Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.
J. FRONT RETAILING Co., Ltd. assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Securities code: 3086
May 2, 2022

To Our Shareholders

YOSHIMOTO Tatsuya
Director, President and Representative Executive Officer
J. FRONT RETAILING Co., Ltd.
10-1, Ginza 6-chome, Chuo-ku, Tokyo

Notice of Convocation of the 15th Annual Shareholders Meeting

You are hereby notified that the 15th Annual Shareholders Meeting of J. FRONT RETAILING Co., Ltd. (hereinafter the "Company") will be held on Thursday, May 26, 2022.

There will be discussion of the current status of the Company's business and related issues, and the proposal to be presented at the Shareholders Meeting will be explained.

We look forward to the continued understanding and support of all our shareholders.

Date and Time: Thursday, May 26, 2022, at 10:00 a.m. (JST) (Reception opens at 9:30 a.m.)

Venue: New Pier Hall
11-1, Kaigan 1-chome, Minato-ku, Tokyo

Purpose of the meeting:

Matters to be reported:
1. Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements for the 15th fiscal year (from March 1, 2021 to February 28, 2022)
2. Audit reports of the Accounting Auditor and the Audit Committee on Consolidated Financial Statements for the 15th fiscal year

Matters to be resolved:
Proposal 1: Amendment to the Articles of Incorporation
Proposal 2: Election of Ten (10) Directors

Decisions made for convocation:

Please refer to Guide to the Exercise of Voting Rights on pages 3 to 4.

* Please note that persons who are not shareholders who can exercise voting rights, such as proxies who are not shareholders, and accompanying persons, will not be admitted. (The accompanying persons of shareholders with disabilities are exempt and will be admitted.)
However, institutional investors who hold shares in the names of trust banks, etc. and do not hold shares in their own names will be admitted, on condition that they fulfilled the requirements and procedures provided for in the Company's Articles of Incorporation and Share Handling Regulations.

- Of the documents attached to Notice of Convocation of the Annual Shareholders Meeting, Systems to ensure properness of operations <Basic Policy to Build Internal Control System>* in the Business Report, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements are provided on the Company's website in accordance with relevant laws and regulations and Article 16 of the Company's Articles of Incorporation, hence are not indicated on this Notice of Convocation.
  * "Operational status of systems to ensure properness of operations <Basic Policy to Build Internal Control Systems>" is included on this Notice of Convocation.
- Business Report, which has been audited by the Audit Committee, and Consolidated Financial Statements and Non-consolidated Financial Statements, which have been audited by the Audit Committee and the Accounting Auditor, shall include not only the documents stated in this Notice of Convocation, but also Systems to ensure properness of operations <Basic Policy to Build Internal Control System>, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements, which are provided on the Company's website.
- If any amendments to Reference Materials for Shareholders Meeting, Business Report, Consolidated Financial Statements or Non-consolidated Financial Statements are made, the revised version will be provided on the Company's website.

The Company's website: https://www.j-front-retailing.com/

In view of the situation of the novel coronavirus disease (COVID-19), and with the safety of our shareholders as our top priority, we strongly request that shareholders refrain from attending the Annual Shareholders Meeting in person this year as much as possible and exercise voting rights via either postal mail or the Internet in advance.

Please refer to page 3 for details on how to exercise voting rights in advance.
Exercise due date of your voting rights: Received by 6:00 p.m. on Wednesday, May 25, 2022 (JST)

We will conduct the "live streaming of the meeting via Internet" on the day of the meeting.

▶Please refer to pages 5 to 6 for details.

Guide to the Exercise of Voting Rights

Exercising voting rights via the Internet
Please read the following items before exercising voting rights via the Internet.
Exercise due date: Received by 6:00 p.m. on Wednesday, May 25, 2022 (JST)

(Instructions concerning the exercise of voting rights via the Internet)

How to scan QR code
You can log in to the voting website without entering your login ID and temporary password printed on the voting form.

1. Scan QR code printed on the voting form (at right).
   *"QR code" is a registered trademark of DENSO WAVE INCORPORATED.
2. Follow the directions that appear on the screen to input approval or disapproval to each proposal.
   The QR code can be used for login only one time.
   If you need to exercise your voting rights again or exercise your voting rights without using the QR code, see "How to enter login ID and temporary password."

How to enter login ID and temporary password
Voting website: https://evote.tr.mufg.jp/
Access the voting website.
Enter the "Login ID" and the "Temporary password" shown on the voting form and click the "Login" button.
Set a new password.
Follow the directions that appear on the screen to input approval or disapproval to each proposal.

Handling of cases where voting rights are exercised in duplicate by the same shareholder both in writing and by an electromagnetic means
The voting rights exercised by an electromagnetic means shall be treated as valid. If the same shareholder exercises his/her voting rights by an electromagnetic means more than once, only the last exercise of voting rights shall be treated as valid.

For inquiries about the system, please contact:

Corporate Agency Division (Help Desk)
Mitsubishi UFJ Trust and Banking Corporation
(Toll free) 0120-173-027
(available 9:00 a.m. – 9:00 p.m., only in Japan)

To institutional investors

To exercise voting rights at this meeting, institutional investors can use the electronic voting rights exercise platform for institutional investors operated by ICJ, Inc.

Exercising voting rights by postal mail
Please indicate on the enclosed voting form whether you approve or disapprove of the proposal, and return the completed form to us.
Exercise due date: Received by 6:00 p.m. on Wednesday, May 25, 2022 (JST)

Attending the Shareholders Meeting in person
Please submit the enclosed voting form at the reception of the meeting.

In view of the situation of the novel coronavirus disease (COVID-19), and with the safety of our shareholders as our top priority, we strongly request that shareholders refrain from attending the Annual Shareholders Meeting in person this year as much as possible.

Measures to prevent COVID-19 infection

- Please make sure to wear a mask to protect yourself and others from COVID-19.
  (You may be refused entry if you do not wear one.)
- We ask for your cooperation in disinfecting your hands with alcohol and taking your temperature at the entrance of the venue.
- Please note that we may ask you to refrain from entering the venue if the temperature check shows that you have a fever of more than 37.5 degrees Celsius or if you look unwell.
- The Company's officers and staff will wear a mask and respond at the venue after checking their physical condition.

Guide to live streaming of the meeting via Internet
The Annual Shareholders Meeting will be live streamed via the Internet for you to view the proceedings of the meeting at home or other locations.

1. Date and time of the live streaming

From 10:00 a.m. on Thursday, May 26, 2022 to the closing time of the Annual Shareholders Meeting

***A live streaming web page is available from around 9:30 a.m., approximately 30 minutes before the start time of the Annual Shareholders Meeting.**

2. How to view the live streaming

Access the "Engagement Portal" online site for the Annual Shareholders Meeting below with your "Login ID" and "Password" indicated on the voting form.

"Engagement Portal" online site for the Annual Shareholders Meeting: https://engagement-portal.tr.mufg.jp/

(i) Login ID: **0007+Shareholder Number** (12-digit number without a hyphen) shown on the voting form, etc.
(ii) Password: **Postal code+2022** of the address registered in the shareholders' register as of the end of February 28, 2022 (11-digit number without a hyphen)

1. Enter your "Login ID" and "Password" on the login screen, confirm the Terms of Use and check the "I agree to the Terms of Use" checkbox if you agree, then click the "Login" button.
2. After logging in, click the "View Live Streaming of the Meeting" button, confirm the Terms of Use and check the "I agree to the Terms of Use" checkbox if you agree, then click "View."

***Please be sure to take a note of your Login ID and Password before posting your voting form.** If you forget your ID and/or password, please contact us at the contact number listed below "Contact information for inquiries about the Annual Shareholders Meeting online site" on page 6.

(Note)
The postal code used for (ii) "Password (Postal code+2022)" may differ from the postal code printed on the voting form (because the password does not reflect information such as on change of address made after the record date of the Annual Shareholders Meeting or on mailing address designated for the voting form to be sent). Shareholders residing outside Japan who have designated a standing proxy are requested to enter the postal code of the proxy.

3. Important notice

(1) Due to unavoidable circumstances, we might be unable to provide the live streaming. In that case, a notice will be posted on the Company's website (https://www.j-front-retailing.com/).
(2) **<u>Shareholders viewing the live streaming are not considered to be attending the Annual Shareholders Meeting under the Companies Act, and therefore, will not be able to exercise their voting rights or make any comments, including questions on the day. Please exercise your voting rights in advance by following the instructions on page 3 on this Notice of Convocation.</u>**
(3) Please note that viewing will be restricted to shareholders only and viewing by proxies is not permitted.
(4) It is strictly prohibited to capture, record audio or video of, or save the live streaming, or to publish it on SNS or other media.
(5) Please note that due to the Internet communication environment and other factors, the video and audio may be distorted, or the streaming may be interrupted.
(6) The live streaming may not be viewable depending on the device used or the network environment connected.
(7) Fees for accessing the website for viewing (Internet access fees, communication fees, etc.) shall be borne by the shareholder.

* "QR code" is a registered trademark of DENSO WAVE INCORPORATED.

Questions will be accepted in advance via the Internet

We will accept questions from shareholders in advance on the Annual Shareholders Meeting online site.
We plan to answer questions frequently asked by shareholders at the Annual Shareholders Meeting.
Please note that we do not respond to individual inquiries.

(i) Please click the "Question in advance" button displayed on the screen after logging in to the Annual Shareholders Meeting online site.

(ii) Select a category for your question, enter the question, confirm the Terms of Use and check the "I agree to the Terms of Use" checkbox if you agree, then click the "Confirm" button.

(iii) Confirm the contents of your question, etc., and then click the "Send" button.

Due date for receipt of questions: by 6:00 p.m. on Thursday, May 19, 2022

(Contact information for inquiries about the Annual Shareholders Meeting online site)

Mitsubishi UFJ Trust and Banking Corporation
Dedicated support line for the "Engagement Portal" Tel: 0120-676-808 (Toll free)

Service period

From 9:00 a.m. to 5:00 p.m. on weekdays, excluding Saturdays, Sundays, national holidays, etc.
(However, on the day of the Annual Shareholders Meeting, from 9:00 a.m. to the end of the Meeting)

Reference Materials for Shareholders Meeting

Proposal and Reference Information

Proposal 1: Amendment to the Articles of Incorporation

1. Reason for proposal

Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the changes to its Articles of Incorporation as described in the following (1) to (4) in preparation for the introduction of the system for providing informational materials for the shareholders meeting in electronic format.

(1) Article 16, paragraph 1 in “Proposed amendments” below will stipulate that the Company shall take measures for providing information that constitutes the content of reference materials for shareholders meeting, etc. in electronic format.

(2) Article 16, paragraph 2 in “Proposed amendments” below will establish the provision to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.

(3) Since the provisions for Internet Disclosure of Reference Materials for Shareholders Meetings and Deemed Provision (Article 16 of the current Articles of Incorporation) will no longer be required, they will be deleted.

(4) Accompanying the aforementioned establishment and deletion of provisions, supplementary provisions regarding the effective date, etc. will be established.

With the aim to further strengthen the oversight function through separation from business execution, the number of Directors stipulated in Article 19 of the current Articles of Incorporation will be reduced from “fifteen (15) or fewer” to “eleven (11) or fewer” to optimize the number of Directors.

Furthermore, in conjunction with the end of the transitional measure, the provision of Transitional Measure Relating to Advisor (Article 2 of the Supplementary Provisions of the current Articles of Incorporation) will be deleted.

2. Details of amendment

The details of the amendment are as described below.

(Amendments are underlined.)

Current Articles of Incorporation	Proposed amendments
<u>Article 16 (Internet Disclosure of Reference Materials for Shareholders Meetings and Deemed Provision)</u> <u>Upon convocation of a Shareholders Meeting, the Company may be deemed to have provided the information relating to the matters to be described or indicated in the reference materials for the shareholders meetings, business report, non-consolidated financial statements or consolidated financial statements, to the Shareholders by disclosure through the Internet in accordance with the applicable Ministry of Justice Order.</u>	(Deleted)
(Newly established)	<u>Article 16 (Measures for Providing Information in Electronic Format)</u> <u>1. When the Company convenes a Shareholders Meeting, it shall take measures for providing information that constitutes the content of reference materials for shareholders meeting, etc. in electronic format.</u> <u>2. Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u>

Current Articles of Incorporation	Proposed amendments
Article 19 (Number of Directors) The Company shall have fifteen (15) or fewer Directors.	Article 19 (Number of Directors) The Company shall have eleven (11) or fewer Directors.
Supplementary Provisions	Supplementary Provisions
Article 2 (Transitional Measure Relating to Advisor) The provisions of Article 27 (Advisor) of the current Articles of Incorporation in accordance with the resolution of the 10th Annual Shareholders Meeting shall remain in effect until the termination of the term of office of the current Advisors.	(Deleted)
(Newly established)	Article 2 (Transitional Measures Regarding Provision of Informational Materials for General Meeting of Shareholders in Electronic Format) 1. The amendment to the Articles of Incorporation pertaining to Article 16 shall be effective from September 1, 2022, which is the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”). 2. Notwithstanding the provision of the preceding paragraph, Article 16 of the Articles of Incorporation before amendments (Internet Disclosure of Reference Materials for Shareholders Meetings and Deemed Provision) shall remain effective regarding any Shareholders Meeting held on a date within six months from the Date of Enforcement. 3. This Article shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the Shareholders Meeting in the preceding paragraph, whichever is later.

Proposal 2: Election of Ten (10) Directors

The terms of office of all 12 Directors will expire at the conclusion of this Annual Shareholders Meeting. Accordingly, based on the decision of the Nomination Committee to revitalize discussions from a point of view optimal for the Group as a whole, and to promote building a governance structure that we should aim for as a company with three committees (nomination, audit, and remuneration committees), the Company proposes the election of ten candidates, reducing the number of Directors who concurrently serve as persons responsible for business execution at subsidiaries by two.

If the candidates for Director in this proposal are elected as proposed, the Board of Directors will have a structure with six out of ten members, i.e. the majority of its members as independent Outside Directors, and three female Directors. We believe this will lead to further strengthening of the oversight function by separating it from the execution of business and to ensuring a more diverse Board of Directors.

Furthermore, of the candidates for Director, please refer to “3. Matters relating to corporate officers” in the Business Report regarding the status of activities of six Outside Directors, and “6. Operation of the Board of Directors” and “7. Operations of each Committee” in the Business Report regarding the status of operations of the Board of Directors and each committee.

The candidates for the Directors are as follows.

Skills expected of candidates for Director

In selecting candidates for the Board of Directors, the Board of Directors shall consist of personnel with experience and knowledge necessary to appropriately oversee the promotion of sustainability management (execution of business strategies aimed at resolving the seven materialities) in order to allow the Board of Directors to effectively fulfill its roles and responsibilities. In selecting candidates for Outside Director, the Company selects persons from the point of view of Board diversity who have experience as managers not only in the retailing industry that forms the core of the Company’s business but in manufacturing and other non-retail industries, and who have expertise in legal and other fields, a marketing perspective, and extensive experience related to finance and accounting. With regard to candidates for non-executive Inside Director, wide-ranging practical experience within the Group and knowledge in fields such as auditing are sought by the Company. As for candidates for executive Director, the Company has selected a person responsible for the Financial Department whose high level of knowledge will facilitate the execution of the strategic financial policies demanded by our shareholders and investors, as well as by the President and Representative Executive Officer of the Company.

No.	Name	Attribute	Committee to belong (The "◎" mark indicates the candidates of Chairperson.)		
			Nomination	Audit	Remuneration
1	YAMAMOTO Ryoichi (Note 1) Chairperson Male	Reappointment Non-executive	○		○
2	HAMADA Kazuko (Note 2) Female	Reappointment Non-executive		○	
3	YAGO Natsunosuke Male	Reappointment Non-executive Independent Outside	◎		○
4	HAKODA Junya Male	Reappointment Non-executive Independent Outside		◎	
5	UCHIDA Akira Male	Reappointment Non-executive Independent Outside	○		◎
6	SATO Rieko (Note 3) Female	Reappointment Non-executive Independent Outside		○	
7	SEKI Tadayuki Male	Reappointment Non-executive Independent Outside		○	
8	KOIDE Hiroko Female	Reappointment Non-executive Independent Outside	○		○
9	YOSHIMOTO Tatsuya Male	Reappointment Executive			
10	WAKABAYASHI Hayato Male	Reappointment Executive			

No.	Name	Expected skills as Candidate for Director								
		Management strategies	Finance	Marketing	Human resource & organization development	Legal affairs & compliance	IT & digital	E: Environment	S: Society	G: Governance
1	YAMAMOTO Ryoichi Chairperson (Note 1)	○		○				○		○
2	HAMADA Kazuko (Note 2)				○				○	○
3	YAGO Natsunosuke	○						○		○
4	HAKODA Junya	○	○							○
5	UCHIDA Akira	○	○							○
6	SATO Rieko (Note 3)					○	○		○	○
7	SEKI Tadayuki		○			○			○	
8	KOIDE Hiroko	○		○	○					
9	YOSHIMOTO Tatsuya	○		○				○		○
10	WAKABAYASHI Hayato	○	○		○					

(Notes)
1. If the election of YAMAMOTO Ryoichi is approved in this proposal, the Company plans to select him once again as the Chairperson of Board of Directors at a Board of Directors meeting that is to be held after this Annual Shareholders Meeting.
2. HAMADA Kazuko is recorded under the name of HIMENO Kazuko in the family register.
3. SATO Rieko is recorded under the name of KAMATA Rieko in the family register.
4. The Company plans to elect nine Executive Officers who do not concurrently serve as Directors at a Board of Directors meeting that is to be held after this Annual Shareholders Meeting.

Reappointment	Candidate for reappointment as Director
Non-executive	Candidate for Director who does not concurrently serve as Executive Officer
Executive	Candidate for Director who concurrently serves as Executive Officer
Independent	Independent officer whose status as such is registered with the stock exchange
Outside	Candidate for Outside Director

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company</th></tr>
<tr><td rowspan="2">1</td><td rowspan="2">YAMAMOTO Ryoichi
(March 27, 1951)

Gender: Male
Number of the Company's shares owned (shares):
98,016
Number of other shares as stock-based remuneration not yet granted (shares):
10,037
Special interests between the Company and the Candidate:
None
Number of attendance at the Board of Directors meetings for the 15th fiscal year:
15/15
Number of attendance at the meetings of Nomination Committee
16/16
Number of attendance at the meetings of Remuneration Committee
11/11
Tenure as Director (at the conclusion of this Meeting):
approx. 14 years and 9 months</td><td>April 1973
May 2003

September 2007

March 2008

March 2010

September 2012

April 2013
May 2017
May 2020
June 2021</td><td>Joined The Daimaru, Inc.
President and COO and General Manager of Department Store Operations, Group Headquarters
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.
Executive General Manager of Sales Headquarters, Head Office of The Daimaru, Inc.
President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. and President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd.
President and Representative Director of J. Front Retailing Co., Ltd.
Director, President and Representative Executive Officer
Director, Chairperson of Board of Directors (present)
Outside Director of Daido Steel Co., Ltd (present)
Outside Director of NORITAKE CO., LIMITED (present)</td></tr>
<tr><td colspan="2">Important concurrent positions
Outside Director of Daido Steel Co., Ltd
Outside Director of NORITAKE CO., LIMITED</td></tr>
<tr><td colspan="4">Reasons for nomination as candidate for Director and overview of expected roles
-YAMAMOTO Ryoichi possesses broad-based insight and a high-level overview gained through his abundant experience spanning overall retail operations. Since being appointed as President and Representative Director of the Company in 2013, he has been precisely and efficiently managing business of the Group overall. In addition to formulating a new Group Vision that showed the direction of management strategies that is necessary considering the external environment surrounding the Group and leading its permeation, he has been demonstrating strong leadership in positioning the Corporate Governance Code at the center of change and reform of corporate management. In light of his track record and abundant experience, and to achieve the Group Vision and sustainability management in a business environment where uncertainty is increasing, the Company expects him, as an Inside Director who is well versed in the Group's overall strategy and the roles and expectations of individual businesses, to help ensure the improved corporate value and sustained growth of the Group by serving as the Chairperson of Board of Directors and conducting supervisory operations that consider all stakeholders. As such, the Company has nominated him as a candidate to continue serving as Director.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company</th></tr>
<tr><td>2</td><td>HAMADA Kazuko
(Name in the family register: HIMENO Kazuko)
(September 6, 1962)

Gender: Female
Number of the Company’s shares owned (shares):
266
Special interests between the Company and the Candidate:
None
Number of attendance at the Board of Directors meetings for the 15th fiscal year:
12/12
Number of attendance at the meetings of Audit Committee
14/14
Tenure as Director (at the conclusion of this Meeting):
approx. 1 year</td><td>April 1985
September 2000

March 2002
March 2005
March 2007
March 2010
March 2013
March 2015
May 2020
May 2021</td><td>Joined Parco Co., Ltd.
General Manager of Marketing Department of Sales Management Division
Deputy General Manager of Kichijoji PARCO
General Manager of Kichijoji PARCO
General Manager of Shintokorozawa PARCO
Executive Officer (Personnel)
Executive Officer (Administration and Personnel)
Executive Officer (Group Audit Office)
Auditor
Director of J. Front Retailing Co., Ltd. (present)</td></tr>
<tr><td colspan="4">Reasons for nomination as candidate for Director and overview of expected roles
-HAMADA Kazuko served as store manager of the Kichijoji and Shintokorozawa stores at Parco Co., Ltd. before being appointed as Executive Officer of the company in March 2010. She then engaged in initiatives such as planning a senior management development program as Executive Officer in charge of Administration and Personnel. Based on such abundant experience, she has broad insight in the areas of store operations and business management of Parco Co., Ltd. as well as corporate diversity promotion. Furthermore, she was in charge of the Group Audit Office from March 2015, and served as Auditor from May 2020, contributing to strengthening the audit function of the Parco Business. As a member of the Audit Committee, since May 2021, she has contributed to strengthening the audit function by auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees), while exchanging opinions and 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. The Company expects her to help ensure the improved corporate value and sustained growth of the Group, particularly through the maximization of group synergies with Parco, by utilizing her abundant knowledge based on her achievements and experience and fulfilling appropriate management oversight work, and therefore has nominated her to continue serving as Director.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company</th></tr>
<tr><td rowspan="17">3</td><td rowspan="17">Independent
Outside Director
YAGO Natsunosuke
(May 16, 1951)

Gender: Male
Number of the Company’s shares owned (shares):
4,557
Number of other shares as stock-based remuneration not yet granted (shares):
1,933
Special interests between the Company and the Candidate:
None
Number of attendance at the Board of Directors meetings for the 15th fiscal year:
15/15
Number of attendance at the meetings of Nomination Committee
16/16
Number of attendance at the meetings of Remuneration Committee
11/11
Tenure as Director (at the conclusion of this Meeting):
approx. 2 years</td><td>April 1977</td><td>Joined EBARA CORPORATION</td></tr>
<tr><td>June 2002</td><td>Executive Officer</td></tr>
<tr><td>April 2004</td><td>Senior Executive Officer, Group Executive of Precision Machinery Group, 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.</td></tr>
<tr><td>June 2004</td><td>Director</td></tr>
<tr><td>April 2005</td><td>Director and Chairman of Ebara Precision Machinery Taiwan Inc.</td></tr>
<tr><td>June 2005</td><td>Director, President of Precision Machinery Company and General Manager of Fujisawa Operation</td></tr>
<tr><td>April 2006</td><td>Director and Managing Executive Officer
President of Precision Machinery Company</td></tr>
<tr><td>April 2007</td><td>President and Representative Director</td></tr>
<tr><td>May 2007</td><td>President and Representative Director and General Manager of Internal Control Promotion Department</td></tr>
<tr><td>July 2009</td><td>President and Representative Director and General Manager of Internal Control Department</td></tr>
<tr><td>April 2013</td><td>Chairman & Director</td></tr>
<tr><td>October 2017</td><td>Representative Director of The Ebara Hatakeyama Memorial Foundation (present)</td></tr>
<tr><td>March 2019</td><td>Retired from the office of Chairman & Director of EBARA CORPORATION</td></tr>
<tr><td>June 2019</td><td>Outside Director of SUBARU CORPORATION (present)</td></tr>
<tr><td>May 2020</td><td>Outside Director of J. Front Retailing Co., Ltd. (present)</td></tr>
<tr><td>May 2021</td><td>Director of Parco Co., Ltd. (present)</td></tr>
<tr><td colspan="2">Important concurrent positions
Outside Director of SUBARU CORPORATION

(Concurrent positions in the Group)
Director of Parco Co., Ltd.</td></tr>
<tr><td colspan="4">Reasons for nomination as candidate for Outside Director and overview of expected roles
-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 and oversight on the overall management strategy of a holding company, including the importance of the will and leadership of the Group’s top management, what the developer business should aspire to be, and drastic measures such as structural reforms leading to a review of its business foundation. As the Chairperson of the Nomination Committee, he has promoted discussions on the ideal structure of the Board of Directors of the Company and its major subsidiaries, focusing on succession plans, making transparent and fair personnel decisions for executives, and confirming the status of candidates for future senior management positions. As a member of the Remuneration Committee, he has contributed to the strengthening of the management human resources function by providing advice as necessary in the deliberation of policies and review of specific operational rules concerning the executive remuneration system and the calculation method of stock-based remuneration and bonuses. 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 as an Outside Director. As such, he has been nominated as a candidate to continue serving as Outside Director.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company</th></tr>
<tr><td rowspan="2">4</td><td rowspan="2">Independent
Outside Director

HAKODA Junya
(July 10, 1951)

Gender: Male
Number of the Company's shares owned (shares):
886
Special interests between the Company and the Candidate:
None
Number of attendance at the Board of Directors meetings for the 15th fiscal year:
12/12
Number of attendance at the meetings of Audit Committee
14/14
Tenure as Director (at the conclusion of this Meeting):
approx. 1 year</td><td>April 1974
November 1980

