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Liabilities		
Current liabilities		
Short-term borrowings	82,990	56,925
Commercial papers	4,000	70,001
Current portion of bonds	10,000	–
Accrued expenses	546	626
Income taxes payable	135	135
Provision for bonuses	164	106
Provision for bonuses for directors (and other officers)	106	23
Provision for officer remuneration BIP trust	136	–
Other	490	1,883
Total current liabilities	98,569	129,701
Non-current liabilities		
Bonds payable	70,000	70,000
Long-term borrowings	31,735	144,960
Provision for officer remuneration BIP trust	674	106
Provision for loss on business of subsidiaries and associates	10	–
Deferred tax liabilities	1	3
Other	1,480	1,794
Total non-current liabilities	103,901	216,864
Total liabilities	202,470	346,565
Net assets		
Shareholders' equity		
Share capital	31,974	31,974
Capital surplus		
Legal capital surplus	9,474	9,474
Other capital surplus	239,601	239,601
Total capital surpluses	249,075	249,075
Retained earnings		
Other retained earnings		
Retained earnings brought forward	62,038	62,398
Total retained earnings	62,038	62,398
Treasury shares	(14,210)	(14,066)
Total shareholders' equity	328,878	329,382
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(7)	(30)
Total valuation and translation adjustments	(7)	(30)
Total net assets	328,871	329,351
Total liabilities and net assets	531,341	675,917

2) Non-consolidated Statement of Income

(Millions of yen)

		Fiscal year ended February 29, 2020		Fiscal year ended February 28, 2021
Operating revenue				
Dividend income	*1	29,040	*1	9,210
Consulting fee income	*1	5,076	*1	4,602
Total operating revenue		34,116		13,812
General and administrative expenses	*1, *2	5,228	*2	4,264
Operating profit		28,888		9,547
Non-operating income				
Interest income	*1	468	*1	677
Dividend income	*1	179	*1	158
Other		28		90
Total non-operating income		676		926
Non-operating expenses				
Interest expenses	*1	231	*1	644
Interest on bonds		224		223
Amortization of bond issuance costs		54		52
Provision of allowance for doubtful accounts	*3	680	*3	200
Commitment fee		46		415
Other		165		88
Total non-operating expenses		1,402		1,624
Ordinary profit		28,163		8,849
Extraordinary losses				
Loss on valuation of shares of subsidiaries and associates	*4	199	*4	763
Loss on sales of shares of subsidiaries and associates		–	*5	241
Impairment loss		–	*6	343
Provision for loss on business of subsidiaries and associates	*7	10		–
Total extraordinary losses		210		1,348
Profit before income taxes		27,952		7,500
Income taxes - current		6		15
Income taxes - deferred		(1)		(1)
Total income taxes		4		13
Profit		27,948		7,487

3) Non-consolidated Statement of Changes in Equity

Fiscal year ended February 29, 2020

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	31,974	9,474	239,601	249,075	43,593	43,593	(14,326)	310,317
Changes during period								
Dividends of surplus					(9,503)	(9,503)		(9,503)
Profit					27,948	27,948		27,948
Purchase of treasury shares							(7)	(7)
Disposal of treasury shares			(0)	(0)			123	123
Net changes in items other than shareholders' equity								
Total changes during period	–	–	(0)	(0)	18,445	18,445	115	18,560
Balance at end of period	31,974	9,474	239,601	249,075	62,038	62,038	(14,210)	328,878

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	12	12	310,329
Changes during period			
Dividends of surplus			(9,503)
Profit			27,948
Purchase of treasury shares			(7)
Disposal of treasury shares			123
Net changes in items other than shareholders' equity	(19)	(19)	(19)
Total changes during period	(19)	(19)	18,541
Balance at end of period	(7)	(7)	328,871

Fiscal year ended February 28, 2021

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
					Retained earnings brought forward			
Balance at beginning of period	31,974	9,474	239,601	249,075	62,038	62,038	(14,210)	328,878
Changes during period								
Dividends of surplus					(7,127)	(7,127)		(7,127)
Profit					7,487	7,487		7,487
Purchase of treasury shares							(4)	(4)
Disposal of treasury shares			(0)	(0)			148	148
Net changes in items other than shareholders' equity								
Total changes during period	–	–	(0)	(0)	360	360	144	504
Balance at end of period	31,974	9,474	239,601	249,075	62,398	62,398	(14,066)	329,382

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(7)	(7)	328,871
Changes during period			
Dividends of surplus			(7,127)
Profit			7,487
Purchase of treasury shares			(4)
Disposal of treasury shares			148
Net changes in items other than shareholders' equity	(23)	(23)	(23)
Total changes during period	(23)	(23)	480
Balance at end of period	(30)	(30)	329,351

Notes to Non-consolidated Financial Statements

(Notes on premise of going concern)

No items to report.

