# Annual Securities Report

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

The 15th fiscal year (from March 1, 2021 to February 28, 2022)

J. FRONT RETAILING Co., Ltd.

E03516

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| Document title | Annual Securities Report |
| Clause of stipulation | Article 24, paragraph (1) of the Financial Instruments and Exchange Act |
| Place of filing | Director-General of the Kanto Local Finance Bureau |
| Filing date | May 27, 2022 |
| Fiscal year | The 15th fiscal year (from March 1, 2021 to February 28, 2022) |
| Company name | Ｊ.フロント リテイリング株式会社 (*J. FRONT RETAILING Kabushiki Kaisha*) |
| Company name in English | J. FRONT RETAILING Co., Ltd. |
| Job title and name of representative | YOSHIMOTO Tatsuya, President and Representative Executive Officer |
| Address of registered headquarters | 10-1, Ginza 6-chome, Chuo-ku, Tokyo |
| | (Above is the address registered as the location of the head office of the Company. Actual business operations are conducted at the following “Nearest place of contact.”) |
| Telephone number | +81-3-6895-0179 (from overseas) |
| Name of contact person | NOGUCHI Hideki, Executive Officer, Senior General Manager of Accounting and Tax Affairs Division of Financial Strategy Unit |
| Nearest place of contact | 4-1, Nihonbashi 1-chome, Chuo-ku, Tokyo |
| Telephone number | +81-3-6895-0179 (from overseas) |
| Name of contact person | NOGUCHI Hideki, Executive Officer, Senior General Manager of Accounting and Tax Affairs Division of Financial Strategy Unit |
| Place for public inspection | Tokyo Stock Exchange, Inc. |
| | (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo) |
| | Nagoya Stock Exchange, Inc. |
| | (8-20, Sakae 3-chome, Naka-ku, Nagoya) |

# A. Company Information

## I. Overview of the Company

### 1. Summary of business results

(1) Business results of the Group

| Term | International Financial Reporting Standards (IFRS) | | | | |
|---|---|---|---|---|---|
| | 11th fiscal year | 12th fiscal year | 13th fiscal year | 14th fiscal year | 15th fiscal year |
| Fiscal year-end | February 2018 | February 2019 | February 2020 | February 2021 | February 2022 |
| Sales revenue (Millions of yen) | 469,915 | 459,840 | 480,621 | 319,079 | 331,484 |
| Profit (loss) before tax (Millions of yen) | 48,271 | 42,126 | 37,161 | (28,672) | 6,190 |
| Profit (loss) attributable to owners of parent (Millions of yen) | 28,486 | 27,358 | 21,251 | (26,193) | 4,321 |
| Comprehensive income attributable to owners of parent (Millions of yen) | 34,450 | 25,631 | 19,259 | (27,296) | 6,173 |
| Equity attributable to owners of parent (Millions of yen) | 395,519 | 412,700 | 387,188 | 352,171 | 350,368 |
| Total assets (Millions of yen) | 1,022,348 | 1,029,573 | 1,240,308 | 1,263,722 | 1,192,907 |
| Equity attributable to owners of parent per share (Yen) | 1,511.91 | 1,576.68 | 1,479.07 | 1,344.91 | 1,337.29 |
| Basic earnings (loss) per share (Yen) | 108.92 | 104.55 | 81.19 | (100.03) | 16.50 |
| Diluted earnings (loss) per share (Yen) | 108.86 | 104.52 | 81.17 | (100.03) | 16.50 |
| Ratio of equity attributable to owners of parent to total assets (%) | 38.7 | 40.1 | 31.2 | 27.9 | 29.4 |
| Profit/equity attributable to owners of parent (ROE) (%) | 7.5 | 6.8 | 5.4 | (7.1) | 1.2 |
| Price earnings ratio (PER) (Times) | 17.91 | 11.79 | 14.13 | – | 58.29 |
| Net cash provided by (used in) operating activities (Millions of yen) | 57,079 | 34,870 | 73,358 | 56,471 | 49,866 |
| Net cash provided by (used in) investing activities (Millions of yen) | (19,030) | (26,836) | (49,559) | (20,870) | (5,289) |
| Net cash provided by (used in) financing activities (Millions of yen) | (31,048) | (21,274) | (14,829) | 58,727 | (80,392) |
| Cash and cash equivalents at end of period (Millions of yen) | 38,883 | 25,659 | 34,633 | 128,925 | 93,278 |
| Number of employees (Persons) | 6,723 | 6,695 | 6,579 | 6,528 | 5,589 |
| [Separately, average number of temporary employees] | [3,706] | [3,581] | [3,265] | [3,107] | [2,559] |

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

| Term | Japanese GAAP |
|---|---|
| | 11th fiscal year |
| Fiscal year-end | February 2018 |
| Net sales (Millions of yen) | 947,879 |
| Ordinary profit (Millions of yen) | 41,032 |
| Profit attributable to owners of parent (Millions of yen) | 26,110 |
| Comprehensive income (Millions of yen) | 36,695 |
| Net assets (Millions of yen) | 493,713 |
| Total assets (Millions of yen) | 1,066,480 |
| Net assets per share (Yen) | 1,651.46 |
| Basic earnings per share (Yen) | 99.83 |
| Diluted earnings per share (Yen) | – |
| Equity ratio (%) | 40.5 |
| Return on equity (ROE) (%) | 6.2 |
| Price earnings ratio (PER) (Times) | 19.54 |
| Net cash provided by (used in) operating activities (Millions of yen) | 57,001 |
| Net cash provided by (used in) investing activities (Millions of yen) | (18,719) |
| Net cash provided by (used in) financing activities (Millions of yen) | (31,280) |
| Cash and cash equivalents at end of period (Millions of yen) | 38,863 |
| Number of employees (Persons) | 6,723 |
| [Separately, average number of temporary employees] | [3,706] |

Notes:
1. Net sales do not include consumption taxes.
2. The average number of temporary employees includes dedicated employees who shifted to non-fixed term contracts and fixed-term employees.
3. The figures for the 11th fiscal year are based on Japanese GAAP and were not subject to an audit pursuant to provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

(2) Business results of the reporting company

| Term | 11th fiscal year | 12th fiscal year | 13th fiscal year | 14th fiscal year | 15th fiscal year |
|---|---|---|---|---|---|
| Fiscal year-end | February 2018 | February 2019 | February 2020 | February 2021 | February 2022 |
| Operating revenue (Millions of yen) | 14,776 | 18,770 | 34,116 | 13,812 | 15,482 |
| Ordinary profit (Millions of yen) | 9,892 | 13,987 | 28,163 | 8,849 | 9,505 |
| Profit (Millions of yen) | 8,579 | 13,897 | 27,948 | 7,487 | 14,253 |
| Share capital (Millions of yen) | 31,974 | 31,974 | 31,974 | 31,974 | 31,974 |
| Total number of issued shares (Shares) | 270,565,764 | 270,565,764 | 270,565,764 | 270,565,764 | 270,565,764 |
| Net assets (Millions of yen) | 305,802 | 310,329 | 328,871 | 329,351 | 335,241 |
| Total assets (Millions of yen) | 421,361 | 415,927 | 531,341 | 675,917 | 641,307 |
| Net assets per share (Yen) | 1,169.25 | 1,186.13 | 1,256.46 | 1,258.07 | 1,280.48 |
| Dividends per share (Yen) | 35.00 | 35.00 | 36.00 | 27.00 | 29.00 |
| [Interim dividends per share] | [16.00] | [17.00] | [18.00] | [9.00] | [14.00] |
| Basic earnings per share (Yen) | 32.80 | 53.12 | 106.80 | 28.60 | 54.44 |
| Diluted earnings per share (Yen) | – | – | – | 28.60 | 54.44 |
| Equity ratio (%) | 72.6 | 74.6 | 61.9 | 48.7 | 52.3 |
| Return on equity (ROE) (%) | 2.81 | 4.51 | 8.74 | 2.28 | 4.29 |
| Price earnings ratio (PER) (Times) | 59.48 | 23.21 | 10.74 | 35.56 | 17.67 |
| Dividend payout ratio (%) | 106.71 | 65.89 | 33.71 | 94.41 | 53.27 |
| Number of employees (Persons) | 99 | 132 | 147 | 133 | 138 |
| [Separately, average number of temporary employees] | [15] | [19] | [17] | [17] | [16] |
| Total shareholder return (%) | 115.1 | 75.5 | 72.6 | 66.6 | 65.1 |
| [Benchmark index: Dividend-included TOPIX] (%) | [117.6] | [109.3] | [105.3] | [133.1] | [137.6] |
| Highest share price (Yen) | 2,190 | 1,944 | 1,612 | 1,175 | 1,218 |
| Lowest share price (Yen) | 1,426 | 1,184 | 1,116 | 600 | 882 |

Notes: 1. Operating revenue does not include consumption taxes.

2. The dividends per share of ¥35 for the 11th fiscal year include a commemorative dividend of ¥2.

3. The highest and lowest share prices were those recorded on the first section of the Tokyo Stock Exchange.

## 2. Company history

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

| | |
|---|---|
| Feb. 24, 2014 | Liquidation of Central Park Building Co., Ltd. is completed. |
| Aug. 18, 2014 | Liquidation of Parco Consulting (Suzhou) Co., Ltd. is completed. |
| Jan. 7, 2015 | Daimaru Kogyo, Ltd. establishes Taiwan Daimaru Kogyo, Ltd. |
| Apr. 22, 2015 | The Company acquires shares of Senshukai Co., Ltd. |
| May 7, 2015 | The Company acquires additional shares of Senshukai Co., Ltd. and makes it an associate accounted for using the equity method. |
| Dec. 17, 2015 | Daimaru Matsuzakaya Department Stores Co. Ltd. transfers all shares of Hakuseisha Co., Ltd. to AEON DELIGHT CO., LTD. |
| Sept. 1, 2016 | Daimaru Matsuzakaya Department Stores Co. Ltd. merges with and absorbs Daimaru COM Development Inc. |
| | JFR Service Co. Ltd. merges with and absorbs JFR Office Support Co., Ltd. and JFR Consulting Co. Ltd. |
| Mar. 1, 2017 | JFR Online Co. Ltd. transfers all its business operations to Feel Life Inc., a wholly owned subsidiary of Senshukai Co., Ltd. |
| Aug. 31, 2017 | The Company transfers all shares of Forest Co., Ltd. to EDION Corporation. |
| Dec. 31, 2017 | Liquidation of JFR PLAZA Inc. is completed. |
| Feb. 26, 2018 | Senshukai Co., Ltd. is excluded from the scope of associates accounted for using the equity method due to the Company’s agreement upon the purchase of treasury shares by Senshukai Co., Ltd. |
| Jul. 2, 2019 | Liquidation of JFR Online Co. Ltd. is completed. |
| Dec. 9, 2019 | Daimaru Matsuzakaya Department Store Co., Ltd. acquires a part of the preferred shares of Ginza 6-chome Kaihatsu Tokutei Mokuteki Kaisha (G6TMK) through Ginza 6-chome Shogyo Godo Kaisha and makes it an associate accounted for using the equity method. |
| Mar. 1, 2020 | Daimaru Matsuzakaya Department Stores Co. Ltd. merges with and absorbs The Shimonoseki Daimaru, Inc. |
| Feb. 26, 2021 | The Company transfers all shares in J. Front Foods Co., Ltd. to Dancin’ Diner co., ltd. |
| June 30, 2021 | PARCO Co., Ltd. transferred all shares of NEUVE A Co., Ltd. to Libra Invesco Co., Ltd. |
| Sept. 1, 2021 | Daimaru Matsuzakaya Department Stores Co. Ltd. merged with and absorbed Daimaru Matsuzakaya Sales Associates Co. Ltd. |
| Feb. 28, 2022 | The Company removed Dimples’ Co., Ltd. from the scope of consolidation upon transfer of 90% of its shares to WORLD HOLDINGS CO., LTD. |

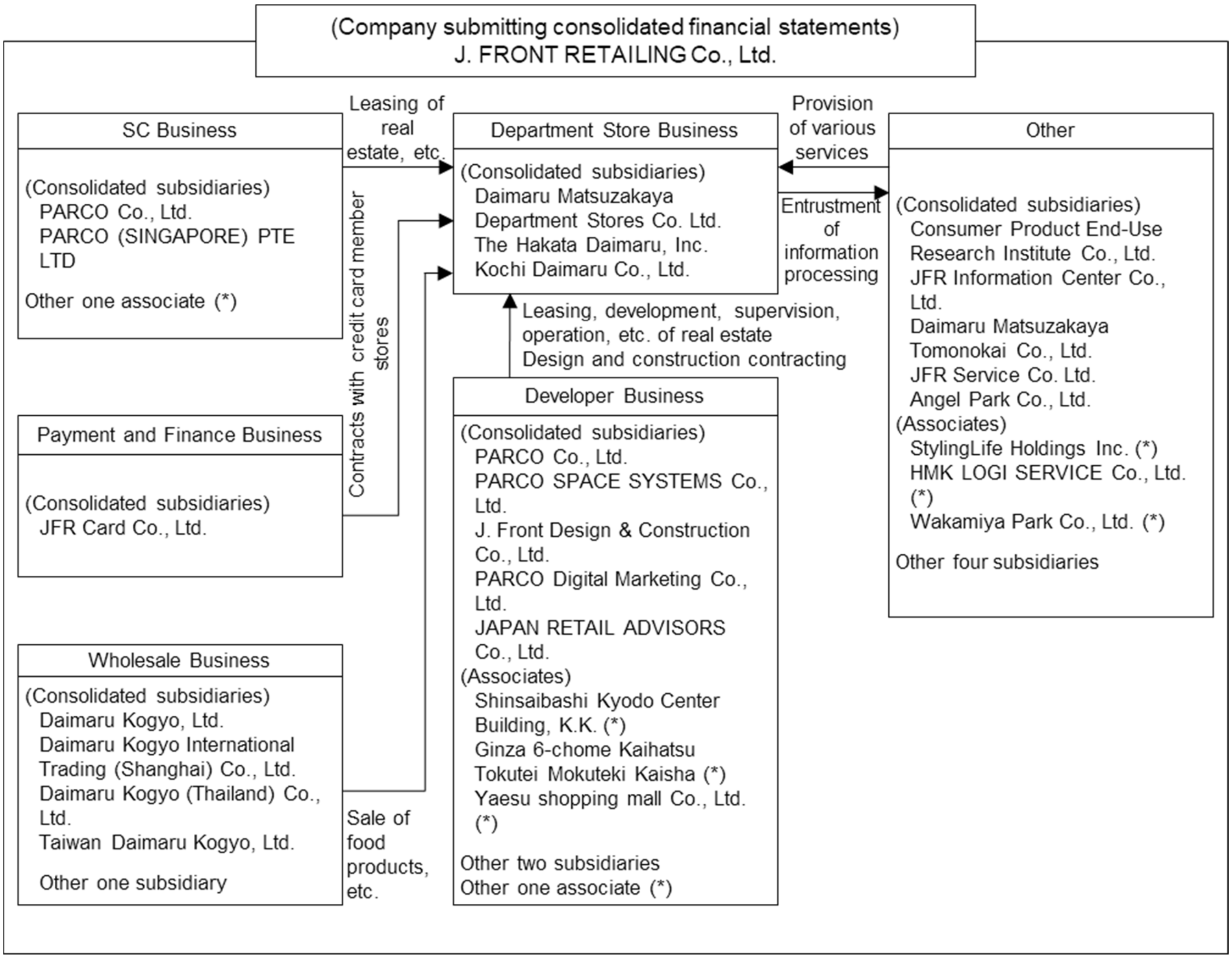
### 3. Description of business

The corporate group, of which the Company is the holding company, consists of 35 companies (including the Company). Its principal business is the Department Store Business, and its other businesses include the SC Business, the Developer Business, the Payment and Finance Business, wholesaling, commissioned back-office service, parking, leasing, etc.

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

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

Our business structure is shown below.




Notes: 1. Companies marked with an asterisk (*) are equity method associates.

2. In segment information, wholesaling, parking, leasing, etc. are shown together as “Other.” The other businesses are categorized in accordance with the segments.

3. PARCO Co., Ltd. transferred all the shares of NEUVE A Co., Ltd. on June 30, 2021.

4. Daimaru Matsuzakaya Department Stores Co. Ltd. merged with and absorbed Daimaru Matsuzakaya Sales Associates Co. Ltd. on September 1, 2021.

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

## 4. Overview of subsidiaries and associates

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

| Name | Address | Capital (Millions of yen) | Major businesses | Ratio of voting rights holding (held) (%) | Relationship |
|---|---|---|---|---|---|
| (Equity method associates) | | | | | |
| Shinsaibashi Kyodo Center Building, K.K. | Chuo-ku, Osaka | 50 | Developer Business (Real estate leasing) | 50.0 [50.0] | |
| StylingLife Holdings Inc. | Shinjuku-ku, Tokyo | 100 | Other (General retailing) | 49.0 | Interlocking of officers |
| Ginza 6-chome Kaihatsu Tokutei Mokuteki Kaisha | Chuo-ku, Tokyo | 5,595 | Developer Business (Services related to the acquisition of specified assets and their management and disposal, etc.) | 33.3 [33.3] | |
| HMK LOGI SERVICE Co., Ltd. | Chuo-ku, Osaka | 34 | Other (Freight transportation) | 32.4 [32.4] | |
| Wakamiya Park Co., Ltd. | Naka-ku, Nagoya | 1,063 | Other (Parking) | 20.9 [20.9] | |
| Yaesu shopping mall Co., Ltd. | Chuo-ku, Tokyo | 100 | Developer Business (Real estate leasing and tenant leasing) | 28.3 [28.3] | |
| Apparel-web, Inc. | Chuo-ku, Tokyo | 100 | Developer Business | 20.3 [20.3] | |
| SAN-A PARCO, Inc. | Ginowan, Okinawa | 10 | SC Business | 49.0 [49.0] | |

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

(Millions of yen)

| | Daimaru Matsuzakaya Department Stores Co. Ltd. | PARCO Co., Ltd. |
|---|---|---|
| (i) Sales revenue | 174,988 | 57,488 |
| (ii) Profit before tax | (3,246) | 2,425 |
| (iii) Profit | (2,995) | 841 |
| (iv) Total equity | 136,672 | 140,462 |
| (v) Total assets | 455,040 | 417,097 |

## 5. Information about employees

### (1) Consolidated companies

As of February 28, 2022

| Segment name | Number of employees (Persons) | |
|---|---|---|
| Department Store Business | 2,724 | [1,324] |
| SC Business | 494 | [102] |
| Developer Business | 873 | [415] |
| Payment and Finance Business | 201 | [34] |
| Other | 1,159 | [668] |
| Corporate (shared) | 138 | [16] |
| Total | 5,589 | [2,559] |

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

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

### (2) Reporting company

As of February 28, 2022

| Number of employees (Persons) | | Average age (Years old) | Average length of service (Years) | Average annual salary (Yen) |
|---|---|---|---|---|
| 138 | [16] | 46.4 | 18.0 | 7,089,444 |

| Segment name | Number of employees (Persons) | |
|---|---|---|
| Corporate (shared) | 138 | [16] |
| Total | 138 | [16] |

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

2. Average annual salary includes bonuses and surplus wages.

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

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

### (3) Status of labor union

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

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

## II. Overview of Business

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

Forward-looking statements in this Annual Securities Report are based on the Company's management decisions and forecasts made according to information available as of the filing date of this document (May 27, 2022).