April 1984
April 2000

August 2006

April 2008

September 2009

September 2010
December 2014

March 2015
June 2015
June 2015
June 2017

September 2019

May 2021
August 2021</td><td>Joined Mitsubishi Rayon Co., Ltd. (present Mitsubishi Chemical Corporation)
Joined Pricewaterhouse CPA Office
(Reorganized as Aoyama Audit Corporation in June 1983)
Registered as Certified Public Accountant
Partner at the merged firm, ChuoAoyama Audit Corporation/PricewaterhouseCoopers
Representative of Arata Audit Corporation/Partner of PricewaterhouseCoopers
Eminent Professor of Graduate School of Keio University (internal audit theory)
Member of the Agreement Monitoring Committee of the Japan External Trade Organization (JETRO)
Director of Japan Internal Control Research Association
Outside Corporate Auditor of Schroder Investment Management (Japan) Limited (present)
Director of Institute of Corporate Governance, Japan (present)
Outside Corporate Auditor of Yamaha Corporation
Outside Director of AEON Financial Service Co., Ltd.
Outside Director and Chairperson of the Audit Committee of Yamaha Corporation
Member of the Ethics Committee of the Japanese Institute of Certified Public Accountants (present)
Outside Director of J. Front Retailing Co., Ltd. (present)
Chairperson of the Committee on Training and Research for Outside Officers, Japanese Institute of Certified Public Accountants (present)</td></tr>
<tr><td colspan="2">Important concurrent positions

Member of the Ethics Committee of the Japanese Institute of Certified Public Accountants
Chairperson of the Committee on Training and Research for Outside Officers, Japanese Institute of Certified Public Accountants</td></tr>
<tr><td colspan="4">Reasons for nomination as candidate for Outside Director and overview of expected roles
-HAKODA Junya was involved in accounting audits, management consulting, and internal audits of auditing firms, etc. 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). He has also contributed to improving the effectiveness of the Board of Directors by actively and assertively furnishing advice and oversight regarding the importance of indicators, such as ROIC as a Medium-term Business Plan objective and cash flow at the time of business infrastructure review and segment review, and the creation of a road map for monitoring digital strategies from a comprehensive perspective. Moreover, as a member of the Audit Committee, he has endeavored to strengthen the audit function by fulfilling his roles of auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees), while exchanging opinions and engaging in discussions from the perspective of legality and appropriateness, etc. related to items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee, which he is expected to promote. He is also simultaneously working to enhance the governance of the Group as a whole. 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 as an Outside Director. As such, he has been nominated as a candidate to continue serving as Outside Director.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company</th></tr>
<tr><td rowspan="16">5</td><td rowspan="16">Independent
Outside Director
UCHIDA Akira
(October 4, 1950)

Gender: Male
Number of the Company's shares owned (shares):
4,292
Number of other shares as stock-based remuneration not yet granted (shares):
3,866
Special interests between the Company and the Candidate:
None
Number of attendance at the Board of Directors meetings for the 15th fiscal year:
15/15
Number of attendance at the meetings of Nomination Committee
16/16
Number of attendance at the meetings of Remuneration Committee
11/11
Tenure as Director (at the conclusion of this Meeting):
approx. 3 years</td><td>April 1975</td><td>Joined Toray Industries, Inc.</td></tr>
<tr><td>June 1996</td><td>Executive Vice President of Toray Industries (America), Inc.</td></tr>
<tr><td>June 2000</td><td>General Manager on Special Assignment of Corporate Strategic Planning Division 1, General Manager on Special Assignment of Corporate Communications Dept. of Toray Industries, Inc.</td></tr>
<tr><td>June 2004</td><td>Counsellor of Corporate Strategic Planning Division, and Counsellor of Investor Relations Dept.</td></tr>
<tr><td>June 2005</td><td>Member of the Board, General Manager of Finance and Controller's Division</td></tr>
<tr><td></td><td>President, Toray Holding (USA), Inc.</td></tr>
<tr><td>June 2009</td><td>Senior Vice President (Member of the Board), General Manager of Finance and Controller's Division</td></tr>
<tr><td></td><td>President, Toray Holding (USA), Inc.</td></tr>
<tr><td>June 2012</td><td>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</td></tr>
<tr><td>June 2016</td><td>Adviser</td></tr>
<tr><td>March 2019</td><td>Retired from Adviser</td></tr>
<tr><td>May 2019</td><td>Outside Director of J. Front Retailing Co., Ltd. (present)</td></tr>
<tr><td>June 2019</td><td>Outside Director of Yokogawa Electric Corporation (present)</td></tr>
<tr><td>May 2020</td><td>Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)</td></tr>
<tr><td colspan="2">Important concurrent positions
Outside Director of Yokogawa Electric Corporation
(Concurrent positions in the Group)
Director of Daimaru Matsuzakaya Department Stores Co. Ltd.</td></tr>
<tr><td colspan="2"></td></tr>
<tr><td colspan="4">Reasons for nomination as candidate for Outside Director and overview of expected roles
-UCHIDA Akira possesses broad experience and knowledge in the corporate division, as a manager in charge of management planning and IR, as well as as the person responsible for the finance and accounting division, and has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight with respect to appropriately conveying information to stakeholders, strengthening collaboration as a holding company among the Group, the need for new businesses when reviewing business portfolios, etc. As the Chairperson of the Remuneration Committee, he has promoted discussions on the review of specific operational rules concerning the executive remuneration system and the calculation method of stock-based remuneration and bonuses. As a member of the Nomination Committee, he has contributed to the strengthening of the management human resources function by providing advice as necessary in the deliberation on the ideal structure of the Board of Directors of the Company and its major subsidiaries, focusing on succession plans, making transparent and fair personnel decisions for executives, and confirming the status of candidates for future senior management positions, etc. In light of his track record and abundant insight, the Company expects him to contribute greatly to management of the Group as an Outside Director. As such, he has been nominated as a candidate to continue serving as Outside Director.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company</th></tr>
<tr><td rowspan="2">6</td><td rowspan="2">Independent
Outside Director
SATO Rieko
(Name in the family register: KAMATA Rieko)
(November 28, 1956)

Gender: Female
Number of the Company's shares owned (shares):
2,483
Number of other shares as stock-based remuneration not yet granted (shares):
5,799
Special interests between the Company and the Candidate:
None
Number of attendance at the Board of Directors meetings for the 15th fiscal year:
15/15
Number of attendance at the meetings of Audit Committee
20/20
Tenure as Director (at the conclusion of this Meeting):
approx. 4 years</td><td>April 1984
August 1989
July 1998
June 2004
June 2012
June 2015
October 2016

May 2018
May 2019
June 2020</td><td>Registered as attorney at law
Shearman & Sterling LLP
Partner of Ishii Law Office (present)
External Audit & Supervisory Board Member of Ajinomoto Co., Inc.
Outside Corporate Auditor of NTT DATA CORPORATION
Outside Director of The Dai-ichi Life Insurance Company, Limited
Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc. (present)
Outside Director of J. Front Retailing Co., Ltd. (present)
Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)
Outside Director (Member of the Audit and Supervisory Committee) of NTT DATA CORPORATION (present)
Outside Audit & Supervisory Board Member of Mitsubishi Corporation (present)</td></tr>
<tr><td colspan="2">Important concurrent positions
Partner of Ishii Law Office
Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc.
Outside Director (Member of the Audit and Supervisory Committee) of NTT DATA CORPORATION
Outside Audit & Supervisory Board Member of Mitsubishi Corporation
(Concurrent positions in the Group)
Director of Daimaru Matsuzakaya Department Stores Co. Ltd.</td></tr>
<tr><td colspan="4">Reasons for nomination as candidate for Outside Director and overview of expected roles
-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 assertive and active advice and oversight from legal perspectives on strengthening measures as a holding company for the Medium-term Business Plan, the need for measures to increase the speed of digital strategies, formulating concrete proposals in line with the Group's business policy for the fiscal year, and on other proposed agenda items. Moreover, as a member of the Audit Committee, she 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 exchanging opinions and 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 as an Outside Director. As such, she has been nominated as a candidate to continue serving as Outside Director.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company</th></tr>
<tr><td rowspan="2">7</td><td rowspan="2">Independent
Outside Director
SEKI Tadayuki
(December 7, 1949)

Gender: Male
Number of the Company's shares owned (shares):
2,160
Number of other shares as stock-based remuneration not yet granted (shares):
1,933
Special interests between the Company and the Candidate:
None
Number of attendance at the Board of Directors meetings for the 15th fiscal year:
15/15
Number of attendance at the meetings of Audit Committee
20/20
Tenure as Director (at the conclusion of this Meeting):
approx. 2 years</td><td>April 1973
June 1998

June 2004
April 2007
June 2009

April 2010
May 2011
April 2013
April 2014

April 2015
May 2016
June 2016

April 2017
June 2017
July 2017

May 2020</td><td>Joined ITOCHU Corporation
General Manager, Finance Division, ITOCHU International Inc. (Stationed in New York)
Executive Officer of ITOCHU Corporation, CFO of Food Company
Managing Executive Officer, General Manager of Finance Division
Representative Director, Managing Director, Chief Officer for Finance, Accounting, Risk Management and CFO
Representative Director, Senior Managing Executive Officer
Representative Director, Senior Managing Executive Officer and CFO
Representative Director, Executive Vice President and CFO
Representative Director, Executive Vice President, Executive Advisory Officer, CFO & CAO
Adviser
External Director of Parco Co., Ltd.
Outside Director of NIPPON VALQUA INDUSTRIES, LTD. (present VALQUA, LTD.) (present)
Advisory Member of ITOCHU Corporation (present)
Outside Director of JSR Corporation (present)
Outside Statutory Auditor of Asahi Mutual Life Insurance Company (present)
Outside Director of J. Front Retailing Co., Ltd. (present)
Director of Parco Co., Ltd. (present)</td></tr>
<tr><td colspan="2">Important concurrent positions
Outside Director of VALQUA, LTD.
Outside Director of JSR Corporation
Outside Statutory Auditor of Asahi Mutual Life Insurance Company
(Concurrent positions in the Group)
Director of Parco Co., Ltd.</td></tr>
<tr><td colspan="4">Reasons for nomination as candidate for Outside Director and overview of expected roles
-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 assertively providing advice and oversight on the importance of capital cost-conscious financial strategies, the need for an adequate variation in M&A business portfolios, etc. Moreover, 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 exchanging opinions and engaging in discussions from the perspective of legality and appropriateness related to items submitted at the Board of Directors or 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 as an Outside Director. As such, he has been nominated as a candidate to continue serving as Outside Director.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company</th></tr>
<tr><td rowspan="2">8</td><td rowspan="2">Independent
Outside Director
KOIDE Hiroko
(August 10, 1957)

Gender: Female

Number of the Company’s shares owned (shares):
885

Special interests between the Company and the Candidate:
None

Number of attendance at the Board of Directors meetings for the 15th fiscal year:
12/12

Number of attendance at the meetings of Nomination Committee
12/12

Number of attendance at the meetings of Remuneration Committee
7/7

Tenure as Director (at the conclusion of this Meeting):
approx. 1 year</td><td>September 1986

May 1993
April 2001
April 2006

April 2008
November 2010

January 2013
April 2013

June 2016
April 2018
June 2019

May 2021</td><td>Joined J. Walter Thompson Japan K.K. (present Wunderman Thompson Tokyo G.K.)
Joined Nippon Lever K.K. (present Unilever Japan K.K.)
Director
General Manager of Marketing Management Division of Masterfoods Ltd. (present Mars Japan Limited)
Chief Operating Officer
President and Representative Director of Parfums Christian Dior Japon K.K.
Outside Director of Kirin Co., Ltd.
Senior Vice President of Global Marketing of Newell Rubbermaid Inc. (U.S.) (present Newell Brands Inc.)
Outside Director of Mitsubishi Electric Corporation (present)
Director of Vicela Japan Co., Ltd.
Outside Director of Honda Motor Co., Ltd
Outside Director of J-OIL MILLS, Inc. (present)
Outside Director of J. Front Retailing Co., Ltd. (present)</td></tr>
<tr><td colspan="2">Important concurrent positions
Outside Director of Mitsubishi Electric Corporation
Outside Director of J-OIL MILLS, Inc.</td></tr>
<tr><td colspan="4">Reasons for nomination as candidate for Outside Director and overview of expected roles
-KOIDE Hiroko has knowledge based on her extensive experience in the global management field and the marketing field, having served as an officer at foreign companies for many years, and having been engaged in corporate management as the head of marketing at the head office of a U.S. company, as well as abundant knowledge gained as an Outside Director at several listed companies. She has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight with respect to making measures more concrete for the Medium-term Business Plan, etc. as a holding company, the importance of a marketing-oriented way of thinking, such as identifying targets and needs, analyzing the factors and providing measures in cases when there are gaps between the target and the actual results, etc. She has contributed to the strengthening of the management human resources function by providing advice as necessary as a member of the Nomination Committee in the deliberation on the ideal structure of the Board of Directors of the Company and its major subsidiaries, focusing on succession plans, making transparent and fair personnel decisions for executives, and confirming the status of candidates for future senior management positions, etc., and as a member of the Remuneration Committee in the deliberation of policies and review of specific operational rules concerning the executive remuneration system and the calculation method of stock-based remuneration and bonuses. In light of her track record, abundant experience and high level of insight, the Company expects her to contribute greatly to management of the Group as an Outside Director. As such, she has been nominated as a candidate to continue serving as Outside Director.</td></tr>
</table>

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company	
9	YOSHIMOTO Tatsuya (April 13, 1956) Gender: Male Number of the Company's shares owned (shares): **81,742** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 15th fiscal year: **15/15** Number of attendance at the meetings of Nomination Committee **4/4** Number of attendance at the meetings of Remuneration Committee **4/4** Tenure as Director (at the conclusion of this Meeting): **approx. 9 years**	April 1979 March 2000 January 2008 May 2008 January 2010 March 2010 May 2012 April 2013 May 2013 May 2017 May 2020	Joined The Daimaru, Inc. Senior Manager of Preparatory Office for Opening Sapporo Store of Planning Office for Sapporo Store, Head Office General Manager of Tokyo Store Corporate Officer, General Manager of Tokyo Store 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. Corporate Officer of Daimaru Matsuzakaya Department Stores Co. Ltd. Senior General Manager of Management Planning Division Director and Corporate Officer President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. and President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd. Director of J. Front Retailing Co., Ltd. (present) Representative Managing Executive Officer President and Representative Executive Officer (present)

Reasons for nomination as candidate for Director and overview of expected roles

-YOSHIMOTO Tatsuya has abundant experience and insight into the whole of the Department Store Business, particularly those areas related to business management, planning and store operations. Since being appointed as President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. in 2013, he has been involved in executing existing high-quality department store business strategy considering the roles and expectations of the Department Store Business under the Group's strategy, and formulating a new Department Store Business strategy in reaction to the massive changes in the external environment. He has been demonstrating swift and resoundingly effective leadership based on a strong results-oriented approach aimed at realizing these initiatives. Since 2017, as Representative Managing Executive Officer of the Company, he has accumulated further knowledge based on his experiences in business management for the Group as a whole and management reform based on the Corporate Governance Code. Since being appointed as President and Representative Executive Officer of the Company in FY2020, amid the severe business environment, he has exercised leadership aiming for a future-proof business reform, building a foundation for sustainability management in the Medium-term Business Plan started this fiscal year through the decisive action of carrying out a structural reform in order to completely recover to the level of operating profit in FY2019. In light of his track record and experience, the Company has judged that he is a competent professional who is capable of helping ensure the improved corporate value and sustained growth of the Group and has accordingly nominated him as a candidate to continue serving as Director.

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company</th></tr>
<tr><td rowspan="3">10</td><td rowspan="2">WAKABAYASHI Hayato
(August 31, 1961)

Gender: Male

Number of the Company’s shares owned (shares):
13,339

Special interests between the Company and the Candidate:
None

Number of attendance at the Board of Directors meetings for the 15th fiscal year:
15/15</td><td>April 1985
April 1998
April 2007
February 2009
July 2013
May 2015
September 2015
March 2016
May 2016
March 2017
May 2017
May 2018
May 2020</td><td>Joined Matsushita Electric Industrial Co., Ltd. (present Panasonic Corporation)
President of Panasonic Financial Center Malaysia Co., Ltd.
Director and Chief Executive Officer of Matsushita Electric (China) Finance Limited
Finance Planning Team Leader (Manager), Headquarters Finance & IR Group of Panasonic Corporation
General Manager, Finance & IR Group, Corporate Strategy Division and Finance Strategy Team Leader of Panasonic Corporation (Director)
Joined J. Front Retailing Co., Ltd.
In charge of Finance Policy, Administration Unit
Executive Officer
In charge of Financial Strategy and Policy, Administration Unit
Senior Executive General Manager of Financial Strategy Unit (present) and in charge of Finance Policy
Director (present)
In charge of Financing and Finance Policy
Managing Executive Officer (present)
Senior General Manager of Financing and Finance Policy Division
Director of Parco Co., Ltd. (present)</td></tr>
<tr></tr>
<tr><td>Tenure as Director (at the conclusion of this Meeting):
approx. 6 years</td><td colspan="2">Important concurrent positions
(Concurrent positions in the Group)
Director of Parco Co., Ltd.</td></tr>
<tr><td colspan="4">Reasons for nomination as candidate for Director and overview of expected roles
-WAKABAYASHI Hayato has pursued a career mainly in the financial realm of Panasonic Corporation and its group companies, and as such has adequate insight and sufficient experience related to financial policy with respect to enhancing financial standing, improving levels of cash management and other such initiatives. As such, he was invited into the Group in May 2015 and has established and promoted a financial strategy encompassing the entire Group. Since 2016, he has been promoting financial strategies and programs for the Group as a whole, by implementing measures aimed at applying the IFRS accounting standard and enhancing capital profitability as well as raising funds to support the continuation of corporate activities by implementing appropriate financial measures amid the severe business environment caused by COVID-19, formulating tax policies and beginning the reform of the accounting system with an eye to the future. In addition to such achievements and in-depth insight on finance, he has the commensurate abilities as a management professional in terms of his strategic and transformation-minded leadership, strong results-oriented approach and other such attributes. As such, the Company has judged that he is a competent professional who is capable of helping ensure the improved corporate value and sustained growth of the Group by executing business acting as a Director, and has accordingly nominated him as a candidate to continue serving as Director.</td></tr>
</table>

Special notes regarding the candidates for Director

-The Company has entered into an agreement with candidates for Directors YAMAMOTO Ryoichi, HAMADA Kazuko, YAGO Natsunosuke, HAKODA Junya, UCHIDA Akira, SATO Rieko, SEKI Tadayuki and KOIDE Hiroko individually to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act as prescribed in Paragraph 1, Article 427 of the said Act.

-The Company has entered into a Directors and Officers liability insurance contract with an insurance company as prescribed in Paragraph 1, Article 430-3 of the Companies Act. Under such insurance contract, the Company will bear the full amount of insurance premiums for all the insured. The insurance policy covers all Directors and Executive Officers of the Company and all Directors and Audit & Supervisory Board Members of its subsidiaries. All candidates for Directors are included in the insured persons of the said insurance contract.

-Candidates for Directors YAGO Natsunosuke, HAKODA Junya, UCHIDA Akira, SATO Rieko, SEKI Tadayuki and KOIDE Hiroko are independent officers who have been given the obligation by the Tokyo Stock Exchange, Inc. and the Nagoya Stock Exchange, Inc. to protect ordinary shareholders.

-At Mitsubishi Electric Corporation, where candidate for Director KOIDE Hiroko has been in office as an Outside Director since June 2016, several incidents of quality misconduct regarding several products of the company came to light from April 2021. After the incidents came to light, several manufacturing bases of the company related to the incidents received notice, some that their ISO9001 and IRIS certifications would be suspended, and other that part of the scope of their ISO9001 certification and the whole of their IRIS certification would be canceled from July 2021 and onwards. She was not directly involved in the incidents and was not aware of the incidents until they came to light. She has regularly provided advice from the point of view of compliance with laws and regulations even before the incidents came to light, such as by expressing her opinion at meetings of the Board of Directors regarding the importance of a change in thinking with regard to quality issues, etc., and has continued to fulfill her duty as an Outside Director after the incidents came to light by providing advice and oversight with respect to efforts aimed at thorough compliance with laws and regulations and with contracts and at the implementation of effective measures to prevent fraud.

(Reference) The Company's criteria for determining independence of Outside Directors are as follows.

In appointing the Company's Outside Directors, we select individuals who maintain a high degree of independence and consequently are not susceptible to conflicts of interest involving the Company's shareholders. An individual does not meet the criteria for independence if one or more of the items listed below apply to that individual.

(i) Person who executes business in the J. Front Retailing Group (the "Group")

(ii) Major shareholder of the Company (including person who executes business thereof; the same applies with items (iii) to (vi) below)

(iii) Major business partner of the Group

(iv) Person affiliated with a law office, audit firm, consultancy or other entity that receives payment other than executive compensation of more than a certain amount from the Group

(v) Recipient of donations of more than a certain amount contributed by the Group

(vi) Related party in cases where the party is engaged in an arrangement involving a reciprocal officer appointment with the Group

(vii) Person with respect to whom any of items (i) to (vi) has applied at any point over the last five years

(viii) Spouse or relative within the second degree of consanguinity of a person with respect to whom any of the items (i) to (vii) applies

With respect to the above, "person who executes business" refers to an Executive Director, an Executive Officer, and any other employee; "major shareholder" refers to a shareholder who holds voting rights accounting for no less than 10% of the Company's voting rights; "major business partner" refers to a business partner whose transactions with the Group account for 2% or more of the Company's annual consolidated net sales or the business partner's annual net sales for any of the fiscal years over the last five years; "a certain amount" refers to an annual amount of ¥10 million in any of the fiscal years over the last five years.

[Reference Document for the 15th Annual Shareholders Meeting]

Business Report (From March 1, 2021 to February 28, 2022)

1. Current status of the corporate group

(1) Business summary and results

In the fiscal year under review, the Japanese economy encountered ongoing instability, which was partly attributable to a situation where the worldwide spread of COVID-19 persisting since last year significantly affected social and economic activities in Japan and overseas, and also attributable to rapidly mounting geopolitical risks in the latter half of the fiscal year.

As for corporate earnings, signs of improvement emerged largely due to expanding external demand amid resumption of global economic activity, yet earnings disparity between industries widened amid a situation where the in-person services sector has been subject to severe restrictions limiting movement particularly in the form of controls on flows of people and voluntary restraints on business operations associated with the spread of COVID-19. In addition, the outlook has become furthermore uncertain amid increasingly conspicuous effects of surging resource prices and materials supply shortages.

Despite personal spending having exhibited signs of recovery beginning in October amid a decreasing number of COVID-19 cases and progress made with respect to vaccinations, challenging circumstances have persisted amid a resurgence of deteriorating consumer sentiment caused by factors that include rapid proliferation of infections involving COVID-19 variants at the end of the fiscal year and imposition of strict infection control measures.

◆ Initiatives for the initial fiscal year of the FY2021-FY2023 Medium-term Business Plan

The Company has embarked on its new Medium-term Business Plan, which positions sustainability at the core of management and sets its sights on the corporate vision for 2030, amid the unprecedented crises of the COVID-19 pandemic. Under the Medium-term Business Plan, (1) we aim to achieve "complete recovery" in terms of ensuring that our performance indicators return to levels of fiscal 2019 prior to the COVID-19 pandemic, and (2) we have positioned the period covered by the plan to be one of poising ourselves for "regrowth" beginning in fiscal 2024.

During the current fiscal year, which constituted the initial year of the Medium-term Business Plan, the outlook remained uncertain due to COVID-19 with the infection having spread intermittently throughout the year. Amid those circumstances, we strove to manage operations in a manner that involves addressing persistently changing circumstances across our respective businesses, with our top priority placed on ensuring the safety and security of our customers and employees, and achieving business continuity. We also took a flexible approach in terms of implementing measures that entail cutting costs and carefully selecting investments even during the fiscal year.

Our commitment to sustainability primarily involved engaging in business activities and new business development integrating our seven materiality issues (priority issues) with our key strategies, reducing greenhouse gas emissions looking toward our medium- to long-term targets, and seeking solutions to environmental and social challenges in cooperation with our suppliers (refer to "(6) The Group's sustainability initiatives" for further details on our commitment to sustainability).

At the same time, we steadily promoted initiatives set forth in the Medium-term Business Plan in terms of the "three key strategies," "management structure reforms," and "strengthening of management foundation."

Overall Composition of the FY2021-FY2023 Medium-term Business Plan

Overall Composition of the Medium-term Business Plan

Three strategies for "quick recovery of earnings" and "regrowth"	Real x digital strategy Increase the attractiveness of department stores and PARCO content, expand OMO operations	Prime life strategy Strengthen business targeting consumers who enjoy fulfilling lifestyles	Developer strategy Maximize value of the Group's real estate holdings, promote development of large-scale complexes
Important measures towards "complete recovery"	**Management structure reforms** ▶Cost reduction by business model reform ▶Narrowing down business base		
Management foundation functional strategies	**Financial strategy**	**Human resource strategy**	**IT strategy (defensive IT)**

<u>Three key strategies and management structure reforms</u>

1) Real x digital strategy

The Company's digital strategy is implemented with the aim of providing new experience value extending beyond temporal and spatial constraints by enlisting digital technologies combined with the appeal of brick-and-mortar stores and human resources, thereby extending above and beyond initiatives that merely involve strengthening e-commerce.

Our efforts to increase the attractiveness of our stores has involved developing content that provides new value for department stores, particularly in terms of enhancing luxury brands and other key categories centered on the flagship stores, developing sales floors that enlist integration of direct-to-consumer brands (where creators and manufacturers deal directly with consumers), having PARCO promote renovation of its flagship stores with sights set on rebranding of stores, and opening medical wellness malls that seamlessly provide a range of services from medical treatment to the sales of goods and services.