(Significant accounting policies)

1. Basis and method of valuation of assets
   (1) Shares of subsidiaries and associates

   Stated at cost using the moving-average method

   (2) Available-for-sale securities

   Securities with available fair market values

   Stated at fair value based on the market prices at the fiscal year-end (Valuation differences are included in net assets; cost of securities sold is determined by the moving-average method)

   Securities without available fair market values

   Stated at cost using the moving-average method

2. Basis and method of valuation of derivatives

   Derivatives

   Stated at fair value

3. Basis and method of valuation of inventories

   Supplies

   Stated at cost using the FIFO method (the book value is written down based on the decreased profitability)

4. Depreciation method of non-current assets
   (1) Property, plant and equipment (excluding leased assets)

   Straight-line method

   (2) Intangible assets (excluding leased assets)

   Straight-line method

   Internal use software is amortized using the straight-line method over the internally expected useful life (5 years).

   (3) Leased assets

   Leased assets in finance leases that do not transfer ownership are depreciated using the straight-line method with zero residual value assuming the lease periods as useful lives.

5. Accounting method for deferred assets

   Bond issuance costs

   Amortized using the straight-line method over the period until redemption

6. Accounting policy for provisions
   (1) Allowance for doubtful accounts

   To prepare for losses from bad debt, an estimated uncollectible amount is provided.

   (2) Provision for bonuses

   To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.

(3) Provision for bonuses for directors (and other officers)

To prepare for the payment of bonuses to corporate officers, the amount expected to be paid is provided.

(4) Provision for officer remuneration BIP trust

To prepare for the granting of the Company's shares through an officer remuneration BIP trust, the amount equivalent to the value of shares in proportion to the number of points awarded to officers in accordance with the Stock Benefit Rules is provided.

7. Hedge accounting method

(1) Hedge accounting method

Exceptional treatment is applied to interest rate swaps that satisfy the requirements for exceptional treatment.

(2) Hedging instruments and hedged items

(i) Hedging instruments

Interest rate swaps

(ii) Hedged items

Borrowings and interest expenses on borrowings

(3) Hedging policy

Based on the risk management policy, hedging is undertaken to hedge interest rate fluctuation risk.

(4) Method for assessing the hedge effectiveness

At the end of each fiscal year, hedge effectiveness with respect to the hedged items and hedging instruments is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate, and duration are identical between the assets or liabilities of hedged items and hedging instruments.

8. Accounting treatment for consumption taxes

Consumption tax and local consumption tax are accounted for under the tax exclusion method.

Of consumption tax on assets that are not qualified for tax deductions, deferred consumption taxes stipulated under tax law are recorded in long-term prepaid expenses and amortized on a straight-line basis during a five-year period.

(Changes in presentation)

(Notes to non-consolidated statement of income)

"Commitment fee," which was included in "other" in "non-operating expenses" in the previous fiscal year, has been separately presented in the current fiscal year as its quantitative materiality increased. The non-consolidated financial statements of the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, ¥212 million presented in "other" in "non-operating expenses" in the non-consolidated statement of income for the previous fiscal year has been restated as ¥46 million for "commitment fee" and ¥165 million for "other."

(Notes to non-consolidated statement of income)

*1. Transactions with subsidiaries and associates

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Operating transactions		
Operating revenue	34,116	13,812
General and administrative expenses	556	591
Non-operating transactions	650	833

*2. Major components of general and administrative expenses

(Millions of yen)

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021
Officer remuneration	602	156
Employees' salaries	934	871
Provision for bonuses	164	106
Provision for bonuses for directors (and other officers)	106	23
Retirement benefit expenses	66	63
Welfare expenses	265	225
Taxes and dues	284	334
Depreciation	93	103
Rent expenses	336	317
Miscellaneous expenses	1,338	1,182

*3. Provision of allowance for doubtful accounts

Fiscal year ended February 29, 2020

Loans to the subsidiary and associate JFR Kodomo Mirai Co., Ltd. were recognized as provision of allowance for doubtful accounts.