(1) Management policy

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

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

(2) Management target

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

1. Key performance indicator targets

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

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

2. Financial policy

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

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

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

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

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 ability to execute 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.

(1) 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 debt 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 our 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.

## 2. Business risks

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

Forward-looking statements in this Annual Securities Report represent the judgement of the Group as of the filing date of this document (May 27, 2022).

(1) Approach and system for risk management

・ Risk Management

The Group defines risk as “uncertainties that have both potential positive and negative sides that could have an impact on the achievement of targets by a company’s management.” The Company has positioned risk management as “activity that increases corporate value by managing risks by reasonable and optimal methods from a company-wide perspective” to achieve sustainable corporate growth by addressing the positive side and the negative side of risk properly.

・ Risk management system

The Company has established the Risk Management Committee, which is chaired by the President and Representative Executive Officer and comprises Executive Officers and others, as an advisory body to the President and Representative Executive Officer. The committee discusses important matters, including risk identification and evaluation, and determination of risks to be reflected in strategies, and utilizes risk management for management decision-making. The committee also reports details of its deliberations to the Board of Directors in a timely manner.

The committee has established a secretariat headed by an officer in charge of risk management. The secretariat shares important decisions of the committee with operating subsidiaries, and promotes enterprise risk management (ERM). Moreover, by positioning risk as the starting point of strategy and linking it to strategy, we are striving to make risk management contributes to corporate value increase.

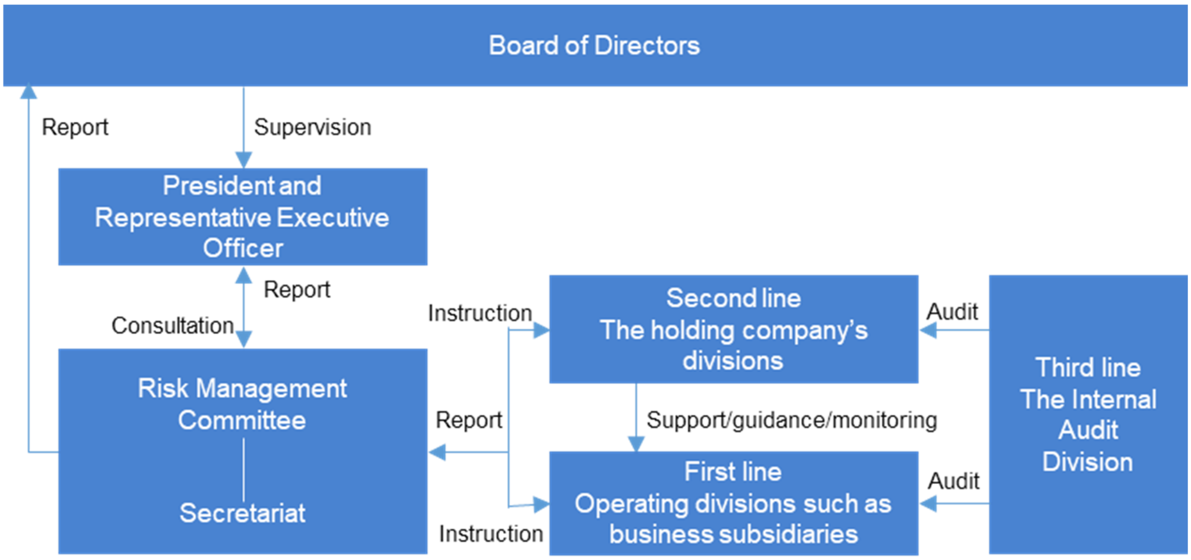
Furthermore, in order to effectively perform risk management, we have established the following three lines.

・ First line (Operating divisions such as operating subsidiaries): These divisions identify risks and take the necessary measures on their own.

・ Second line (The holding company’s divisions): Each division provides support, guidance and monitoring regarding risk management from a perspective which is independent of the operating divisions.

・ Third line (The Internal Audit Division): This division oversees the validity of the risk management functions and the internal control system from a perspective which is independent of the operating divisions and each division of a holding company.

Risk Management System

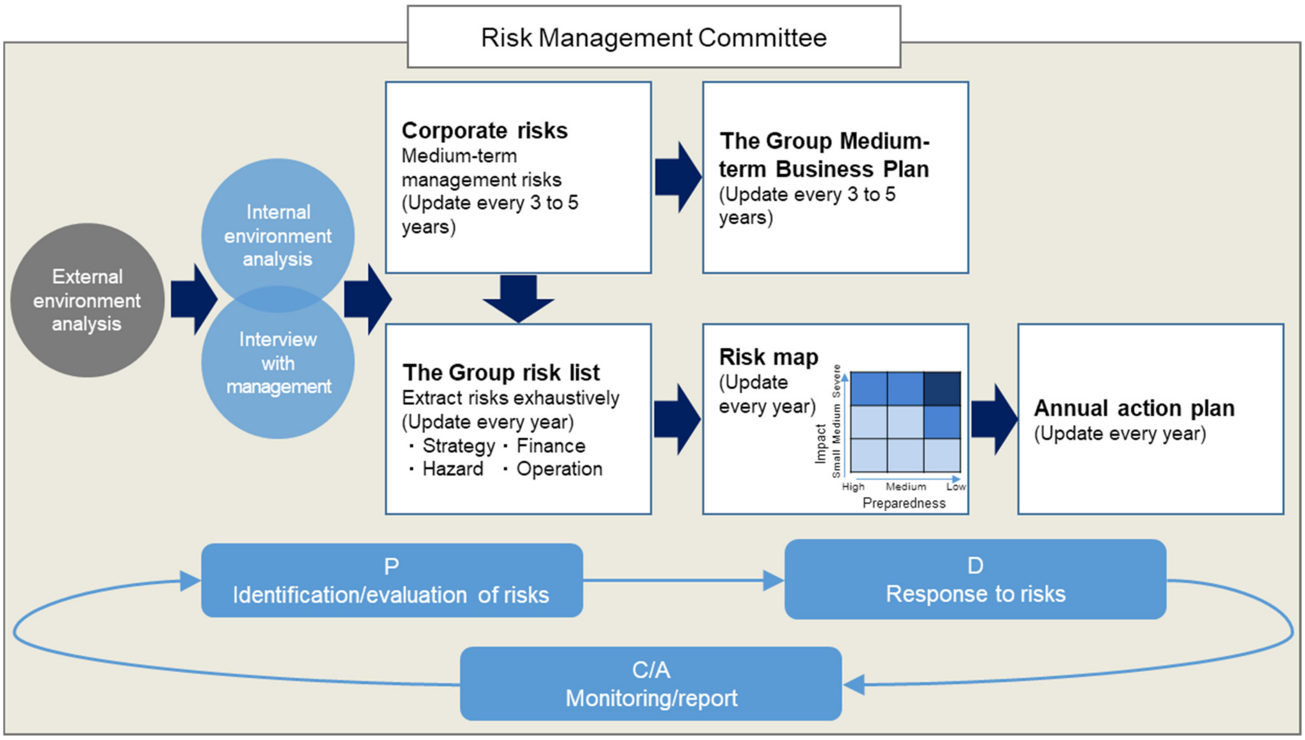



(2) Risk management process

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

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

Furthermore, the risks for the fiscal year identified from "corporate risks" are summarized in the Group risk list, evaluated using a risk map, then ranked by priority before implementing countermeasures. For "corporate risks" and the "JFR Group Risk List," changes in the environment surrounding risks and progress of measures are monitored semiannually, and the Risk Management Committee discusses the matters and then reports their contents to the Board of Directors.



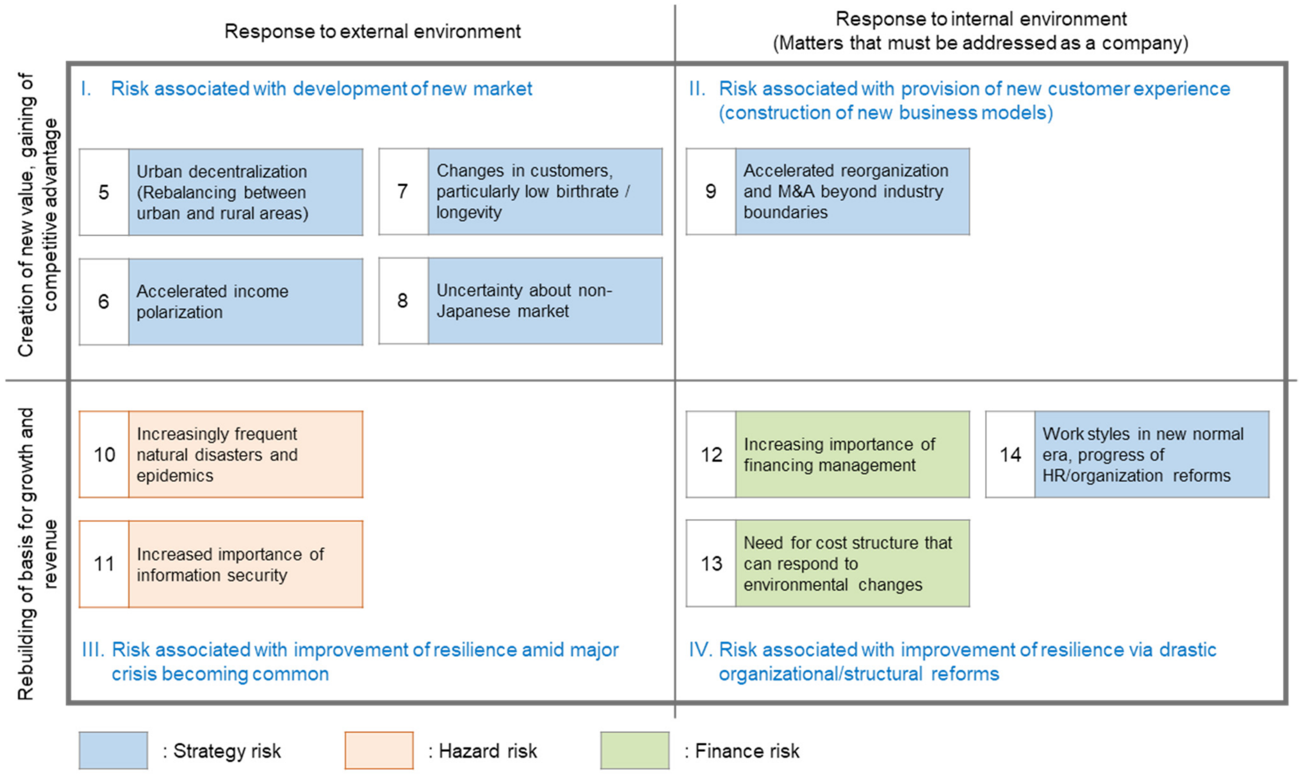

The chart below shows "corporate risks" which the Group has positioned as the most important risks that will affect growth and survival of the Group over the medium-to-long term.

Among these, "1. Advanced sustainability management," "2. Decline of existing business models," "3. Response to increasingly accelerated digitalization," and "4. Changes in consumer behavior after COVID-19" could potentially have an extremely large impact on our Group management, and have therefore been positioned as risks to be addressed with the highest priority in the Medium-term Business Plan.

Risks that have an extremely large impact and are being addressed with the highest priority

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1 | Advanced sustainability management | 2 | Decline of existing business models | 3 | Response to increasingly accelerated digitalization | 4 | Changes in consumer behavior after COVID-19 |

"Corporate risks" other than the above risks




(3) Recognition of recent environmental changes and risks

After the unprecedented impact of COVID-19 on the Group's management, as replacement by Omicron varieties has progressed, the number of newly infected people remains at a high level at the moment. With a high probability of the disease's spreading intermittently in the future, the situation remains unpredictable.

However, the Company believes that the impact of the spread of COVID-19 will diminish gradually due largely to experience in infection control to date, the progress of third vaccination, and the widespread of use of pills.

In the meantime, Russia's invasion of Ukraine has been affecting the Group in different ways. Escalating prices of fuels and crops attributed to this invasion has been also spreading to other products, causing higher costs of living worldwide. In response to these price increases, the U.S. has started to raise the policy interest rate, and Europe is also proceeding with the preparations for interest rate increase. However, there is a possibility that such increases in interest rates may cause economic recession and decline in stock prices, depending on their extent or speed.

On the other hand, Japan has kept low interest rates for economic recovery, and this has contributed a sharp depreciation of the yen. This yen depreciation is adding fuel to high costs of living and certainly dampening consumer sentiment. If stock prices decline further worldwide, stock prices in Japan will also follow the trend and consumer spending will slow down further, also affecting operating results of the Group profoundly.

Moreover, other than those above, the Group has also been affected in many aspects such as delay in delivery and hiking of prices due to shortage of mineral resources and semiconductors, and increase in transportation costs and delay in arrival of goods in association with detours to avoid courses over Russia.

Thus, business activities will continue to be placed under pressure amid an uncertain future and an extremely adverse management environment this year.

The impact of COVID-19 is further accelerating changes in consumer values, consumer behavior, what is required of the retail business, etc. The establishment of remote work and people's lifestyles, and even the way that cities function are all changing dramatically, and the Department Store Business and the SC Business, which are core businesses of the Group, cannot avoid evolution to a new business model.

As one of the relevant measures, the Group is promoting the "real x digital strategy." While making investment with priority in areas such as luxury items, art, and watches in "real," the Group will develop diverse channels fusing with physical channels by expanding businesses that utilize online spaces in "digital" to provide truly valuable products in a timely and appropriate manner.

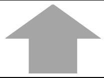
In addition, we once again recognized during the COVID-19 pandemic that initiatives are not supported unless they are sustainable. Consumers' awareness of a "sustainable community and society" is increasing due to the COVID-19 pandemic, and many companies are also trying to redefine their existence in conformity with such awareness. Fortunately, the Group has the corporate credos leading to sustainable management "Service before profit" and "Abjure all evil and practice all good," which have been kept for 300 to 400 years, and will continue to move ahead steadily towards sustainable growth going forward.

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

| 1 | Advanced sustainability management | | |
|---|---|---|---|
| Impact | Very severe | Outlook for the future (*) | |
| The Company’s risk recognition | Amid increasing uncertainty about the environment surrounding companies due to global warming, ocean pollution, prolonged COVID-19 pandemic, issues over human rights in supply chains, etc., initiatives for sustainability management gain more and more importance and are positioned as one of the highest priorities. We believes that stakeholders’ expectations are for how the Company contributes to realization of a sustainable society as a corporation, and the Company cannot even achieve its own sustainable growth without initiatives that meet these expectations. | | |
| Negative side<br>Positive side | • Defection of stakeholders, and lower rating and brand power<br>• Sustainable growth, and improvement of the Group’s presence | | |
| Measures | The Group has positioned the goal of the Group Vision “Create and Bring to Life ‘New Happiness’ as “Well-Being Life” of stakeholders. To realize this goal, we have identified seven materiality issues (important issues)* and are working on corresponding measures.<br><br>* “Realization of decarbonized society,” “Promotion of circular economy,” “Management of the entire supply chain,” “Realization of customers’ healthy/safe/secure life,” “Coexistence with local communities,” “Promotion of diversity & inclusion,” and “Realization of work-life integration”<br><br>Needless to say, as for environmental issues and human rights issues, we need to proactively work to solve these issues as our basic corporate attitude.<br><br>On the other hand, it is also possible to create both social and economic value at the same time by finding business chances in the above materiality issues, including resolution of such issues. Initiatives for which such a value creation story in CSV is clarified are important.<br><br>In the fiscal year under review, we launched the fashion subscription business (fixed-fee fashion rental service) that is a circular economy (recycling-oriented economy) model, and promoted development of new-concept medical wellness malls that seamlessly provide a range of services from medical treatment to the sales of goods and services as part of the realization of customers’ healthy/safe/secure life. Going forward, we will continue to discover potential needs to solve social issues and create added value in cooperation with many customers, local communities, suppliers, etc. who the Group meet through its businesses.<br><br>We will continuously seek our own value creation stories and realize Well-Being Life of stakeholders. | | |

(*) Prospect of changes in risks during the Medium-term Business Plan period, which takes into account the impact on the Group, relevant measures, and others.

| 2 | Decline of existing business models | | |
|---|---|---|---|
| Impact | Very severe | Outlook for the future | ↑ |
| The Company's risk recognition | Each business of the Group is centered on in-person business models. In-person businesses have faced significant restrictions during the COVID-19 pandemic. Although COVID-19 is changing from an invisible threat to what we coexist with, many changes brought to consumers, supplies, etc. during the pandemic have been becoming a new normal, and keeping traditional business models will inevitably cause decline of existing businesses.<br>As particularly value and role of places of retail stores, which are the Group's main force, are changing at an increasingly accelerating pace, we believe that changing business models is necessary. | | |
| Negative side | • Decreased vitality of the entire Group due to weak performance of large-scale store-based retail business | | |
| Positive side | • Regrowth by radical change of the business model of large-scale store-based retail business | | |
| Measures | In response to the environmental changes leading to decline of existing business models, the Group is promoting its efforts in two directions.<br><br>One of them is digitalizing customer contact points. We strive to overcome weakness of traditional in-person businesses by having customers and sales staff connected in digital which is not constrained by place and time, and offering similar value-added services to physical stores. In addition, we analyze data on behaviors more than purchase, which is obtained through digital contact points to improve accuracy of marketing.<br><br>Furthermore, to meet customer needs to freely shop any time they choose, we are improving UX (experience value) online and strengthening OMO (merging physical stores with online).<br><br>Another one is reviewing the role of stores. Large-scale stores in city centers and suburban areas enable us to provide various values including encounter with real experience and something new, and connections with people, other than sales of goods. In the fiscal year under review, we developed sales floors that enlist integration of direct-to-consumer brands (where creators and manufacturers deal directly with consumers). We have continued to enhance the media function for communicating various information by taking advantage of favorable locations, the gallery function for introducing high-value goods and services, entertainment functions, and solutions functions, among others, and strive to realize increase in the attractiveness of stores and diversification of revenue.<br><br>While the market is also increasingly fragmented in retail functions, the mainstay, we are working to develop sales floors that meet diverse consumer needs in cooperation with suppliers.<br><br>We will ensure a trajectory toward regrowth of existing businesses by promoting these changes at a speed on par with the environmental changes. | | |