Our efforts involving use of digital technologies have entailed digitalizing customer contact points particularly by increasing the app membership count in the Department Store and PARCO businesses, and developing original OMO operations (offline brick-and-mortar stores merged with online) particularly for cosmetics and art, inspired by brick-and-mortar stores, looking toward expanding business using online platforms. In addition, we have entered the market of fashion subscription, which serves as a business initiative undertaken from the perspective of CSV (creating shared value) using online platforms.

2) Prime life strategy

Under our prime life strategy, we have been expanding our high-quality customer base, which is a strength of the Company, while strengthening our proposals for consumers who enjoy fulfilling, sustainable lifestyles.

In the Department Store Business, we worked to increase the value of the customer experience derived from both brick-and-mortar stores and online platforms. This has involved enhancing key categories, developing refined store environments that are distinctive to brick-and-mortar stores particularly by constructing lounges for our loyal customers, offering scarce merchandise and services through our loyal customer-exclusive website, and upgrading our remote sales services. In addition, we took steps to provide new services including a family trust service in our Payment and Finance Business.

3) Developer strategy

We have set our sights on transforming our business portfolio enlisting efforts of the Developer Business, which is a new business segment. This has involved helping to create bustling towns underpinned by coexistence with local communities, building foundations for "regrowth" in fiscal 2024 and beyond with a focus on increasing the value of our real estate holdings, and proceeding with upfront investment.

In the current fiscal year, we have made progress in deriving revenue from existing properties unified within PARCO through their effective use, and have furthermore been promoting district development in Nagoya's Sakae area in partnership with other companies. In addition, we have been building foundations for achieving medium- to long-term growth, which has involved devising plans for development of large-scale complexes in the Group's key areas, making sophisticated use of our asset holdings, and taking action to diversify into multiple revenue streams.

4) Management structure reforms

We have been implementing the most important measures for complete recovery to levels of fiscal 2019 in conjunction with our key strategies, which have involved: (1) reducing fixed costs through structure reforms, and (2) increasing management efficiency and asset efficiency.

As for our initiatives to reduce fixed costs during the current fiscal year, we achieved reductions exceeding initial estimates primarily by promoting organizational and personnel structure reforms through business model reforms in the Department Store Business and by prompting a shift to digital advertising.

In addition, our efforts to improve management efficiency and asset efficiency involved setting our sights on transforming our business portfolio. To such ends, we transferred all shares of NEUVE A Co., Ltd. in the specialty store business at the end of June, transferred some shares of Dimples' Co., Ltd. in the staffing service business at the end of February, and furthermore sold non-business assets.

◆ Strengthening management foundation to support achievement of medium- to long-term growth

Under the Group financial strategy, we have been seeking to ensure liquidity of funds aligned with changes in the business environment amid the COVID-19 pandemic. The Company furthermore issued sustainability bonds for the first time in May as a new means of procuring funds. In addition, we made the decision to adopt the consolidated taxation system beginning in fiscal 2022 in aiming to strengthen tax governance and optimize tax costs.

Under the Group human resource strategy, we made progress in recruiting work-ready professionals equipped with requisite specialized knowledge and skills particularly in the digital realm with the aim of steadily promoting our key strategies. In addition, we promoted initiatives on the basis of the Company's materiality issues, particularly with respect to encouraging active participation of women and setting up remote work arrangements aligned with diversification of work styles.

Under the Group IT strategy, we have embarked on efforts to rebuild backbone systems in seeking to develop more sophisticated management and administration, particularly by revamping Group-wide accounting systems in conjunction with lending support for promoting digital strategies in our respective businesses.

Consolidated revenue for the fiscal year under review

With respect to consolidated earnings for the current fiscal year, revenue was ¥331,484 million, up 3.9% year on year, partly due to a rebound in the wake of suspended store operations and shortened operating hours in the Department Store and PARCO businesses in the previous fiscal year, in addition to various measures including those mentioned above.

Furthermore, business profit was ¥11,718 million, up 395.1% year on year, as a result of efforts throughout the fiscal year that involved curbing investment and reducing expenses. Operating profit was ¥9,380 million (operating loss of ¥24,265 million in the previous fiscal year) largely due to recording of gain on sales of shares of subsidiaries, gain on sales of non-current assets, and structural reform costs. Profit before tax was ¥6,190 million (loss before tax of ¥28,672 million in the previous fiscal year), and profit attributable to owners of parent was ¥4,321 million (loss attributable to owners of parent of ¥26,193 million in the previous fiscal year).

Regarding dividends, the Company has decided to pay an annual dividend of ¥29 per share (¥27 in the previous fiscal year), for an increase of ¥2 relative to the previous fiscal year. With respect to the balance of the interim dividend and year-end dividend, the interim dividend amounted to ¥14 per share for an increase of ¥5 relative to the previous fiscal year (¥9 in the previous fiscal year), and the year-end dividend amounted to ¥15 per share for a decrease of ¥3 relative to the previous fiscal year.

Key performance indicator targets

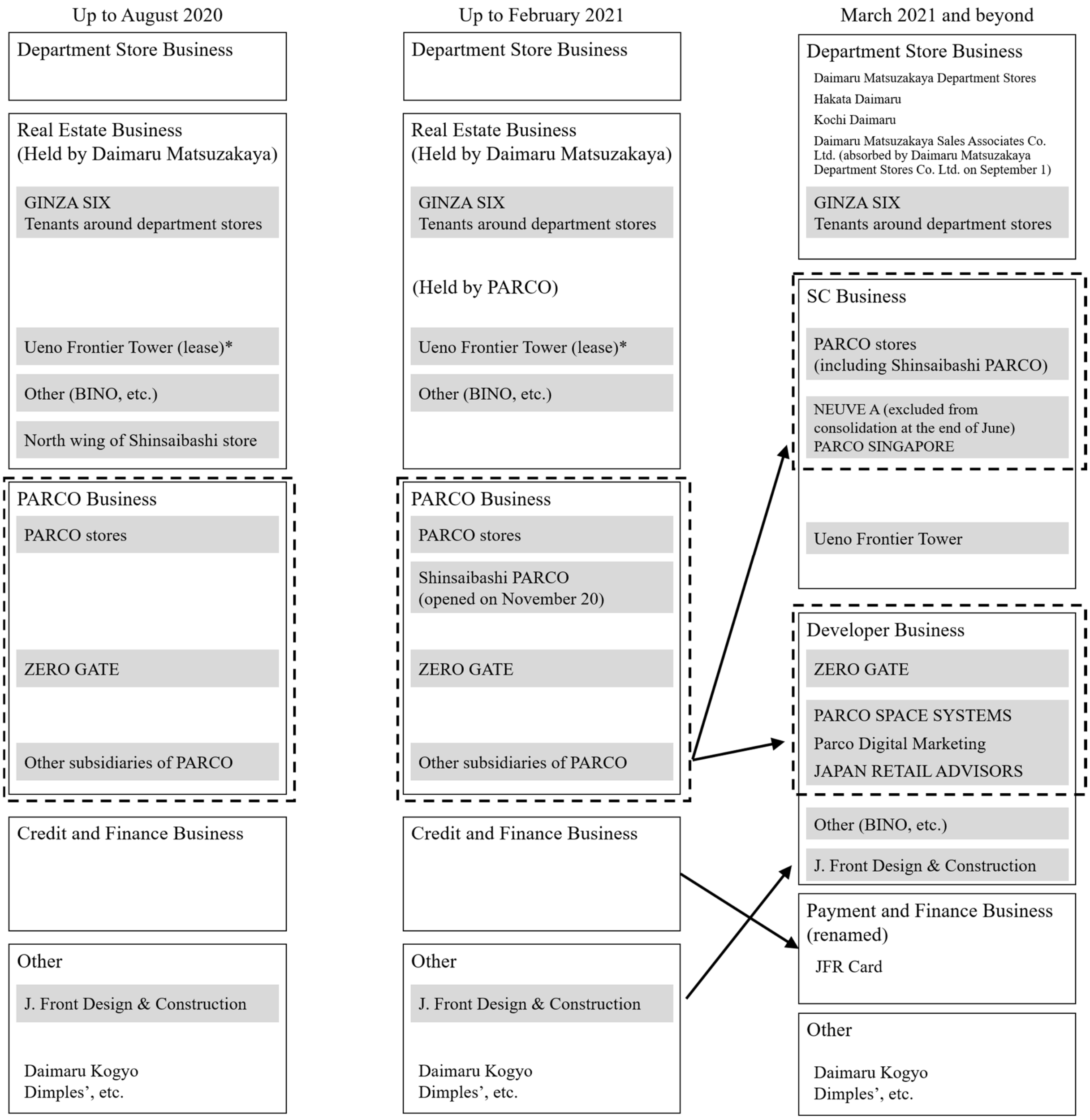
	FY2019 results	FY2020 results	FY2021 results	FY2023 targets
Consolidated operating profit (IFRS)	¥40,286 million	¥(24,265) million	¥9,380 million	¥40,300 million
Consolidated ROE	5.4%	(7.1)%	1.2%	7.0%
Consolidated ROIC	–	0.2%	1.2%	5.0%
Greenhouse gas emissions*	(16.3)%	(32.0)%	(under calculation)	(40)%
Ratio of women in management positions	16.6%	19.9%	21.3%	26%

*Scope 1 and 2 emissions compared with FY2017. The result of FY2021 is under calculation.

(Reference) Changes in the Reportable Segments

- From the fiscal year ended February 28, 2022, the Group has four business segments; the Department Store Business, the SC (Shopping Center) Business, the Developer Business, and the Payment and Finance Business.
- The changes in the reportable segments under the Group, the major subsidiaries, and the classification of the real estate properties for the fiscal year ended February 28, 2021 and the fiscal year ended February 28, 2022 are as follows.

(Note) In the chart below, the scope of the existing PARCO Business is presented within the dotted lines.



* "Ueno Frontier Tower (lease)" up to February 2021 includes real estate lease revenue from PARCO Co., Ltd. on PARCO_ya Ueno.

Results by segment are as follows.

Revenue and operating profit by business segment of the corporate group

(Millions of yen)

Business segment	14th fiscal year (Fiscal 2020)				15th fiscal year (Current fiscal year) (Fiscal 2021)			
	Revenue		Operating profit		Revenue		Operating profit	
	Results	Composition	Results	Composition	Results	Composition	Results	Composition
		%		%		%		%
Department Store Business	173,831	54.5	(20,785)	–	190,739	57.5	(4,594)	–
SC Business	55,449	17.4	(6,968)	–	52,556	15.9	2,055	–
Developer Business	53,825	16.9	1,981	–	50,633	15.3	4,711	–
Payment and Finance Business	9,035	2.8	421	–	11,037	3.3	1,970	–
Total	292,142	91.6	(25,351)	–	304,967	92.0	4,142	–
Other	62,559	19.6	1,724	–	61,755	18.6	1,199	–
Adjustments	(35,622)	(11.2)	(638)	–	(35,239)	(10.6)	4,039	–
Consolidated total	319,079	100.0	(24,265)	100.0	331,484	100.0	9,380	100.0

Department Store Business

Revenue of ¥190,739 million (+9.7% YoY), operating loss of ¥4,594 million (operating loss of ¥20,785 million in the previous fiscal year)

<Reference data>
Gross sales of ¥555,845 million (+16.5% YoY), business profit of ¥1,798 million (business loss of ¥2,936 million in the previous fiscal year)

The adverse business environment persisted amid a situation where each store was forced to suspend on-site sales of items other than daily necessities particularly in the first half, along with imposition of shorter operating hours and entry restrictions, all associated with application of state of emergency declarations and strict infection control measures.

On the other hand, we promoted digital sales activities that involved strengthening app-based communications with customers and upgrading remote sales services. Moreover, our OMO initiatives entailed launching the new ARToVILLA media service for conveying the appeal of art in both physical stores and online.

To increase the attractiveness of stores, we enhanced key categories and constructed lounges for our loyal customers particularly in our flagship stores. We also sought to create new stores that are integral to their respective communities with renovation and re-openings of the Daimaru Suma store in March and the Matsuzakaya Takatsuki store in July. In addition, at the Daimaru Tokyo store we sought development of new content that entailed opening "asumise," a showrooming space for direct-to-consumer brands. We ceased operations of the Matsuzakaya Toyota store in September.

In addition, we engaged in initiatives involving organizational and personnel structure reforms with our sights set on business model reforms, which was in addition to absorption-type merger of a sales function subsidiary and overhaul of outsourcing operations for the sake of heightening flexibility in addressing the changing business environment as well as improving organizational and employee productivity.

As a result of various measures including those mentioned above, along with a rebound from suspension of store operations, among other factors, revenue was ¥190,739 million, up 9.7% year on year. Operating loss improved relative to the previous fiscal year to ¥4,594 million (operating loss of ¥20,785 million in the previous fiscal year), partly due to recording of structural reform cost.

(Reference) Net sales by company, store and product of the Department Store Business (Japanese GAAP) are as follows.

Net sales by company and store of the Department Store Business (Millions of yen)

Company / Store			Amount	Composition	Year-on-year changes
Daimaru Matsuzakaya Department Stores Co. Ltd.				%	%
	Daimaru				
		Osaka Shinsaibashi store	52,883	9.5	30.3
		Osaka Umeda store	41,227	7.4	8.7
		Tokyo store	47,615	8.6	22.9
		Kyoto store	52,433	9.4	11.2
		Kobe store	70,160	12.6	19.4
		Suma store	6,549	1.2	(4.9)
		Ashiya store	4,173	0.8	22.1
		Sapporo store	49,376	8.9	18.3
		Shimonoseki store	8,410	1.5	3.7
		Sub total	332,830	59.9	17.5
	Matsuzakaya				
		Nagoya store	103,984	18.7	20.0
		Ueno store	20,894	3.8	15.4
		Shizuoka store	17,088	3.1	15.1
		Takatsuki store	5,179	0.9	(11.6)
		Toyota store	4,153	0.7	(18.1)
		Sub total	151,299	27.2	15.9
	Corporations, head office, etc.		21,857	3.9	9.2
	Total		505,987	91.0	16.6
The Hakata Daimaru, Inc.			41,523	7.5	18.6
Kochi Daimaru Co., Ltd.			8,277	1.5	4.1
Adjustments			56	0.0	–
Total			555,845	100.0	16.5

Net sales by product of the Department Store Business (Millions of yen)

Product	Amount	Composition	Year-on-year changes
		%	%
Men's clothing and haberdashery	31,885	5.7	12.6
Ladies' clothing and haberdashery	176,668	31.8	23.4
Children's clothing and haberdashery	6,358	1.1	(5.3)
Kimono, bedding and other clothing	5,630	1.0	0.8
Accessories	38,882	7.0	15.7
Furniture	4,288	0.8	14.5
Home appliances	152	0.0	(47.6)
Household goods	14,639	2.6	8.8
Food products	130,756	23.5	11.7
Food halls and cafes	10,895	2.0	16.3
General goods	100,349	18.1	21.0
Services	1,938	0.3	26.6
Other	33,343	6.1	7.5
Adjustments	56	0.0	–
Total	555,845	100.0	16.5

(Notes) 1. Effective from the fiscal year ended February 28, 2022, sales of the Corporate Sales Division and revenue attributable to the head office, which had been included in the relevant stores, have been presented separately as Corporations, head office, etc. Percentage changes year on year have been calculated by restating the results of the fiscal year ended February 28, 2021.

2. Effective from the fiscal year ended February 28, 2022, real estate lease revenue from GINZA SIX and the tenants around department stores, etc., which had been included in the Real Estate Business, has been included in Corporations, head office, etc. and the relevant stores, respectively. Percentage changes year on year have been calculated by restating the results of the fiscal year ended February 28, 2021.

3. The Matsuzakaya Toyota store closed on September 30, 2021.

4. Daimaru Matsuzakaya Department Stores Co. Ltd. merged with and absorbed Daimaru Matsuzakaya Sales Associates Co. Ltd. on September 1, 2021. Year-on-year changes have accordingly been calculated by retrospectively adjusting comparative figures for the previous year.

SC Business

Revenue of ¥52,556 million (-5.2% YoY), operating profit of ¥2,055 million (operating loss of ¥6,968 million in the previous fiscal year)

<Reference data>
Gross sales of ¥219,172 million (+11.9% YoY), business profit of ¥3,844 million (+281.3% YoY)

Adverse circumstances in the business environment persisted as was the case with the Department Store Business, amid a situation where the spread of COVID-19 resulted in suspended store operations, shortened operating hours, and restrictions imposed on entrance to entertainment venues.

Amid those circumstances, we sought to advance customer communications through initiatives that included digitalizing customer contact points particularly in terms of expanding app membership in partnership with our tenants, strengthening the "PARCO ONLINE STORE," and enhancing app payment functions. In terms of store rebranding, we undertook renovation centered on our flagship stores including Urawa PARCO, Sendai PARCO, and Fukuoka PARCO, and we actively operated pop-up stores that are highly distinctive to luxury brands at Shibuya PARCO. In addition, we arranged events enlisting collaboration with popular characters and furthermore held anniversary events at Shibuya and Shinsaibashi PARCO.

As a new business in the area of wellness, we participated in the development and operation of medical malls and opened the 1st "Welpa" new-concept medical wellness mall in Shinsaibashi PARCO in November.

As a result of various measures including those mentioned above, revenue from store operations increased but revenue overall decreased by 5.2% year on year to ¥52,556 million due to transfer of all shares of NEUVE A Co., Ltd. in the specialty store business in June. Operating profit increased substantially to ¥2,055 million (operating loss of ¥6,968 million in the previous fiscal year), partly due to a rebound with respect to store closure-related expenses incurred in the previous fiscal year.

(Reference) Tenant transaction volume (on a gross basis) by PARCO store in the SC Business is as follows.

Tenant transaction volume by PARCO store in the SC Business (Millions of yen)

Store	Amount	Composition	Year-on-year changes	Store	Amount	Composition	Year-on-year changes
Sapporo PARCO	7,965	% 3.7	% 12.9	Shintokorozawa PARCO	8,131	% 3.8	% 2.3
Sendai PARCO	14,868	7.0	9.0	Tsudanuma PARCO	9,313	4.4	6.8
Urawa PARCO	23,595	11.1	11.0	Hibarigaoka PARCO	6,124	2.9	4.5
Ikebukuro PARCO	16,313	7.7	12.8	Matsumoto PARCO	3,986	1.9	7.4
PARCO_ya Ueno	5,261	2.5	27.0	Total of community complex group	27,556	13.0	5.0
Kichijoji PARCO	5,947	2.8	11.1	Total of city and community complex groups	212,604	100.0	17.3
Shibuya PARCO	17,072	8.0	43.7				
Kinshicho PARCO	6,952	3.3	9.8				
Chofu PARCO	15,218	7.2	5.8				
Shizuoka PARCO	7,621	3.6	9.4				
Nagoya PARCO	22,718	10.7	9.7				
Shinsaibashi PARCO	13,632	6.4	230.7				
Hiroshima PARCO	10,740	5.1	6.3				
Fukuoka PARCO	17,139	8.1	17.9				
Total of city complex group	185,048	87.0	19.4				

(Notes) 1. The tenant transaction volume represents the total amount of tenant transactions at PARCO stores.
2. Shinsaibashi PARCO opened on November 20, 2020.
3. Effective from the fiscal year ended February 28, 2022, results of the 1st basement and cinema complex of Ueno Frontier Tower are managed as the SC Business. Accordingly, results of the 1st basement and cinema complex are included in the current results of PARCO_ya Ueno but not in its previous year results.

Developer Business

Revenue of ¥50,633 million (-5.9% YoY), operating profit of ¥4,711 million (+137.7% YoY)

<Reference data>
Gross sales of ¥53,794 million (+5.9% YoY), business profit of ¥3,134 million (+10.3% YoY)

We promoted use of our existing properties on the basis of the Real Estate Business having been consolidated into PARCO in the previous fiscal year. This involved opening a commercial facility at the former site of a Matsuzakaya distribution center in March while also engaging in non-commercial multi-purpose development, and furthermore selling off non-business assets. In July, we decided to open stores in a new building (formerly Kumamoto PARCO) in central Kumamoto.

Meanwhile, our efforts to develop the Nagoya Sakae area to make it more appealing involved promoting development of Nishiki 3-chome District 25 (tentative name), slated for completion and opening in 2026.

As a result of various measures including those mentioned above, along with factors that include rent concessions associated with business suspension, a backlash effect with respect to prior special demand for building interior work, and reconsideration of postponed work order schedules, revenue was ¥50,633 million, down 5.9% year on year. However, operating profit was ¥4,711 million, up 137.7% year on year, partly as a result of recording gain on sales of non-current assets.

Payment and Finance Business

Revenue of ¥11,037 million (+22.2% YoY), operating profit of ¥1,970 million (+367.8% YoY)

<Reference data>
Gross sales of ¥14,556 million (+26.6% YoY), business profit of ¥1,906 million (+380.4% YoY)

In the payment business, we worked to maintain and expand the customer base through initiatives that included updating cards in the previous fiscal year and introducing a new points program (QIRA Point). We also achieved geographic expansion with respect to the network of affiliated stores and initiated operations such as those involving mutual exchange of customers among Group stores.

In the finance business, we integrated the insurance agency business within the Group and started offering family trust service in seeking to expand into new financial products.

As a result of various measures including those mentioned above, revenue was ¥11,037 million, up 22.2% year on year primarily due to recovery in transaction volume handled by department stores and increased revenues from annual membership fees associated with updating cards. Meanwhile, operating profit was ¥1,970 million, up 367.8% year on year.

Other

Revenue of ¥61,755 million (-1.3% YoY), operating profit of ¥1,199 million (-30.5% YoY)

<Reference data>
Gross sales of ¥73,246 million (-3.1% YoY), business profit of ¥1,252 million (-24.3% YoY)

In the electronic devices division and automotive components division of Daimaru Kogyo, Ltd., which is engaged in the wholesale business, revenue decreased amid tight supply of semiconductors. Meanwhile, Dimples' personnel recruitment business achieved an increase in revenue in part due to recovery of business involving its client facilities.

As a result of the above, revenue was ¥61,755 million, down 1.3% year on year, and operating profit was ¥1,199 million, down 30.5% year on year.

Dimples' has been removed from the scope of consolidation upon partial sale of its shares at the end of February.

(2) Explanation of financial position

(Assets, liabilities, and equity as of February 28, 2022)

Total assets as of February 28, 2022 were ¥1,192,907 million, down ¥70,815 million compared with February 28, 2021. Total liabilities were ¥830,787 million, a decrease of ¥68,591 million compared with February 28, 2021. Interest-bearing liabilities (including lease liabilities) were ¥502,109 million, down ¥60,706 million compared with February 28, 2021, as a result of the Company having taken steps to optimize cash and deposits on hand secured to provide for effects of the COVID-19 pandemic, and having proceeded with repayment.

Total equity was ¥362,120 million, a decrease of ¥2,223 million compared with February 28, 2021.

(Cash flow position)

The balance of cash and cash equivalents (hereinafter "cash") as of February 28, 2022 was ¥93,278 million, down ¥35,647 million compared with February 28, 2021.

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

Net cash provided by operating activities was ¥49,866 million. In comparison with the previous fiscal year, despite profit before tax having returned to profitability, cash provided decreased by ¥6,605 million, largely due to an increase in trade receivables (decrease of cash provided).

Net cash used in investing activities was ¥5,289 million. In comparison with the previous fiscal year, cash used decreased by ¥15,581 million, largely due to proceeds from sales of investment property and subsidiary shares, in addition to a decrease in purchase of property, plant and equipment.

Net cash used in financing activities was ¥80,392 million. In comparison with the previous fiscal year, although there were proceeds from issuance of bonds, cash provided decreased by ¥139,119 million, largely due to the rebound after fund raising for COVID-19 measures carried out in the previous year.

(3) Status of capital investment

The basic approach taken regarding the Group's recurring capital investment is to keep such investment within the scope of the amount of depreciation. In the current fiscal year, total capital investments were ¥21,083 million, as a result of curtailing investments, excluding recurring investment.

(i) Major facilities completed during the current fiscal year

Mainly, in the Department Store Business this included investment in refurbishment of sales floors at the Daimaru Kobe store, and in the Developer Business this included opening of a commercial facility at the former site of a Matsuzakaya distribution center.

(ii) New establishments and expansions of major facilities with ongoing construction works during the current fiscal year

Not applicable.

(iii) Sales, removals and losses of major non-current assets

Not applicable.

(4) Status of procurement

The Group's basic policy is to source funds needed for business activities using funds generated by the Group. Moreover, when the need arises for business investment or other expenditures, the holding company spearheads efforts to procure such funds 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 streamlined means of procuring Group funds by seeking necessary funds through intra-Group financing using a cash management system.

For the current fiscal year, based on the above policy, we procured ¥30,000 million (of which, ¥15,000 million involved sustainability bonds) through issuance of unsecured straight bonds.

Meanwhile, we gradually embarked on efforts to optimize cash and deposits on hand secured to provide for effects of the COVID-19 pandemic, and made progress on repayment of commercial paper of ¥55,000 million and long-term borrowings of ¥17,100 million. As a result, our balance of interest-bearing liabilities (excluding lease liabilities) decreased by ¥42,200 million compared to the end of the previous fiscal year to ¥317,700 million. We also scaled back the commitment line to ¥200,000 million, a decrease of ¥100,000 million.

(5) Issues to be addressed

For fiscal 2021, which constituted the initial year of the Medium-term Business Plan, whereas our recovery in earnings results remained moderate relative to initial estimates amid ongoing proliferation of COVID-19, we achieved some success with respect to our three key strategies particularly in terms of digitalizing customer contact points and prioritizing investing in our flagship stores, developing new content, and promoting management structure reforms.

On the other hand, we have been encountering an increasingly uncertain business environment amid prolonged effects of the pandemic and rising tensions in international affairs, with such factors in turn giving rise to soaring raw material costs and supply-side constraints. In particular, this situation calls for us to take action that includes strengthening our response to risk such as “changes in consumer behavior due to COVID-19” and “decline of existing business models,” pursuing business model reforms with respect to our existing businesses, and furthermore heightening our effectiveness looking toward enabling the Group to achieve sustainable growth.