Fiscal year ended February 28, 2021

Loans to the subsidiary and associate JFR Kodomo Mirai Co., Ltd. were recognized as provision of allowance for doubtful accounts.

*4. Loss on valuation of shares of subsidiaries and associates

Fiscal year ended February 29, 2020

Loss on valuation was recognized for shares of the subsidiary and associate JFR Kodomo Mirai Co., Ltd.

Fiscal year ended February 28, 2021

Loss on valuation was recognized for shares of the subsidiary and associate J. Front Foods Co., Ltd.

*5 Loss on sales of shares of subsidiaries and associates

Fiscal year ended February 28, 2021

Loss on sale was recognized in association with the sale of shares in the subsidiary and associate J. Front Foods Co., Ltd.

*6 Impairment loss

Fiscal year ended February 28, 2021

Impairment losses pertaining to software were recognized.

*7 Provision for loss on business of subsidiaries and associates

Fiscal year ended February 29, 2020

The estimated amount of loss to be borne by the Company is recognized giving consideration of the financial position of the subsidiary and associate JFR Kodomo Mirai Co., Ltd.

(Notes on securities)

Shares of subsidiaries and associates

As of February 29, 2020

(Millions of yen)

Category	Carrying amount	Fair value	Difference
Shares of subsidiaries	132,734	180,314	47,579
Total	132,734	180,314	47,579

Note: Shares of subsidiaries and associates whose fair values are deemed to be extremely difficult to determine

(Millions of yen)

Category	Carrying amount
Shares of subsidiaries	228,406
Shares of associates	10,147

These items are not included in “Shares of subsidiaries” in the table above, because they have no market prices and their fair values are deemed to be extremely difficult to determine.

As of February 28, 2021

(Millions of yen)

Category	Carrying amount	Fair value	Difference
Shares of subsidiaries	–	–	–
Total	–	–	–

Note: Shares of subsidiaries and associates whose fair values are deemed to be extremely difficult to determine

(Millions of yen)

Category	Carrying amount
Shares of subsidiaries	367,211
Shares of associates	10,147

(Notes on tax effect accounting)

1. The breakdown of deferred tax assets and liabilities by major cause

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Deferred tax assets		
Provision for bonuses	50	32
Accrued insurance expenses	7	5
Accrued enterprise tax	39	41
Tax loss carryforwards	1,769	2,250
Allowance for doubtful accounts for subsidiaries and associates	208	257
Loss on valuation of shares of subsidiaries and associates	61	61
Provision for officer remuneration BIP trust	120	32
Loss on impairment of non-current assets	–	105
Other	69	65
Subtotal deferred tax assets	2,325	2,848
Valuation allowance	(2,325)	(2,848)
Total deferred tax assets	–	–
Deferred tax liabilities		
Asset retirement obligations	(4)	(3)
Valuation difference on available-for-sale securities	3	–
Total deferred tax liabilities	(1)	(3)
Net amount of deferred tax assets	(1)	(3)

2. Reconciliation of significant difference between effective statutory tax rate and effective income tax rate after application of tax effect accounting

(Millions of yen)

	As of February 29, 2020	As of February 28, 2021
Effective statutory tax rate (%)	30.6	30.6
(Adjustments)		
Permanent non-taxable income for tax purposes (e.g. dividend income)	(31.9)	(37.7)
Permanent non-deductible expenses for tax purposes (e.g. entertainment expenses)	0.2	0.0
Per capita inhabitant tax	0.0	0.0
Valuation allowance	2.4	6.6
Other	(1.2)	0.6
Effective income tax rate after application of tax effect accounting	0.0	0.0

(Notes on business combinations)

No items to report.

(Significant subsequent events)

(Resurgence of COVID-19)

This has been omitted as the same content has been described in “1. Consolidated Financial Statements, etc., Notes to Consolidated Financial Statements, 41. Subsequent Events.” There may be a considerable adverse effect on the Company’s business results in the coming fiscal year. However, it is difficult to reasonably calculate the extent of this effect at present.

(Issuance of bonds)

Based on the resolution at the Board of Directors meeting held on February 24, 2021, the Company decided to issue ninth and tenth series bonds on May 19, 2021, and carried out the issuance on May 26, 2021. The overview of this issuance is as described in “1. Consolidated Financial Statements, etc., Notes to Consolidated Financial Statements, 41. Subsequent Events.”

(iv) Annexed detailed schedules

[Annexed detailed schedule of property, plant and equipment, etc.]