<table>
<tr><th>3</th><th colspan="4">Response to increasingly accelerated digitalization</th></tr>
<tr><td colspan="2">Impact</td><td>Very severe</td><td>Outlook for the future</td><td></td></tr>
<tr><td colspan="2">The Company’s risk recognition</td><td colspan="3">Changes in consumer behavior due to digital shift such as progress in promotion of e-commerce have increased the needs for changes from businesses that rely on traditional physical stores and establishment of business models in new business fields.<br>We think that the way and speed of responding to digitalization affect growth of the Group as a whole and thus are important, and at the same time, also are vital in improvement in productivity of operations.</td></tr>
<tr><td colspan="2">Negative side</td><td colspan="3">• Sluggish growth of the entire Group<br>• Declining competitiveness due to delay in digitalization</td></tr>
<tr><td colspan="2">Positive side</td><td colspan="3">• Changing the business models through the use of digitalization<br>• More efficient operations, and going paperless</td></tr>
<tr><td colspan="2">Measures</td><td colspan="3">A response to digitalization is inevitable for growth, and we are proceeding to transform both our business models and our operations.<br><br>In changing the business models, we worked to maximize customer experience value through opening of stores at virtual markets of department stores and OMO, diversify payment methods, and sophisticate customer relationship management (CRM).<br><br>Going forward, there is a possibility that WEB3.0, metaverse, NFT (*1) and others will drastically change consumers’ lifestyles.<br><br>The Company newly established the “Group Digital Unit” and the “Group System Unit” in the fiscal year under review.<br><br>The Group Digital Unit will promote an offense-oriented digital strategy including increase in revenue and development of an environment for integrated database through the use of digital, and consideration of building new business models. The Group System Unit will work to improve and advance system infrastructure and promote swift business development, the stable operation of information system and the realization of solid security. In line with the organizational reform, securing and training of digital human resources will also be reinforced further.<br><br>While such efforts include the expansion of teleworking and online meetings, and the digitalization of business documents and seals, the efforts have helped improve productivity and flexibility in work styles and contribute to the “realization of work-life integration.”<br><br>(*1) WEB3.0: A new decentralized web world that is about to be realized mainly by block chain technologies.<br><br>Metaverse: A word coined from “meta (transcending)” and “universe.” All service products that enable virtual spaces and communications there.<br><br>NFT: Non-Fungible-Token. A technology that proves uniqueness through the use of block chain technologies.</td></tr>
</table>

| 4 | Changes in consumer behavior after COVID-19 | | |
|---|---|---|---|
| Impact | Very severe | Outlook for the future | |
| The Company’s risk recognition | Consumer values and consumer behavior change with the times. Many of changes occurring in the wake of COVID-19 are expected to be entrenched even after COVID-19. Among others, we believe that the value of putting more emphasis on “what one wants to be” than on others’ eyes and consumer behavior that gives importance on contributing to social value will be a sweeping trend in the future.<br><br>The Group operates businesses that handle a diverse range of products and services, which mean it is important to pay careful attention to direction of consumption after COVID-19 and find out how to adapt to such consumption to operate businesses. | | |
| Negative side<br>Positive side | • Defection of customers due to failure to meet consumer needs<br>• New market creation | | |
| Measures | The Group is considering businesses that respond to rise of the value of putting emphasis on “what one wants to be.” As an example, focusing on art and cosmetics that create affluence and happiness from both inside and outside, the Group increases added value in combination with power of “people,” which is the Group’s property, and provides such value both through physical stores and online.<br><br>To respond to the consumer behavior that gives importance on contributing to social value, we focus on the development of products and services based on the theme of “sustainable.” Specifically, we are promoting the establishment of businesses in the circular economy model, recycling campaigns, and waste reduction as attention to the environment, and the discovery and introduction of goods and services in local communities and support of local companies through crowd-funding as contribution to local communities.<br><br>We are reducing commodities that are difficult to be differentiated and for which consumer behavior is done based on price and availability, and promoting replacement of them with contents that provide new added value.<br><br>Beyond our present efforts, we will keep abreast of changes in consumer behavior by using internal data and other means, and create new markets. | | |

## 5 Urban decentralization (Rebalancing between urban and rural areas)

Impact: Severe

Outlook for the future 

**Risk recognition**

- Lifestyle changes such as remote working and working close to home have become entrenched, eroding the relative advantage of city centers as places of consumption. On the other hand, rural centers and suburbs are becoming more active.
- However, our analysis is that central city real estate demand will continue to be firm, as the expected yield from central city offices and retail businesses has been stable recently, and office lease fees are on a long-term recovery trend, among other factors.
- The Group's real estate holdings are dispersed throughout Japan, and therefore the Group recognizes that rebalancing between urban and rural areas is an important risk to be monitored constantly its business operations.

**Measures**

- In March 2022, the Group established the CRE (Corporate Real Estate) Planning Division to establish strategies for the entire Group's real estate development and real estate holdings, and to maximize the value of real estate holdings. Specifically, the Division will draft plans for the acquisition, disposal, and sale of the real estate holdings of each Group company, constructs new property development schemes, and so forth, and realize the developer strategy of the Group.
- In Japan's major cities of Tokyo, Nagoya, Osaka, Kobe, Kyoto, Fukuoka, and Sapporo, the Group has already achieved certain results in store real estate in prime locations, mainly in development of large-scale commercial facilities. Among these, we have positioned Shinsaibashi, Nagoya, and Fukuoka as key areas where department stores and PARCO are adjacent. In these areas, we are promoting the redevelopment of complexes, aiming to co-exist with local communities, propose diverse urban lifestyles, and develop attractive local areas.

## 6 Accelerated income polarization

Impact: Severe

Outlook for the future 

**Risk recognition**

- Income polarization is advancing steadily. The impacts of high prices caused by the COVID-19 pandemic and Russia's invasion of Ukraine have been a shock to the middle class.
- On the other hand, the potential purchasing power of the affluent class remains at a high level. The net worth of the affluent class is expected to continue increasing, and the Group recognizes that polarization will continue in the absence of government policies to correct the disparity.

**Measures**

- Middle-class consumption behavior has become severe, making it even more difficult to capture demand. The Group will therefore review the appropriate scale for mass produced mass-market products and services and segment the market to provide competitive products.
- On the other hand, with an eye on the expanding affluent market segment, we will strengthen our proposals for "consumers who enjoy fulfilling, sustainable lifestyles," which is the aim of our prime life strategy. Specifically, at brick-and-mortar stores, we have strengthened categories in high demand, such as luxury and art, and established exclusive lounges; while at online stores, we have been working to provide a special customer experience and concierge service, and to expand our range of scarce merchandise.
- In addition, we are developing new affluent markets by providing content that goes beyond the retail domain, such as insurance and financial products, and high-class residences.

| 7 | Changes in customers, particularly low birthrate / longevity<br>Impact: Severe Outlook for the future |
| --- | --- |
| Risk recognition | • In 2021, the number of births reached a new record low, and the trend of a falling birthrate and aging population is continuing. Since the number of weddings in Japan is also decreasing due to the COVID-19 pandemic, the decline in birthrate is expected to continue.<br>On the other hand, advances in medical technology and increased health consciousness are expected to drive further increases in longevity and extend healthy life.<br>• These population trends are deeply connected with consumption, and they are always an important risk in the Group's strategy. |
| Measures | • As the market for children also polarizes in response to the falling birthrate and income polarization, the Group are concentrating its response on the high quality children's apparel and accessory market, and on the education business. As part of this, the Group entered the education business with a special focus on English language education.<br>• On the other hand, as the "life shift (transition to an era of 100-year lifespans) continues, the market of seniors who enjoy economic power is increasing. For senior gaisho customers, we are enhancing convenience by having online staff work closely with them to introduce and sell products.<br>• In addition, we will provide opportunities for customers to visit brick-and-mortar stores through both tangible and intangible offerings, such as strengthening categories of high interest to seniors, like art, culture, and wellness, and introducing libraries and aquariums that can be enjoyed by all generations in a family. Senior customers are one of the Group's strengths, and we are committed to supporting them in achieving "Well-Being Life" going forward. |

| 8 | Uncertainty about non-Japanese market<br>Impact: Severe Outlook for the future |
| --- | --- |
| Risk recognition | • Relaxation of border entry restrictions is proceeding gradually, and there is concern that there will be no visible change in inbound tourism until the end of the fiscal year. In China, drastic countermeasures against the spread of COVID-19 are being taken, and an economic slowdown is apparent, while economic growth is also slowing in East Asian countries.<br>• On the other hand, demand among foreigners for tourism in Japan and Japanese products is firm, and human traffic and the economy are expected to recover, while the market for foreigners is also expected to return to its previous level. |
| Measures | • It will take considerable time for inbound tourism consumption to recover. As consumption patterns change, bulk purchases of cosmetics and so forth are also expected to decrease.<br>• On the other hand, trust in Japanese product quality and brands is high, and with the tailwind provided by the weak yen, we believe that we can stimulate consumption by accurately responding to needs. To enable us to approach consumers without delay as human traffic recovers, we will gather information and we are also preparing cooperation with business partners and sales promotion strategies.<br>• Furthermore, we are also working to develop Japanese content by strengthening e-commerce and live commerce in the Asian region and so forth. |

| 9 | Accelerated reorganization and M&A beyond industry boundaries<br>Impact: Severe Outlook for the future  |
|---|---|
| Risk recognition | ・ M&A in Japan are increasing both in number and in value, and the retail sector is also seeing increased activity in M&As across industry boundaries. Factors behind this trend include an increasing need for listed companies to select and concentrate their businesses, an increase in business succession needs due to aging of business owners in non-listed companies, and an environment conducive to financing due to fiscal easing.<br>・ Going forward, we believe that M&As will increase even more as the economic impact of COVID-19 begins to subside.<br>・ As customer behavior and values change dramatically, M&As are certainly becoming more necessary and important, and we recognize this a domain that we should focus on from the perspectives of both offense and defense. |
| Measures | ・ In the Group overall, we will proceed to select our businesses and optimize the allocation of management resources in terms of growth and capital efficiency. This will increase the competitive advantage and capital efficiency of each business, and ultimately the corporate value of the entire Group, and serve as a preparation against hostile takeovers.<br>・ On the other hand, in our offensive strategy, we have established the Business Portfolio Transformation Promotion Division, which will examine and explore new businesses to serve as the next pillar after the retail, developer, and finance businesses, and support the business creation and development of the operating companies that are in charge of these businesses.<br>・ M&As are an important option for optimizing the Group's business portfolio and increasing the freedom of management, and we will give wide-ranging consideration to the optimal format, including investment and business alliances with target companies. |

| 10 | Frequent natural disasters / epidemics<br><br>Impact: Very severe Outlook for the future |
|---|---|
| Risk recognition | • As economic globalization and the flow of people between countries become the norm, it seems likely that a COVID-19 or a similar pandemic could occur in the near future.<br>• The risk of earthquakes is increasing, including an upward revision in January 2022 of the probability of an earthquake occurring in the Nankai Trough. Due to global warming, natural disasters such as typhoons and torrential rains have been increasing in frequency and scale of damage year by year.<br>• If the sudden materialization of such risks accompanied by a rapid deterioration in business results necessitated the impairment of non-current liabilities or a write-down of deferred tax assets, there is an accounting and tax risk that could have a further negative impact on the Company's operating results and financial position. |
| Measures | • Based on an analysis of our response to COVID-19, the company has updated its "New Infectious Disease Response Manual," which sets out the emergency response for ensuring the safety of human life and minimizing the impact on business in the event that a new infectious disease occurs in the future, as well as matters relating to the preparation of systems during normal times.<br>• Furthermore, we will monitor infection trends and if signs of spreading appear, we will analyze the impact according to multiple scenarios and respond dynamically.<br>• To prepare against natural disasters that threaten business continuity, we will strengthen our systems from a perspective of continuing key operations (funding and payment operations) and securing important infrastructure (systems, etc.). Moreover, we have been continuously implementing BCP training for rapidly recovering from a disaster and restarting operations.<br>• Impairment of non-current assets, which is an accounting and taxation risk, is based on our business plan for estimation of future cash flows, and valuation of the recoverability of deferred tax assets is based on our business plan for estimating future taxable income. Therefore, we revise our plan as necessary to maintain its accuracy. |

| 11 | Increasing importance of information security<br>Impact: Severe<br>Outlook for the future |
|---|---|
| Risk recognition | • With the spread in remote work and the use of cloud systems, cyberattacks and unauthorized system access targeting important corporate information are on the rise around the world, and methods of attack are growing more sophisticated. Furthermore, with rising awareness of privacy protection, the introduction of more robust systems and system security measures are essential for the use of customer data.<br>• The Group recognizes that information security is becoming more important and considers it a high priority risk. |
| Measures | • In March 2022, the Company established the Group System Unit, to upgrade and improve the Group's overall system infrastructure and realize safe operation of information systems and highly robust security. Recent incidents are becoming more diverse and complex year by year, and we believe that further initiatives are needed in both hard and soft measures.<br>• In terms of hard aspects, we are phasing in security products and monitoring services that can detect suspicious behavior on a terminal and respond rapidly when an incident occurs. We also use multi-factor authentication for logging on to the system, enabling us to restrict devices that can connect and prevent unauthorized access due to password leaks and so forth.<br>• In terms of the soft aspects, considering recent changes in IT usage environment, we will revamp our Group security guidelines. Moreover, we are working to increase the level of literacy among all employees by using e-learning and conducting targeted attack email training based on information about the latest incidents. |

| 12 | Increasing importance of financing management<br>Impact: Severe<br>Outlook for the future |
|---|---|
| Risk recognition | • Among the Bank of Japan's financial measures for COVID-19, policies for large corporations have now ended, and there is concern over a rise in interest rates for procuring funds. Furthermore, high prices caused by the Ukraine crisis will also feed into interest rate rises over the medium to long term, and the environment for fund procurement has changed.<br>• As uncertainty due to COVID-19 is gradually dispelled, the need to suddenly procure funds has decreased. However, in fund procurement management the level of impact is also a significant risk for building a foundation for the overall growth of the Group. |
| Measures | • As a response to COVID-19, we have held higher levels of cash on hand than usual. However, the need for this is diminishing. As interest is also expected to increase, cash on hand and interest-bearing debt will be right-sized, paying adequate attention to stability, including infection trends. In addition, we will support the promotion of sustainability management by diversifying fund procurement, including giving consideration to financing by ESG bonds, such as sustainability bonds, and ESG loans.<br>• Moreover, we will look at strengthening asset finance using the Group's assets, such as real estate and credit receivables to provide lateral support for progress on our growth strategy. |

| 13 | Need for cost structure that can respond to environmental changes<br>Impact: Very severe — Outlook for the future  |
| --- | --- |
| Risk recognition | • While the potential for stores to be subjected to restrictions such as government requests to suspend operations is receding, new environmental changes are impacting the Group's performance, such as high prices for raw materials and commodities due to the Ukraine crisis and a global economic slow-down.<br>• Lowering the break-even point and transforming into a structure that can cope with environmental changes is an extremely important risk that will dictate the success or failure of our response, because it will consolidate our business base and set us on path to regrowth. |
| Measures | • The Group has established a dedicated department and promoted structural reforms based on the two pillars of "cost reduction by business model reform" and "narrowing down business base." From March 2022, we are promoting reforms that encourage each department responsible for operations to demonstrate its expertise and increase speed.<br>• With regard to cost reduction, we are taking steps such as reorganizing offices, reviewing the operation design and the composition of required staff in each business, and strengthening the structure for managing expenses across the Group.<br>• To narrow down the business base, we have sold off non-operating assets and transferred the shares of consolidated subsidiaries that are expected to see declining synergies. Moreover, in March 2022, we established the Business Portfolio Transformation Promotion Division, and we will promote business portfolio optimization, also looking at acquisitions through M&As and alliances to strengthen the business. |

| 14 | Work styles in new normal era, progress of HR/organization reforms<br><br>Impact: Severe — Outlook for the future  |
|---|---|
| Risk recognition | • The successful execution of the Group’s management strategies is contingent upon securing appropriate human resources for the strategy. In securing human resources, we must be responsive to changes that have been accelerated by the COVID-19 pandemic, such as hybrid workstyles combining telework and commuting to the office, and increasing priority on family and private time.<br>• Furthermore, it is also important to build an organization that enables human resources to fully realize their potential, and the advance of human resource and organizational reforms is a risk that is deeply connected with corporate management going forward. |
| Measures | • To adapt to changes in business strategy, the Company is working to visualize its human resource portfolio, based on “the principle of human resource strengths,” which is the standard that we use for the Company’s human resource evaluation. Based on this, we strive to strengthen human capital by promoting human resource development through programs that are recurrent (cultivating awareness of life-long education) and re-skilling (acquiring the skills needed for work), as well as aggressively recruiting mid-career personnel for highly specialized areas<br>• When securing human resources, we will give weight to increasing productivity by implementing personnel measures that can respond flexibly to values that emphasize work-life balance and changes in life stage.<br>• In our organizational reforms, we have made Diversity & Inclusion a key theme, starting up a project headed by the president for promoting active roles for women, and initiating activities with a KPI of increasing the ratio of women in management. We are also aiming to nurture young human resources by providing opportunities to have dialogue with the president, having them participate in projects that play a part in our growth strategy, and so forth. |