Meanwhile, corporations are intensively urged to tackle and address issues regarding the environment, society, and human rights through their business activities, in addition to achieving economic value, amid a scenario of drastically changing social structures and consumption patterns.

The Company regards such structural changes as opportunities for corporate transformation and accordingly strives to increase its medium- to long-term corporate value and enable its stakeholders to achieve the notion of a “Well-Being Life.” This involves seeking business growth and creating business opportunities by promoting sustainability management, in addition to our persisting efforts in areas that include reducing environmental burden and seeking solutions to social challenges.

◆ Accelerating implementation of key strategies and management structure reforms looking toward “complete recovery” and “regrowth”

During fiscal 2022, the second year of the Medium-term Business Plan, we seek to take a solid step toward achieving complete recovery. To such ends, we will steadily derive results from investment concentrated toward our key strategies and initiatives in our existing businesses such as the Department Store and SC businesses, while striving to increase profitability by promoting management structure reforms in part by reducing fixed costs.

Meanwhile, we will set a clear trajectory toward “regrowth” with our sights set on the year 2030 amid heightening importance of business portfolio transformation due to changes in the business environment. This will involve seeking growth in the non-retail realm particularly in our Developer Business and Payment and Finance Business by making the most of the Group’s management resources. Beginning this fiscal year, we have sought to strengthen our framework for formulating and promoting management strategies that include the “business portfolio transformation,” “Group Corporate Real Estate (CRE),” and “Group digital” strategies under our holding company organization. In so doing, we will carry out initiatives from the perspective of pursuing overall optimization and synergies. This will involve picking up the pace in realizing our strategic aims in terms of extending each of the key strategies by strengthening our alliances with the respective operating companies and other companies, considering new fields of business from a creating shared value (CSV) perspective, and concentrating allocation of management resources.

Accelerating implementation of the three key strategies and management structure reforms

1) Real x digital strategy

We will transform the business model into one that provides new experience value through the use of digital technologies originating from brick-and-mortar stores and human resources. We will work to increase the attractiveness of our stores through investment concentrated toward the flagship stores of the Department Store and SC businesses and expand business using online platforms, in order to achieve quick recovery of earnings under the Medium-term Business Plan.

Moreover, in step with promoting strategies in our respective businesses, we will engage in an "offense-oriented digital strategy" drawing on alliances with our respective businesses. This will involve formulating a Group customer strategy enlisting integration of our customer database and hastening mutual exchange of customers in our key areas.

(i) Increase the attractiveness of stores

- We will take steps to establish competitive advantages in each of our business locations by concentrating on enhancing key categories including luxury items, art, and watches centered on our flagship department stores. Meanwhile, we will more swiftly address market changes that have become increasingly apparent due to the COVID-19 pandemic, in part by streamlining sales floors that handle practical merchandise.
- We will promote reforms of the SC business model through initiatives that involve undertaking investment concentrated toward our key stores such as Ikebukuro PARCO and Nagoya PARCO, engaging in merchandising development to replace the conventional fashion zone format, and bringing in new tenants to address market changes in each location.
- We will seek to strengthen alliances through initiatives that include having our department stores and PARCO locations hold collaborative events in the Shinsaibashi and Nagoya areas.

(ii) Expand online business

- We will strengthen our original OMO business originating from brick-and-mortar stores. This will involve having our department stores set up "DEPACO" online stores handling cosmetics integrated with stores and enhance e-commerce products, and having PARCO locations renovate online stores and facilitate mutual exchange of customers between physical stores and online platforms in partnership with our tenants.

2) Prime life strategy

We will strengthen our proposals for "consumers who enjoy fulfilling, sustainable lifestyles," which is the aim of our prime life strategy. Under the Medium-term Business Plan, we will engage in initiatives for developing new products and services and prompting evolution of communication with our customers using digital technologies, largely based on department store gaisho (out-of-store sales).

At the same time, we will take steps to realize the medium- to long-term strategies of the Payment and Finance Business, positioned as a core business for achieving "regrowth."

(i) Develop new products and services

- Our department stores will engage in efforts that involve deepening our mainstay categories, identifying new content for serving the affluent market segment, and enhancing loyalty programs. Meanwhile, the Payment and Finance Business will work to upgrade its insurance-related financial products through alliances with other companies.

(ii) Evolve communication with customers

- Our department stores will develop more extensive customer relationship management (CRM) practices. This will involve prompting evolution of gaisho activities using digital technologies in part by enlisting our loyal customer-exclusive website and online customer services, and identifying potential customers using data analysis. In addition, the Payment and Finance Business will strengthen its in-person and online proposals in alignment with customers' life stages.

(iii) Achieve medium- to long-term strategies of the Payment and Finance Business

- We will work to achieve strategies of the Payment and Finance Business from a medium- to long-term perspective and will strengthen its business foundations through efforts that involve building Group payment infrastructure, attaining geographic expansion with respect to the network of affiliated stores, and developing services that provide substantial added value.

3) Developer strategy

Under our developer strategy, which is positioned as a driver of growth toward achieving "regrowth," we will carry forward initiatives of fiscal 2021 in terms of promoting development projects in the Group's key areas and building foundations for business growth.

In addition, we will formulate and promote medium- to long-term business strategies and development plans with our sights set on the year 2030 by strengthening alliances with the holding company and operating companies.

(i) Promote area-specific development projects

- We will make effective use of our existing properties, continue to promote development projects in Nagoya's Sakae area, and promote development plans in the Group's key locations such as Osaka's Shinsaibashi area.

(ii) Strengthen business foundations

- We will work to strengthen our business foundations by undertaking asset replacement, organizing and embarking on management of a private subscription fund, and establishing a consignment framework for the asset management business.

(iii) Formulate and promote medium- to long-term business strategies and development plans

- We will help create bustling towns underpinned by coexistence with local communities while formulating and promoting medium- to long-term business strategies and development plans with a focus on centrally managing and making sophisticated use of the Group's asset holdings.

4) Management structure reforms

We will make steady progress in implementing our three key strategies and management structure reforms consisting of our most important measures for achieving "complete recovery" in fiscal 2023. Beginning in fiscal 2022, we will develop a system for enabling us to engage in initiatives focused on tracking progress of each of priority measures and promoting such measures.

(i) Reduce fixed costs (¥10,000 million lower than in fiscal 2019)

- In addition to results of our organizational and personnel structure reforms in the current fiscal year, we will review our cost structure through efforts that involve reorganizing the Group's offices and extending Group-wide purchasing of materials and supplies.

(ii) Increase management efficiency and asset efficiency

- We will improve management efficiency by narrowing our business foundations based on future prospects and growth potential. We will also increase asset efficiency by identifying non-business assets.

◆ Strengthen management foundations to support achievement of medium- to long-term growth

We will work to strengthen management foundations to support achievement of medium- to long-term growth. In particular, we will enhance our human resource strategy largely by realizing sustainability management and undertaking investment with priority on human resources who create new value, amid a highly uncertain business environment.

1) Group human resource strategy

We will bolster our investment in human capital through initiatives that include strengthening recruitment and developing skills of highly specialized professionals based on our business portfolio transformation and key strategies, early-stage identification and development of management personnel who will serve as future leaders, encouraging active participation of women, and promoting health and productivity management. In addition, we will furthermore assign each and every employee to positions aligned with their commitment, motivation, and capabilities, and will facilitate personnel interaction on a Group-wide basis. These initiatives will underpin efforts that involve actively embracing diversity, giving rise to a corporate culture unencumbered by stereotypes, and serving as a "Human Resource

Development Company" that seeks to enable individuals and organizations to achieve sustainable growth.

2) Group systems strategy

We will provide support for promoting digital strategies in each of our businesses while seeking to standardize and streamline our administrative systems in part by rebuilding our backbone systems to increase the sophistication of management and administration from the perspective of overall optimization. In addition, we will promote information technology governance by ensuring information security in our maintenance of next-generation networks and cloud computing environments, enhancing measures for business continuity, and engaging in centralized management of investment planning and development processes.

3) Group financial strategy

We will strive to improve our financial standing and create free cash flows by taking a flexible approach that involves reducing interest-bearing liabilities and selling non-business assets, while monitoring effects of the spread of COVID-19 on our operations. In addition, we will seek to steadily transform or business portfolio by developing more sophisticated management and administration, which will involve redoubling our efforts to improve our rate of return on invested capital (ROIC) in each of our businesses.

4) Strengthening corporate governance

We will develop more sophisticated corporate governance practices by speeding up management decision-making and execution toward achieving medium- and long-term growth, and by further strengthening the oversight function of the Board of Directors separately from business execution.

(6) The Group's sustainability initiatives

● Sustainability Policy (excerpt): With People, with Local Communities, with Environment

The society we live in is facing various social issues inside and outside Japan, including abnormal weather, water resource crises, resource depletion, widening disparity, underemployment, and human rights issues.

Daimaru and Matsuzakaya, which are the cornerstones of the Group, have carried out business activities in their long history spanning 300 to 400 years under the corporate credos "Service before profit" and "Abjure all evil and practice all good," representing their commitment to pursuing the right path. Our Group Vision "Create and Bring to Life 'New Happiness'" has been newly established based on these concepts. Now we are engaged in business activities aiming at realization of happy future of our customers, always bearing life of each and every one of them in mind.

We have many places where we communicate with customers, including retail stores. These places allow various people to get together and meet each other, including customers, employees, business partners, and residents in the local community. Local communities where people rooted in play a vital role in maintaining these communication places rich. Such communities should be sustained as touchpoints brimming with energy at all times. To this end, we believe it important to pass down the global environment that supports these whole activities smoothly to the future generations. This means that, in order for us to create and bring to life new happiness as we aspired, it is important to maintain the communication places; and this can only be achieved with sustainable society.

We are committed to fulfilling our environmental and social responsibilities to customers toward the achievement of a sustainable society, and will furthermore pursue the creation of new happiness of life of each and every stakeholder. At the same time, we will continue achieving sustainable growth by strengthening corporate governance to tirelessly continue these initiatives.

* Sustainability Policy (unabridged)
(www.j-front-retailing.com/english/sustainability/way_to_think.html)

● Sustainability Management and "Well-Being Life"

In its Medium-term Business Plan launched in fiscal 2021, the Company articulated the notion of sustainability management and cited “Well-Being Life” as the goal of its Group Vision, “Create and Bring to Life ‘New Happiness’.”

The Company’s notion of Well-Being Life embodies the realization of life that realizes not only conventional material and economic affluence, but also spiritual (intellectual and cultural), physical and social wealth, as well as the enriched environment surrounding them. We will promote efforts to realize “Well-Being Life” by combining sustainability with our strengths, while valuing the opportunities to interact with our customers and other stakeholders.

● Seven materiality issues (key issues)

We have identified seven materiality issues for promoting sustainability management and realizing “Well-Being Life.”

Upon having identified both risks and opportunities with respect to each materiality issue, we will respond to the risks while creating business opportunities, and accordingly aim to simultaneously realize both social and economic value based on the notion of creating shared value (CSV).

	Materiality	The Company’s commitment to realization of a sustainable society
With people	Realization of customers’ healthy/safe/secure life	Realizing a future-oriented Well-Being Life that satisfies the mind and body of our customers Building safe, secure and resilient stores for the future
	Promotion of diversity & inclusion	Realizing a highly diversified society where everyone recognizes each other’s diversity and flexibly demonstrates his/her individuality
	Realization of work-life integration	Realizing Well-Being Life for the employees and their families through new work styles for the future to realize diversity and flexibility
With local communities	Management of the entire supply chain	Realizing decarbonized society throughout the entire supply chain created together with suppliers Realizing sustainable supply chain created together with suppliers Realizing Well-Being Life in which we, together with suppliers, protect the human rights and health of the people working along the supply chain
	Coexistence with local communities	Building affluent future-oriented communities together with local residents, where people gather centered on our stores
With environment	Realization of decarbonized society	Leading decarbonized society and preparing a global climate for the next generation
	Promotion of circular economy	Realizing a sustainable global environment for the future and growth as a company through the promotion of circular economy

* Details of the Company’s seven materiality issues is available via the link below.
(https://www.j-front-retailing.com/english/sustainability/materiality.html)

(7) Status of assets and profit or loss

Changes in assets and profit or loss of the corporate group

(Millions of yen, unless otherwise stated)

International Financial Reporting Standards (IFRS)				
Category	12th fiscal year (Fiscal 2018)	13th fiscal year (Fiscal 2019)	14th fiscal year (Fiscal 2020)	15th fiscal year (Fiscal 2021)
Gross sales	1,125,153	1,133,654	769,453	875,281
Revenue	459,840	480,621	319,079	331,484
Business profit	45,514	45,363	2,366	11,718
Operating profit	40,891	40,286	(24,265)	9,380
Operating profit/revenue	8.9%	8.4%	(7.6)%	2.8%
Profit before tax	42,126	37,161	(28,672)	6,190
Profit attributable to owners of parent	27,358	21,251	(26,193)	4,321
Total assets	1,029,573	1,240,308	1,263,722	1,192,907
Total equity	468,485	399,681	364,343	362,120
Equity attributable to owners of parent	412,700	387,188	352,171	350,368
Ratio of equity attributable to owners of parent to total assets	40.1	31.2	27.9	29.4
Interest-bearing liabilities [Of which, lease liabilities]	174,378 [–]	478,773 [220,497]	562,815 [202,885]	502,109 [184,394]
Cash flows from operating activities	34,870	73,358	56,471	49,866
Cash flows from investing activities	(26,836)	(49,559)	(20,870)	(5,289)
Free cash flows	8,034	23,799	35,601	44,577
Cash flows from financing activities	(21,274)	(14,829)	58,727	(80,392)
Cash and cash equivalents at end of period	25,659	34,633	128,925	93,278
Profit/equity attributable to owners of parent (ROE)	6.8%	5.4%	(7.1)%	1.2%
Operating profit/total assets (ROA)	4.0%	3.2%	(1.9)%	0.8%
Return on invested capital (ROIC)	–	–	0.2	1.2
Basic earnings per share (EPS) (Yen)	104.55	81.19	(100.03)	16.50
Equity attributable to owners of parent per share (Yen)	1,576.68	1,479.07	1,344.91	1,337.29
Price earnings ratio (PER)	11.79%	14.13%	(10.17)%	58.29%
Interim dividend (Yen)	17.00	18.00	9.00	14.00
Year-end dividend (Yen)	18.00	18.00	18.00	15.00
Dividend payout ratio	33.5%	44.3%	–%	175.7%
Dividends/equity attributable to owners of parent	2.2%	2.4%	2.0%	2.2%

(Notes)
1. Profit attributable to owners of parent, operating profit and business profit after tax are used to calculate ROE, ROA and ROIC, respectively.
2. Gross sales are calculated by converting certain transactions recognized as revenue under IFRS on a net basis to amounts on a gross basis. Specifically, we converted sales from purchase recorded at the time of sale (shoka shiire) of the Department Store Business and Other (Daimaru Kogyo) to a gross amount and the net amount transactions of the SC Business to tenant transaction volume (gross basis). Business profit is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

(8) Status of significant parent company and subsidiaries

(i) Relationship with the parent company

No items to report

(ii) Status of major subsidiaries (Millions of yen, unless otherwise stated)

Company name	Share capital	Ratio of ownership by the Company (%)	Major businesses
Daimaru Matsuzakaya Department Stores Co. Ltd.	10,000	100.0	Department Store Business
The Hakata Daimaru, Inc.	3,037	69.9	Department Store Business
Kochi Daimaru Co., Ltd.	300	100.0	Department Store Business
PARCO Co., Ltd.	34,367	100.0	SC Business, Developer Business
Parco (Singapore) Pte Ltd	S$4 million	100.0	SC Business
PARCO SPACE SYSTEMS Co., Ltd.	100	100.0	Space engineering and management business
J. Front Design & Construction Co., Ltd.	100	100.0	Design and construction contracting
PARCO Digital Marketing Co., Ltd.	10	100.0	Internet-related business
JAPAN RETAIL ADVISORS Co., Ltd.	10	100.0	Real estate management, consulting
JFR Card Co., Ltd.	100	100.0	Payment and Finance Business
Daimaru Kogyo, Ltd.	1,800	100.0	Wholesale business
Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	US$2 million	100.0	Wholesale business
Daimaru Kogyo (Thailand) Co., Ltd.	THB202 million	99.9	Wholesale business
Taiwan Daimaru Kogyo, Ltd.	NT$60 million	100.0	Wholesale business
Consumer Product End-Use Research Institute Co., Ltd.	100	100.0	Merchandise test and quality control
Angel Park Co., Ltd.	400	50.2	Parking
JFR Service Co. Ltd.	100	100.0	Commissioned back-office service, leasing, parking
JFR Information Center Co., Ltd.	10	100.0	Information service
Daimaru Matsuzakaya Tomonokai Co., Ltd.	100	100.0	Specified prepaid transaction service

(Notes) 1. PARCO CO., LTD. transferred all the shares of NEUVE A Co., Ltd. on June 30, 2021.
2. Daimaru Matsuzakaya Department Stores Co. Ltd. merged with and absorbed Daimaru Matsuzakaya Sales Associates Co. Ltd. on September 1, 2021.
3. The Company removed Dimples' Co., Ltd. from the scope of consolidation upon transfer of 90% of its shares on February 28, 2022.

(iii) Matters relating to specified wholly owned subsidiaries

(Millions of yen)

Name	Address	Total book value	Total assets of the Company
Daimaru Matsuzakaya Department Stores Co. Ltd.	18-11, Kiba 2-chome, Koto-ku, Tokyo	202,109	641,307
PARCO Co., Ltd.	28-2, Minami-Ikebukuro 1-chome, Toshima-ku, Tokyo	160,581	641,307

(Note) A specified wholly owned subsidiary is one where the book value of the shares of said subsidiary on the final day of the fiscal year exceeds 1/5th of the Company's total assets, and one whose shares are all held by the Company.

(9) Major businesses

The Department Store Business, the SC Business, the Developer Business, the Payment and Finance Business, and Other including wholesale business, parking, and leasing, etc.

(10) Major business locations

(Department Store Business)

Name		Location	Name		Location
Daimaru Matsuzakaya Department Stores Co. Ltd.					
	Head Office	Koto-ku, Tokyo	Matsuzakaya	Nagoya store	Naka-ku, Nagoya
Daimaru	Osaka Shinsaibashi store	Chuo-ku, Osaka		Ueno store	Taito-ku, Tokyo
	Osaka Umeda store	Kita-ku, Osaka		Shizuoka store	Aoi-ku, Shizuoka
	Tokyo store	Chiyoda-ku, Tokyo		Takatsuki store	Takatsuki, Osaka
	Kyoto store	Shimogyo-ku, Kyoto			
	Kobe store	Chuo-ku, Kobe	GINZA SIX		Chuo-ku, Tokyo
	Suma store	Suma-ku, Kobe	The Hakata Daimaru, Inc.		Chuo-ku, Fukuoka
	Ashiya store	Ashiya, Hyogo	Kochi Daimaru Co., Ltd.		Kochi, Kochi
	Sapporo store	Chuo-ku, Sapporo			
	Shimonoseki store	Shimonoseki, Yamaguchi			

(SC Business)

Name		Location	Name	Location
PARCO Co., Ltd.				
	Headquarters	Toshima-ku, Tokyo	Hibarigaoka PARCO	Nishi-Tokyo, Tokyo
	Shibuya Head Office	Shibuya-ku, Tokyo	Kichijoji PARCO	Musashino, Tokyo
	Sapporo PARCO	Chuo-ku, Sapporo	Chofu PARCO	Chofu, Tokyo
	Sendai PARCO	Aoba-ku, Sendai	Tsudanuma PARCO	Funabashi, Chiba
	Urawa PARCO	Urawa-ku, Saitama	Matsumoto PARCO	Matsumoto, Nagano
	Shintokorozawa PARCO	Tokorozawa, Saitama	Shizuoka PARCO	Aoi-ku, Shizuoka
	Ikebukuro PARCO	Toshima-ku, Tokyo	Nagoya PARCO	Naka-ku, Nagoya
	PARCO_ya Ueno (Ueno Frontier Tower)	Taito-ku, Tokyo	Shinsaibashi PARCO	Chuo-ku, Osaka
	Kinshicho PARCO	Sumida-ku, Tokyo	Hiroshima PARCO	Naka-ku, Hiroshima
	Shibuya PARCO	Shibuya-ku, Tokyo	Fukuoka PARCO	Chuo-ku, Fukuoka
Parco (Singapore) Pte Ltd		Singapore		

(Developer Business)

Name	Location	Name	Location
PARCO Co., Ltd.			
Sapporo ZERO GATE	Chuo-ku, Sapporo	Pedi SHIODOME	Minato-ku, Tokyo
Harajuku ZERO GATE	Shibuya-ku, Tokyo	BINO OKACHIMACHI	Taito-ku, Tokyo
Kawasaki ZERO GATE	Kawasaki-ku, Kawasaki-shi	BINO GINZA	Chuo-ku, Tokyo
Nagoya ZERO GATE	Naka-ku, Nagoya	BINO SAKAE	Naka-ku, Nagoya
Kyoto ZERO GATE	Shimogyo-ku, Kyoto	BINO HIGASHINOTOIN	Nakagyo-ku, Kyoto
Shinsaibashi ZERO GATE	Chuo-ku, Osaka	and others	
Dotonbori ZERO GATE	Chuo-ku, Osaka		
Sannomiya ZERO GATE	Chuo-ku, Kobe		
Hiroshima ZERO GATE	Naka-ku, Hiroshima		
PARCO SPACE SYSTEMS Co., Ltd.	Shibuya-ku, Tokyo	PARCO Digital Marketing Co., Ltd.	Shibuya-ku, Tokyo
J. Front Design & Construction Co., Ltd.	Chuo-ku, Osaka	JAPAN RETAIL ADVISORS Co., Ltd.	Shibuya-ku, Tokyo

(Payment and Finance Business)

Name	Location
JFR Card Co., Ltd.	Head Office: Takatsuki, Osaka Office: Tokyo 3, Osaka 2, Kyoto 1, Kobe 1, Sapporo 1, Nagoya 1, Shizuoka 1

(Other subsidiaries)

Head Office: Osaka-fu 5, Nagoya 1, Shanghai 1, Thailand 1, Taiwan 1

(11) Status of employees

(i) Employees of the corporate group

Category	Number of employees
J. FRONT RETAILING Co., Ltd.	138
Department Store Business	2,724
SC Business	494
Developer Business	873
Payment and Finance Business	201
Other	1,159
Total	5,589

(Note) Other than the employees above, the number of dedicated employees is 1,444 and the number of fixed-term employees is 1,115.

(ii) Employees of the Company

Number of employees	Average age
138	46.4

(Note) Other than the employees above, the number of dedicated employees is 1 and the number of fixed-term employees is 15.

(iii) Employees of major subsidiaries

Name	Number of employees	Average age
Daimaru Matsuzakaya Department Stores Co. Ltd.	2,459	48.0
PARCO Co., Ltd.	691	43.8

(12) Status of major creditors

Major creditors of the corporate group

(Millions of yen)

Creditor		Amount payable
Borrowings		
	MUFG Bank, Ltd.	51,805
	Development Bank of Japan Inc.	34,256
	Sumitomo Mitsui Banking Corporation	31,556
	Mizuho Bank, Ltd.	12,856
	Other	72,487
	Sub total	202,960
Straight bonds, etc.		114,755
Total		317,715

(13) Other important matters relating to current status of the corporate group

No items to report

2. Matters relating to shares of the Company

(1) Number of shares authorized: 1,000,000,000 shares

(2) Number of shares issued: 270,565,764 shares

(3) Number of shareholders: 155,375

(4) Major shareholders

Name of shareholders	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	43,781	16.56
Custody Bank of Japan, Ltd. (Trust Account)	15,163	5.73
Nippon Life Insurance Company	9,828	3.71
J. Front Retailing Kyoei Supplier Shareholding Association	6,344	2.40
DAIWA CM SINGAPORE LTD - NOMINEE ROBERT LUKE COLLICK	5,439	2.05
The Dai-ichi Life Insurance Company, Limited	5,158	1.95
BNYM AS AGT / CLTS NONTREATY JASDEC	4,308	1.62
JP MORGAN CHASE BANK 385781	3,207	1.21
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	3,204	1.21
JP Morgan Securities Japan Co., Ltd.	2,909	1.10

(Note) Although the Company holds 6,264 thousand shares of treasury shares, the Company is excluded from the above major shareholders. Shareholding ratio is calculated by deducting the said treasury shares. Treasury shares do not include shares of the Company owned by the officer remuneration BIP trust.

(5) Summary of shares that are granted to the officers of the Company as compensation for the performance of duties during the current fiscal year

Stock-based remuneration that is granted during the current fiscal year is as follows.

	Number of granted persons	Number of shares
Director	4	25,100
[of which, Outside Director]	[2]	[7,600]
Executive Officer	–	–
Total	4	25,100

(Notes)
1. The number of shares granted to Directors who concurrently serve as Executive Officers as compensation for performance of duties during the term of the Executive Officer is shown in the Executive Officer row.
2. The aforementioned number of granted persons and the number of shares include the officers who retired during the current fiscal year and the shares granted to those officers.
3. The shares granted to those who were directors during the current fiscal year as compensation for the performance of duties were “Restricted Stock (non-performance linked stock-based remuneration)” that is not linked to performance under the stock-based compensation plan, which were granted at the time of retirement from the director.
4. The number of shares above amounts to shares issued to each Director. 25,494 shares among the shares whose rights are granted to each Director will be provided in cash in the amount equivalent to the amount converted within the Trust pursuant to the share granting rules related to the stock-based remuneration system.