(Millions of yen)

Category	Type of assets	Balance at beginning of period	Increase during the period	Decrease during the period	Amortization during the period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings and structures	104	–	–	13	90	44
	Other	24	1	–	5	21	16
	Total	129	1	–	19	111	61
Intangible assets	Software	505	127	362 (343)	64	205	–
	Total	505	127	362 (343)	64	205	–

Note: The figures in the parentheses in "Decrease during the period" represent the amount of impairment losses recorded, and are included in the figures immediately above.

[Annexed detailed schedule of provisions]

(Millions of yen)

Category	Balance at beginning of period	Increase during the period	Decrease during the period	Balance at end of period
Allowance for doubtful accounts	680	200	40	840
Provision for bonuses	164	106	164	106
Provision for bonuses for directors (and other officers)	106	23	106	23
Provision for officer remuneration BIP trust	810	288	992	106
Provision for loss on business of subsidiaries and associates	10	–	10	–

(2) Components of major assets and liabilities

The information has been omitted as the consolidated financial statements are prepared.

(3) Other

No items to report.

VI. Outline of Share-Related Administration of Reporting Company

Fiscal year	From March 1 to the last day of February
Annual Shareholders Meeting	May
Record date	Last day of February
Record dates for dividends of surplus	Last day of February August 31
Number of shares per share unit	100 shares
Purchase of shares less than one unit	
Office for handling business	(Special account) 1-4-5 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency
Shareholder register administrator	(Special account) 1-4-5 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Forwarding office	–
Handling charge for purchase	No charge

<table>
<tr><td>Method of public notice</td><td colspan="2">The public notices of the Company shall be given by electronic means. Provided, however, in case of unavoidable circumstances such as an accident which prevent the use of the public notice by electronic means, they shall be placed in “The Nikkei” newspaper.</td></tr>
<tr><td rowspan="3">Special benefits for shareholders</td><td>(i)</td><td>For shareholders owning at least 100 shares as of the last day of February and new shareholders owning at least 100 shares as of August 31, the “Daimaru Matsuzakaya shopping courtesy card” which entitles cardholders to a 10% discount when shopping at marked price at department stores operated by Daimaru Matsuzakaya Department Stores Co., Ltd. (Daimaru Shinsaibashi store, Daimaru Umeda store, Daimaru Tokyo store, Daimaru Kyoto store, Daimaru Kobe store, Daimaru Suma store, Daimaru Ashiya store, Daimaru Sapporo store, Daimaru Shimonoseki store, Matsuzakaya Nagoya store, Matsuzakaya Toyota store, Matsuzakaya Takatsuki store, Matsuzakaya Ueno store, Matsuzakaya Shizuoka store), The Hakata Daimaru, Inc. (Fukuoka Tenjin store), Kochi Daimaru Co., Ltd. and The Tottori Daimaru, Inc.(*), will be issued on the following basis.
For shareholders as of the last day of February, the courtesy cards will be issued in May, with an annual spending limit set according to the number of shares owned as described below. (Valid from mid-May (the date of delivery) until May 31 the following year)
(*) Validity at Tottori Daimaru is until May 31, 2021.
<table>
<tr><td rowspan="2">Number of shares owned as of the end of February</td><td colspan="2">Spending limit</td></tr>
<tr><td>Duration of ownership: Less than 3 years</td><td>Duration of ownership: 3 years or more</td></tr>
<tr><td>100 to 499 shares</td><td>¥0.5 million per year</td><td>¥1.5 million per year</td></tr>
<tr><td>500 to 999 shares</td><td>¥1.0 million per year</td><td>¥2.0 million per year</td></tr>
<tr><td>1,000 to 3,999 shares</td><td>Additional ¥1.0 million for every 1,000 shares</td><td>Additional ¥1.0 million for every 1,000 shares</td></tr>
<tr><td>4,000 shares or more</td><td>¥5.0 million per year (upper limit)</td><td>¥6.0 million per year (upper limit)</td></tr>
</table>
For new shareholders as of August 31, the courtesy cards will be issued in November, with an annual spending limit according to the number of shares owned set at half of the above amounts. (Valid from mid-November (the date of delivery) until May 31 the following year)</td></tr>
<tr><td>(ii)</td><td>By presenting the “Daimaru Matsuzakaya shopping courtesy card,” shareholders may gain entry free of charge for themselves and a guest to cultural events subject to admission fees held at facilities operated by Daimaru Matsuzakaya Department Stores Co., Ltd. and PARCO CO., LTD. (gallery spaces in Sapporo, Shibuya, Nagoya, Shinsaibashi, Fukuoka, etc.).
Note: Complementary admission may not apply to all cultural events.</td></tr>
<tr><td>(iii)</td><td>The Company will issue the “PARCO shopping courtesy card” (credit card) upon request from shareholders owning at least 100 shares of the Company as of the end of February and August 31. The credit card will entitle the holder to a 5% discount (excluding some shops, products, services, etc.) at point of purchase for shopping at stores in Japan operated by PARCO Co., Ltd. (Sapporo PARCO, Sendai PARCO, Urawa PARCO, Shintokorozawa PARCO, Tsudanuma PARCO, Shibuya PARCO, Ikebukuro PARCO, Kinshicho PARCO, Hibarigaoka PARCO, Kichijoji PARCO, Chofu PARCO, Shizuoka PARCO, Nagoya PARCO, Matsumoto PARCO, Shinsaibashi PARCO, Hiroshima PARCO, Fukuoka PARCO and PARCO_ya UENO) and via the PARCO ONLINE STORE e-commerce platform. (Valid from the date of delivery until May 31 the following year)</td></tr>
</table>