List of Group “corporate risks”

| Cate-gory | No. | Item | Impact | Outlook for the future (*) | Negative side | Positive side | Measures |
|---|---|---|---|---|---|---|---|
| Strategy risk | 1 | Advanced sustainability management | Very severe | ↑ | ・Defection of stakeholders, and lower rating and brand power | ・Sustainable growth, and improvement of the Group’s presence | ・Clarifying our value creation story for simultaneously generating social and economic value<br>・Realizing “Well-Being Life” for stakeholders |
| | 2 | Decline of existing business models | Very severe | ↑ | ・Decreased vitality of the entire Group due to weak performance of large-scale store-based retail business | ・Regrowth by radical change of the business model of large-scale store-based retail business | ・Digitalizing customer touch points<br>～Providing the same added value as stores and increasing marketing precision<br>・Revising the role of stores<br>～Providing spaces for experiences, encounters, and connections between people |
| | 3 | Response to increasingly accelerated digitalization | Very severe | ↑ | ・Sluggish growth of the entire Group<br>・Drop in competitive edge due to delayed use of technology | ・Transformation of business model through use of digital technology<br>・More efficient operations, and going paperless | ・Transforming the business model by maximizing customer experience value and so forth<br>・Building business models in new markets such as the metaverse<br>・Standardizing and streamlining operation systems |
| | 4 | Changes in consumer behavior after COVID-19 | Very severe | ↑ | ・Defection of customers due to failure to meet consumer needs | ・New market creation | ・Analyzing the details of changes in consumption trends<br>・Creating new markets such as sustainable products and services |
| | 5 | Urban decentralization (Rebalancing between urban and rural areas) | Severe | ↗ | ・Decline in conventional urban commercial facilities’ ability to attract customers | ・Business in response to urban decentralization | ・Proposing strategies for Group-wide real estate development and real estate holdings; maximizing the value of real estate holdings<br>・Working with communities to propose diverse urban living and appealing local area development through complex redevelopment |
| | 6 | Accelerating income polarization | Severe | ↗ | ・Decrease in sales due to contraction of mass market | ・Stimulation of new middle-class demand<br>・Development of new affluent market | ・Revising and segmenting categorization of mass market products and services to an appropriate scale<br>・Cultivating affluent market in both real and digital realms |
| | 7 | Changes in customers, particularly low birthrate / longevity | Severe | ↗ | ・Shrinkage of domestic market scale | ・Expansion of senior markets | ・Intensively responding to high-quality children’s apparel and education business<br>・Increasing shopping convenience for senior customers and strengthening categories of interest to them, such as wellness |
| | 8 | Uncertainty about non-Japanese market | Severe | → | ・Prolonged slump in inbound sales | ・Gradual recovery in inbound sales<br>・Capture of outside demand by development of EC and live commerce | ・Preparing sales promotion strategies for recovery in inbound market<br>・Strengthening development of EC and live commerce |
| | 9 | Accelerated reorganization and M&A beyond industry boundaries | Severe | ↗ | ・Hostile takeover of the Group | ・Transformation of business portfolio<br>・Corporate growth using M&A | ・Selecting existing businesses and optimizing allocation of management resources<br>・Examining and exploring new businesses, promoting development of operating subsidiaries to take them on, and cultivating their business |
| | 14 | Work styles in new normal era, progress of HR/organization reforms | Severe | ↗ | ・Outflow of talented human resources, loss of competitiveness in attracting human resources<br>・Decrease in employee motivation | ・Increase in employee engagement and organizational capability<br>・Promotion of business strategy; creation of innovation | ・Strengthening human capital based on “the principle of human resource capability”<br>・Executing measures to improve workstyle flexibility<br>・Organizational reforms that respect diversity<br>・Developing young human resources through various opportunities |

| Category | No. | Item | Impact | Outlook for the future (*) | Negative side | Positive side | Measures |
|---|---|---|---|---|---|---|---|
| Hazard risk | 10 | Frequent natural disasters / epidemics | Very severe | ↗ | ・Damage to the lives of customers and employees<br>・Business continuity crisis | ・Stable business operations | ・Strengthening preparations against new infectious disease by analyzing response to COVID-19<br>・Envisaging multiple scenarios and analyzing impacts on business<br>・Continuously implementing practical BCP training<br>・Carrying out appropriate and timely revision of business plans |
| | 11 | Increasing importance of information security | Severe | ↗ | ・Occurrence of personal information leaks, lawsuits, and liability for damages, loss of social trust<br>・Delay/stagnation of operations | ・Stable running of operations and systems<br>・Operation streamlining and promotion of remote work | ・Implementing new security countermeasures to increase prevention and detection of incidents<br>・Reviewing Group security guidelines and improving employee understanding through training |
| Finance risk | 12 | Increasing importance of financing management | Severe | → | ・Remaining high cost of capital | ・Lowered cost of capital<br>・Support for promoting growth strategies | ・Right-sizing cash on hand and interest-bearing debt<br>・Diversifying fund procurement through sustainability bonds and so forth |
| | 13 | Need for cost structure that can respond to environmental changes | Very severe | ↗ | ・Decline in profitability<br>・Curbs on investment | ・Transformation of business portfolio<br>・Strengthen business foundations | ・Reducing costs by business model reforms, office reorganization, staff composition reviews, and so forth<br>・Promoting business portfolio optimization |

(*) Changes to risks during the period of the Medium-Term Business Plan are projected taking into account the severity of their impact on the Group and countermeasures.

: Risks that have an extremely heavy impact and are given priority

(4) Information disclosure in line with TCFD recommendations

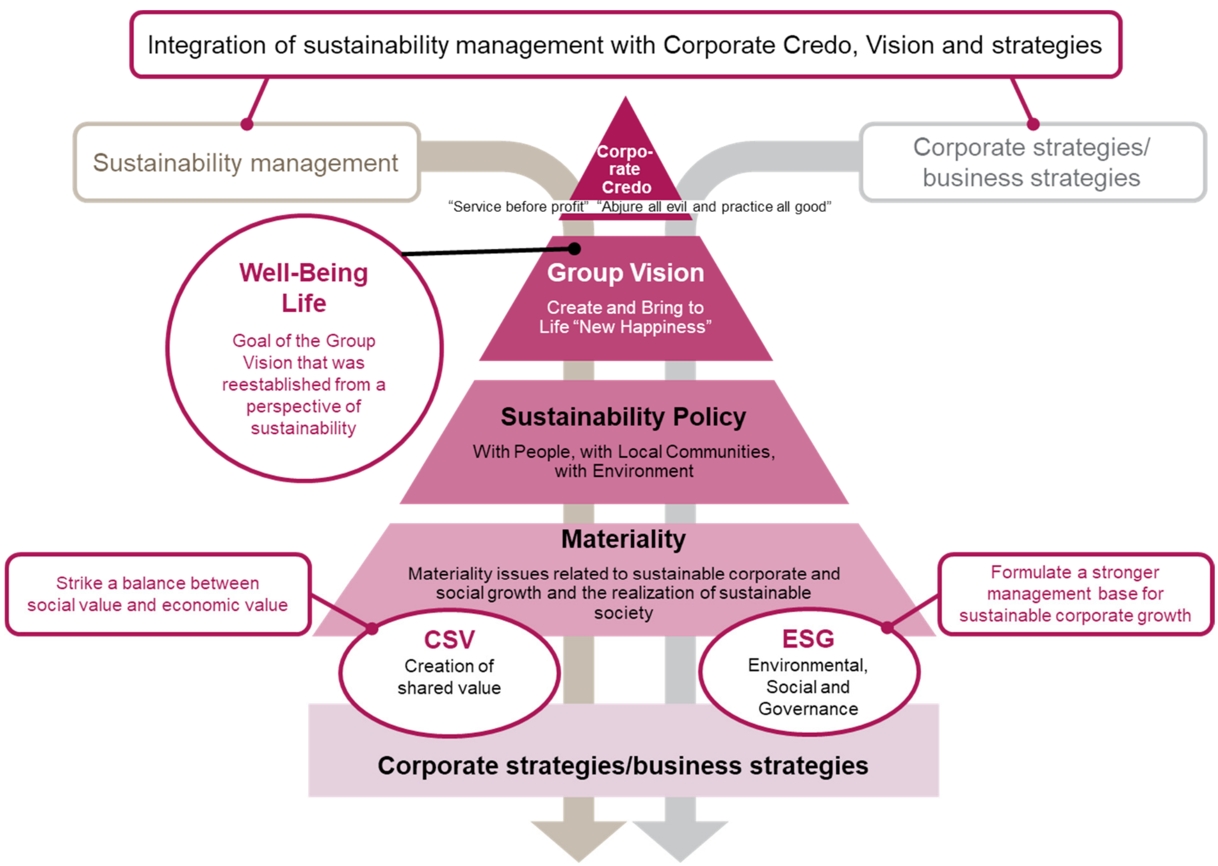
(i) Sustainability management that the Group aims for

The Group 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’” in its Medium-term Business Plan launched in fiscal 2021.

The world has changed drastically due to the spread of COVID-19 infection and social structure and consumption structure are changing. And the value expected of retailers is also changing. Amid increasing uncertainty, we carefully considered and had many discussions on the models that lead to new wealth, security and happiness in the future after the COVID-19 pandemic to promote sustainability initiatives and realize the Group Vision. As a result, we reached a decision that the goal of the Group Vision we should aim for is the realization of the Well-Being Life of all people. (Figure 1)

The Group thinks of Well-Being Life as “both mentally and physically fulfilling life” that realizes spiritual wealth (intellectual and cultural wealth), physical wealth and social wealth as well as conventional material wealth and economic wealth and the wealth of the environment surrounding them. The JFR Group will realize the Well-Being Life of stakeholders by connecting tangible goods and intangible goods that are rooted in culture across the world and Japan with consumers and proposing it from the perspective that combines “beauty,” “health,” “high quality,” “culture” and “trust” with “sustainability” and our “ability to connect makers and users.

Figure 1: Overview of sustainability management



Sustainability management is the management that solves social issues and achieves corporate growth at the same time. The Group's sustainability management has entered the phase of constantly examining its value creation story: "How can we provide both economic and social value while solving social issues?" and realizing CSV. We will write our value creation story based on the seven priority materiality issues to be addressed by the Group (Table 1) and put it into action in order to realize Well-Being Life" for all of our stakeholders, such as customers, employees, and suppliers.

The Group will promote sustainability initiatives and contribute to the "realization of decarbonized society," which the Japanese government aims to realize, and strive to solve as many social issues as possible through the growth of businesses.

Table 1: Seven materiality issues addressed by the JFR Group

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

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

(ii) Initiatives Towards Realizing “JFR Group 2050 Net Zero”

Recently, climate change has moved to a much more serious level, endangering not only future generations, but all people, including the present generation.

The Intergovernmental Panel on Climate Change (IPCC) provided a scientific indicator in its 1.5°C special report in 2018, which stated that it is necessary to reach net zero*1 emissions by 2050 in order to achieve the 1.5°C target. Meanwhile, in 2021 the Science Based Targets initiative (SBTi)*2 announced a new corporate net zero standard based on scientific knowledge. Now, companies are unable to overlook the need to reach net zero by 2050 at the latest in order to achieve the 1.5°C target.

In light of the above social situation, the JFR Group has positioned climate change as its most important issue in sustainability management, and is taking countermeasures, recognizing that the risks and opportunities associated with climate change will exert a huge influence on its business strategy. The Group obtained certification from the SBTi in fiscal 2019 for its Scope 1, 2, and 3 greenhouse gas (GHG) emissions reduction targets. Furthermore, in fiscal 2021, in line with the evolution of our materiality issues, we lifted our target for reducing Scope 1 and 2 GHG emissions from the previous 40% reduction to a 60% reduction compared with FY2017 (the base year), and reacquired certification for the 1.5°C target that is the new standard set by the SBTi. Going forward, based on the Corporate Net-Zero Standard set by the SBTi, we will aim to achieve “2050 Net Zero” within the range of Scope 1, 2, and 3 GHG emissions.

The Group’s 2050 Net Zero target incorporates three of the seven materiality issues: “realization of decarbonized society,” “management of the entire supply chain,” and “promotion of circular economy.” By combining these, we will realize decarbonization of the entire supply chain as well as corporate growth of the Group.

Going forward, the Group will cooperate with its suppliers, who are business partners, and customers, who are consumers, in efforts to reduce Scope 1, 2, and 3 GHG emissions, while working to adopt the 3Rs and to expand a circular-type business model, aiming to reduce its business risks while also capturing business opportunities.

*1 Deducting the amount of carbon absorbed by tree planting and forest management, etc., and the amount removed by GHG recovery and sequestration under ground from GHG emission so that the total is effectively zero.

*2 Established by a collaboration between four organizations including CDP, the UN Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) in 2014 for the purpose of promoting the achievement of science-based GHG emissions reduction targets to limit the temperature increase to below 2˚C compared to pre-industrial levels.

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

The JFR Group expressed its agreement with the final report of the Task Force on Climate-Related Disclosures (TCFD recommendations) in 2019. The TCFD recommendations is a common global framework for comparable climate-related disclosure, recommending that all corporations provide disclosures in line with four recommended items: governance, risk management, strategy, and metrics and targets. (Table 2)

The Group uses the TCFD recommendations as a guideline for verifying the appropriateness of its climate change response, and conducts proactive dialogue with institutional investors to ensure effective disclosure of information.

Table 2: Four Disclosure Items Required of Corporations by the TCFD Recommendations

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

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

<Governance (Governance concerning environmental issues)>

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

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

The Board of Directors receives reports on the discussions and decisions made by the Group Management Meeting and the Sustainability Committee, then discusses and oversees the Group's policies for responding to environmental issues and its action plans and so forth. (Figure 2)

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

The President and Representative Executive Officer chairs the Group Management Meeting, also serves as the chairperson of the Risk Management Committee and the Sustainability Committee, both of which are advisory committees under his direct supervision, and assumes the ultimate responsibility for business decisions related to environmental issues. The matters discussed and resolved by the Group Management Meeting and the Sustainability Committee are finally reported to the Board of Directors. (Table 3)

Figure 2: Environmental management structure of the Group

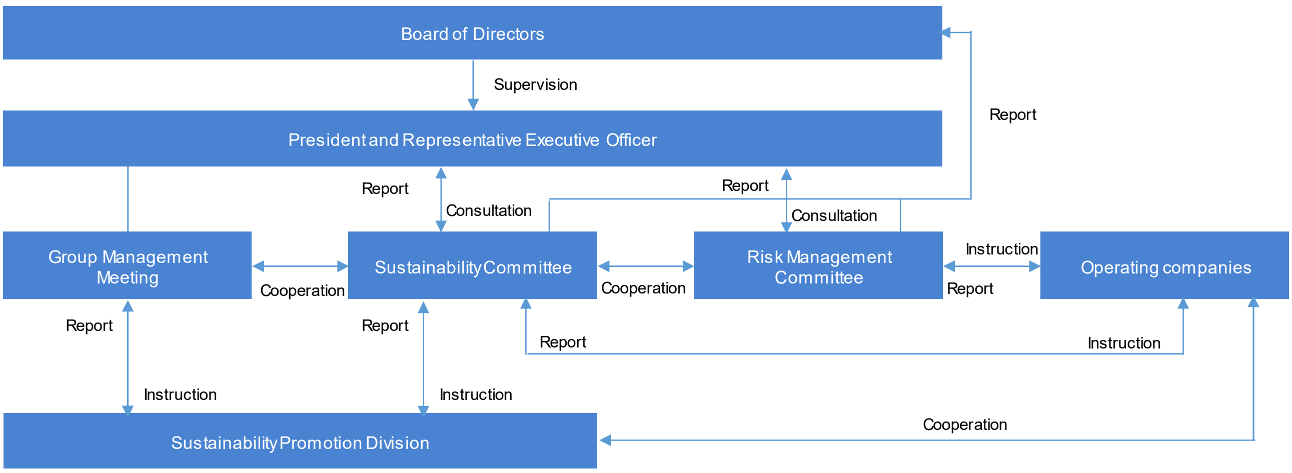


Table 3: JFR Group environmental management meeting bodies and executing entities and their roles

| Meeting bodies and executing entities | | Role |
|---|---|---|
| Meeting body | Board of Directors | Supervises the progress of environment-related initiatives discussed and approved in business execution. Meets monthly. |
| | Group Management Meeting | Discusses and decides on the measures related to the group-wide management including specific environment-related initiatives. The decisions are reported to the Board of Directors. Held weekly. |
| | Risk Management Committee | Extracts comprehensive risks, and discusses and decides on the measures against them. Monitors the progress of operating subsidiaries, and the decisions are reported to the Board of Directors. Meets as needed. |
| | Sustainability Committee | Discusses and decides on the policy to address environmental issues discussed at the Group Management Meeting. Formulates the long-term plans and KGIs/KPIs related to environmental issues and monitors the progress of operating subsidiaries. The decisions are reported to the Board of Directors. Meets semiannually. |
| Executing entity | President and Representative Executive Officer | Chairs the Group Management Meeting, also serves as the chairperson of the Risk Management Committee and the Sustainability Committee. Assumes the ultimate responsibility for business decisions related to environmental issues. |
| | Operating subsidiaries (Management Meeting, Risk Management Committee, Sustainability Committee, etc.) | Plan and executive initiatives for environmental issues as operating subsidiaries based on the policy for responding to environmental issues that has been discussed and decided by the JFR Group's Risk Management Committee and Sustainability Committee. In addition, report on the status of progress to the JFR Group's Risk Management Committee and Sustainability Committee. |
| | Sustainability Promotion Division | Promotes the group-wide response to environmental issues. Collects environment-related information and reports to the Group Management Meeting, the Sustainability Committee and the Risk Management Committee. |

<Risk management>

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

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

The Sustainability Committee conducts more detailed examinations of the environmental risks and shares the results with operating subsidiaries. Operating subsidiaries incorporate climate actions into their action plans. They discuss and confirm the progress of the action plans at the meetings chaired by their presidents. The Group Management Meeting, the Risk Management Committee and the Sustainability Committee monitor the progress, and finally, report to the Board of Directors. (Table 4)

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

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

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

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

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

The Group has established the Risk Management Committee based on the importance of building a structure for managing risk companywide. The Risk Management Committee identifies and assesses corporate risks, including environmental risks, based on external environment analysis, narrows them down to the risks that need to be preferentially addressed, and monitors progress on them. (Figure 3)

The matters discussed and approved by the Risk Management Committee are reflected in the Group's strategy and implemented under the supervisory system by the Board of Directors.