3. Matters relating to corporate officers

(1) Names, etc. of Directors

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company	Attendance at the meetings of the Board of Directors (Note 3)	Limited liability agreements (Note 4)
Director	YAMAMOTO Ryoichi	Chairperson of Board of Directors Member of Nomination and Remuneration Committees Outside Director of Daido Steel Co., Ltd. Outside Director of NORITAKE CO., LIMITED	100.0% 15/15	Yes
Director	HAMADA Kazuko (Note 1)	Member of Audit Committee	100.0% 12/12	Yes
Director (Outside)	YAGO Natsunosuke	Chairperson of Nomination Committee and member of Remuneration Committee Outside Director of SUBARU CORPORATION Director of PARCO Co., Ltd.	100.0% 15/15	Yes
Director (Outside)	HAKODA Junya	Chairperson of Audit Committee Member of the Ethics Committee of the Japanese Institute of Certified Public Accountants Chairperson of the Committee on Training and Research for Outside Officers, Japanese Institute of Certified Public Accountants	100.0% 12/12	Yes
Director (Outside)	UCHIDA Akira	Chairperson of Remuneration Committee and member of Nomination Committee Outside Director of Yokogawa Electric Corporation Director of Daimaru Matsuzakaya Department Stores Co. Ltd.	100.0% 15/15	Yes
Director (Outside)	SATO Rieko (Note 2)	Member of Audit Committee Partner of Ishii Law Office Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc. Outside Director (Member of the Audit and Supervisory Committee) of NTT DATA CORPORATION Outside Audit & Supervisory Board Member of Mitsubishi Corporation Director of Daimaru Matsuzakaya Department Stores Co. Ltd.	100.0% 15/15	Yes
Director (Outside)	SEKI Tadayuki	Member of Audit Committee Outside Director of VALQUA, LTD. Outside Director of JSR Corporation Outside Statutory Auditor of Asahi Mutual Life Insurance Company Director of PARCO Co., Ltd.	100.0% 15/15	Yes
Director (Outside)	KOIDE Hiroko	Member of Nomination and Remuneration Committees Outside Director of Mitsubishi Electric Corporation Outside Director of J-OIL MILLS, Inc.	100.0% 12/12	Yes
Director (President and Representative Executive Officer)	YOSHIMOTO Tatsuya		100.0% 15/15	

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company	Attendance at the meetings of the Board of Directors (Note 3)	Limited liability agreements (Note 4)
Director (Senior Managing Executive Officer)	SAWADA Taro		100.0% 15/15	
Director (Senior Managing Executive Officer)	MAKIYAMA Kozo		100.0% 15/15	
Director (Managing Executive Officer)	WAKABAYASHI Hayato		100.0% 15/15	

(Notes)
1. HAMADA Kazuko is recorded under the name of HIMENO Kazuko in the family register.
2. SATO Rieko is recorded under the name of KAMATA Rieko in the family register.
3. Stated are the number of the meetings of the Board of Directors attended and number of the meetings of the Board of Directors held during the individual's tenure this fiscal year (Details of attendance at each committee meeting are given in "7. Operations of each Committee.")
4. The Company enters into agreements limiting liability for damages such that are stipulated in Paragraph 1, Article 423 of the Companies Act, provided for in Paragraph 1, Article 427 of the said Act, with the relevant individuals (marked as "Yes" in the "Limited liability agreements" column). These agreements limit the amount of their liability for damages to the higher of either ¥12,000,000 or the minimum amount of liability such that is stipulated in Paragraph 1, Article 425 of the said Act.
5. The Company enters into a Directors and Officers liability insurance contract with an insurance company as stipulated in Paragraph 1, Article 430-3 of the Companies Act. Under such an insurance contract, indemnification will be provided for legal damages and litigation costs to be borne by the insured. The Company covers the payment for the entire amount of the premium for all of those insured. The insurance policy covers all Directors and Executive Officers of the Company and all Directors and Audit & Supervisory Board Members of its subsidiaries. However, the contract does not cover any damages, etc. arising from criminal acts and violations of laws and regulations committed by the insured knowingly what they are doing, as a measure to prevent the impairment of the appropriateness of the execution of duties by the insured.
6. Audit Committee member HAKODA Junya has been involved in accounting audits, management consulting, and internal audits of accounting firms, etc., serving as a certified public accountant for many years. He has both abundant experience and highly specialized knowledge in relation to corporate auditing. He also has deep insight into finance and accounting matters.
7. Audit Committee member SEKI Tadayuki was involved in international business management and risk management. As CFO, he has both abundant experience and highly specialized knowledge in relation to finance and accounting. He also has deep insight into finance and accounting matters.
8. Audit Committee member HAMADA Kazuko is a full-time Audit Committee member. We aim to improve the effectiveness of audits by appointing to serve as full-time Audit Committee member an in-house Director who does not execute business and has specialist knowledge of specific areas of our business based on a thorough understanding of in-house organizations and business execution.

(2) Names, etc. of Executive Officers

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company
President and Representative Executive Officer	YOSHIMOTO Tatsuya	
Senior Managing Executive Officer	SAWADA Taro	President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
Senior Managing Executive Officer	MAKIYAMA Kozo	Representative Director, President and Executive Officer of PARCO Co., Ltd.
Managing Executive Officer	WAKABAYASHI Hayato	Senior Executive General Manager of Financial Strategy Unit Director of PARCO Co., Ltd.
Managing Executive Officer	HIRANO Hidekazu	Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
Managing Executive Officer	MATSUDA Hirokazu	Senior Executive General Manager of Human Resources Strategy Unit and Administration Unit and in charge of Compliance
Managing Executive Officer	NAKAYAMA Takashi	Senior Executive General Manager of Group Digital Strategy Unit
Executive Officer	IMAZU Takahiro	Senior General Manager of Management Planning Division and Group Communication Promotion Division, Management Strategy Unit
Executive Officer	IWATA Yoshimi	Senior General Manager of Accounting and Tax Affairs Division of Financial Strategy Unit
Executive Officer	ONO Keiichi	Senior General Manager of Structural Reform Promotion Division of Financial Strategy Unit
Executive Officer	NINOBE Mamoru	President and Representative Director of JFR Card Co., Ltd.
Executive Officer	KONDO Yasuhiko	President and Representative Director of J. Front Design & Construction Co., Ltd.

(Reference) A new Executive Officer was elected and appointed. Accordingly, Executive Officers' areas of responsibility in the Company and important concurrent positions outside the Company have been partially changed on March 1, 2022 as indicated below.

Position in the Company	Name	New areas of responsibility in the Company and important concurrent positions outside the Company
Senior Managing Executive Officer	MAKIYAMA Kozo	In charge of Developer Strategy Representative Director, President and Executive Officer of PARCO Co., Ltd.
Managing Executive Officer	ONO Keiichi	Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management
Managing Executive Officer (New)	HAYASHI Naotaka	Senior Executive General Manager of Group Digital Unit
Managing Executive Officer	NAKAYAMA Takashi	Senior Executive General Manager of Group System Unit
Managing Executive Officer	HIRANO Hidekazu	In charge of Special Assignments from President Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
Executive Officer (New)	KAWASE Kenji	Senior General Manager of Management Planning Division, Business Portfolio Transformation Promotion Division, and Group Communications Promotion Division of Management Strategy Unit
Executive Officer (New)	HIRAI Yuji	Senior General Manager of CRE Planning Division of Management Strategy Unit Executive Officer of Parco Co., Ltd.
Executive Officer (New)	YAMAZAKI Shiro	Senior General Manager of System Planning Division of Group System Unit
Executive Officer (New)	NOGUCHI Hideki	Senior General Manager of Accounting and Tax Affairs Division of Financial Strategy Unit
Executive Officer (New)	UMEBAYASHI Akira	Senior General Manager of Group Human Resources Policy Division, Group Human Resources Development Division, and Group Welfare Division of Human Resources Strategy Unit

On March 1, 2021, three Executive Officers, IMAZU Takahiro, IWATA Yoshimi, and KONDO Yasuhiko, retired from office and assumed new positions. IMAZU Takahiro assumed the positions of Executive Officer of Daimaru Matsuzakaya Department Stores Co. Ltd. and Executive Store Manager of Daimaru Kobe. IWATA Yoshimi assumed the position of Executive Officer of Parco Co., Ltd. in charge of the Accounting & Finance Department, the Business Administration Department, the Accounting Coordination Department, and the Administration and Legal Department. KONDO Yasuhiko assumed the positions of Executive Officer of Daimaru Matsuzakaya Department Stores Co. Ltd. and President and Representative Director of GINZA SIX Retail Management Co., Ltd.

(3) Total amount of remuneration, etc. to Directors and Executive Officers

	Number of payees	Total amount of remuneration, etc. (Millions of yen)	Totals by category of remuneration, etc. (Millions of yen)			
			Basic remuneration	Performance-linked bonuses	Performance-linked stock-based remuneration	Non-performance-linked stock-based remuneration
Director	12	197	155	–	–	42
[of which, Outside Director]	[8]	[102]	[84]	–	–	[18]
Executive Officer	19	447	213	95	139	–
Total	31	645	368	95	139	42

(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 ¥14 million.
2. In the above table, the remuneration, etc. for Directors of ¥197 million includes ¥24 million (including non-performance-linked stock-based remuneration) paid to four Directors who held the post between March 1 and May 27, 2021.
3. The remunerations, etc. paid to Directors who concurrently serve as Executive Officers as compensation for the performance of duties during the term of the Executive Officers is shown in the Executive Officer row.
4. 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 is the total recorded as expenses for the period under review. 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. Actual trends with respect to financial indicators for calculating bonuses and performance share in the current business year (consolidated operating profit and ROE) are stated under "1. Current status of the corporate group, (7) Status of assets and profit or loss." Meanwhile, actual trends with respect to non-financial indicators (greenhouse gas emissions and ratio of women in management positions) are stated in the key performance indicator targets under "1. Current status of the corporate group, (1) Business summary and results"
5. 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, 2022. The actual amounts to be paid after factoring in the earnings performance assessment of each Executive Officer and amounts to be paid on an individual basis will be determined by a meeting of the Remuneration Committee scheduled in or after April 2022.
6. The "Performance-linked stock-based remuneration" column reflects a reversal of provisions for short-term incentives and medium-term and long-term incentives in the fiscal year ended February 28, 2021 (¥65 million for short-term incentives and ¥356 million for medium- and long-term incentives), pursuant to the officer remuneration system set up in alignment with the previous Medium-term Business Plan. In April 2021, however, the Company partially revised its Officer Remuneration System, including its method for calculating the performance-linked factor, upon taking into account contingencies with respect to earnings results having been substantially affected by the COVID-19 pandemic. Accordingly, the Company recorded an additional provision of ¥29 million in relation to medium- and long-term performance share to be paid in alignment with degrees of achievement with respect to targets set for the final fiscal year of the previous Medium-term Business Plan. The provision of ¥29 million is included in the performance-linked stock-based remuneration of ¥139 million for Executive Officers in the above table, and also includes ¥11 million slated for payment to six Executive Officers who held the post between March 1, 2017, and February 28, 2021.

(4) Outline of method for determining policy regarding decisions on amounts of remuneration, etc. of each corporate officer or calculation method thereof, and contents of such policy

(i) Policy on determining remuneration for Directors and Executive Officers

The Company established and published an Officer Remuneration Policy in April 2017. On May 27, 2021, the Remuneration Committee with a majority of independent Outside Directors embarked on review of the Officer Remuneration System in alignment with the new Medium-term Business Plan to ensure that officer remuneration functions as an incentive for achieving and promoting sustainability management. The Officer Remuneration Policy has been revised accordingly and is now in effect.

<Basic policy for officer remuneration>

The Company's Officer Remuneration System follows the basic approach below, aiming to achieve the objectives of realizing and promoting sustainability management (pay for purpose). The same basic philosophy is also established by Daimaru Matsuzakaya Department Stores and PARCO, which are major subsidiaries of the Group.

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

<How to determine remuneration levels>

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

<Composition of remuneration>

[Executive Officers]

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" (performance-linked stock-based remuneration, which is trust-type stock-based remuneration) linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan as a stock-based remuneration system. The performance indicators of bonuses and performance shares were selected as shown in the table below so as to achieve KPIs for the final fiscal year of the Medium-term Business Plan and to make a healthy incentive for sustainable growth function.

<table>
<tr><td rowspan="2">Type of remuneration</td><td rowspan="2" colspan="4">Payment basis</td><td rowspan="2">Payment method</td><td colspan="2">Composition of remuneration</td></tr>
<tr><td>President</td><td>Officers other than President</td></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">Greenhouse gas 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.

[Directors who do not execute business]

Remuneration for Directors who do not execute business 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. Restricted stock is a system for issuing the Company’s shares in a way that it is not linked to performance, with the objective of involving Directors who do not execute business in management with a medium- to long-term view in order that they should strengthen proactive and defensive governance of the Company from a different standpoint to the Executive Officers as representatives of stakeholders. The shares are issued upon their retirement from office. The Company will disclose the number of shares held as the number of dilutive potential shares until the shares are issued.

<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 in the form of performance-linked stock-based remuneration is to provide additional incentive to them to work for the improvement of the financial performance and corporate value of the Company from the medium- to long-term perspective. Directors and Executive Officers of Daimaru Matsuzakaya Department Stores and PARCO shall adopt the same policy for their acquisition and holding of the Company’s shares.

(ii) Process for determining remuneration for Directors and Executive Officers

To ensure the appropriateness of the level and amount of remuneration, and the transparency of decision-making processes, decisions are made by resolution of a Remuneration Committee comprising independent Outside Directors (majority) and the chairperson of the Board of Directors who does not execute business, and headed by an independent Outside Director. Remuneration Committee meetings are to be held at least four times per year. The committee decides on the policy for determining remuneration details for the individual officers (Directors and Executive Officers) of the Company, Daimaru Matsuzakaya Department Stores and PARCO, and on the remuneration details for individual Directors and Executive Officers of the Company. Basic remuneration positioned as fixed remuneration is decided for each mission grade based on the size (weight) of the responsibility borne by each officer. As for bonuses, evaluation 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. The committee also confirms the performance-linked factor in accordance with the level of achievement with respect to figures announced in the initial forecast (IFRS based) following a resolution of the Board of Directors to determine short-term performance shares that account for 40% of performance shares (performance-linked stock-based remuneration). Based on these results, the committee determines that the remuneration details for individual Directors and Executive Officers during the current fiscal year align with the Company’s basic policy for officer remuneration and the approach to determine remuneration levels.

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

To properly promote the initiatives above, the Company appoints external remuneration consultants with a view to introducing objective viewpoints from outside the Company and expertise on Officer Remuneration Systems. With their support, the Company reviews its remuneration levels and remuneration system in light of external data, economic environment, industry trends, business conditions, and corporate culture, among others.

The Officer Remuneration System is subject to review as scheduled in the Medium-term Business Plan, and in April 2021 the Officer Remuneration Policy was revised in accordance with the FY2021-FY2023 Medium-term Business Plan. During the Medium-term Business Plan period, the level of basic remuneration will be reviewed if a drastic review becomes necessary due to dramatic changes in the external environment and so forth.

For details of regarding the Officer Remuneration Policy, please refer to the “Notice Regarding Revision of Officer Remuneration Policy” announced on April 13, 2021.
For details, please refer to:
(https://www.j-front-retailing.com/_data/news/210413_remunerationpolicy_E.pdf)

(5) Matters relating to Outside Directors

<table>
<tr><td rowspan="5">YAGO Natsunosuke
Independent
(Note)</td><td>Important concurrent positions</td><td>Outside Director of SUBARU CORPORATION
Director of PARCO Co., Ltd.</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td>PARCO Co., Ltd. is a wholly owned subsidiary of the Company.</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td>No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td>100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which he belongs</td><td>Nomination 100% (Attended all 16 meetings held during tenure this fiscal year)
Remuneration 100% (Attended all 11 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="3">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
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 has advanced knowledge of internal controls and corporate governance based on his experience in transitioning to a company with three committees (nomination, audit and remuneration committees). As such, we accordingly expect him to provide advice and oversight enlisting points of view and perspectives that vary from those of the Inside Directors. Moreover, he has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly in terms of taking drastic action when it comes to efforts involving the importance of determination and leadership among the Group’s top executives, our vision with respect to the Developer Business, and structural transformation linked to revamping our business foundations. In regard to being a committee member, he serves as the Chairperson of the Nomination Committee and a member of the Remuneration Committee, and has been working to strengthen the functions of managers by fulfilling expectations and roles associated with those committees. As Chairperson of the Nomination Committee, he has engaged in deliberating on Board of Directors membership structures desirable with respect to the Company and its major subsidiaries with a focus on succession plans, making transparent and fair decisions on officer appointments, and checking the status of future candidates for positions in senior management. As a member of the Remuneration Committee, he has been contributing in part by reviewing our policy on the officer remuneration system and methods for calculating stock-based remuneration and bonuses, along with review of specific rules of management.</td></tr>
<tr><td rowspan="5">HAKODA Junya
Independent
(Note)</td><td>Important concurrent positions</td><td>Member of the Ethics Committee of the Japanese Institute of Certified Public Accountants
Chairperson of the Committee on Training and Research for Outside Officers, Japanese Institute of Certified Public Accountants</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td>No special relationships exist</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td>No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td>100% (Attended all 12 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which he belongs</td><td>Audit 100% (Attended all 14 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="3">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
HAKODA Junya has been involved in accounting audits, management consulting, and internal audits of auditing firms, etc. as a certified public accountant for many years at PricewaterhouseCoopers, and also served as an eminent professor teaching internal audit theory at the Graduate School of Keio University, and therefore has abundant experience and high-level expertise in corporate auditing. As such, we accordingly expect him to provide advice and oversight enlisting points of view and perspectives that vary from those of the Inside Directors. Moreover, he has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly in terms of the importance of indicators such as ROIC (a Medium-term Business Plan target) and cash flows (calculated when reviewing business foundations and when verifying business segments), and in terms of formulating a roadmap for holistic monitoring of the digital strategy. In regard to being a committee member, he serves as the Chairperson of the Audit Committee and has worked to strengthen audit functions by fulfilling expectations of him promoting exchanges of opinions and discussions on items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee from the perspective of legality, appropriateness, etc. while auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees). He also simultaneously works to improve governance practices of the overall Group.</td></tr>
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<table>
<tr><td rowspan="5">UCHIDA Akira
Independent
(Note)</td><td>Important concurrent positions</td><td>Outside Director of Yokogawa Electric Corporation
Director of Daimaru Matsuzakaya Department Stores Co. Ltd.</td></tr>
<tr><td>Relationships between the Company and each organization where important concurrent positions are held</td><td>Daimaru Matsuzakaya Department Stores Co. Ltd. is a wholly owned subsidiary of the Company.</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td>No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td>100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which he belongs</td><td>Nomination 100% (Attended all 16 meetings held during tenure this fiscal year)
Remuneration 100% (Attended all 11 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="3">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
UCHIDA Akira possesses extensive experience and knowledge of not only business planning and IR but also corporate departments as the person responsible for the finance and accounting division. As such, we expect him to draw on such experience and knowledge in providing advice and oversight enlisting points of view and perspectives that vary from those of the Inside Directors. Moreover, he has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly in terms of appropriately conveying information to stakeholders regarding matters such as earnings forecast revisions, strengthening intergroup alliances in serving as a holding company, and conveying the necessity of new businesses in overhauling the business portfolio. In regard to being a committee member, he serves as the Chairperson of the Remuneration Committee and a member of the Nomination Committee, and has been working to strengthen the functions of managers by fulfilling expectations and roles associated with those committees. As Chairperson of the Remuneration Committee, he has been promoting in part by reviewing our policy on the officer remuneration system and methods for calculating stock-based remuneration and bonuses, along with review of specific rules of management. As a member of the Nomination Committee, he has been contributing in part by deliberating on Board of Directors membership structures desirable with respect to the Company and its major subsidiaries with a focus on succession plans, making transparent and fair decisions on officer appointments, and checking the status of future candidates for positions in senior management.</td></tr>
<tr><td rowspan="5">SATO Rieko
Independent
(Note)</td><td>Important concurrent positions</td><td>Partner of Ishii Law Office
Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc.
Outside Director (Member of the Audit and Supervisory Committee) of NTT DATA CORPORATION
Outside Audit & Supervisory Board Member of Mitsubishi Corporation
Director of Daimaru Matsuzakaya Department Stores Co. Ltd.</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td>Daimaru Matsuzakaya Department Stores Co. Ltd. is a wholly owned subsidiary of the Company.</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td>No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td>100% (Attended 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which she belongs</td><td>Audit 100% (Attended all 20 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="3">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
SATO Rieko has points of view and insights from a legal perspective on agenda topics based on abundant experience as well as advanced and expert knowledge as a lawyer specializing mainly in corporate legal affairs. As such, we accordingly expect her to provide advice and oversight enlisting points of view and perspectives that vary from those of the Inside Directors. Moreover, she has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly in terms of strengthening initiatives taken as a holding company under the Medium-term Business Plan, conveying the necessity of efforts to more swiftly implement the digital strategy, formulating specific proposals based on the Group Management Policy for the fiscal year, and providing other insights from a legal perspective on agenda topics. She also has served as a lead director of the Company’s executive session established as an opportunity for Outside Directors to openly and freely exchange opinions and share information. In regard to being a committee member, she serves as a member of the Audit Committee and has worked to strengthen audit functions by fulfilling expectations of her in terms of engaging in exchanges of opinions and discussions on items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee from the perspective of legality, appropriateness, etc. while auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees).</td></tr>
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<table>
<tr><td rowspan="5">SEKI Tadayuki
Independent
(Note)</td><td>Important concurrent positions</td><td>Outside Director of VALQUA, LTD.
Outside Director of JSR Corporation
Outside Statutory Auditor of Asahi Mutual Life Insurance Company
Director of PARCO Co., Ltd.</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td>PARCO Co., Ltd. is a wholly owned subsidiary of the Company.</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td>No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td>100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which he belongs</td><td>Audit 100% (Attended all 20 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="3">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
SEKI Tadayuki was involved in international business management and risk management at a general trading company for many years, and as CFO has both abundant knowledge and experience in relation to finance and accounting. He also has wide-ranging insights derived from roles as Outside Director and Audit & Supervisory Board Member at multiple companies. As such, we accordingly expect him to provide advice and oversight enlisting points of view and perspectives that vary from those of the Inside Directors. Moreover, he has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly in terms of conveying the importance of capital cost-conscious financial strategies and the necessity of ensuring appropriate valuations with respect to business portfolios in carrying out mergers and acquisitions. In regard to being a committee member, he serves as a member of the Audit Committee and has worked to strengthen audit functions by fulfilling expectations of him in terms of engaging in exchanges of opinions and discussions on items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee from the perspective of legality, appropriateness, etc. while auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees).</td></tr>
<tr><td rowspan="5">KOIDE Hiroko
Independent
(Note)</td><td>Important concurrent positions</td><td>Outside Director of Mitsubishi Electric Corporation
Outside Director of J-OIL MILLS, Inc.</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td>No special relationships exist</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td>No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td>100% (Attended all 12 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which she belongs</td><td>Nomination 100% (Attended all 12 meetings held during tenure this fiscal year)
Remuneration 100% (Attended all 7 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="3">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
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 knowledge based on extensive experience in global management and in the marketing field. She also has wide-ranging insights derived from role as Outside Director at multiple listed companies. As such, we accordingly expect her to provide advice and oversight enlisting points of view and perspectives that vary from those of the Inside Directors. Moreover, she has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly in terms of giving rise to initiatives such as those of the Medium-term Business Plan in serving as a holding company, conveying the importance of a marketing mindset particularly for articulating targets and needs, and engaging in cause analysis and implementing countermeasures when encountering disparities between targets and results. In regard to being a committee member, she serves as a member of the Nomination Committee and a member of the Remuneration Committee, and has been working to strengthen the functions of managers by fulfilling expectations and roles associated with those committees. As a member of the Nomination Committee, she has engaged in deliberating on Board of Directors membership structures desirable with respect to the Company and its major subsidiaries with a focus on succession plans, making transparent and fair decisions on officer appointments, and checking the status of future candidates for positions in senior management. As a member of the Remuneration Committee, she has been contributing in part by reviewing our policy on the officer remuneration system and methods for calculating stock-based remuneration and bonuses, along with review of specific rules of management.</td></tr>
</table>

(Note) The above-mentioned Outside Directors are independent officers, which are required to be put in place by the Tokyo Stock Exchange, Inc. and the Nagoya Stock Exchange, Inc. for the protection of general shareholders.

4. Matters relating to Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Amount of remuneration, etc. of Accounting Auditor

(i) Amount of remuneration, etc. to be paid by the Company	¥133 million
(ii) Total cash and other financial profits to be paid by the Company and its subsidiaries	¥318 million

(Note) The audit agreement entered into by the Accounting Auditor and the Company does not clearly distinguish the amount being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be practically distinguished from each other. Therefore, the amount in (i) above indicates the total of these two kinds of amounts.

(3) Content of non-audit service

Support for adopting new accounting standard for revenue recognition, etc.

(4) Rationale for Audit Committee's agreement on remuneration of the Accounting Auditor

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.

(5) Policy for determining dismissal or non-reappointment of Accounting Auditor

The Audit Committee is to take necessary measures that include dismissing the Accounting Auditor upon gaining consent of all Audit Committee members, or otherwise making decisions 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 Paragraph 1, Article 340 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) Rationale for Audit Committee's decision on reappointment of Accounting Auditor

The Audit Committee decided to reappoint Ernst & Young ShinNihon LLC, as a result of comprehensive considerations, following the evaluation of the appropriateness and validness of audit activities by the Accounting Auditor based on the Accounting Auditor Evaluation Standards established by the Audit Committee.

5. Basic ideas on corporate governance

(1) Role of corporate governance

The Company believes that ensuring sustainable growth of the Group and increasing corporate value over the medium to long term is conducive to realizing ideals of the Group Mission Statement. Accordingly, the role of corporate governance in the Group must be to help enable us to realize the ideals of the Group Mission Statement.