Note: The Company stipulates the rights regarding shares less than one unit in its Articles of Incorporation. According to the stipulation, the holders of shares less than one unit shall not be entitled to exercise the rights of shareholders in connection with such shares less than one unit other than those rights listed below:

(1) Rights set forth in items of Article 189, paragraph (2) of the Companies Act;

(2) Right to make a demand pursuant to the provisions of Article 166, paragraph (1) of the Companies Act;

(3) Right to receive an allotment of offered shares and offered share acquisition rights in proportion to the number of shares held by the shareholder; and

(4) Right to demand the purchase of additional shares less than one unit.

VII. Reference Information of Reporting Company

1. Information about parent company, etc. of reporting company

The Company does not have a parent company, etc. as prescribed in Article 24-7, paragraph (1) of the Financial Instruments and Exchange Act.

2. Other reference information

From the beginning of this fiscal year until the filing date of this Annual Securities Report, the Company has filed the following documents.

(1) Annual Securities Report and Attached Documents, and Written Confirmation

Fiscal year 13th fiscal year (from March 1, 2019 to February 29, 2020)

Filed to Director-General of Kanto Local Finance Bureau on May 29, 2020.

(2) Internal Control Report

Filed to Director-General of Kanto Local Finance Bureau on May 29, 2020.

(3) Quarterly Securities Reports and Written Confirmations

First quarter of the 14th fiscal year (from March 1, 2020 to May 31, 2020)

Filed to Director-General of Kanto Local Finance Bureau on July 14, 2020.

Second quarter of the 14th fiscal year (from June 1, 2020 to August 31, 2020)

Filed to Director-General of Kanto Local Finance Bureau on October 14, 2020.

Third quarter of the 14th fiscal year (from September 1, 2020 to November 30, 2020)

Filed to Director-General of Kanto Local Finance Bureau on January 13, 2021.

(4) Extraordinary Securities Reports

Filed to Director-General of Kanto Local Finance Bureau on May 29, 2020.

Extraordinary Securities Report based on Article 19, paragraph (2), item (ix)-2 (Results of Exercise of Voting Rights at the Shareholders Meeting) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

(5) Amended Shelf Registration Statements

Filed to Director-General of Kanto Local Finance Bureau on May 29, 2020.

Amended Shelf Registration Statements pertaining to Shelf Registration Statement filed on January 30, 2020.

Filed to Director-General of Kanto Local Finance Bureau on April 13, 2021.

Amended Shelf Registration Statements pertaining to Shelf Registration Statement filed on January 30, 2020.

(6) Shelf Registration Supplements (shares, corporate bonds, etc.)

Filed to Director-General of Kanto Local Finance Bureau on May 19, 2021.

Shelf Registration Supplements pertaining to the Shelf Registration Statement filed on January 30, 2020.

B. Information About Reporting Company's Guarantor, Etc.

No items to report.

Independent Auditor’s Report

The Board of Directors
J. FRONT RETAILING Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of J. FRONT RETAILING Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at February 28, 2021, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at February 28, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit Committee is responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

May 28, 2021

/s/ Kazunori Takenouchi

Kazunori Takenouchi
Designated Engagement Partner
Certified Public Accountant