Figure 3: Risk management process of the Group

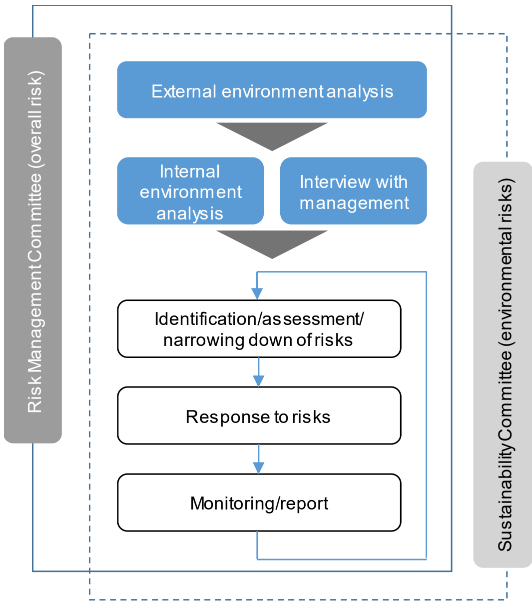



Table 4: Risk management system of the Group

| Risk management process | Responsible meeting bodies and executing entities |
|---|---|
| Identification/assessment/narrowing down of risks | • Board of Directors<br>• Group Management Meeting<br>• Risk Management Committee (Overall management risk)<br>• Sustainability Committee (Environmental risks) |
| Response to risks | • Operating subsidiaries (Management Meeting, Risk Management Committee, Sustainability Committee, etc.) |
| Monitoring/report | • Board of Directors<br>• Group Management Meeting<br>• Risk Management Committee (Overall management risk)<br>• Sustainability Committee (Environmental risks) |

<Strategy>

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

The Group considers it important to examine climate-related risks and opportunities at the appropriate milestone occasions because of the potential impact of climate-related risks and opportunities on its business activities over the long term. Accordingly, the Group has positioned the execution window of the Medium-Term Business Plan up to FY2023 as the short term, the period up to FY2030, which is the year set by the SBTi for Scope 1, 2, and 3 GHG emissions, as the medium term, and the period to FY2050, which is the SBTi net zero target year for Scope 1, 2, and 3 GHGs, as the long term. (Table 5)

The Group has formulated a Group strategy for climate-related risks and opportunities by back-casting from FY2050, when it is to realize net zero, and is working to apply the strategy.

Table 5: Definition of the periods for consideration of climate-related risks and opportunities in the Group

| Periods for consideration of climate-related risks and opportunities | | The Group's definition |
|---|---|---|
| Short-term | Until FY2023 | Execution period of the Medium-term Business Plan |
| Medium-term | Until FY2030 | Period until the SBT setting fiscal year for the Scope 1, 2 and 3 GHG emissions |
| Long-term | Until FY2050 | Period until the SBT Net-zero Target setting fiscal year for the Scope 1, 2 and 3 GHG emissions |

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

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

In the scenario analysis, we referenced multiple existing scenarios announced by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), then considered two world scenarios: one that envisages striving for a target of the goal of the Paris Agreement to limit the increase in the global average temperature to below 2˚C above pre-industrial levels (the below 1.5˚C/2˚C scenario); and one that envisages the increase in global GHG emissions beyond the present without the introduction of new policies and systems (the 4˚C scenario). (Table 6)

Based on these two scenarios, the Group extracted climate-related risks and opportunities following the TCFD recommendations for each activity in its supply chain process. In addition, we defined the transition risks (policy regulation, technology, market, reputation) and physical risks (acute, chronic) arising from climate change, as well as the opportunities (resource efficiency, energy sources, products and services, markets, and resilience) arising from responding appropriately to it. (Table 7)

Table 6: Existing scenarios taken into consideration

| Possible world | Existing scenarios |
|---|---|
| Below 1.5˚C/2˚C scenario | "Net-Zero Emissions by 2050 Scenario (NZE)" (IEA, 2021) |
| | "Sustainable Development Scenario (SDS)" (IEA, 2021) |
| | "Representative Concentration Pathways (RCP2.6)" (IPCC, 2014) |
| 4˚C scenario | "Stated Policy Scenario (STEPS)" (IEA, 2021) |
| | "Representative Concentration Pathways (RCP6.0, 8.5)" (IPCC, 2014) |

Table 7: Overview of climate-related risks and opportunities in the Group

| Type of climate-related risks and opportunities | | | Time of emergence | Overview of climate-related risks and opportunities in the Group |
|---|---|---|---|---|
| Risk | Transition risk | Policy regulation | Short- and medium-term | • Increase in energy costs associated with the introduction of policies to control GHG emissions, such as carbon taxes and the strengthening of regulations<br>• Increase in cost of reducing GHG emissions by purchasing green electricity certificates and so forth<br>• Increase in energy procurement cost due to increased demand for renewable energy associated with geopolitical risk |
| | | Technology | Short- and long-term | • Increase in operation costs for responding to high efficiency, energy-saving equipment<br>• Increase in energy procurement cost due to the spread of new non-carbon energy sources such as hydrogen and ammonia<br>• Increase in operation cost due to CCUS ($CO_2$ capture, utilization and storage) and tree-planting activities. |
| | | Market | Short- and medium-term | • Increase in renewable energy procurement cost due to increase in use of electricity from renewable energy sources<br>• Loss of growth opportunities due to a delay in response to market changes such as increased demand for low-carbon products<br>• Loss of growth opportunities due to a delay in response to increased risk of infectious diseases (COVID-19, etc.) caused by climate change |
| | | Reputation | Short- and medium-term | • Risk of reputation loss due to slow response to environmental issues and slow response to diversification of consumption patterns<br>• Risk of reputation loss due to lack of preparation for demand from investors for environmental information disclosure<br>• Negative impact on recruitment of new employees and employee engagement due to loss of reputation among stakeholders |
| | Physical risk | Acute | Short- and medium-term | • Loss of sales opportunities for products and services resulting from disruption of logistics routes due to natural disasters caused by climate change<br>• Reduction in profits due to damage to stores and business sites and suspension of operations because of natural disasters caused by climate change<br>• Loss of sales opportunities in stores due to increased risk of infectious diseases (COVID-19, etc.) caused by climate change |
| | | Chronic | Medium- and long-term | • Increase in procurement cost due to destabilization of agricultural production associated with increase in rainfall and changing weather patterns<br>• Increase in employee health damage due to infectious diseases caused by climate change (COVID-19, etc.) |
| Opportunity | Resource efficiency | | Short- and medium-term | • Decrease in energy procurement cost due to strengthening of energy-saving measures<br>• Decrease in energy procurement cost due to conversion to stores and business sites of high environmental value |
| | Energy source | | Short- and long-term | • Decrease in energy procurement cost due to introduction of the latest high energy-efficiency equipment<br>• Decrease in energy procurement cost due to introduction of energy creation<br>• Reduction in renewable energy procurement costs associated with the development of new policies and systems related to renewable energy |
| | Products and services | | Short- and medium-term | • Expansion of earnings due to response to an increase of demand for sharing and upcycled products due to collaboration with suppliers<br>• Expansion in earnings due to response to an increase of customer demand for environmental products and services, such as re-used products and recycled products |

| Type of climate-related risks and opportunities | | Time of emergence | Overview of climate-related risks and opportunities in the Group |
|---|---|---|---|
| | Market | Short- and long-term | • Expansion of new growth opportunities through new entry into the circular businesses<br>• Improvement in profitability due to rebuilding of business portfolio across the framework of the retail business and entry into and expansion in the market for low carbon products<br>• Expansion of earnings due to opening of environmentally conscious tenant stores following conversion to stores and business sites with high environmental value<br>• Capture of new growth opportunities by response to increased infectious disease risk (such as COVID-19) caused by climate change |
| | Resilience | Medium-term | • Increase in energy resilience following advances in renewable energy and energy saving |

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

The JFR Group exhaustively extracted climate risks and opportunities and assessed their importance based on two assessment criteria including the “degree of impact on the Group and the probability of occurrence” and the “degree of impact on stakeholders.”

Furthermore, the Group has conducted both quantitative and qualitative analyses of the financial impacts in FY2030 assuming the below 1.5˚C/2˚C scenario and the 4˚C scenario with regard to the climate related risks and opportunities that it has evaluated as being of particularly high importance. (Table 8)

The qualitative financial impacts are presented in three levels by the direction of the arrow symbols.

Table 8: Climate change risks and opportunities of particular importance to the JFR Group and their financial impacts

| | |
|---|---|
| ⬆ | : The impact on the Group’s business and finance is expected to be very large. |
| ⬈ | : The impact on the Group’s business and finance is expected to be slightly large. |
| ➡ | : The impact on the Group’s business and finance is expected to be negligible. |

| Climate-related risks and opportunities of particular importance to the JFR Group | | Financial impacts | | Measures |
|---|---|---|---|---|
| | | Below 1.5˚C/2˚C scenario | 4˚C scenario | |
| Risk | • Increase in energy costs associated with the introduction of policies to control GHG emissions, such as carbon taxes and the strengthening of regulations | Cost increase of approximately ¥1.1 billion[*1] | Cost increase of approximately ¥0.6 billion[*1] | • Reduction in Scope 1 and 2 GHG emissions due to switching to energy-saving and renewable energy at stores and business sites |
| | • Increase in cost of reducing GHG emissions by purchasing green electricity certificates and so forth | ↗ | → | • Reduction in energy usage due to introduction of latest high energy-efficiency equipment at stores and business sites |
| | • Increase in renewable energy procurement cost due to increase in use of electricity from renewable energy sources | Cost increase of approximately ¥0.7 billion[*2] | Cost increase of approximately ¥0.2 billion[*2] | • In-house generation and consumption of renewable energy through introduction of energy creation system, such capital investment in renewable energy at in-house facilities |
| | • Reduction in profits due to damage to stores and business sites and suspension of operations because of natural disasters caused by climate change | Sales decrease of approximately ¥5.2 billion[*3] | Sales decrease of approximately ¥10.3 billion[*3] | • Increased resilience of stores and business sites through BCP preparation |
| | • Loss of sales opportunities in stores due to increased risk of infectious diseases (COVID-19, etc.) caused by climate change | ↗ | ↑ | • Diversification of sales channels through promotion of Real × Digital Strategy formulated in the Medium-Term Business Plan. |
| Opportunity | • Decrease in energy procurement cost due to introduction of the latest high energy-efficiency equipment | ↗ | → | • Reduction in energy usage due to introduction of latest high energy-efficiency equipment at stores and business sites |
| | • Expansion of earnings due to opening of environmentally conscious tenant stores following conversion to stores and business sites with high environmental value | Sales increase of approximately ¥1.0 billion[*4] | — | • Acquisition of environmental certification for stores and business sites through switching to energy-saving and renewable energy |
| | • Expansion of earnings due to response to an increase of demand for sharing and upcycled products due to collaboration with suppliers | ↑ | ↗ | • Conversion to a circular business model, including sharing and upcycling through collaboration with suppliers |
| | • Expansion in earnings due to response to an increase of customer demand for environmental products and services, such as re-used products and recycled products | ↑ | ↗ | • Increase in the level of 3R through collaboration with customers and suppliers and expansion in handling of environmental products and services |
| | • Capture of new growth opportunities by response to increased infectious disease risk (such as COVID-19) caused by climate change | ↑ | ↗ | • Diversification of sales channels through promotion of Real × Digital Strategy formulated in the Medium-Term Business Plan. |

Grounds for estimation of quantitative financial impacts expected in FY2030

*1 Estimated by multiplying the JFR Group's Scope 1 and 2 GHG emissions in FY2030 by the carbon tax price per tonne of $CO_2$

*2 Estimated by multiplying the JFR Group's electricity usage in FY2030 by the additional price of renewable energy-sourced electricity per kWh compared to ordinary electricity charges

*3 Estimated by multiplying the amount of sales losses due to suspension of operations during past natural disasters by the frequency of floods

*4 Estimated by multiplying the JFR Group's real estate revenue and profits in FY2030 by the rate of changes volatility of new contract conclusion fees for buildings with environmental certification

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

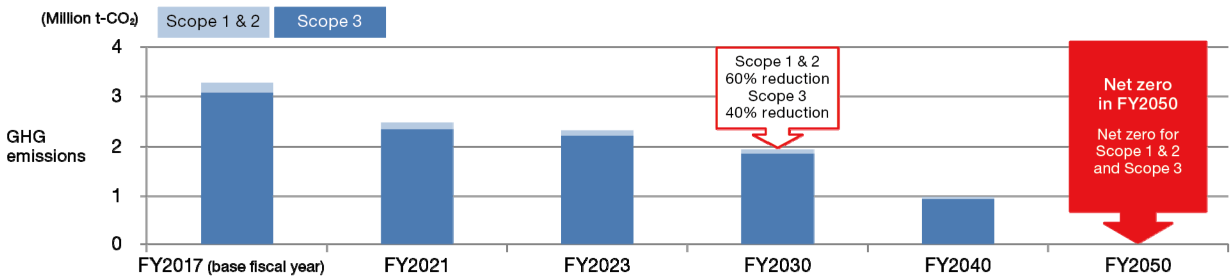
For this reason, in the business strategies and the Medium-term Business Plans, we formulate appropriate measures to avoid negative risks, while for positive opportunities, we aim to capture new growth opportunities such as responding actively to market changes and so forth.

- JFR Group's FY2050 Net Zero Transition Plan

The JFR Group believes it necessary to strengthen its highly strategic resilience from a medium- to long-term perspective under both the below 1.5˚C/2˚C scenario and the 4˚C scenario towards realizing net zero in FY2050.

Therefore, the Group has formulated a transition plan for realizing net zero in FY2050. (Figure 4) Under this plan, in our business strategy, we have formulated appropriate strategies to avoid negative risks, while for positive opportunities we have clarified specific initiatives from short-, medium- and long-term perspectives aimed at capturing new growth opportunities, such as responding proactively to market changes.

Figure 4: FY2050 Net Zero Transition Plan*




| Phase | Past performance (FY2017 to FY2020) | | Short term (FY2021 to FY2023) | Medium term (FY2024 to FY2030) | Long term (FY2031 to FY2050) |
|---|---|---|---|---|---|
| Results forecasts and reduction targets for greenhouse gas emissions (compared to FY2017) | Scope 1 & 2 FY2017 194,154 t-$CO_2$ | Scope 1 & 2 FY2020 32.0% reduction | Scope 1 & 2 FY2030 60% reduction | | Scope 1 & 2 FY2050 Net zero |
| | Scope 3 FY2017 2,927,320 t-$CO_2$ | Scope 3 FY2020 5.0% reduction | Scope 3 FY2030 Aim for 40% reduction | | Scope 3 FY2050 Net zero |

**Priority measures**

**Scope 1, 2 and 3 reductions by continuing and strengthening energy-saving measures**
- Scope 1 & 2 and Scope 3 (Category 3) reductions by expanding the switching to LED lighting in stores and introducing energy-saving, highly efficient equipment
- Scope 1 & 2 reductions by shifting to electric vehicles for company use

**Scope 2 reductions by expanding renewable energy**
- Scope 2 reductions by expanding the switching of stores and offices to renewable energy

**Scope 3 reductions through cooperation with our suppliers and by promoting a circular economy**
- Scope 3 (Categories 1, 4, 5 and 9) reductions through the advancement of the existing 3Rs (reduce, reuse and recycle) and cooperation with our suppliers and customers
- Scope 3 (Category 1) reductions through cooperation with our suppliers
- Scope 3 (Category 5) reductions by reducing amount of waste disposed of and improving recycling rate

**Scope 2 reductions by introducing an energy creation system**
- Scope 2 reductions through renewable energy capital investments, etc. in our own facilities
- Scope 2 reductions by establishing corporate power purchase agreements (PPAs)

**Utilization of latest technologies, etc. and offsets**
- Use of electricity from new non-carbon energy sources, such as hydrogen and ammonia
- Utilization of CCUS ($CO_2$ capture, utilization and storage)
- Offsets through tree planting activities to absorb $CO_2$

* The plan is current as of the end of May 2022, and may be revised depending on business strategies going forward.

<Metrics and targets>

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

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

Furthermore, in the Officer Remuneration Policy revised in April 2021, Scope 1 and 2 GHG emissions reduction targets were set as indicators for determining performance-linked remuneration, to clarify executive officers' responsibility with regard to the issue of climate change.

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

The Group started calculating the total GHG emissions for the Group in fiscal 2017. The Group's Scope 1 and 2 GHG emissions in fiscal 2021 are forecast at approximately 130,000 t-$CO_2$ (down 1.6% from fiscal 2020 and down 33.0% from fiscal 2017). Further, the Group's Scope 3 GHG emissions in fiscal 2021 are forecast at approximately 2,850,000 t-$CO_2$ (up 15.4% from fiscal 2020 and down 2.6% from fiscal 2017). (Table 9)

The Company expects to obtain third-party assurance for its Scope 1, 2, and 3 GHG emissions for FY2021.

Table 9: The Group's Scope 1, 2 and 3 GHG emission results and forecast

(Unit: t-$CO_2$, %)

| | | GHG emission results | | GHG emission forecast | | |
|---|---|---|---|---|---|---|
| | | FY2017 (base fiscal year) | FY2020 | FY2021 | Compared with FY2020 | Compared with FY2017 (compared with base fiscal year) |
| Total Scope 1 and 2 emissions | | 194,154*1 | 132,106*1 | 130,000 | (1.6) | (33.0) |
| Breakdown | Scope 1 emissions | 16,052*1 | 11,983*1 | 14,500 | +21.0 | (9.7) |
| | Scope 2 emissions | 178,102*1 | 120,123*1 | 115,500 | (3.8) | (35.1) |
| Total Scope 3 emissions*2 | | 2,927,320 | 2,470,411*1 | 2,850,000 | +15.4 | (2.6) |

*1 Obtained third-party assurance from LRQA

2 In accordance with "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain ver. 2.4 (March 2022, Ministry of the Environment and Ministry of Economy, Trade and Industry), we calculated the GHG emissions by category using the formula: "activity amount × emissions per base unit"

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

The JFR Group has set long-term GHG emission reduction targets since FY2018 to achieve the global under 2˚C target, and obtained certification from the SBTi in FY2019 for its Scope 1, 2, and 3 greenhouse gas (GHG) emissions reduction targets. In FY2021, in line with the evolution of our materiality issues, we lifted our target for reducing Scope 1 and 2 GHG emissions from the previous 40% reduction to a 60% reduction compared with FY2017 (the base year), and reacquired certification for the 1.5°C target that is the new standard set by the SBTi. Moreover, based on the Corporate Net-Zero Standard set by the SBTi, we have set a target to achieve "2050 Net Zero" within the range of Scope 1, 2, and 3 GHG emissions.