The Company, which is a holding company at the core of corporate governance of the Group, assumes responsibility for ensuring managerial transparency, soundness and compliance of the entire Group, with the aim of realizing the ideals of the Group Mission Statement.

(2) Relationship with stakeholders

Through its business activities, the Company strives to build relationships of trust with all of its stakeholders.

Our shareholders are the providers of the Company's capital and act as the main source of the Group's corporate governance. Accordingly, the Company respects shareholder rights to the maximum extent (including those of minority shareholders and foreign shareholders), and substantively ensures their rights.

The Company treats its shareholders equitably and impartially, in accordance with types and numbers of shares held by shareholders. Moreover, neither the Company nor the Group provides property benefits to any person, such that relate to the exercise of the rights of specific shareholders.

The Company also actively works to fulfill its responsibilities towards customers, business partners, employees and local communities in relation to the environment and society, as part of its efforts to realize a sustainable society.

(3) Information disclosure

We believe that promoting constructive dialogue with our shareholders and investors helps the Group achieve sustainable growth while increasing corporate value over the medium to long term. The Company is committed to timely and appropriate disclosure of information, on which constructive dialogue is premised, and through such initiatives maintains and develops trusting relations with its stakeholders.

The Company discloses important information of the Group in a timely and appropriate manner, in accordance with Japan's Financial Instruments and Exchange Act and other such laws and regulations, as well as in accordance with rules for timely disclosure stipulated by financial instruments exchanges on which the Company's shares are listed. Even in cases where such laws, regulations and the timely disclosure rules do not apply, the Company recognizes information deemed useful to shareholders, investors and other stakeholders as important with respect to its corporate activities as called for by society. As such, the Company proactively discloses such information in an impartial and swift manner using appropriate means, and with the added aim of facilitating more extensive understanding regarding the Group.

(4) Roles and responsibilities of the Board of Directors, etc.

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

(i) Indicating the overall direction that Group management is to take, by engaging in constructive discussions with respect to the Group Vision, the Sustainability Policy, the Group Medium-term Business Plan, the Group Management Policy for the fiscal year, and other fundamental management policies, and carrying out multifaceted and objective deliberations that include evaluation of risks with respect to the aforementioned;

(ii) Appropriately making decisions in terms of overall policy and plans pertaining to the Group management on the basis of the direction noted above and overseeing progress and results of the plans;

(iii) Developing an environment conducive to encouraging offense-oriented management geared to achieving discontinuous growth;

(iv) Taking steps to build and develop internal control systems of the Group overall, and otherwise overseeing the operational status of such systems;

(v) Overseeing conflicts of interest between related parties; and

(vi) On the basis of summary reports furnished by the Nomination Committee, overseeing progress of President and Representative Executive Officer succession planning, personnel assignment plans pertaining to managerial talent and Executive Officer training, in consultation with the Nomination Committee.

(5) Systems of corporate governance

The Company is currently adopting a company with three committees (nomination, audit and remuneration committees) as organizational structure. The reasons are as follows.

(i) 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.

(ii) The Company will enable decisions of business execution to be delegated to Executive Officers, clarify the authority and responsibility, and carry out speedy management decision making.

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

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

6. Operation of the Board of Directors

Composition of the Board	8 Directors who do not execute business (including 6 Outside Directors) and 4 Directors who concurrently serve as Executive Officer
Major roles	The Board of Directors shall discuss and resolve matters defined in the Companies Act and/or the Articles of Incorporation, as well as matters relating to management strategies, such as the Sustainability Policy, the Group Medium-Term Business Plan, the Group Management Policy for the fiscal year, and matters relating to important business execution such as asset acquisition.
Operational status	Held at least once every month, in principle. With one-half of Directors being independent Outside Directors, the Board of Directors functions as a venue for constructive discussions and deliberations, beyond being solely a decision-making body for important matters, and is a key to the enhancement of corporate governance.
Comment from Chairperson of the Board Director YAMAMOTO Ryoichi	In FY2021, the Board of Directors met 15 times to deliberate matters such as the following agenda items, which were selected in view of developments regarding the COVID-19 pandemic and given that FY2021 served as the initial fiscal year of the FY2021-FY2023 Medium-term Business Plan. “Actions to take in view of developments regarding the COVID-19 pandemic (profitability under different scenarios of impact on earnings performance, financing measures, etc.),” “transformation of the department store business model,” “strategies for growth of the Payment and Finance Business,” “the Group digital and human resource strategy,” “the Group Management Policy for FY2022,” etc. In FY2022, the Board of Directors will address the key themes of “transforming the Group’s business portfolio” and “promoting sustainability management in view of environmental and social challenges,” with our sights set on achieving regrowth in FY2024 and beyond amid projections of a severe business environment due to persisting effects of the COVID-19 pandemic. The Company plans to adopt a Board of Directors structure whereby a majority of its membership comprises independent Outside Directors beginning in FY2022 with the aim of achieving outcomes that contribute to heightening its oversight function, enabling highly effective deliberations with respect to the aforementioned issues, and increasing our corporate value.

(Evaluation of effectiveness of the Board of Directors)

The Company conducted its seventh evaluation of the effectiveness of the Board of Directors between September and October 2021. This involved having a third-party organization conduct individual interviews based on questionnaires administered beforehand, after which the Board of Directors engaged in discussions in October on the basis of a report containing analysis of aggregated questionnaire findings.

As a result, we pinpointed the following four issues: “articulating roles of the holding company and its Board of Directors,” “having the Board of Directors focus on proposals and discussions of strategic importance,” “reviewing the composition of the Board of Directors,” and “further strengthening the function of the Board of Directors secretariat.”

We accordingly sought to address these issues by articulating the holding company’s roles in the FY2022 Group Management Policy and strengthening the function of planning to facilitate strategy implementation. Now that we have also reviewed the composition of the Board of Directors, we plan to adopt a Board of Directors structure beginning in FY2022 whereby a majority of its membership comprises independent Outside Directors to ensure even greater effectiveness with respect to its discussions.

We will continue to strive to share issues based on the evaluation of the effectiveness of the Board of Directors and improve the effectiveness of the Board of Directors.

7. Operations of each Committee

(1) Nomination Committee

Composition of Committee	4 Directors who do not execute business (including 3 Outside Directors)
Major roles	The Nomination Committee determines the contents of proposals on the nomination and dismissal of Directors to be submitted to shareholders' meetings, and reports to the Board of Directors upon consultations from the Board of Directors regarding the nomination and dismissal of management personnel of the Company and major business subsidiaries, as well as the chairpersons and members of individual committees, and other matters.
Number of meetings held	16
Number of meetings attended	3 incumbent members attended all 16 meetings. Director Koide, who was newly appointed in May 2021, also attended all 12 meetings held during her tenure.
Comment from Chairperson of the Committee Director (Outside) YAGO Natsunosuke	The Nomination Committee utilizes in-house personnel evaluation information as well as assessment data by a third-party organization to deliberate effective composition of the Board of Directors and the election and dismissal of Directors including Outside Directors as well as Executive Officers of the Company. The committee also obtains opportunities to get to know candidate's personalities and ideas through conducting interviews, etc., as necessary, and ensures higher objectivity, transparency and rationality. The Nomination Committee has positioned the management team succession plan as a central issue necessary to generate sustainable growth of the Company and continues to conduct related deliberations. As for training of candidates for the next generation of managers, the committee evaluates their performance, diagnoses managerial talent, debates roles and transfers to train and strengthen potential successors, and ties this to implementation if necessary. The Nomination Committee will secure management personnel necessary for continuous growth and development of the Company, and strive for the election of the right person in the right place.

(2) Audit Committee

Composition of Committee	4 Directors who do not execute business (including 3 Outside Directors)
Major roles	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 to be submitted to the Board of Directors, and other individual matters the Audit Committee considers necessary.
Number of meetings held	20
Number of meetings attended	2 incumbent members attended all 20 meetings. Chairperson of the Audit Committee Hakoda, who was newly appointed in May 2021, also attended all 14 meetings held during his tenure, as did Director Hamada.
Comment from Chairperson of the Committee Director (Outside) HAKODA Junya	The Audit Committee, in accordance with the Rules of Audit Committee, Audit Standards, and Practice Standards for Audit concerning Internal Control System, etc., formulated an audit plan for the current fiscal year, conducted the audit, and reported its contents to the Board of Directors. The committee also conducted hearing at Audit Committee Meeting (held 15 times), a meeting body held apart from the Audit Committee, regarding topics such as the group’s business strategy, progress of organizational reform, and governance and risk management system under the influence COVID-19 pandemic to gain understanding of the current situation. The Audit Committee will work to further strengthen and enhance the organizational audit system through mutual cooperation with the Internal Audit Division, Accounting Auditors, and Audit & Supervisory Board Members of the Group companies, from the perspective of increasing the effectiveness and accuracy of audits. It will also continue to work to establish a high quality corporate governance structure that is worthy of social trust and to conduct audits in a fair and impartial manner to contribute to the growth of the Group and the enhancement of its corporate value.

(3) Remuneration Committee

Composition of Committee	4 Directors who do not execute business (including 3 Outside Directors)
Major roles	The Remuneration Committee determines the policy on deciding the contents of individual remuneration to management personnel of the Company and major business subsidiaries, and these contents themselves.
Number of meetings held	11
Number of meetings attended	3 incumbent members attended all 11 meetings. Director Koide, who was newly appointed in May 2021, also attended all 7 meetings held during her tenure.
Comment from Chairperson of the Committee Director (Outside) UCHIDA Akira	Pursuant to the Officer Remuneration Policy formulated in April 2017 and revised in 2021, the Remuneration Committee examines the overall level of officer remuneration and the ratio of performance-linked remuneration, as well as the ratio of stock-based remuneration therein against preset peer group. By doing so, the Company maintains objective and appropriate remuneration level and system at all times. Regarding the Officer Remuneration System and Officer Remuneration Policy revised in accordance with the Medium-term Business Plan that commenced in fiscal 2021, we examined trends through a third-party organization concerning the overall level of officer remuneration, the ratio of performance-linked remuneration, and stock-based remuneration for officers. At the same time, for bonuses that reflect the status of individual officer's achievements, we review each officer's goal setting and evaluation results as well as evaluation items, evaluation weights and evaluation rank determination process, to ensure that the end result will be shown with greater fairness and objectivity. The Company has designed an appropriate remuneration system and remuneration level to compensate officers the amount adequate for their work and commensurate with their offices and the role entrusted to them as professional managers. Going forward, we will continue to operate the system appropriately.

8. System and policies of the Company

(1) Systems to ensure properness of operations <Basic Policy to Build Internal Control System>

The Basic Policy to Build Internal Control System is disclosed on our website (https://www.j-front-retailing.com/) in accordance with the laws and regulations and the Article 16 of the Company's Articles of Incorporation.

You can access here to read the entire contents of the Basic Policy to Build Internal Control System. (https://www.j-front-retailing.com/english/company/internalcontrol.html).

(2) Operational status of systems to ensure properness of operations <Basic Policy to Build Internal Control Systems> (FY2021)

The Company endeavors to maintain its internal control systems and properly operate such systems on the basis of its "Basic Policy to Build Internal Control Systems." Details regarding the overall status of such operations during the current fiscal year are as follows.

I. The Group Management System

(i) Board of Directors

1) To separate supervisory and executive functions and ensure the effectiveness of discussions at the Board of Directors, the Board of Directors is comprised half of independent Outside Directors who have no risk of a conflict of interest with the Company's shareholders, and a majority of Directors who do not execute business (Internal Directors who do not execute business and independent Outside Directors), as well as the Representative Executive Officer, general managers of the Company, which is a holding company, and the persons responsible at major business subsidiaries. It functions to oversee the execution of duties by Executive Officers and Directors.

2) The Board of Directors deliberates on material issues related to the Group management. As for the findings of and issues raised by the Board of Directors, there are demands for additional reports on execution, and efforts are made to run through the PDCA cycle, including additional

debate by the Board of Directors. Briefings are also provided to Outside Directors prior to the Board of Directors meetings for fuller discussions at such meetings. The effectiveness of the Board of Directors is being improved through these initiatives.

3) The meetings of the Board of Directors were held 15 times in the current fiscal year. Their discussions included monitoring of the Medium-term Business Plan (in its first year this fiscal year) and efforts toward structural reform in light of the COVID-19 pandemic and its financial impact, as well as matters defined in the Companies Act and/or the Articles of Incorporation.

   In addition, the Board of Directors evaluates the state of developing and operating the various items stipulated in the "Basic Policy to Build Internal Control System" and confirms there are no major problems.

4) Evaluations of the effectiveness of the Board of Directors are performed by a third-party organization each fiscal year to continuously and further improve the effectiveness of the Board of Directors by resolving any identified issues.

(ii) Management execution framework

1) In the Company, the organization responsible for execution consists of the Management Strategy Unit, Group Digital Strategy Unit, Financial Strategy Unit, Human Resources Strategy Unit, and Administration Unit. Following on the mission of the President and Representative Executive Officer, the Executive Officer, who is the Senior Executive General Manager, prepares missions for each strategy unit in order to realize the Medium-term Business Plan and the Annual Execution Plan. These units execute business and supports the operations and management of operating companies in line with its duties and mission.

2) The roles and responsibilities of the Company as a holding company include planning and formulating the Group Vision, the Group Medium-term Business Plan and the Group Management Policy; managing the progress and performance of these activities; establishing business portfolio management (optimal allocation of the Group's management resources), human resources management, shareholder management and corporate governance group-wide. With regard to matters related to business execution at operating companies, in order to promote speedy management decisions and clarify management responsibilities; standards have been established for delegating authority to operating companies, which exclude items that have an important impact on the Group management; and things are operated in accordance with these standards.

3) The Company has established various meetings to execute items, the roles of which are clearly indicated. The Group Management Meeting focuses on discussions of important issues to be submitted to the Board of Directors, such as overall policy and plans for the Group's management. The matters discussed are reviewed at the Group Policy Meeting, each segment's Medium-term Business Plan Progress Meeting, and the Operating Associates Results and Strategy Examination Meeting to help facilitate prompt management decisions.

4) As a rule, the common Group accounting system is introduced; and efforts are made to promote more efficient operations and integrated and more efficient fund procurement by the Group through a cash management system.

5) With regard to internal controls over financial reporting, the Company and operating companies maintain and operate internal systems to ensure the reliability of financial reporting in line with the Financial Instruments and Exchange Act and various associated laws and regulations.

II. Risk Management System

(i) Risk Management Committee

1) The Company has established the Risk Management Committee as an advisory body to the President and Representative Executive Officer with regard to risk management. The committee is chaired by the President and Representative Executive Officer and comprises Executive Officers and others.

The committee regularly discusses, identifies, and evaluates risks (uncertainties), prioritizes them and reflects them in strategies, monitors related countermeasures, and submits related reports to the Audit Committee and the Board of Directors.

2) In the fiscal year under review, the committee met four times. In preparation for the formulation of the FY2022 management policy, it discussed forecasts for the business environment in light of the impact of the COVID-19 pandemic and various social changes that are likely to occur in its wake, including those related to consumption. In addition, it reviewed the roles within the holding company to improve risk management for the whole Group, and confirmed the strengthening of the holding company's support system to help operating companies identify risks they may face.

(ii) Execution control

Under the direction of the President and Representative Executive Officer, the Company has placed designated staff in the Management Planning Division in the Management Strategy Unit and develops and manages internal controls under the Companies Act and the internal control system under the Financial Instruments and Exchange Act at the Company and operating companies.

During the current fiscal year, no material deficiencies that should be disclosed were found, and this was reported to the Audit Committee and the Board of Directors.

(iii) Hazard risk response

For hazard risks such as large-scale earthquakes, fires, and accidents, the Company has established a system in which crisis management is controlled by the "Emergency Response Headquarters" headed by the President and Representative Executive Officer.

During the current fiscal year, the Company developed a system based on its "Crisis Management Rules" and "Business Continuity Manual" to be followed in case of a large-scale natural disaster. We have also made efforts to improve our ability to respond to a wide range of crisis events by conducting BCP drills several times, including at our operating companies.

Regarding our response to infectious diseases, with the safety and security of our customers and employees as our top priority, we have implemented hygiene management practices to help prevent outbreaks and other measures to help prevent the spread of disease. We will also create a "New Infectious Disease Response Manual" in line with the Crisis Management Rules.

III. Legal Compliance System

(i) Compliance Committee

1) The Company has established the Compliance Committee as an advisory body to the President and Representative Executive Officer regarding the compliance operation. The President and Representative Executive Officer shall be the chairperson and the members of the committee shall be a corporate lawyer, Executive Officers and others.

2) Departments and responsible persons in charge of promotion of compliance and risk management are also put at operating companies, and carry out daily supervision and direction of business operations that are in accordance with laws and regulations and internal company rules.

3) The Compliance Committee met four times during the current fiscal year and discussed factors behind and countermeasures against compliance-related violations and provided instructions to implement specific measures to prevent recurrence. In addition, the Committee once again carried out a group-wide discussion on what the Group's compliance should be, and reconfirmed that it is a broader concept that is not just a matter of compliance but is something rooted in corporate philosophy.

4) In order to spread efforts to ensure compliance, those responsible for compliance at each Group company meet four times a year to increase compliance awareness and implement activities within the entire Group. We also conducted trainings on the theme of prevention of fraud and misconduct for officers and those in charge of compliance of each Group company.

(ii) Whistle-blowing system

1) The Company has established the "JFR Group Compliance Hotline" for reporting issues to the Company or an independent party (corporate lawyer), which may be used by all persons working at the Company and operating companies.

2) For hotline reports concerning management personnel, the Company has built a structure whereby the reports are directly submitted through the hotline desk to the Audit Committee and subjected to directions from the Audit Committee.

3) During the current fiscal year, efforts were made to increase recognition and promote understanding of the system among the Group company employees through measures such as posting analysis of issues reported and the status of responses to them on our in-house portal site. As a result, 46 cases related to labor-management relations and other issues were reported, and are being dealt mainly by the secretariat.

IV. Internal Audit Structure

1) The Company has established an independent Internal Audit Division 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 operating companies.

2) There is a system in which reports are submitted to both the President and Representative Executive Officer and the Audit Committee, and audit results and improvement measures related to audit findings are regularly reported. As for orders related to improvement measures from management, issues are promptly handled in collaboration with the audited departments.

3) We have established an audit structure that utilizes digital equipment to enable execution of audit under COVID-19, and are performing audits. During the current fiscal year, we conducted operational audits on the status of legal compliance with the Labor Measures Comprehensive Promotion Act, the Antimonopoly Act, and other statutes, as well as the status of development of operational rules and regulations and their compliance. We also conducted audits based on themes such as the status of crisis management systems and the status of executing the Company's real estate business.

V. Structure of the Audit Committee

1) The Audit Committee, which is chaired by an Outside Director, is composed of four members including Directors who do not execute business and are Inside Directors.

2) In accordance with the overall policy and plan determined by the Board of Directors, the Audit Committee audits the execution of business by Executive Officers and Directors, 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.

3) The Audit Committee receives explanations on the audit policy and plan prior to the audit from the Accounting Auditor, and receives explanations and reports on the audit results and expresses its opinions including requests on audit items, and in addition, exchanges of opinions with the Accounting Auditor are carried out on a regular basis. In addition, it receives regular audit reports from the Internal Audit Division on the status of improvements regarding issues identified through internal audits.

4) To grasp important decision-making processes and the status of the execution of duties, full-time members of the Audit Committee not only attend important committees and other meetings, such as the Group Management Meeting, but also peruse important documents relating to the execution of business such as approval circulars.

5) During the current fiscal year, the Audit Committee met 20 times. Apart from the Audit Committee, efforts are being made at the Audit Committee Meeting, to gain understanding of the current situation regarding execution by carrying out audits on execution of duties of all of the Executive Officers of the Company. Moreover, the Audit Committee works closely with the

Audit & Supervisory Board Members of the Group companies through regular meetings to share recognition of auditing issues and exchange opinions.

VI. Other

(i) System for storage and management of information

Documents relating to the execution of duties by Executive Officers and Directors and the minutes of the important meetings and committees such as the meetings of the Board of Directors and the Group Management Meeting are being accurately recorded and prepared, and information is being properly stored and managed by the responsible department.

(ii) Digital information security

In order to strengthen security, the Company has formulated a "JFR Group Information Security Policy," shares that policy within the Group, and manages digital information based on that. Reports on the status of digital information management and related matters are made at the Board of Directors, the Audit Committee, and the Group Management Meeting regularly and when necessary.

The Company's "IT governance policy, regulations, and rules" are intended to minimize potential IT related risks and to increase corporate value; based on these, through measures like Regular IT Governance Meeting and System Development Meeting, the Company controls activities ranging from the development of IT strategy to its implementation. We also promote efforts to ensure compliance with our information security policy through e-learning for all employees and ongoing training related to targeted e-mail attacks.

(3) Basic policy regarding control of the Company

I. 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.

II. 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 Mission Statement 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 this Basic Mission Statement, the Company implements a wide range of measures, aiming to realize the Group Vision of “Create and Bring to Life ‘New Happiness,’” in order to make a contribution to securing and enhancing the corporate value of the Group and, by extension, the common interests of shareholders.

III. 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 Officers and experts with viewpoints that are independent from the Company’s management personnel and Inside 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 countermeasures.

IV. 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 Mission Statement, 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 countermeasures 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 management personnel and 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.

(4) 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” after taking into consideration the business environment and risk readiness.

Moreover, in procuring funds through interest-bearing liabilities, 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 liabilities.

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.

The key financial indicators for the achievement of the Medium-term Business Plan are ROE for capital efficiency, consolidated operating profit and ROIC for business profitability, free cash flow for profitability and safety, and equity ratio attributable to owners of the parent (equity ratio) for financial soundness.

(5) Policy regarding decisions on dividends of surplus, etc.

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.

(6) IR Policy

We aim at developing the Group by contributing to society at large as a fair and reliable corporation. Under such Basic Mission Statement, the Company promotes IR activities for the purpose of maintaining and developing relations of trust with stakeholders including shareholders and investors. By accurately and plainly disclosing important financial and non-financial information about the Company in a fair, timely and appropriate manner, we aim to improve management transparency and help stakeholders better understand the Company.

- Amounts in millions of yen presented in the business report above have been rounded down to the nearest one million yen.

Consolidated Financial Statements

Consolidated Statement of Financial Position (As of February 28, 2022)

(Millions of yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	**234,884**	**Current liabilities**	**347,413**
Cash and cash equivalents	93,278	Bonds and borrowings	108,152
Trade and other receivables	112,262	Trade and other payables	116,107
Other financial assets	11,929	Lease liabilities	28,554
Inventories	12,459	Other financial liabilities	29,915
Other current assets	4,954	Income tax payables	4,485
		Provisions	954
		Other current liabilities	59,243
Non-current assets	**958,022**	**Non-current liabilities**	**483,373**
Property, plant and equipment	480,380	Bonds and borrowings	209,562
Right-of-use assets	140,470	Lease liabilities	155,839
Goodwill	523	Other financial liabilities	36,741
Investment property	189,688	Retirement benefit liability	19,416
Intangible assets	7,289	Provisions	9,553
Investments accounted for using equity method	38,761	Deferred tax liabilities	51,697
		Other non-current liabilities	563
Other financial assets	79,977		
Deferred tax assets	8,209		
Other non-current assets	12,721		
		Total liabilities	**830,787**
		Equity	
		Equity attributable to owners of parent	**350,368**
		Share capital	31,974
		Capital surplus	188,894
		Treasury shares	(14,780)
		Other components of equity	9,574
		Retained earnings	134,705
		Non-controlling interests	**11,751**
		Total equity	**362,120**
Total assets	**1,192,907**	Total liabilities and equity	**1,192,907**

(Note) Amounts have been rounded down to the nearest one million yen.

Consolidated Statement of Profit or Loss (From March 1, 2021 to February 28, 2022)

(Millions of yen)

Item	Amount
Revenue	331,484
Cost of sales	(183,642)
Gross profit	**147,842**
Selling, general and administrative expenses	(136,123)
Other operating income	11,068
Other operating expenses	(13,406)
Operating profit	**9,380**
Finance income	1,335
Finance costs	(5,890)
Share of profit (loss) of investments accounted for using equity method	1,364
Profit before tax	**6,190**
Income tax expense	(2,225)
Profit	**3,964**
Profit attributable to:	
Owners of parent	4,321
Non-controlling interests	(356)
Profit	3,964

(Note) Amounts have been rounded down to the nearest one million yen.

Consolidated Statement of Changes in Equity (From March 1, 2021 to February 28, 2022)

(Millions of yen)

	Equity attributable to owners of parent							
				Other components of equity				
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total
Balance as of March 1, 2021	31,974	188,542	(14,830)	(89)	11	9,656	–	9,578
Profit	–	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	150	(13)	(53)	1,769	1,852
Total comprehensive income	–	–	–	150	(13)	(53)	1,769	1,852
Purchase of treasury shares	–	–	(32)	–	–	–	–	–
Disposal of treasury shares	–	(0)	0	–	–	–	–	–
Dividends	–	–	–	–	–	–	–	–
Share-based payment transactions	–	351	81	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(86)	(1,769)	(1,855)
Total transactions with owners	–	351	49	–	–	(86)	(1,769)	(1,855)
Balance as of February 28, 2022	31,974	188,894	(14,780)	60	(1)	9,516	–	9,574

	Equity attributable to owners of parent		Non-controlling interests	Total
	Retained earnings	Total		
Balance as of March 1, 2021	136,906	352,171	12,171	364,343
Profit	4,321	4,321	(356)	3,964
Other comprehensive income	–	1,852	1	1,853
Total comprehensive income	4,321	6,173	(355)	5,818
Purchase of treasury shares	–	(32)	–	(32)
Disposal of treasury shares	–	0	–	0
Dividends	(8,377)	(8,377)	(64)	(8,442)
Share-based payment transactions	–	433	–	433
Transfer from other components of equity to retained earnings	1,855	–	–	–
Total transactions with owners	(6,522)	(7,976)	(64)	(8,041)
Balance as of February 28, 2022	134,705	350,368	11,751	362,120

(Note) Amounts have been rounded down to the nearest one million yen.