To achieve these long-term targets, in FY2019 the group started procuring electricity from renewable energy sources for its own facilities, and in October 2020 jointed the RE100*, which aims to achieve 100% renewable energy rate for electricity used in business activities by FY2050. Moreover, as an interim target, we aim to achieve a 60% renewable energy rate for electricity used in business activities by FY2030.

Looking ahead, we will work to expand procurement of electricity from renewable energy towards achieving net zero in FY2050.

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

Table 10: The targets used by the Group to manage climate-related risks and opportunities

| Metrics | Target year | Details of targets |
|---|---|---|
| GHG emissions | 2050 | Net zero emissions of Scope 1, 2, and 3 GHG emissions |
| | 2030 | 60% reduction of Scope 1 and 2 GHG emissions (compared to FY2017)[*1]<br>40% reduction of Scope 3 GHG emissions (compared to FY2017)[*1] |
| Ratio of renewable energy in electric power used in business activities | 2050 | 100% ratio of renewable energy in electric power used in business activities[*2] |
| | 2030 | 60% ratio of renewable energy in electric power used in business activities |

*1 Approved by SBTi

*2 Joined RE100 in 2020

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

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

(1) Financial position and operating results

(i) Operating results for the current fiscal year

| (Millions of yen, %) | Fiscal year ended February 28, 2022 | Year-on-year changes | | Against October forecasts |
|---|---|---|---|---|
| | | Change in amount | Change in percentage | Change in amount |
| Gross sales | 875,281 | 105,828 | 13.8 | (46,719) |
| Sales revenue | 331,484 | 12,405 | 3.9 | (26,016) |
| Gross profit | 147,842 | 13,474 | 10.0 | (4,658) |
| Selling, general and administrative expense | 136,123 | 4,122 | 3.1 | (4,377) |
| Business profit | 11,718 | 9,352 | 395.1 | (282) |
| Other operating income | 11,068 | 5,357 | 93.8 | 4,068 |
| Other operating expense | 13,406 | (18,937) | (58.6) | (94) |
| Operating profit | 9,380 | 33,645 | - | 3,880 |
| Profit attributable to owners of parent | 4,321 | 30,514 | - | 3,321 |

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 of last year 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.

With respect to 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.

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."

As for our "three key strategies and management structure reforms," we have been implementing the Company's digital strategy as part of our "real x digital strategy" 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.

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.

We have set our sights on transforming our business portfolio under our developer strategy. This has involved efforts of the Developer Business, which is a new business segment, in terms of 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.

In terms of 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.

In terms of strengthening of management foundation to support the achievement of medium- and 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.

With respect to consolidated earnings for the current fiscal year, sales 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.

Business results by segment

<Department Store Business>

| (Millions of yen, %) | Fiscal year ended February 28, 2022 | Year-on-year changes | | Against October forecasts |
|---|---|---|---|---|
| | | Change in amount | Change in percentage | Change in amount |
| Sales revenue | 190,739 | 16,908 | 9.7 | (10,861) |
| Business profit | 1,798 | 4,734 | – | (1,202) |
| Operating profit | (4,594) | 16,191 | – | (3,394) |

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, sales 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.

<SC Business>

| (Millions of yen, %) | Fiscal year ended February 28, 2022 | Year-on-year changes | | Against October forecasts |
|---|---|---|---|---|
| | | Change in amount | Change in percentage | Change in amount |
| Sales revenue | 52,556 | (2,893) | (5.2) | (2,444) |
| Business profit | 3,844 | 2,836 | 281.3 | (356) |
| Operating profit | 2,055 | 9,023 | – | 255 |

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, sales revenue from store operations increased, but sales 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.

<Developer Business>

| (Millions of yen, %) | Fiscal year ended February 28, 2022 | Year-on-year changes | | Against October forecasts |
|---|---|---|---|---|
| | | Change in amount | Change in percentage | Change in amount |
| Sales revenue | 50,633 | (3,192) | (5.9) | (5,867) |
| Business profit | 3,134 | 294 | 10.3 | (266) |
| Operating profit | 4,711 | 2,730 | 137.7 | 1,211 |

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, 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, sales 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>

| (Millions of yen, %) | Fiscal year ended February 28, 2022 | Year-on-year changes | | Against October forecasts |
|---|---|---|---|---|
| | | Change in amount | Change in percentage | Change in amount |
| Sales revenue | 11,037 | 2,002 | 22.2 | 237 |
| Business profit | 1,906 | 1,510 | 380.4 | 766 |
| Operating profit | 1,970 | 1,549 | 367.8 | 770 |

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, sales 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>

| (Millions of yen, %) | Fiscal year ended February 28, 2022 | Year-on-year changes | | Against October forecasts |
|---|---|---|---|---|
| | | Change in amount | Change in percentage | Change in amount |
| Sales revenue | 61,755 | (804) | (1.3) | (2,245) |
| Business profit | 1,252 | (402) | (24.3) | 52 |
| Operating profit | 1,199 | (525) | (30.5) | 99 |

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, sales 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.

(ii) Financial position

| (Millions of yen, %) | As of February 28, 2021 | As of February 28, 2022 | Change in amount |
|---|---|---|---|
| Current assets | 273,605 | 234,884 | (38,721) |
| Non-current assets | 990,116 | 958,022 | (32,094) |
| Total assets | 1,263,722 | 1,192,907 | (70,815) |
| Current liabilities | 389,926 | 347,413 | (42,513) |
| Non-current liabilities | 509,451 | 483,373 | (26,078) |
| Total liabilities | 899,378 | 830,787 | (68,591) |
| Equity attributable to owners of parent | 352,171 | 350,368 | (1,803) |
| Ratio of equity attributable to owners of parent to total assets | 27.9 | 29.4 | 1.5 |
| Total equity | 364,343 | 362,120 | (2,223) |

Total assets as of February 28, 2022 was ¥1,192,907 million, down ¥70,815 million compared with February 28, 2021. Total liabilities was ¥830,787 million, a decrease of ¥68,591 million compared with February 28, 2021. Interest-bearing debt (including lease liabilities) was ¥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.

(iii) Cash flows

| (Millions of yen) | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 | Change in amount |
|---|---|---|---|
| Net cash flows from (used in) operating activities | 56,471 | 49,866 | (6,605) |
| Net cash flows from (used in) investing activities | (20,870) | (5,289) | 15,581 |
| Free cash flows | 35,601 | 44,577 | 8,976 |
| Net cash flows from (used in) financing activities | 58,727 | (80,392) | (139,119) |
| Net increase (decrease) in cash and cash equivalents | 94,328 | (35,815) | (130,143) |
| Cash and cash equivalents at end of period | 128,925 | 93,278 | (35,647) |

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.

(iv) Production, orders received and sales

1) Production

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

| Segment name | Production (Millions of yen) | Year-on-year comparison (%) |
|---|---|---|
| Developer Business | 608 | 80.5 |

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

2) Orders received

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

| Segment name | Orders received (Millions of yen) | Year-on-year comparison (%) |
|---|---|---|
| Developer Business | 33,625 | 84.9 |

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

3) Sales

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

| Segment name | Breakdown | Sales (Millions of yen) | Year-on-year comparison (%) |
|---|---|---|---|
| Department Store Business | Daimaru Matsuzakaya Department Stores Co. Ltd. | 174,881 | 109.7 |
| | The Hakata Daimaru, Inc. | 12,539 | 112.4 |
| | Other | 3,319 | 91.6 |
| | Total | 190,739 | 109.7 |
| SC Business | PARCO | 49,227 | 113.1 |
| | Other | 3,329 | 27.9 |
| | Total | 52,556 | 94.8 |
| Developer Business | PARCO | 8,111 | 104.8 |
| | J. Front Design & Construction | 23,645 | 86.5 |
| | PARCO SPACE SYSTEMS | 17,830 | 100.7 |
| | Other | 1,045 | 98.7 |
| | Total | 50,633 | 94.1 |
| Payment and Finance Business | JFR Card | 11,037 | 122.2 |
| Other | Wholesale | 34,632 | 99.4 |
| | Other | 27,123 | 97.8 |
| | Total | 61,755 | 98.7 |
| Adjustments | | (35,239) | – |
| Total | | 331,484 | 103.9 |

Notes: 1. Adjustments for inter-segment transactions are made in the adjustments column.
2. Sales amount shows sales revenue.
3. Consumption taxes are not included in the amounts above.

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

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

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

(i) Significant accounting policies and estimates

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

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

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

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

1) Operating results, etc.

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

a) Sales revenue

Sales revenue increased by ¥12,405 million from the previous fiscal year to ¥331,484 million, mainly due to suspended store operations and shortened operating hours at department stores and PARCO in the previous fiscal year due to the impact of the COVID-19 pandemic.

b) Operating profit

Operating profit increased by ¥33,645 million from the previous fiscal year to ¥9,380 million.

c) Profit before tax

Profit before tax increased by ¥34,862 million from the previous fiscal year to ¥6,190 million.

d) Profit attributable to owners of parent

Profit attributable to owners of parent increased by ¥30,514 million from the previous fiscal year to ¥4,321 million.

e) Financial position

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

As a result, operating profit/total assets (ROA) was 0.8%, profit/equity attributable to owners of parent (ROE) was 1.2%, and the ratio of equity attributable to owners of parent to total assets was 29.4%.

f) Cash flows

Net cash provided by operating activities was ¥49,866 million. Net cash used in investing activities was ¥5,289 million and net cash used in financing activities was ¥80,392 million.

As a result, the balance of cash and cash equivalents as of February 28, 2022 was ¥93,278 million, down ¥35,647 million compared with February 28, 2021.

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

g) Liquidity and capital resources

(Basic capital policy)

The Company believes that any increase in free cash flow and improvement in ROE should help to ensure its sustainable growth and increase corporate value over the medium to long term. To such ends, the Company promotes a capital policy that takes a balanced approach to “undertaking strategic investment,” “enhancing shareholder returns,” and “expanding net worth being” after taking into consideration the business environment and risk readiness.

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

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

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.

(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 debt (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.

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

(Financial policy)

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

(Dividend policy)

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

2) Achievement status of management goals

The achievement status of management goals given as targets for FY2021, the first year of the FY2021-FY2023 Group Medium-term Business Plan, are as follows.

We will continue working on the growth strategy outlined in "1. Management policy, management environment, issues to be addressed, etc." and strive to realize our management goals.

| | FY2021 results | FY2023 targets |
|---|---|---|
| Consolidated operating profit (IFRS) | ¥9,380 million | ¥40,300 million |
| Consolidated ROE | 1.2% | 7.0% |
| Consolidated ROIC | 1.2% | 5.0% |
| GHG emissions* | (under calculation) | (40)% |
| Ratio of women in management positions | 21.3% | 26% |

* Compared with fiscal 2017 Scope 1 (direct GHG emissions from the business operators) and Scope 2 (indirect emissions from the use of electricity, heat, and steam supplied by other companies); fiscal 2021 results are currently being calculated.

## 4. Critical contracts for operation

<Consolidated subsidiaries>

Agreements relating to leases

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

## 5. Research and development activities

There are no significant matters to report.

## III. Information About Facilities

### 1. Overview of capital expenditures, etc.

In the current fiscal year, total capital expenditures of ¥21,083 million were made, mainly in the Department Store Business and SC Business.

The breakdown by segment is as follows:

| Segment name | Capital expenditures (Millions of yen) |
|---|---|
| Department Store Business | 10,921 |
| SC Business | 5,121 |
| Developer Business | 4,698 |
| Payment and Finance Business | 38 |
| Other | 1,136 |
| Adjustments | (833) |
| Total | 21,083 |

Notes: 1. Guarantee deposits for store opening, etc. are included in the amounts above.

2. Newly acquired right-of-use assets are included in the amounts above.

Mainly, in the Department Store Business this included 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.

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

### 2. Major facilities

Major facilities of the Group are as follows:

(1) Reporting company

As of February 28, 2022

| Office name (Location) | Segment name | Facilities | Carrying amounts (Millions of yen) | | | | | Number of employees (Persons) |
|---|---|---|---|---|---|---|---|---|
| | | | Buildings and structures | Land [Area in m$^2$] | Right-of-use assets | Other | Total | |
| J. FRONT RETAILING Co., Ltd. (Chuo-ku, Tokyo) | Corporate (Shared) | Office, etc. | 77 | – [–] | 155 | 16 | 249 | 138 [16] |

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

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

(2) Domestic subsidiaries

As of February 28, 2022

| Company name | Office name (Location) | Segment name | Facilities | Carrying amounts (Millions of yen) | | | | | Number of employees (Persons) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Buildings and structures | Land [Thousands of m$^2$] | Right-of-use assets | Other | Total | |
| Daimaru Matsuzakaya Department Stores Co. Ltd. | Daimaru Osaka Shinsaibashi store (Chuo-ku, Osaka) | Department Store Business | Store, etc. | 29,541 | 7,919 [11] | 11,484 | 899 | 49,845 | 193 [70] |
| | Daimaru Osaka Umeda store (Kita-ku, Osaka) | Department Store Business | Store, etc. | 41 | – [–] | 21,688 | 1 | 21,731 | 125 [107] |
| | Daimaru Tokyo store (Chiyoda-ku, Tokyo) | Department Store Business | Store, etc. | 2,903 | – [–] | 26,138 | 69 | 29,111 | 107 [76] |
| | Daimaru Kyoto store (Shimogyo-ku, Kyoto) | Department Store Business | Store, etc. | 9,532 | 8,759 [10] | 2,725 | 50 | 21,068 | 215 [145] |
| | Daimaru Kobe store (Chuo-ku, Kobe) | Department Store Business | Store, etc. | 7,071 | 1,693 [11] | 6,648 | 83 | 15,497 | 235 [187] |
| | Daimaru Suma store (Suma-ku, Kobe) | Department Store Business | Store, etc. | 908 | – [–] | 611 | 6 | 1,526 | 13 [3] |
| | Daimaru Ashiya store (Ashiya, Hyogo) | Department Store Business | Store, etc. | 10 | – [–] | 706 | – | 716 | 9 [8] |
| | Daimaru Sapporo store (Chuo-ku, Sapporo) | Department Store Business | Store, etc. | 6,936 | 12,696 [8] | 122 | 100 | 19,856 | 128 [128] |
| | Daimaru Shimonoseki store (Shimonoseki, Yamaguchi) | Department Store Business | Store, etc. | 2,065 | 1,408 [11] | 51 | 99 | 3,624 | 49 [31] |
| | Matsuzakaya Nagoya store (Naka-ku, Nagoya) | Department Store Business | Store, etc. | 15,721 | 65,919 [19] | 5,457 | 269 | 87,367 | 444 [155] |
| | Matsuzakaya Ueno store (Taito-ku, Tokyo) | Department Store Business | Store, etc. | 4,491 | 27,718 [7] | 741 | 34 | 32,985 | 158 [42] |
| | Matsuzakaya Shizuoka store (Aoi-ku, Shizuoka) | Department Store Business | Store, etc. | 3,388 | 6,628 [7] | 69 | 146 | 10,233 | 68 [55] |
| | Matsuzakaya Takatsuki store (Takatsuki, Osaka) | Department Store Business | Store, etc. | 1,387 | 3,738 [5] | 3 | 12 | 5,141 | 9 [1] |
| | GINZA SIX (Chuo-ku, Tokyo) | Department Store Business | Store, etc. | 15,298 | 82,660 [4] | 320 | 431 | 98,711 | 9 [6] |
| | Head office/Others (Koto-ku, Tokyo, and other locations) | Department Store Business | Office, etc. | 2,421 | 4,317 [43] | 6,614 | 87 | 13,440 | 697 [193] |
| | Total | – | – | 101,719 | 223,460 [141] | 83,383 | 2,292 | 410,856 | 2,459 [1,207] |

| Company name | Office name (Location) | Segment name | Facilities | Carrying amounts (Millions of yen) | | | | | Number of employees (Persons) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | Buildings and structures | Land [Thousands of $m^2$] | Right-of-use assets | Other | Total | |
| The Hakata Daimaru, Inc. | Daimaru Fukuoka Tenjin store, etc. (Chuo-ku, Fukuoka, and other locations) | Department Store Business | Store, etc. | 5,456 | 7,101 [8] | 10,096 | 343 | 22,998 | 214 [100] |
| Kochi Daimaru Co., Ltd. | Kochi Daimaru store (Kochi, Kochi) | Department Store Business | Store, etc. | 1,154 | 414 [3] | 658 | 84 | 2,311 | 51 [17] |
| PARCO Co., Ltd. | Sapporo PARCO (Sapporo, Hokkaido) | SC Business | Store, etc. | 1,813 | 5,011 [2] | 659 | 88 | 7,571 | 12 [2] |
| | Sendai PARCO (Sendai, Miyagi) | SC Business | Store, etc. | 9,128 | 4,261 [4] | 6,870 | 39 | 20,298 | 18 [–] |
| | Urawa PARCO (Saitama, Saitama) | SC Business | Store, etc. | 7,896 | 10,300 [11] | 139 | 87 | 18,423 | 15 [1] |
| | Ikebukuro PARCO (Toshima-ku, Tokyo) | SC Business | Store, etc. | 4,893 | 7,120 [1] | 13,185 | 60 | 25,260 | 16 [–] |
| | PARCO_ya Ueno (Taito-ku, Tokyo) | SC Business | Store, etc. | 12,933 | 15,808 [2] | 386 | 86 | 29,213 | 6 [1] |
| | Kichijoji PARCO (Musashino, Tokyo) | SC Business | Store, etc. | 2,050 | – [–] | 3,595 | 57 | 5,703 | 8 [1] |
| | Shibuya PARCO (Shibuya-ku, Tokyo) | SC Business | Store, etc. | 18,542 | 34,948 [3] | 1,683 | 1,146 | 56,320 | 17 [1] |
| | Kinshicho PARCO (Sumida-ku, Tokyo) | SC Business | Store, etc. | 2,085 | – [–] | 10,253 | 37 | 12,376 | 2 [2] |
| | Chofu PARCO (Chofu, Tokyo) | SC Business | Store, etc. | 3,996 | 8,029 [4] | 1,719 | 52 | 13,798 | 14 [1] |
| | Shizuoka PARCO (Shizuoka, Shizuoka) | SC Business | Store, etc. | 1,354 | – [–] | 1,700 | 30 | 3,085 | 11 [–] |
| | Nagoya PARCO (Nagoya, Aichi) | SC Business | Store, etc. | 5,757 | 6,261 [2] | 8,934 | 90 | 21,044 | 22 [2] |
| | Shinsaibashi PARCO (Osaka, Osaka) | SC Business | Store, etc. | 14,968 | 21,309 [4] | 553 | 490 | 37,323 | 14 [3] |
| | Hiroshima PARCO (Hiroshima, Hiroshima) | SC Business | Store, etc. | 3,168 | 5,580 [2] | 3,194 | 49 | 11,992 | 14 [–] |
| | Fukuoka PARCO (Fukuoka, Fukuoka) | SC Business | Store, etc. | 4,965 | 24,877 [4] | 2,378 | 88 | 32,310 | 18 [–] |
| | Shintokorozawa PARCO (Tokorozawa, Saitama) | SC Business | Store, etc. | 991 | 1,706 [5] | 636 | 8 | 3,343 | – [–] |
| | Tsudanuma PARCO (Funabashi, Chiba) | SC Business | Store, etc. | 136 | – [–] | 653 | 12 | 803 | 7 [1] |
| | Hibarigaoka PARCO (Nishi-Tokyo, Tokyo) | SC Business | Store, etc. | 361 | – [–] | 1,950 | 6 | 2,319 | – [–] |
| | Matsumoto PARCO (Matsumoto, Nagano) | SC Business | Store, etc. | 733 | 447 [3] | 367 | 13 | 1,562 | 7 [2] |
| | Head office/Others (Shibuya-ku, Tokyo, etc.) | SC Business Developer Business | Office, etc. | 13,077 | 45,689 [67] | 17,061 | 334 | 76,163 | 360 [89] |
| | Total | – | – | 108,856 | 191,352 [120] | 75,925 | 2,779 | 378,914 | 561 [106] |

Notes:
1. Consumption taxes are not included in the amounts above.
2. The number in brackets in the "Number of employees" column (not included in number of employees) refers to the yearly average number of dedicated employees, fixed-term employees, etc.
3. Following the absorption and merger of Daimaru Matsuzakaya Sales Associates Co., Ltd. on September 1, 2021, the number of employees at Matsuzakaya Department Stores Co. Ltd. increased by 573 compared to the previous fiscal year-end, and the annual average number of employees such as specialist employees and fix-term temporary employees increased by 818 compared to the previous fiscal year-end.
4. Of the major facilities, the ones rented from external sources are listed in "Agreements relating to leases" under "4. Critical contracts for operation" in "II. Overview of Business."

### 3. Planned additions, retirements, etc. of facilities

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

(1) Additions, etc. of significant facilities

| Company name | Office name (Location) | Segment name | Facilities | Planned investment amount | | Funds procurement method | Start | Scheduled completion |
|---|---|---|---|---|---|---|---|---|
| | | | | Total (Millions of yen) | Amount already paid (Millions of yen) | | | |
| J. FRONT RETAILING Co., Ltd. | Head Office (Chuo-ku, Tokyo) | Companywide (Common) | Construction of a new accounting system | 1,878 | 347 | Funds on hand and borrowings | March 2021 | Undetermined |
| Daimaru Matsuzakaya Department Stores Co. Ltd. | Matsuzakaya Nagoya store, etc. (Naka-ku, Nagoya, etc.) | Department Store Business | Sales floor renovation, etc. | 13,515 | 1,306 | Funds on hand and borrowings | March 2022 | February 2023 |
| PARCO Co., Ltd. | Chiyoda, Nagoya, etc. (Naka-ku, Nagoya, etc.) | Developer Business | Rental condominium, etc. | 6,240 | 1,767 | Funds on hand and borrowings | October 2021 | August 2023 |

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

(2) Retirements, etc. of significant facilities

There are no significant matters to report.

## IV. Information About Reporting Company

### 1. Company's shares, etc.

(1) Total number of shares

(i) Authorized shares

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

(ii) Number of issued shares

| Class | Number of issued shares as of fiscal year end (Shares) (As of February 28, 2022) | Number of issued shares as of filing date (Shares) (As of May 27, 2022) | Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered | Details |
|---|---|---|---|---|
| Ordinary shares | 270,565,764 | 270,565,764 | First section of the Tokyo Stock Exchange (as of the end of the fiscal year)<br>Prime Market of the Tokyo Stock Exchange (as of the filing date)<br>First section of the Nagoya Stock Exchange (as of the end of the fiscal year)<br>Premier Market of the Nagoya Stock Exchange (as of the filing date) | The number of shares per share unit 100 shares |
| Total | 270,565,764 | 270,565,764 | – | – |

(2) Share acquisition rights

(i) Employee share option plans

No items to report.

(ii) Rights plans

No items to report.

(iii) Share acquisition rights for other uses

No items to report.

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

No items to report.

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

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

Note: Third-party allotment

Price of issue: ¥1,614

Amount to be included in capital: ¥807

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

## (5) Shareholding by shareholder category

As of February 28, 2022

| Category | Shareholding status (Number of shares per share unit: 100 shares) | | | | | | | | Shares less than one unit (Shares) |
|---|---|---|---|---|---|---|---|---|---|
| | Public sector | Financial institutions | Financial instruments business operators | Other corporations | Foreign investors, etc. | | Individuals and others | Total | |
| | | | | | Companies, etc. | Individuals | | | |
| Number of shareholders (Persons) | – | 56 | 37 | 970 | 302 | 172 | 144,599 | 146,136 | – |
| Number of shares held (Units) | – | 967,249 | 149,111 | 169,121 | 558,847 | 455 | 855,082 | 2,699,865 | 579,264 |
| Shareholding ratio (%) | – | 35.83 | 5.52 | 6.26 | 20.70 | 0.02 | 31.67 | 100.00 | – |

Notes: 1. The 6,264,146 treasury shares include 62,641 share units under "Individuals and others" and 46 shares under "Shares less than one unit." In addition, the 6,264,146 treasury shares are the shares listed on the shareholder register, and this is the same as the actual number of treasury shares owned as of the end of the fiscal year.

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

## (6) Status of Major Shareholders

As of February 28, 2022

| Name / Company Name | Address | Number of shares held (Thousands of shares) | Shareholding ratio (excluding treasury shares) (%) |
|---|---|---|---|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 2-11-3 Hamamatsucho, Minato-ku, Tokyo | 43,781 | 16.56 |
| Custody Bank of Japan, Ltd. (Trust Account) | 1-8-12 Harumi, Chuo-ku, Tokyo | 15,163 | 5.73 |
| Nippon Life Insurance Company | 1-6-6 Marunouchi, Chiyoda-ku, Tokyo | 9,828 | 3.71 |
| J. Front Retailing Kyoei Supplier Shareholding Association | Nihonbashi 1-Chome Mitsui Building,<br>1-4-1 Nihonbashi, Chuo-ku, Tokyo | 6,344 | 2.40 |
| DAIWA CM SINGAPORE LTD - NOMINEE ROBERT LUKE COLLICK<br>(Standing proxy: Daiwa Securities Co. Ltd.) | 7 STRAITS VIEW MARINA ONE EAST TOWER, #16-05 AND #16-06 SINGAPORE 018936<br>(1-9-1 Marunouchi, Chiyoda-ku, Tokyo) | 5,439 | 2.05 |
| The Dai-ichi Life Insurance Company, Limited | 1-13-1 Yurakucho, Chiyoda-ku, Tokyo | 5,158 | 1.95 |
| BNYM AS AGT / CLTS NONTREATY JASDEC<br>(Standing proxy: MUFG Bank, Ltd.) | 240 GREENWICH STREET, NEW YORK, NEW YORK 10286 U.S.A<br>(2-7-1 Marunouchi, Chiyoda-ku, Tokyo) | 4,308 | 1.62 |
| JP MORGAN CHASE BANK 385781<br>(Standing proxy: Mizuho Bank, Ltd.) | 25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM<br>(2-15-1 Konan, Minato-ku, Tokyo) | 3,207 | 1.21 |
| SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account) | 1-3-2 Marunouchi, Chiyoda-ku, Tokyo | 3,204 | 1.21 |
| JP Morgan Securities Japan Co., Ltd. | Tokyo Building,<br>2-7-3 Marunouchi, Chiyoda-ku, Tokyo | 2,909 | 1.10 |
| Total | — | 99,345 | 37.58 |

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

2. In addition to the above, there are 6,264,000 treasury shares (the percentage of number of treasury shares owned to total number of issued shares is 2.31%), and the shareholding ratio is calculated after excluding those treasury shares. Treasury shares do not include shares held by the officer remuneration BIP trust.

## (7) Voting rights

### (i) Issued shares

As of February 28, 2022

| Category | Number of shares (Shares) | | Number of voting rights (Rights) | Details |
|---|---|---|---|---|
| Shares without voting rights | | – | – | – |
| Shares with restricted voting rights (Treasury shares, etc.) | | – | – | – |
| Shares with restricted voting rights (Other) | | – | – | – |
| Shares with full voting rights (Treasury shares, etc.) | (Treasury shares)<br>Ordinary shares | 6,264,100 | – | – |
| Shares with full voting rights (Other) | Ordinary shares | 263,722,400 | 2,637,224 | – |
| Shares less than one unit | Ordinary shares | 579,264 | – | – |
| Total number of issued shares | | 270,565,764 | – | – |
| Total number of voting rights | | – | 2,637,224 | – |

Notes: 1. Figures under “Shares with full voting rights (Other)” include 2,492,800 shares of the Company held by the officer remuneration BIP trust (24,928 voting rights) and 9,400 shares registered in the name of Japan Securities Depository Center, Incorporated (94 voting rights).

2. The number of “Shares less than one unit” includes 46 treasury shares held by the Company and 9 treasury shares held by the officer remuneration BIP trust.

### (ii) Treasury shares, etc.

As of February 28, 2022

| Name of shareholder | Address of shareholder | Number of shares held under own name (Shares) | Number of shares held under the name of others (Shares) | Total number of shares held (Shares) | Shareholding ratio (%) |
|---|---|---|---|---|---|
| (Treasury shares) J. FRONT RETAILING Co., Ltd. | 10-1, Ginza 6-chome, Chuo-ku, Tokyo | 6,264,100 | – | 6,264,100 | 2.31 |
| Total | – | 6,264,100 | – | 6,264,100 | 2.31 |

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

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

1) Overview of New Stock-Based Remuneration System for Officers

The Company resolved to replace the “stock-based remuneration system for officers utilizing trust” that has been introduced since fiscal 2017 as an incentive plan targeting the officers of the Company and the Company’s main subsidiary, Daimaru Matsuzakaya Department Stores Co. Ltd. (the “Former System”) by introducing a new stock-based remuneration system for officers which additionally targets the officers of the Company’s main subsidiary, PARCO Co., Ltd. (The “System”).

For the introduction of the System, the three trusts described below, including those already established under the Former System, will continue to be used as trusts of the System by making changes to parts of the trust so that they match the details of the System, extending the trust periods, and adding additional monetary trusts as required.

(i) The trust that issues the Company’s shares for Executive Officers of the Company and Directors and Executive Officers of Daimaru Matsuzakaya Department Stores Co. Ltd. to help the Group achieve sustainable growth and increase corporate value over the medium to long term (“Trust I”).

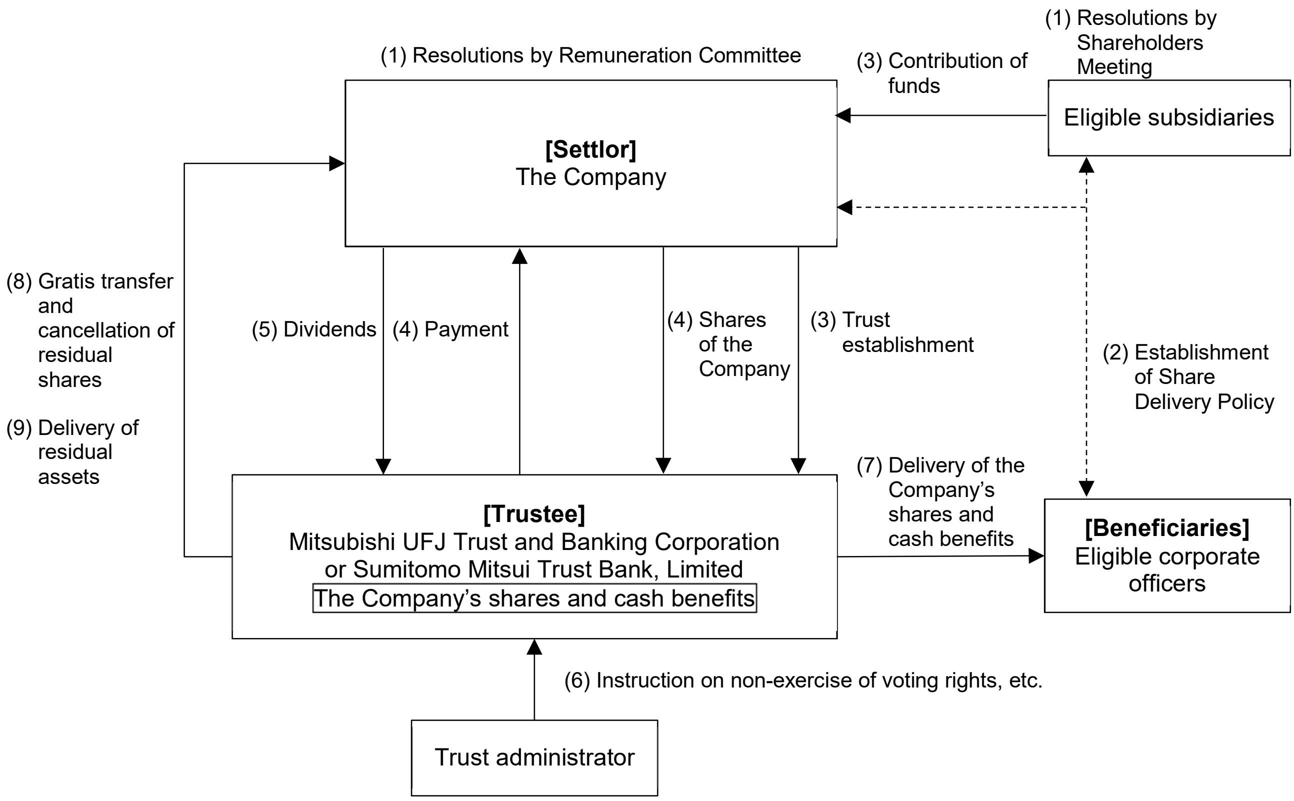
(ii) The trust that issues the Company's shares in a way that it not linked to performance, with the objective of involving Non-executive Directors of the Company (Independent Outside Directors as well as chairperson of the Board of Directors, Audit Committee members and other internal Non-executive Directors; collectively, the "Non-executive Directors") in management with a medium- to long-term view in order that they should strengthen proactive and defensive governance of the Company from a different standpoint to the executives as representatives of stakeholders ("Trust II").

(iii) The trust that issues the Company's shares for Executive Officers of PARCO Co., Ltd. to help the Group achieve sustainable growth and increase corporate value over the medium to long term ("Trust III").

2) Overview of the trust agreement

| | (Reference) "Trust I" | "Trust II" | "Trust III" |
|---|---|---|---|
| (i) Trust category: | Monetary trust other than a specific individually operated monetary trust (third-party benefit trust) | | |
| (ii) Trust objective: | To provide incentive to Executive Officers of the Company and Directors and Corporate Officers of Daimaru Matsuzakaya Department Stores Co. Ltd. | To have Non-executive Directors of the Company engage in management as representatives of stakeholders from a medium- to long-term perspective and from a standpoint that is different from that of Executive Officers | To provide incentive to Executive Officers of PARCO Co., Ltd. |
| (iii) Settlor: | The Company | | |
| (iv) Trustee: | Mitsubishi UFJ Trust and Banking Corporation (Joint Trustee: The Master Trust Bank of Japan, Ltd.) | | Sumitomo Mitsui Trust Bank, Limited (Re-trust Trustee: Custody Bank of Japan, Ltd.) |
| (v) Beneficiaries: | Executive Officers of the Company and Directors and Corporate Officers of Daimaru Matsuzakaya Department Stores Co. Ltd. who meet the beneficiary requirements | Non-executive Directors of the Company who meet the beneficiary requirements | Executive Officers of PARCO Co., Ltd. who meet the beneficiary requirements |
| (vi) Trust administrator: | Third party with no relationship of interest with the Company (certified public accountant) | | |
| (vii) Date of trust agreement: | July 14, 2017 (scheduled to change on July 20, 2021) | | July 9, 2018 (scheduled to change on July 27, 2021) |
| (viii) Trust period: | July 14, 2017 to August 31, 2022 (Planned extension until August 31, 2024 due to amendment of trust agreement on July 20, 2021) | | July 9, 2018 to July 31, 2023 (Planned extension until August 31, 2024 due to amendment of trust agreement on July 27, 2021) |
| (ix) Execution of voting rights | None | | |

3) The structure of Share Distribution Trust



## 2. Acquisition and disposal of treasury shares

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

(1) Acquisitions by resolution of Shareholders Meeting

No items to report.

(2) Acquisition by resolution of Board of Directors meeting

No items to report.

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

| Category | Number of shares (Shares) | Total value (Yen) |
|---|---|---|
| Treasury shares acquired during the current fiscal year | 32,621 | 32,628,940 |
| Treasury shares acquired during the period from March 1, 2022 to the filing date of this Annual Securities Report | 1,456 | 1,399,478 |

Note: The figure for treasury shares acquired during the period from March 1, 2022 to the filing date of this Annual Securities Report does not include the number of shares arising from purchases of shares less than one unit from shareholders upon request during the period from May 1, 2022 until the filing date of this Annual Securities Report.