[Reference]

Consolidated Statement of Cash Flows (Summary) (From March 1, 2021 to February 28, 2022)

(Millions of yen)

Item	Amount
Cash flows from operating activities	49,866
Cash flows from investing activities	(5,289)
Cash flows from financing activities	(80,392)
Net increase (decrease) in cash and cash equivalents	(35,815)
Cash and cash equivalents at beginning of period	128,925
Effect of exchange rate changes on cash and cash equivalents	168
Cash and cash equivalents at end of period	93,278

(Note) Amounts have been rounded down to the nearest one million yen.

Non-consolidated Financial Statements

Non-consolidated Balance Sheet (As of February 28, 2022)
J. Front Retailing Co., Ltd.

(Millions of yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	**135,887**	**Current liabilities**	**93,864**
Cash and deposits	85,030	Short-term borrowings	55,150
Short-term loans receivable from subsidiaries and associates	49,074	Bonds payable	20,000
		Commercial papers	15,002
Other	2,152	Deposits received	1,795
Allowance for doubtful accounts	(370)	Accrued expenses	616
		Accounts payable - other	521
		Income taxes payable	356
		Provision for bonuses	139
		Provision for bonuses for directors and other officers	95
		Asset retirement obligations	29
		Provision for officer remuneration BIP trust	111
		Other	47
Non-current assets	**505,172**	**Non-current liabilities**	**212,201**
Property, plant and equipment	**94**	Bonds payable	80,000
Buildings and structures	77	Long-term borrowings	129,810
Other	16	Long-term deposits received for officer shares trust	1,978
		Provision for officer remuneration BIP trust	413
		Total liabilities	**306,066**
Intangible assets	**553**	**Net assets**	
Software	553	**Shareholders' equity**	**335,233**
		Share capital	31,974
		Capital surplus	248,874
		Legal capital surplus	9,474
Investments and other assets	**504,524**	Other capital surplus	239,400
Investment securities	1,660	Retained earnings	68,200
Shares of subsidiaries and associates	377,268	Other retained earnings	68,200
Long-term loans receivable from subsidiaries and associates	124,000	Retained earnings brought forward	68,200
Deferred tax assets	1,615	Treasury shares	(13,816)
Other	479		
Allowance for doubtful accounts	(500)		
		Valuation and translation adjustments	**7**
Deferred assets	**247**	Valuation difference on available-for-sale securities	7
Bond issuance costs	247		
		Total net assets	**335,241**
Total assets	**641,307**	**Total liabilities and net assets**	**641,307**

(Note) Amounts have been rounded down to the nearest one million yen.

Non-consolidated Statement of Income (From March 1, 2021 to February 28, 2022)
J. Front Retailing Co., Ltd.

(Millions of yen)

Item	Amount	
Operating revenue		
Dividend income	10,482	
Consulting fee income	5,000	15,482
General and administrative expense		**4,995**
Operating profit		**10,487**
Non-operating income		
Interest income	712	
Dividend income	44	
Other	22	779
Non-operating expenses		
Interest expenses	956	
Commitment fees	574	
Loss on valuation of investment securities	49	
Provision of allowance for doubtful accounts	30	
Other	151	1,762
Ordinary profit		**9,505**
Extraordinary income		
Gain on sale of shares of subsidiaries and associates	3,644	3,644
Profit before income taxes		**13,149**
Income taxes - current	518	
Income taxes - deferred	(1,622)	(1,103)
Profit		**14,253**

(Note) Amounts have been rounded down to the nearest one million yen.

Non-consolidated Statement of Changes in Equity (From March 1, 2021 to February 28, 2022)
J. Front Retailing Co., Ltd.

(Millions of yen)

	Shareholders' equity						Valuation and translation adjustments	Total net assets
	Share capital	Capital surplus		Retained earnings	Treasury shares	Total share-holders' equity	Valuation difference on available-for-sale securities	
		Legal capital surplus	Other capital surplus	Other retained earnings: Retained earnings brought forward				
Balance as of March 1, 2021	31,974	9,474	239,601	62,398	(14,066)	329,382	(30)	329,351
Dividends of surplus				(8,452)		(8,452)		(8,452)
Profit				14,253		14,253		14,253
Purchase of treasury shares					(32)	(32)		(32)
Disposal of treasury shares			(0)		82	82		82
Disposal of treasury shares for share distribution trust			(200)		583	383		383
Purchase of treasury shares by share distribution trust					(383)	(383)		(383)
Net changes in items other than shareholders' equity							38	38
Total changes during period	–	–	(200)	5,801	250	5,851	38	5,889
Balance as of February 28, 2022	31,974	9,474	239,400	68,200	(13,816)	335,233	7	335,241

(Note) Amounts have been rounded down to the nearest one million yen.

THE AUDIT REPORT OF INDEPENDENT AUDITORS CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS (COPY)

Report of Independent Auditors

April 11, 2022

The Board of Directors
J. FRONT RETAILING Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo office
Kazunori Takenouchi (seal)
Certified Public Accountant
Designated and Engagement Partner

Yoshihisa Shibayama (seal)
Certified Public Accountant
Designated and Engagement Partner

Hiroshi Matsuura (seal)
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to Paragraph 4, Article 444 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the notes to the consolidated financial statements of J. FRONT RETAILING Co., Ltd. (the "Company") applicable to the fiscal year from March 1, 2021 through February 28, 2022.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the J. Front Retailing Group, which consisted of the Company and consolidated subsidiaries, applicable to the 15th fiscal year from March 1, 2021 through February 28, 2022 in conformity with accounting principles with the omission of a part of the disclosure items required under IFRS as allowed by the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting.

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 Company and its consolidated subsidiaries 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 audit opinion.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in conformity with accounting principles with the omission of a part of the disclosure items required under IFRS as allowed by the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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 whether it is appropriate to prepare the consolidated financial statements on the going concern basis, and disclosing, as applicable, matters related to going concern in accordance with accounting principles with the omission of a part of the disclosure items required under IFRS as allowed by the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting.

The Audit Committee is responsible for overseeing the Executive Officers' and Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities 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 on the consolidated financial statements based on our audit from an independent point of view. 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 decisions of users taken on the basis of the consolidated financial statements.

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, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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 by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements 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 notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. 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 whether the overall presentation of the consolidated financial statements and the notes thereto are in accordance with accounting principles with the omission of a part of the disclosure items required under IFRS as allowed by the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding 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, and other matters required by auditing standards.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We have no interest in the Company and its consolidated subsidiaries which should be disclosed in compliance with the Certified Public Accountants Act.

THE AUDIT REPORT OF INDEPENDENT AUDITORS CONCERNING THE NON-CONSOLIDATED FINANCIAL STATEMENTS (COPY)

Report of Independent Auditors

April 11, 2022

The Board of Directors
J. FRONT RETAILING Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo office
Kazunori Takenouchi (seal)
Certified Public Accountant
Designated and Engagement Partner

Yoshihisa Shibayama (seal)
Certified Public Accountant
Designated and Engagement Partner

Hiroshi Matsuura (seal)
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the notes to the non-consolidated financial statements and the related supplementary schedules of J. FRONT RETAILING Co., Ltd. (the "Company") (the "non-consolidated financial statements, etc.") applicable to the 15th fiscal year from March 1, 2021 through February 28, 2022.

In our opinion, the non-consolidated financial statements etc. referred to above present fairly, in all material respects, the financial position and results of operations of the Company applicable to the 15th fiscal year from March 1, 2021 through February 28, 2022 in conformity with accounting principles generally accepted in Japan.

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 Non-consolidated Financial Statements, Etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements etc. 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 audit opinion.

Responsibilities of Management and the Audit Committee for the Non-consolidated Financial Statements, Etc.

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements etc. in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of non-consolidated financial statements etc. that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements etc. on the going concern basis of accounting and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit Committee is responsible for overseeing the Executive Officers' and Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc.

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements etc. 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 on the non-consolidated financial statements etc. based on our audit from an independent point of view. 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 decisions of users taken on the basis of the non-consolidated financial statements etc.

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 non-consolidated financial statements etc., whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the non-consolidated financial statements etc. is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements etc. 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 notes to the non-consolidated financial statements etc. or, if the notes to the non-consolidated financial statements etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements etc. 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 whether the presentation of the non-consolidated financial statements etc. and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the non-consolidated financial statements etc., including the related notes thereto, and whether the non-consolidated financial statements etc. fairly represent the underlying transactions and accounting events.

We communicate with the Audit Committee regarding 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, and other matters required by auditing standards.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

THE AUDIT REPORT OF AUDIT COMMITTEE MEMBERS (COPY)

Audit Report

The Audit Committee has audited the performance of duties by Directors and Executive Officers of J. FRONT RETAILING Co., Ltd. (the "Company") during the 15th fiscal year from March 1, 2021 through February 28, 2022. We hereby report as follows regarding the method and results of the audit.

1. Method and Content of Audits

With respect to the resolution of the Board of Directors concerning the matters stipulated in Item 1 (b) and (e), Paragraph 1, Article 416 of the Companies Act, as well as the system (the internal control system) developed based on such resolution of the Board of Directors, we received regular reports regarding the status of establishment and operation of such system from Directors, Executive Officers and employees, and others, requested explanations as necessary, expressed opinion thereon, and executed audits through the following methods.

(i) In accordance with audit policies stipulated by the Audit Committee and the division of duties, etc., Audit Committee Members, in coordination with the departments in the Company related to internal control, participated in key meetings, received reports from Directors, Executive Officers, and others regarding the matters related to the performance of their duties, and when necessary, requested explanations of those reports. Audit Committee Members also reviewed key decision documents, and conducted surveys of the operations and assets of the head office and of other principal places of business. Further, regarding subsidiaries, Audit Committee Members worked to communicate with Directors, Executive Officers, Audit & Supervisory Board Members, and other parties at those subsidiaries, and when necessary conduct hearings with them regarding their business.

(ii) Additional consideration was given to the basic policy set forth in Item 3 (a), Article 118 of the Regulation for Enforcement of the Companies Act and activities set forth in Item 3 (b), Article 118 of the same Ordinance, as noted in the Business Report, based on the status of deliberations at the meeting of the Board of Directors and other key meetings.

(iii) While monitoring and reviewing the audit of the Accounting Auditor to ensure they maintained an independent position and conducted their audits fairly, Audit Committee Members received reports from them regarding the performance of their duties, and when necessary, asked for further explanation regarding those reports. Audit Committee Members also received notice from the Accounting Auditor in accordance with "the system for ensuring appropriate execution of their duties" (as enumerated in each Item of Article 131 of the Regulation on Corporate Accounting) in compliance with the "Quality Control Standards Relating to Auditing" (adopted by the Business Accounting Deliberations Council in October 28, 2005), and, where necessary, Audit Committee Members requested further explanation regarding that notice.

Based on the above methods, Audit Committee Members proceeded to review the Business Report with the supplementary schedules, the non-consolidated financial statements (which consist of the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, and the notes to the non-consolidated financial statements) with the supplementary schedules, and the consolidated financial statements (which consist of the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity, and the notes to the consolidated financial statements) for the current fiscal year.

2. Audit Results

(1) Results of Audit of Business Report, etc.

(i) The Audit Committee confirms that the Business Report and the supplementary schedules conformed to the applicable laws and regulations, and the Articles of Incorporation, and that they accurately present the situation of the Company.

(ii) With respect to the performance of duties by Directors and Executive Officers, the Audit Committee found no improper acts or important violation of applicable laws and regulations or the Articles of

Incorporation.

(iii) The Audit Committee confirms that decisions by the Board of Directors regarding the Company's internal control systems are fair and adequate, and found no areas that require mention regarding the description of the internal control systems in the Business Report and the performance of duties by Directors and Executive Officers. Regarding the response to the infection, comprehensive measures to prevent infections have been thoroughly implemented on a continual basis. The Audit Committee confirms that the Company and all the Group companies are working together to strengthen the crisis control system.

(iv) The Audit Committee confirms that the basic policy regarding those who control the determination of the Company's financial and operational policies, as noted in the Business Report, is fair and adequate. The Audit Committee confirms that activities set forth in Item 3 (b), Article 118 of the Regulation for Enforcement of the Companies Act, as noted in the Business Report, are in line with this basic policy, are not harmful to the common interest of the Company's shareholders, and are not intended to maintain the positions of corporate officers of the Company.

(2) Results of Audit of Non-consolidated Financial Statements and Supplementary Schedules

The Audit Committee confirms that the methods used and results achieved by the Accounting Auditor, Ernst & Young ShinNihon LLC, are fair and adequate.

(3) Results of Audit of Consolidated Financial Statements

The Audit Committee confirms that the methods used and results achieved by the Accounting Auditor, Ernst & Young ShinNihon LLC, are fair and adequate.

April 11, 2022
Audit Committee
J. FRONT RETAILING Co., Ltd.

HAKODA Junya (seal)
Chairperson of Audit Committee

HAMADA Kazuko (seal)
Audit Committee Member (full-time)

SATO Rieko (seal)
Audit Committee Member

SEKI Tadayuki (seal)
Audit Committee Member

(Note) Audit Committee Members, namely, HAKODA Junya, SATO Rieko and SEKI Tadayuki are Outside Directors as prescribed in Item 15, Article 2 and Paragraph 3, Article 400 of the Companies Act.

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.
J. FRONT RETAILING Co., Ltd. assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

Internet Disclosure Items
for Notice of Convocation of the 15th Annual Shareholders Meeting

Systems to Ensure Properness of Operations <Basic Policy to Build Internal Control System>
in the Business Report
Notes to Consolidated Financial Statements
Notes to Non-consolidated Financial Statements
(From March 1, 2021 to February 28, 2022)

J. FRONT RETAILING Co., Ltd.

As for Systems to Ensure Properness of Operations <Basic Policy to Build Internal Control System>, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements, the Company provides those to shareholders by means of disclosure through the Internet (on the Company's website: https://www.j-front-retailing.com/) in accordance with the laws and regulations and Article 16 of the Company's Articles of Incorporation.

Systems to Ensure Properness of Operations <Basic Policy to Build Internal Control System> (revised on June 1, 2021)

This is a basic policy relating to building an internal control system for lawful and appropriate execution of overall business within the corporate group comprising J. FRONT RETAILING Co., Ltd. (hereinafter the "Company") and its operating companies (collectively, the "Group"). By specifically promoting this policy, the Group aims to contribute to increasing corporate value.

- The Company aims to realize corporate governance that is a structure for transparent, fair, swift and resolute decision-making with due attention to the perspectives of shareholders and also customers, employees and local communities in order to ensure the sustainable growth of the Group and increase corporate value over the medium to long term. The Company has therefore adopted the company with three committees (nomination, audit, and remuneration committees) in order to strengthen the oversight function and decision-making function for business execution of the Board of Directors by clearly separating management oversight and execution functions.
- In order to achieve our best possible corporate governance structure, it is important that the President and Representative Executive Officer takes and hedges various risks (uncertainties) within the corporate group to build an internal control system capable of appropriate and efficient business execution.
- The internal control system is a structure that companies should establish to control internal risks (uncertainties) with a view to realizing sustainable, stable growth. Specifically, the system comprises the following Group management system, risk management system, legal compliance system, internal audit structure, and structure of the audit committee.

I. Group Management System

(i) Board of Directors

- 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, Medium-term Business Plan, overall policy and plan for the Group management, M&As, the Group financing plans, and other individual important matters relating to the Group management. In order to speed up business decisions and execution, the task of determining matters involving business execution other than the above shall be delegated to execution, with the exception of matters which have a material impact on the Group management.
- For monitoring action, decision making and the like by the Board of Directors, a certain number or more of highly independent Outside Directors shall be appointed, having no risk of a conflict of interest with the Company's shareholders, and being able to provide judgments independently from top management and make decisions appropriately.
- To ensure effectiveness of objective management oversight, in addition to the Outside Directors, internally promoted Directors who do not execute business and who are well informed about internal information shall also be appointed.
- To further strengthen oversight function while conducting smooth operation of the Board of Directors, an Inside Director who does not execute business shall be selected as the Chairperson of Board of Directors.

(ii) 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. Meanwhile, execution shall be controlled by having the following framework.
- The organization responsible for execution shall consist of the Management Strategy Unit, Group Digital Strategy Unit, Financial Strategy Unit, Human Resources Strategy Unit and Administration Unit, and Executive Officers shall be appointed as the head of the units, through which the Company shall achieve swift and efficient business execution.

- The Company clarifies the missions of the President and Representative Executive Officer and each strategy unit. Each division formulates and executes a concrete plan based on the mission, and the roles and operations set forth in the Rules for Division of Organizations and Duties.
- Execution shall formulate the major Group management policies and individual important matters, and oversee business execution of operating companies. The Board of Directors shall discuss and determine (approve) the suitability of major policies and plans that execution has prepared as well as individual important matters.
- It discusses the overall policy, plan, and other matters concerning the Group's management at the Group Management Meeting, the Group Policy Meeting, each segment's Medium-term Business Plan Progress Meetings, the Affiliated Business Companies Results and Strategy Examination Meeting, etc. At them, participants confirm the progress of management strategies, share information between management, and so forth.
- The Company shall construct systems to raise overall efficiency of the Group such as the introduction of the Group's common accounting system in principle and promotion of centralized management of the Group funds.
- The Company has adopted the International Financial Reporting Standards (IFRS) voluntarily in the interest of implementing effective management based on appropriate asset evaluation, applying business management that gives emphasis to the profit of the current period and increasing convenience for overseas investors by improving the international comparability of financial information.

(iii) System to secure appropriateness of financial reporting

- With regard to internal controls over financial reporting, the Company shall be in compliance with Japan's Financial Instruments and Exchange Act and various associated laws and regulations, and construct an internal company system to ensure the legality and appropriateness of its financial reporting. In addition, all operating companies shall also construct the same system.

II. Risk Management System

(i) Risk Management Committee

- The Company shall establish the Risk Management Committee as an advisory body to the President and Representative Executive Officer with regard to risk management. The committee is chaired by the President and Representative Executive Officer and comprises Executive Officers and others.
- An officer shall be put in charge of risk management in order to promote the operation of risk management.
- Each operating company shall put departments and responsible persons in charge of promoting compliance and risk management, and carry out daily supervision and direction of risk management.
- The Risk Management Committee shall systematically manage and address strategic and other risks as a whole from a company-wide perspective, enabling management decisions from the perspective of risk management.
- 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.
- Risks to be addressed shall be managed by the Management Planning Division by reviewing the JFR Group Risk List and JFR Group Risk Map, which centrally list all the risks in the Group at any time.
- Of the risks involved in business operations that are identified, for particularly serious items, the Risk Management Committee shall deliberate over and determine a policy in response, and shall respond to them by having the Company and operating companies execute the policy.

(ii) Execution control

- Under the direction of President and Representative Executive Officer, the Company shall assign full-time staff to the Management Planning 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.

- The Management Planning Division shall develop and manage the internal controls under the Companies Act and the internal control system under the Financial Instruments and Exchange Act at the Company and the operating companies.
- The Management Planning Division shall coordinate with the Audit Committee, the Internal Audit Division, and each supervisory units and operating companies to share information and remedy any deficiencies that occur in the internal controls.

(iii) Hazard risk response

For hazard risks such as large-scale earthquakes, fires and accidents, crisis management shall be controlled by the Emergency Response Headquarters headed by the President and Representative Executive Officer.

III. Legal Compliance System

(i) Compliance Committee

- The Company shall establish the Compliance Committee as an advisory body to the President and Representative Executive Officer regarding the operation of compliance management. The President and Representative Executive Officer shall be the chairperson and the members of the committee shall be a corporate lawyer, Executive Officers and others.
- An officer shall be put in charge of compliance in order to promote the operation of compliance management.
- Each operating company shall put departments and responsible persons in charge of promotion of compliance and risk management, and shall carry out daily supervision and direction of business operations that are in accordance with laws and regulations and internal company rules.
- 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 at each company.
- The Compliance Committee shall periodically request reports from persons in charge of promotion of compliance at operating companies regarding the status of compliance management in their respective areas of responsibility, and take proper rectification measures. In addition, the committee shall formulate guidelines and measures to prevent recurrence to be followed and taken by the Group as a whole, and implement the said guidelines and measures.

(ii) 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.
- The hotline’s policy shall be to maintain strict confidentiality regarding notifications and reports and shall not disclose the personal information of whistleblowers to a third party without their consent; to be careful to avoid identification of the whistleblower when investigating the facts; and to ensure that whistleblowers are not subjected to disadvantageous treatment in terms of personnel affairs or any other aspect.
- 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.

IV. Internal Audit Structure

- The Company shall establish an independent Internal Audit Division under the direction of 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.
- The persons responsible for the internal audit departments, while providing directions, guidance and assistance to the internal audit divisions of the operating companies, provide a report to the President and Representative Executive Officer of the status of internal control functions through a third-party evaluation of the audit plans and audit results of the operating companies.
- To further enhance corporate governance by strengthening auditing functions, the Company shall clarify links between the President and Representative Executive Officer, the Audit Committee and the Internal Audit Division. Specifically, the Company shall adopt a system in which reports are submitted to both the President and Representative Executive Officer and the Audit Committee. When the reports are made, the audit report and the improvement report shall be made together to realize swift measures.
- Appointments and transfers of persons responsible for the internal audit departments shall be subject to advance approval by the Audit Committee, and when such persons are evaluated, the Audit Committee states an opinion to the execution of such evaluation.

V. 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.
- To aim to maintain and improve the accuracy of audits, a full-time Audit Committee member shall be appointed from among the Inside Directors who do not execute business as Audit Committee members.
- 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.
- 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 shall regularly coordinate with the Internal Audit Division to share information. Moreover, the Accounting Auditor, outside experts and others may be asked to attend Audit Committee meetings to provide reports and opinions as necessary.
- The Audit Committee members shall report to the Audit Committee on the status of audits of the following matters:
    - Matters resolved by or reported to the Board of Directors
    - Matters identified by the Audit Committee as issues
    - Internal audit implementation status and results (audit report, improvement report, etc.)
- The Audit Committee members shall attend the Group Management Meeting and other meetings, inspect important documents associated with the execution of duties, such as approval circulars, and request explanations from officers and employees of operating companies as necessary.
- Operating companies shall submit the necessary audit reports and perform other duties if requested to do so by the Audit Committee.
- The Audit Committee shall have periodic meetings and the like with Audit & Supervisory Board Members of the operating companies to enhance and strengthen the auditing of the entire Group.

- Personnel appointments and transfers for audit & supervisory board members of operating companies shall require approval from the Audit Committee, and the audit & supervisory board members of operating companies concurrently serve as members in the Audit Committee Secretariat.
- The Audit Committee may claim expenses deemed necessary for performing the duties from the Company, and the Company shall bear them.

VI. Other

(i) System for storage and management of information

- 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.
- For minutes and related documents regarding meetings chaired by Executive Officers and Directors, and other important documents relating to the execution of duties by Executive Officers and Directors, each responsible department shall carry out document storage and management and shall develop a system to enable inspections of such documents at any time.

(ii) 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.

Notes to Consolidated Financial Statements

Notes on important matters forming the basis of preparation of consolidated financial statements, etc.

1. Reporting standards for the preparation of consolidated financial statements

The Group has been preparing its consolidated financial statements in accordance with the "International Financial Reporting Standards (IFRS)," based on the provisions of Article 120, Paragraph 1 of the Regulation on Accounting of Companies.

Certain items of the consolidated financial statements that are required to be disclosed by the IFRS are omitted based on the latter provisions of the same Paragraph.

2. Matters concerning the scope of consolidation

Consolidated subsidiaries 20 companies

Major consolidated subsidiaries are listed in "1. Current status of the corporate group, (8) Status of significant parent company and subsidiaries" in the Business Report.

PARCO CO., LTD., which is a consolidated subsidiary of the Company, transferred all shares of NEUVE A Co., Ltd. on June 30, 2021. As a result, the Company removed NEUVE A Co., Ltd. from the scope of consolidation.

Daimaru Matsuzakaya Department Stores Co. Ltd., a consolidated subsidiary of the Company, merged with and absorbed Daimaru Matsuzakaya Sales Associates Co. Ltd. on September 1, 2021.

The Company removed Dimples' Co., Ltd. from the scope of consolidation upon transfer of 90% of its shares on February 28, 2022.

3. Matters concerning the application of the equity method

Equity method associates 8 companies

Major equity method associates include StylingLife Holdings Inc. With regard to equity method associates whose balance sheet dates are different from the consolidated balance sheet date, necessary adjustments are made by additionally preparing their financial statements as of the fiscal year end of the Company or other means.

4. Matters concerning the fiscal year of consolidated subsidiaries

With regard to subsidiaries whose balance sheet dates are not the end of February, which is balance sheet date of the Company, because the legal system of the region where the subsidiaries are located does not allow them to have the same balance sheet date 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.

5. Matters concerning accounting policies

(1) Foreign currency transactions

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, etc.

Assets and liabilities of foreign subsidiaries, etc., are translated into Japanese yen at the exchange rate prevailing at the end of the reporting period. Income and expenses of foreign subsidiaries, etc. 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, etc. are recognized in other comprehensive income. Exchange differences for foreign subsidiaries, etc. are recognized as profit or loss in the period during which the foreign subsidiaries, etc. are disposed of.

(2) Basis and method of valuation of significant assets and accounting method for deferred assets

1) Financial instruments

(i) 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.

(a) 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 where necessary. Interest revenue, foreign exchange gains and losses and impairment losses on financial assets measured at amortized cost are recognized in profit or loss.

(b) 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 (may be reclassified to profit or loss).

For investments in equity instruments that are not held for trading, the Group may make an election (irrevocable) at the 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.

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

Financial assets other than 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 remove or significantly reduce an accounting mismatch.

(d) 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 whether there is a significant increase in credit risk of financial assets or groups of financial assets since initial recognition. Specifically, when there is no significant increase in the credit risk since initial recognition, expected credit losses for 12 months are recognized as allowance for doubtful accounts. On the other hand, when there is a significant increase in credit risk since initial recognition, expected credit losses for the remaining life of the financial assets are recognized as allowance for doubtful accounts. Whether credit risk is significantly increased or not is determined based on the 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.

(e) 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.

(ii) 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, cancelled or expired.

The Group principally has borrowings, bonds, trade payables, other short-term payables, common gift certificates for department stores nationwide, deposits, 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.

(iii) 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.

(iv) Derivatives and hedge accounting

The Group uses derivatives to hedge interest rate fluctuation risk and foreign exchange fluctuation risk. Derivatives used by the Group 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 the 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 possibility that the forecast transaction occurs must be very high.

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

(a) 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.

(b) 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.

(v) Cash and cash equivalents

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

2) Basis and method of valuation of non-financial instruments

(i) Inventories

Inventories are measured at the lower of acquisition 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 identified cost method, and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

(ii) 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 as "assets held for sale."

The condition for classifying an asset under "assets held for sale" can only be met by an asset whose sale is highly probable, and which is available for immediate sale in its present condition. The management must have committed to the execution of a sales 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.

3) 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 losses.

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 calculated on 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 and depreciation 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.

4) 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 fair value of 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 potential impairment.

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

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

5) Intangible assets

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

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

After the 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.

6) 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 liabilities, 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.

7) 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 include the lease payments of the extended term if the lease term reflects the exercise of a lease extension option, and include 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 in profit or loss.

8) Investment property

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

Investment property is measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment losses (For the depreciation method and useful lives, please refer to "3) Property, plant and equipment").

When it is difficult to account for investment property and other portions separately, the entire property is accounted for as investment property only if the owner-occupied portion is insignificant.

9) Impairment of non-financial assets

The Group determines 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 with 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 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 of impairment in the corporate assets.

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 each 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.

(3) Accounting policy for significant 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 highly 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 are 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 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.

(4) Revenue recognition

Based on the following five-step approach, revenue is recognized 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 SC Business, the Developer Business, and the Payment and 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 it is determined that performance obligation is 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 it is determined that performance obligation is 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 mainly at the time of delivery of the goods, which is the time when performance obligation is satisfied.

(ii) SC Business

The SC Business undertakes development, management, supervision and operation, etc. of shopping centers as well as sale of personal belongings, general goods and others.

With regard to services, because these services are provided on a continuous basis and thus it is determined that performance obligation is satisfied over a certain period of time, revenue is recognized as the services are rendered.

With regard to the sale of accessories, general goods and others, since it is usually determined that performance obligation is 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 performance obligation is satisfied.

Revenue from lease of shopping centers and others is recognized over the lease term, in accordance with IFRS 16.

(iii) Developer Business

The Developer Business carries out development, supervision, operation, interior decorating work, etc. of real estate.

Revenue from lease of real estate and others is recognized over the lease term, in accordance with IFRS 16.

With regard to the design and operation of interior decorating work, 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.

(iv) Payment and Finance Business

The Payment and Finance Business undertakes issuance and administration, etc. of credit cards.

In the Payment and Finance Business, annual membership fees from cardholders, and fees from department stores and external affiliated stores are recognized as revenue. With regard to interest on installment sales, the Group multiplies the revolving balance and number of installment payments by their respective set interest rates to calculate interest revenue, and recognizes the interest in the period to which it is attributable, in accordance with IFRS 9.

(v) Other

Within other, for sales of products and merchandise such as electronic components, automobile components, industrial supplies, and liquor within the wholesale business, the Group deems that in most cases the customer acquires control of the products when they are delivered and its performance obligations are satisfied. Therefore, usually revenue is recognized for the goods upon their delivery.

2) Interest revenue

Interest revenue is recognized using the effective interest method.

3) Dividends

Dividend 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 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

(5) 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.

(6) 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 businesses and earns taxable income.

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 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 nor taxable income
- Taxable temporary differences associated with investments in subsidiaries and associates, where 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 income will be available against which deductible temporary differences can be utilized.

Carrying amount of deferred tax assets is reassessed 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 income 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.

(7) 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.

(8) Share-based payment

To ensure steady execution of the Medium-term Business Plan for realizing the Group Vision, the Company has adopted a stock-based remuneration system for officers utilizing a trust (officer remuneration BIP trust). The officer remuneration BIP trust is a system of granting the Company's shares to officers (in this system, 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' level of achievement of the Medium-term Business Plan, etc. The value of the service received is measured by 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.

(9) Earnings per share

Basic earnings per share are calculated by dividing profit (loss) attributable to ordinary equity holders of 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.

(10) Treasury shares

Treasury shares are recognized at 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 capital surplus.

(11) 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, 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 during which they incurred.

(12) Other important matters forming the basis of preparation of consolidated financial statements

Consumption tax and local consumption tax are accounted for under the tax exclusion method.

Notes to accounting estimates

1. Property, plant and equipment, right-of-use assets, intangible assets and investment property

The Group conducts impairment tests if there is an indication that property, plant and equipment, right-of-use assets, 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.

The recoverable amount is usually determined by the value in use. For the value in use, the Group estimates the discounted present value of future cash flows generated from the use of the asset and the discounted present value of future cash flows generated by its final disposal.

The forecasting period for future cash flows is estimated by considering the remaining useful life of the relevant asset.

Future cash flows before discounting are estimated based on the business plan. The main assumptions include forecast trends for personal spending in Japan and projected recovery in inbound tourism demand, the impact of the novel coronavirus disease (COVID-19), and the rate of sales growth after the business plan.

For the forecast trend for personal spending in Japan, the Group refers to forecast trends provided by several external specialist organizations, factors in the effect of measures in its business plan, and sets the sales growth rates for each of the relevant primary business segments for the following fiscal year onward. In addition, in the outlook for inbound tourism demand recovery, the Group creates a scenario based on international shipping forecasts and tourism demand forecasts by external organizations, and forecasts the demand recovery within the scope of that scenario.

For the impact of COVID-19, it is difficult to predict future trends and the time when the pandemic will come to an end; however, at this point in time the Group expects the impact of COVID-19 on its earnings to be apparent until fiscal 2023.

The growth rate from the time of the business plan onwards is determined by making reference to long-term growth rates for the relevant markets. 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.

Moreover, the amounts of impairment losses in the consolidated financial statements and non-current assets in the Department Store Business and the SC Business are as follows.

	Department Store Business	SC Business
Impairment losses	¥113 million	¥234 million
Property, plant and equipment	¥237,310 million	¥240,894 million
Right-of-use assets	¥85,641 million	¥59,784 million
Intangible assets	¥4,247 million	¥1,569 million
Investment property	¥113,343 million	¥1,314 million

2. 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.

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, etc. for each future fiscal year determined based on the Group's business plan.

The major assumptions in the Group's business plan are forecast trends for personal spending in Japan and projected recovery in inbound tourism demand, and the impact of COVID-19, as well as the forecast for operating profit taking into consideration sales revenue factoring in the effects of the business plan and the effects of cost reductions achieved through business structure reforms.

These major assumptions are based on management's best estimates, but may differ from actual results due to effects of changes in uncertain future economic conditions. If significant revisions become necessary, it may have a material impact on the amounts to be recognized in the consolidated financial statements for the following fiscal year onward.

Deferred tax assets in the consolidated financial statements are as follows:

Deferred tax assets ¥8,209 million

3. Retirement benefit

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.

Retirement benefit liability in the consolidated financial statements is as follows:

Retirement benefit liability	¥19,416 million

4. 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 individually coinciding with the next 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 to be recognized in the consolidated financial statements in the next fiscal year and beyond.

Lease liabilities in the consolidated financial statements are as follows:

Lease liabilities	¥184,394 million

Additional information

Accounting treatment following adoption of the consolidated taxation system

The Company decided in October 2021 to apply the consolidated taxation system effective from the fiscal year ending February 28, 2023, and the Company filed the application form with the relevant authorities in November 2021. Accordingly, from the current fiscal year, the Company has applied tax effect accounting assuming the introduction of the consolidated taxation system with the Company has the consolidated taxation parent company.

Notes on consolidated statement of financial position

1. Allowance for doubtful accounts directly deducted from assets

(1) Trade and other receivables	¥240 million
(2) Other financial assets	¥3,913 million

2. Total amount of accumulated depreciation

(1) Property, plant and equipment	¥323,623 million
(2) Right-of-use assets	¥116,718 million
(3) Investment property	¥30,366 million

3. Assets pledged as collateral and secured liabilities

(1) Assets pledged as collateral

Other financial assets	¥160 million
Other	¥81 million
Total	¥242 million

(2) Secured liabilities

Trade and other payables	¥177 million
Total	¥177 million

4. Contingent liabilities

Guarantee of financing for employee housing and others	¥1 million
Total	¥1 million

Notes on consolidated statement of profit or loss

1. Other operating income

Gain on sales of shares of subsidiaries (Note 1)	¥3,951 million
Gain on sales of non-current assets (Note 2)	¥2,666 million
Subsidies for employment adjustment (Note 3)	¥399 million
Other subsidies	¥1,012 million
Other	¥3,038 million
Total	¥11,068 million

(Note 1) Gain on sales of shares of subsidiaries for the current fiscal year is a gain on the transfer of 90% of the shares of Dimples' Co., Ltd. to WORLD HOLDINGS CO., LTD.

(Note 2) Gain on sales of non-current assets for the current fiscal year is mainly a gain on sales due to the sale of real estate holdings in the Developer Business.

(Note 3) Due to the impact of COVID-19, the Company was subject to special measures such as subsidies for employment adjustment.

2. Other operating expenses

Loss on sales of shares of subsidiaries (Note 1)	¥1,818 million
Loss on disposals of non-current assets	¥1,726 million
Impairment losses (Note 2)	¥1,136 million
Costs associated with suspension of store operations (Note 3)	¥3,146 million
Structural reform costs (Note 4)	¥3,802 million
Other	¥1,775 million
Total	¥13,406 million

(Note 1) Loss on sales of shares of subsidiaries for the current fiscal year was a loss on sale related to the transfer of all shares of NEUVE A Co., Ltd. to Libra Invesco Co., Ltd.

(Note 2) Impairment losses of ¥1,136 million for the current fiscal year mainly comprised ¥113 million in the Department Store Business, ¥234 million in the SC Business, and ¥776 million in the Developer Business.
In the Department Store Business, the main item is an impairment loss of ¥103 million recognized for an expected decrease in revenue due to tenant withdrawals and write-down of the carrying amount of buildings and structures to the recoverable amount in relation to the formulation of a rebuilding and redevelopment plan for the Ginza Core building, in which Daimaru Matsuzakaya Department Stores Co. Ltd. participates as a joint building business. The recoverable amount of the cash-generating unit is measured as the fair value less cost of disposal.
In the SC Business, the main item is an impairment loss of ¥231 million recognized for a write-down of the carrying amount of right-of-use assets to the recoverable amount due to a decrease in the profitability of PARCO CO., Ltd.'s Tsudanuma PARCO. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by a pre-tax discount rate of 3.9%, which was based on the WACC at the time of measurement, taking into account the future profitability and other factors.
In the Developer Business, the main item is an impairment loss of ¥593 million recognized for a write-off of the entire amount of the carrying amount of investment real estate due to a decision to terminate the PARCO CO., Ltd.'s Dotonbori ZERO GATE project. The recoverable amount was based on the value-in-use, which was zero.

In addition, an impairment loss of ¥159 million was recognized for the entire amount of the carrying value of the structure portion only of investment real estate due to a decision to dismantle and rebuild PARCO CO., Ltd.'s Nishiki 3-chome building. The recoverable amount was based on the value-in-use, which was zero.

(Note 3) Costs associated with suspension of store operations are mainly fixed costs (depreciation and amortization, personnel expenses, etc.) incurred by Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd. during the suspension of operations of stores, etc. that closed due to the impact of the spread of COVID-19.

(Note 4) Structural reform costs are extra retirement payments due to the expanded voluntary early retirement program for Daimaru Matsuzakaya Department Stores Co. Ltd. and The Hakata Daimaru, Inc.

Notes on consolidated statement of changes in equity

1. Class and total number of shares issued as of the end of the current fiscal year

Common shares 270,565,764 shares

2. Matters concerning dividends

(1) Dividends paid

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	Common shares	4,751	18.00	February 28, 2021	May 7, 2021
Board of Directors meeting held on October 12, 2021	Common shares	3,700	14.00	August 31, 2021	November 11, 2021

(Note 1) Total amount of dividends resolved at the Board of Directors meeting held on April 13, 2021 includes ¥39 million of dividends paid to the Company's shares held by an officer remuneration BIP trust.

(Note 2) Total amount of dividends resolved at the Board of Directors meeting held on October 12, 2021 includes ¥34 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

(2) Dividends with the record date falling within the current fiscal year and with the effective date falling within the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 12, 2022	Common shares	Retained earnings	3,964	15.00	February 28, 2022	May 6, 2022

(Note) Total amount of dividends resolved at the Board of Directors meeting held on April 12, 2022 includes ¥37 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Notes on financial instruments

1. Matters concerning conditions of financial instruments

Risk management regarding financial instruments

The Group, in order to avoid or mitigate market risk, credit risk and liquidity risk, manages risks associated with financial instruments based on the following policies.

1) Market risk management

The Group limits its management of funds to highly stable deposits, bonds and the like. For the procurement of funds, the Group's policy is to use bank loans, issuances of commercial papers, issuances of bonds, securitized receivables and the like. The Group uses derivatives solely to avoid foreign exchange fluctuation risks on monetary claims and liabilities denominated in foreign currencies and interest rate fluctuation risks on borrowings and bonds, and does not enter into derivative transactions for speculative purposes.

(i) Foreign exchange fluctuation risk

The majority of the Group's notes and accounts payable - trade, which are trade and other payables, are those with payment dates within one year. Although some of them are denominated in foreign currencies and are exposed to foreign exchange fluctuation risk, the Group enters into forward exchange contracts for some of the settlement amounts to avoid this risk.

(ii) Interest rate fluctuation risks

Current borrowings, commercial papers, securitized receivables and the like are mainly to procure funds for operational transactions, while bonds and long-term borrowings are mainly to procure funds for capital investment. Although borrowings with floating interest rates are exposed to interest rate fluctuation risk, for some of the long-term borrowings, derivative transactions (interest rate swaps) for each individual contract are used as hedging instruments to avoid fluctuation risk on interest to be paid and to fix the interest to be paid. As a method for assessing hedge effectiveness, the Group periodically verifies hedging effects for each individual contract.

(iii) Market price fluctuation risk

The Group holds marketable securities, mainly ones of companies with which it has business relationships. Although such securities are exposed to market price fluctuation risk, the Group not only periodically monitors their market prices but also continuously reviews its shareholding positions. Further, as all of these securities are designated as the financial assets which are measured at fair value through other comprehensive income, the fluctuation of market price has no impact on profit or loss.

2) Credit risk management

The Group is exposed to credit risk, the risk of suffering financial loss from failure of counterparty of financial assets held.

(i) Trade and other receivables

Notes and accounts receivable – trade, which are trade receivables, are exposed to customer credit risk. To handle this risk, all Group companies carry out due date management and balance management by customer and seek early identification and mitigation of collectability concerns.

(ii) Short-term investments

Cash and cash equivalents and short-term investments which are included in other financial assets are highly stable and liquid financial instruments such as commercial papers of highly rated corporations, bond investment trust, money trust.

(iii) Loans receivable

Loans receivables are exposed to the credit risk of borrowers. In order to control such risk, the Group thoroughly follows internal deliberations and approval processes regarding borrowers' credit status for a new loan and requires guarantee deposits and collateral as necessary, while accessing borrowers' credit status on a regular basis.

(iv) Derivative transactions

Execution and management of derivative transactions are carried out in accordance with internal rules that stipulate its objectives, limit amount, scope of transactions, organizational structure and other matters. The use of derivatives is solely for the purpose of avoiding risks based on actual demand, not for speculation purpose, and limited to contracts with highly creditworthy financial institutions in order to reduce credit risk.

3) Liquidity risk management

Liquidity risk refers to the risk that the Group is unable to fulfill its repayment obligations of financial liabilities which is due.

Although trade payables, borrowings and the like are exposed to liquidity risk, the Group manages this risk with methods such as preparing monthly cash flow management plans at all companies, and secures sufficient liquidity on hand through commitment line contracts and overdraft contracts with its main financing banks.

2. Matters concerning fair values of financial instruments

Carrying amount, fair values as of February 28, 2022, and their differences are as follows.

(Millions of yen)

	Carrying amount (*)	Fair value (*)	Difference
Assets			
(1) Cash and cash equivalents	93,278	93,278	–
(2) Trade and other receivables	112,262	112,262	–
(3) Derivatives	7	7	–
(4) Other financial assets	91,899	94,023	2,123
Liabilities			
(5) Trade and other payables	[116,107]	[116,107]	–
(6) Other financial liabilities	[66,657]	[66,602]	(55)
(7) Borrowings	[202,960]	[202,691]	(268)
(8) Commercial papers	[15,002]	[15,002]	–
(9) Bonds	[99,752]	[99,475]	(277)

(*) The items recorded in liabilities on the consolidated statement of financial position are shown in square brackets [ ].

(Note) Method for measuring fair values

(1) Cash and cash equivalents, (2) trade and other receivables, (4) other financial assets (current), (5) trade and other payables, (6) other financial liabilities (current), and (8) commercial papers

The carrying amount is used as the fair value of these assets, given that the fair value is almost the same as the carrying amount, as they are mostly settled in a short time.

(4) Other financial assets (non-current), (6) other financial liabilities (non-current)

The fair value of listed stocks is measured based on market prices at the last date of a fiscal year. The fair value of unlisted stocks is measured by discounted future cash flows, valuation model based on revenue 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 the current market interest rates or the like.

(7) Borrowings, (9) bonds

For bonds, fair value is estimated using the reference trading statistics of Japan Securities Dealers Association and others. The fair value of borrowings is mainly measured by present value obtained by discounting future cash flows at interest rates that would be charged for a new similar borrowing.

(3) Derivatives (assets)

For derivatives, as financial assets measured at fair value through profit or loss, fair value is measured based on prices presented by financial institutions.

Notes on investment property

1. Matters concerning status of investment property

Some of the Company’s subsidiaries own rental buildings, etc. in Tokyo and other regions.

2. Matters concerning fair values of investment property

(Millions of yen)

Consolidated statement of financial position amount	Fair value at the end of the current fiscal year
189,688	257,720

(Note 1) The consolidated statement of financial position amount is the acquisition cost less accumulated depreciation.

(Note 2) For major properties, fair value at the end of the current fiscal year is an amount based on the real estate appraisal standards of an external real estate appraiser, etc. For other properties, fair value is an amount estimated by employing the land price index with necessary adjustments applied at the Company.

Notes on per share information

1. Equity attributable to owners of parent per share: ¥1,337.29
2. Basic earnings per share: ¥16.50

(Note) The calculation of per share information excludes the number of Company's shares owned by the officer remuneration BIP trust from the number of shares at the end of the period and the average number of shares during the period because such shares are treated as the Company's treasury shares.

Notes to Non-consolidated Financial Statements

Notes on matters concerning important accounting policies

1. Basis and method of valuation of assets

(1) Basis and method of valuation of securities

Shares of subsidiaries and associates	Stated at cost using the moving-average method
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)

2. Depreciation method of non-current assets

Property, plant and equipment (excluding leased assets)	Straight-line method
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).
Leased assets	
Leased assets in finance leases that do not transfer ownership	Straight-line method with zero residual value assuming the lease periods as useful lives

3. Accounting method for deferred assets

Bond issuance cost	Amortized using the straight-line method over the period until redemption

4. Accounting policy for provisions

Allowance for doubtful accounts	To prepare for losses from bad debt, an estimated uncollectible amount is provided.
Provision for bonuses	To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.
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.
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.

5. Hedge accounting method

Hedge accounting method	Exceptional treatment is applied to interest rate swaps that satisfy the requirements for exceptional treatment.

Hedging instruments and hedged items	
Hedging instruments	Interest rate swaps
Hedged items	Borrowings and interest expenses on borrowings
Hedging policy	Based on the risk management policy, hedging is undertaken to hedge interest rate fluctuation risk.
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.
6. 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.

Notes on changes in presentation

Adoption of "Accounting Standard for Disclosure of Accounting Estimates"

The Company has adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) for the year-end financial statements for the fiscal year under review, and has presented notes regarding accounting estimates.

Notes to accounting estimates

1. Recoverability of deferred tax assets

(1) Amounts recorded in financial statements for the current fiscal year

Deferred tax assets	¥1,615 million

(2) Other information contributing to understanding the details of accounting estimates

This information is omitted here as it is presented under "Notes to accounting estimates" in the notes to consolidated financial statements.

Additional information

Accounting treatment following adoption of the consolidated taxation system

Since the Company applied for approval for the consolidated taxation system in the current fiscal year and the consolidated tax payment system is to be applied from the next fiscal year, from the current fiscal year it has applied accounting treatment assuming the adoption of the consolidated taxation system in accordance with "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)" (ASBJ PITF No. 5, January 16, 2015) and "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)" (ASBJ PITF No. 7, January 16, 2015).

Moreover, regarding the transition to the group tax sharing system established in the "Act Partially Amending the Income Tax Act" (Act No. 8 of 2020) and the items revised in the non-consolidated taxation system in line with the transition to the group tax sharing system, in accordance with the treatment of Paragraph 3 of "Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No.

39, March 31, 2020), the Company has not applied the provision of Paragraph 44 of "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), and the amounts of its deferred tax assets and deferred tax liabilities are in accordance with the tax laws prior to revision.

Notes on non-consolidated balance sheet

1. Short-term monetary liabilities to subsidiaries and associates
¥1,504 million
2. Accumulated depreciation of property, plant and equipment
¥80 million

Notes on non-consolidated statement of income

1. Transaction with subsidiaries and associates

Operating transaction	
Operating revenue	¥15,482 million
General and administrative expense	¥595 million
Non-operating transactions	
Interest income	¥697 million
Interest expenses	¥2 million

Notes on non-consolidated statement of changes in equity

1. Class and total number of shares issued as of the end of the current fiscal year
Common shares 270,565,764 shares
2. Class and number of treasury shares as of the end of the current fiscal year
Common shares 8,756,955 shares

Notes on tax effect accounting

1. Deferred tax assets and deferred tax liabilities by major category of cause

Deferred tax assets	
Provision for bonuses	¥42 million
Accrued insurance expenses	¥6 million
Accrued enterprise tax	¥83 million
Accrued expenses	¥26 million
Loss on valuation of shares of subsidiaries and associates	¥61 million
Allowance for doubtful accounts for subsidiaries and associates	¥266 million
Provision for officer remuneration BIP trust	¥77 million
Loss on impairment of non-current assets	¥112 million
Loss on valuation of investment securities	¥15 million
Revised carrying amount of investment	¥16 million
Unused tax losses	¥1,667 million
Other	¥11 million
Sub total deferred tax assets	¥2,387 million
Valuation allowance for unused tax losses for taxation	¥(321) million
Valuation allowance for total of deductible temporary differences, etc.	¥(445) million
Sub total valuation allowance	¥(767) million
Total deferred tax assets	¥1,620 million
Deferred tax liabilities	
Valuation difference on available-for-sale securities	¥(3) million
Asset retirement obligations	¥(1) million
Total deferred tax liabilities	¥(4) million
Net amount of deferred tax assets	¥1,615 million

Notes on transactions with related parties

Subsidiaries, etc.

(Millions of yen)

Type	Company name	Ownership ratio of voting rights	Relationship	Nature of transactions	Transaction amount (Note 6)	Account item	Balance at the end of the fiscal year
Subsidiary	Daimaru Matsuzakaya Department Stores Co. Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Receipt of consulting fee income (Note 1)	2,976	–	–
				Lending of funds	–	Long-term loans receivable	25,000
				Collection of funds	175		
				Receipt of interests (Note 2)	87	–	–
Subsidiary	PARCO Co., Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending of funds	–	Short-term loans receivable	22,000
						Long-term loans receivable	83,500
				Receipt of interests (Note 2)	466	–	–
Subsidiary	JFR Service Co. Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending and collection of funds (Note 3)	17,923	Short-term loans receivable	11,704
				Receipt of interests (Note 2)	53	–	–
Subsidiary	JFR Card Co., Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending of funds	10,000	Short-term loans receivable	15,000
				Collection of funds	10,000	Long-term loans receivable	15,000
				Receipt of interests (Note 2)	89	–	–
Subsidiary	JFR Kodomo Mirai Co., Ltd.	Holding Directly 100%	Business advisory	Lending of funds (Note 4)	400	Short-term loans receivable	370
				Collection of funds	370	Long-term loans receivable	500
Subsidiary	Angel Park Co., Ltd.	Holding Directly 0.38% Indirectly 49.88%	Business advisory	Deposits of funds	1,500	Deposits	1,500
				Repayment of deposits	1,000		
				Payment of interests (Note 2)	2	–	–
Subsidiary	JFR Information Center Co., Ltd.	Holding Directly 100%	Business advisory	Requests for computation services (Note 5)	554	–	–

Transaction conditions and policy for deciding transaction conditions

(Note 1) Consulting fee income is determined by contract terms.

(Note 2) Interest rates on funds lent and funds deposited are determined reasonably with reference to market interest rates.

(Note 3) As transactions for lending and collection of funds are carried out repetitively, the amount shown in the transaction amount column is the average balance during the period.

(Note 4) For the loans to JFR Kodomo Mirai Co., Ltd., the Company recorded an allowance for doubtful accounts of ¥870 million.

(Note 5) The Company will reasonably determine with reference to market prices whether to request this company mainly in relation to computation services.

(Note 6) Transaction amounts do not include consumption taxes.

Notes on per share information

1. Net assets per share:	¥1,280.48
2. Basic earnings per share:	¥54.44