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

| Category | Fiscal year ended February 28, 2022 | | From March 1, 2022 until the filing date of this Annual Securities Report | |
|---|---|---|---|---|
| | Number of shares (Shares) | Total disposal value (Yen) | Number of shares (Shares) | Total disposal value (Yen) |
| Acquired treasury shares offered for subscription | – | – | – | – |
| Acquired treasury shares that were disposed | – | – | – | – |
| Acquired treasury shares transferred for merger, share exchange, share delivery and company split | – | – | – | – |
| Other (Decrease due to sales of shares less than one unit to shareholders upon request) | 352 | 562,255 | 28 | 44,690 |
| Other (Disposal to trusts related to stock-based remuneration system for officers) | 365,100 | 583,858,245 | – | – |
| Treasury shares held | 6,264,146 | – | 6,265,574 | – |

Note: The "Treasury shares held" includes the number of shares from purchases of shares less than one unit. The figure does not include the number of shares from purchases of shares less than one unit from May 1, 2022 until the filing date of this Annual Securities Report.

### 3. Dividend policy

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

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

The Company has paid an annual dividend of ¥29 per share for the current fiscal year, comprising an interim dividend of ¥14 per share and a year-end dividend of ¥15 per share.

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

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

| Resolution date | Total amount of dividends (Millions of yen) | Dividends per share (Yen) |
|---|---|---|
| October 12, 2021<br>Resolution of the Board of Directors | 3,700 | 14.0 |
| April 12, 2022<br>Resolution of the Board of Directors | 3,964 | 15.0 |

## 4. Status of corporate governance, etc.

(1) Overview of corporate governance

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

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

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

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

- Plans, formulates and penetrates the Group Vision, Group Medium-term Business Plan and Group Annual Management Policy, and tracks the progress and results thereof;
- Sets business domains of the Group;
- Business portfolio management (Optimally allocates the Group's management resources);
- Generates synergies between businesses;
- Establishes Group-wide risk management system;
- Organization design and operation of the entire Group;
- Human resource management of the entire Group;
- Management of shareholders;
- Establishes corporate governance practices for the entire Group;
- Makes decisions on important matters of business execution relating to management of the Group; and
- Provides advice and approval for management policy and management strategy of respective operating subsidiaries, and oversees and evaluates progress thereof.

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

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

- 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.
- 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.
- The Company will improve the transparency and objectivity of management by adopting the structure of a company with three committees (nomination, audit and remuneration committees). The majority of the members of each of these committees are independent Outside Directors.
- The Company will build a governance structure that is easy to understand from global perspectives, such as those of overseas investors.

1) Organization of the Company

A. Board of Directors

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

- Indicating the overall direction that Group management is to take, by engaging in constructive discussions with respect to the Group Vision, 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;
- 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;
- Developing an environment conducive to encouraging offense-oriented management geared to achieving discontinuous growth;
- Taking steps to build and develop internal control systems of the Group overall, and otherwise overseeing the operational status of such systems;
- Overseeing conflicts of interest between related parties; and
- On the basis of summary reports furnished by the Nomination Committee, overseeing progress of President and Representative Executive Officer succession planning, personnel assignment plans pertaining to managerial talent and Executive Officer training, in consultation with the Nomination Committee.

The Board of Directors of the Company is to be composed of an appropriate number of Directors, but not more than 11, as stipulated in the Articles of Incorporation. The number of Directors is currently ten (10) (including six (6) independent Outside Directors), and the term of office is one year. From the standpoint of separating supervision and execution and ensuring the effectiveness of discussions in the Board of Directors meetings, a majority of its membership comprises independent Outside Directors. The chairperson of the Board of Directors is chosen from among internally promoted Directors who do not execute business from the standpoint of separating supervision and execution and ensuring the smooth operation of the Board of Directors.

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

Members of the Board of Directors are as follows.

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

B. Three Committees

(Nomination Committee)

The Nomination Committee is composed of three (3) independent Outside Directors and chairperson of the Board of Directors who does not execute business. The chairperson is chosen from among independent Outside Directors from the standpoint of ensuring transparency and objectivity.

The Nomination Committee determines the contents of proposals on the nomination and dismissal of Directors submitted to shareholders' meetings and reports to the Board of Directors upon consultations from the Board of Directors regarding the nomination and dismissal of Executive Officers as well as the chairpersons and members of individual statutory committees, and other matters.

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

(Audit Committee)

The Audit Committee is composed of three (3) independent Outside Directors and one (1) full-time internal Director who does not execute business, and the Chairperson is chosen from among independent Outside Directors from the standpoint of ensuring transparency and objectivity.

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.

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

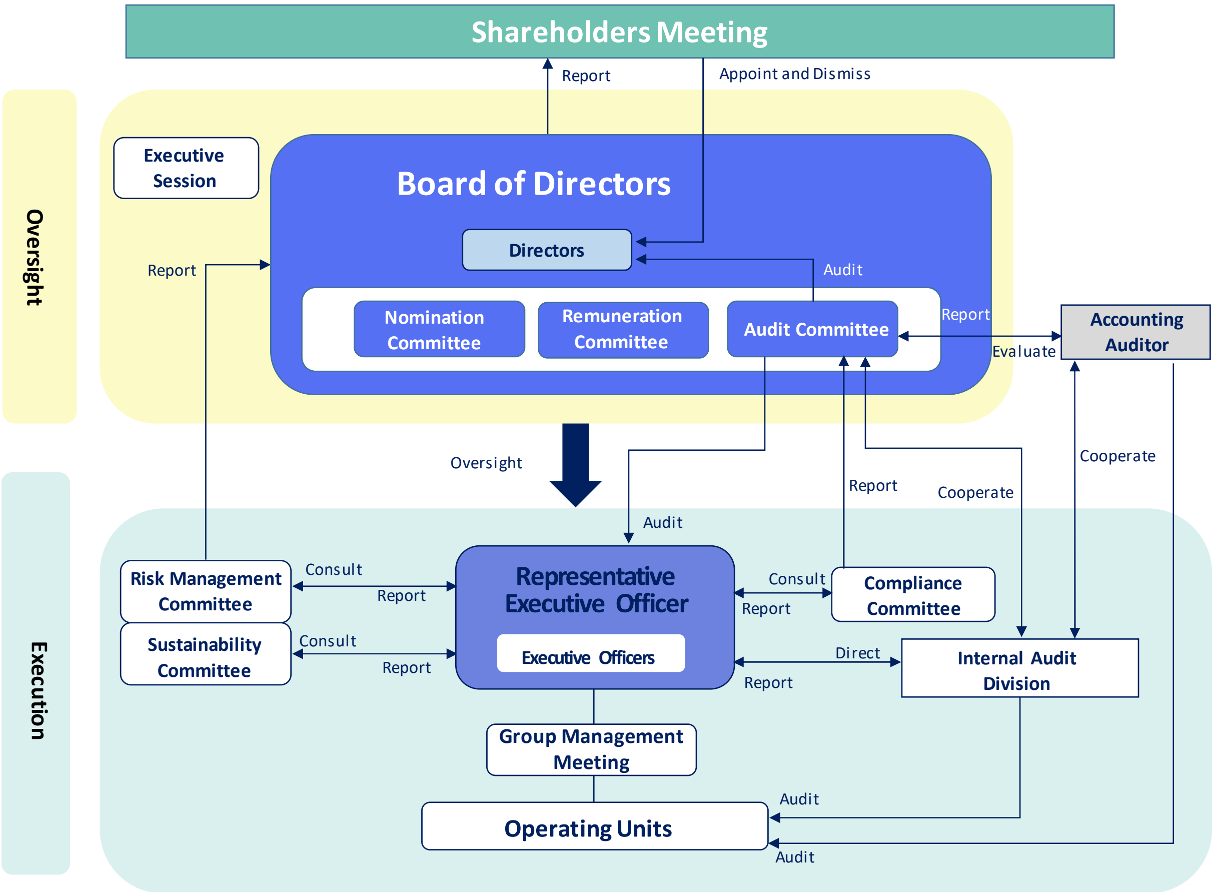
(Remuneration Committee)

The Remuneration Committee is composed of three (3) independent Outside Directors and chairperson of the Board of Directors who does not execute business. The chairperson is chosen from among independent Outside Directors from the standpoint of transparency and objectivity.

The Remuneration Committee determines the policy on deciding the contents of individual remuneration for Directors and Executive Officers of the Company and officers of its subsidiaries (Directors, Audit & Supervisory Board Members and Executive Officers), and determines the contents themselves of individual remuneration for Directors and Executive Officers of the Company.

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

2) Corporate governance structure




(ii) Status of internal control system

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

Basic Policy to Build Internal Control System

A. Group management system

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

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

Regarding a system for promoting internal controls, under the direction of the President and Representative Executive Officer, to strengthen internal control over execution, the departments and responsible persons in charge of internal controls shall be established, and shall manage the development and operation of the internal controls in relation to the Companies Act and the internal control system in relation to the Financial Instruments and Exchange Act at the Company and the operating subsidiaries.

B. Risk management system

Regarding the risk management, the Company shall establish the Risk Management Committee. The committee is chaired by the President and Representative Executive Officer and comprises Executive Officers and others. The Risk Management Committee shall discuss important matters, including risk identification and evaluation, and determination of risks to be reflected in strategies, and utilize it for management decision-making. The committee also reports details of its deliberations to the Board of Directors in a timely manner.

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

C. Legal compliance system

Regarding the legal compliance system, the Company shall establish the Compliance Committee. The President and Representative Executive Officer shall be the chairperson and the members of the committee shall be corporate lawyers, Executive Officers and others. The Compliance Committee continuously oversees development of the foundations of compliance system and the status of implementation through enhanced collaboration with departments in charge of compliance of each operating subsidiary, and promotes compliance with laws and regulations, corporate ethics, and other such standards. It also draws up a policy for addressing matters involving serious compliance-related violations. The committee also reports details of its deliberations to the Audit Committee in a timely manner.

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

D. Internal audit structure

Regarding the internal audit structure, the Company shall establish an independent internal audit department under the President and Representative Executive Officer. In accordance with internal audit rules and under the direction of the President and Representative Executive Officer, the internal audit department shall audit the operations of the Company and operating subsidiaries 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 subsidiaries.

E. Structure of the Audit Committee

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

The Audit Committee Secretariat has been established as an organization in charge of assistance for the Audit Committee’s duties. Regarding personnel appointments and changes for the Audit Committee Secretariat organization and staff members, and personnel evaluation of the responsible person for the Audit Committee Secretariat, the Audit Committee’s advance approval is required to ensure independence.

F. System for storage and management of information

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

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

(iii) Overview of limited liability agreement

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

(iv) Number of Directors

The Articles of Incorporation stipulate that the number of Directors of the Company shall be eleven (11) or fewer.

(v) Requirements for a resolution to elect Directors

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

(vi) Requirements of special resolution of a shareholders meeting

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

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

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

(viii) Basic policy regarding control of the Company

1) Contents of basic policy

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

As the Company is a listed enterprise, the Company's policy regarding its shareholders is that, in general, they are determined through free market transactions on the financial instruments market. Furthermore, even in the case of a purchase of shares of the Company above a certain scale by specific shareholders or specific groups (hereinafter "Large-Scale Purchase"), if this Large-Scale

Purchase will contribute to the corporate value of the Group and, by extension, the common interests of its shareholders, the Company believes that this should not be rejected outright and that, ultimately, the decision on whether to accept or reject it should be left to the discretion of the Company's shareholders.

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

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

2) Frameworks contributing to realization of basic policy

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

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

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

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

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

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

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

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

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

Furthermore, if the Company takes necessary and appropriate 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.

(2) Information about officers

(i) List of officers

Officers include 16 males and 3 females. (Percentage of female officers: 15.79%)

(1) Directors

| Title and position | Name | Date of birth | Career summary | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| Director Chairperson of Board of Directors | YAMAMOTO Ryoichi | March 27, 1951 | April 1973 | Joined The Daimaru, Inc. | (Note 2) | 97 |
| | | | May 2003 | President and COO and General Manager of Department Store Operations, Group Headquarters | | |
| | | | September 2007 | Director of J. FRONT RETAILING Co., Ltd. | | |
| | | | | In charge of Sales Reform and Out-of-Store Sales (gaisho) Reform Promotion | | |
| | | | | Executive General Manager of Department Store Operations Headquarters and Planning Office for New Umeda Store, Head Office of The Daimaru, Inc. | | |
| | | | | Director of Matsuzakaya Co., Ltd. | | |
| | | | March 2008 | Executive General Manager of Sales Headquarters, Head Office of The Daimaru, Inc. | | |
| | | | March 2010 | President of Daimaru Matsuzakaya Department Stores Co. Ltd. | | |
| | | | September 2012 | President of Daimaru Matsuzakaya Department Stores Co. Ltd. and President of Daimaru Matsuzakaya Sales Associates Co. Ltd. | | |
| | | | April 2013 | President and Representative Director of J. FRONT RETAILING Co., Ltd. | | |
| | | | May 2017 | Director, President and Representative Executive Officer | | |
| | | | May 2020 | Director, Chairperson of Board of Directors (present) | | |
| | | | June 2021 | Outside Director of Daido Steel Co., Ltd (present) | | |
| | | | | Outside Director of NORITAKE CO., LIMITED (present) | | |

| Title and position | Name | Date of birth | Career summary | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| Director | HAMADA Kazuko | September 6, 1962 | April 1985 | Joined PARCO Co., Ltd. | (Note 2) | 0 |
| | | | September 2000 | General Manager of Marketing Department of Sales Management Division | | |
| | | | March 2002 | Deputy General Manager of Kichijoji PARCO | | |
| | | | March 2005 | General Manager of Kichijoji PARCO | | |
| | | | March 2007 | General Manager of Shintokorozawa PARCO | | |
| | | | March 2010 | Executive Officer (Personnel) | | |
| | | | March 2013 | Executive Officer (Administration and Personnel) | | |
| | | | March 2015 | Executive Officer (Group Audit Office) | | |
| | | | May 2020 | Auditor | | |
| | | | May 2021 | Director of J. FRONT RETAILING Co., Ltd. (present) | | |

| Title and position | Name | Date of birth | Career summary | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| Director | YAGO Natsunosuke | May 16, 1951 | April 1977 | Joined EBARA CORPORATION | (Note 2) | 4 |
| | | | June 2002 | Executive Officer | | |
| | | | April 2004 | Senior Executive Officer, Group Executive of Precision Machinery Group of EBARA CORPORATION, Representative Director and Chairman of Ebara Precision Machinery Europe GmbH, Representative Director and Chairman of Ebara Technologies Inc. and Chairman of Ebara Precision Machinery Shanghai Inc. | | |
| | | | June 2004 | Director of EBARA CORPORATION | | |
| | | | April 2005 | Director of EBARA CORPORATION and Chairman of Ebara Precision Machinery Taiwan Inc. | | |
| | | | June 2005 | Director, President of Precision Machinery Company and General Manager of Fujisawa Operation of EBARA CORPORATION | | |
| | | | April 2006 | Director and Managing Executive Officer<br>President of Precision Machinery Company | | |
| | | | April 2007 | President and Representative Director | | |
| | | | May 2007 | President and Representative Director and General Manager of Internal Control Promotion Department | | |
| | | | July 2009 | President and Representative Director and General Manager of Internal Control Department | | |
| | | | April 2013 | Chairman & Director | | |
| | | | October 2017 | Representative Director of The Ebara Hatakeyama Memorial Foundation (present) | | |
| | | | March 2019 | Retired from the office of Chairman & Director of EBARA CORPORATION | | |
| | | | June 2019 | Outside Director of SUBARU CORPORATION (present) | | |
| | | | May 2020 | Outside Director of J. FRONT RETAILING Co., Ltd. (present) | | |
| | | | May 2021 | Director of PARCO Co., Ltd. | | |

| Title and position | Name | Date of birth | Career summary | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| Director | HAKODA Junya | July 10, 1951 | April 1974 | Joined Mitsubishi Rayon Co., Ltd. (present Mitsubishi Chemical Corporation) | (Note 2) | 0 |
| | | | November 1980 | Joined Pricewaterhouse CPA Office (Reorganized as Aoyama Audit Corporation in June 1983) | | |
| | | | April 1984 | Registered as Certified Public Accountant | | |
| | | | April 2000 | Partner at the merged firm, ChuoAoyama Audit Corporation/PricewaterhouseCoopers | | |
| | | | August 2006 | Representative of Arata Audit Corporation/Partner of PricewaterhouseCoopers | | |
| | | | April 2008 | Eminent Professor of Graduate School of Keio University (internal audit theory) | | |
| | | | September 2009 | Member of the Agreement Monitoring Committee of the Japan External Trade Organization (JETRO) | | |
| | | | September 2010 | Director of Japan Internal Control Research Association | | |
| | | | December 2014 | Outside Corporate Auditor of Schroder Investment Management (Japan) Limited (present) | | |
| | | | March 2015 | Director of Institute of Corporate Governance, Japan (present) | | |
| | | | June 2015 | Outside Corporate Auditor of Yamaha Corporation | | |
| | | | June 2015 | Outside Director of AEON Financial Service Co., Ltd. | | |
| | | | June 2017 | Outside Director and Chairperson of the Audit Committee of Yamaha Corporation | | |
| | | | September 2019 | Member of the Ethics Committee of the Japanese Institute of Certified Public Accountants (present) | | |
| | | | May 2021 | Outside Director of J. FRONT RETAILING Co., Ltd. (present) | | |
| | | | August 2021 | Chairperson of the Committee on Training and Research for Outside Officers, Japanese Institute of Certified Public Accountants (present) | | |

| Title and position | Name | Date of birth | Career summary | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| Director | UCHIDA Akira | October 4, 1950 | April 1975 | Joined Toray Industries, Inc. | (Note 2) | 4 |
| | | | June 1996 | Executive Vice President of Toray Industries (America), Inc. | | |
| | | | June 2000 | General Manager on Special Assignment of Corporate Strategic Planning Division 1, General Manager on Special Assignment of Corporate Communications Dept. of Toray Industries, Inc. | | |
| | | | June 2004 | Counsellor of Corporate Strategic Planning Division, and Counsellor of Investor Relations Dept. | | |
| | | | June 2005 | Member of the Board, General Manager of Finance and Controller’s Division | | |
| | | | | President, Toray Holding (USA), Inc. | | |
| | | | June 2009 | Senior Vice President (Member of the Board), General Manager of Finance and Controller’s Division | | |
| | | | | President, Toray Holding (USA), Inc. | | |
| | | | June 2012 | Senior Vice President (Member of the Board), in charge of CSR; General Manager of General Administration and Legal Division, Investor Relations Dept., Corporate Communications Dept., and Advertising Dept., Tokyo Head Office | | |
| | | | June 2016 | Adviser | | |
| | | | March 2019 | Retired from Adviser | | |
| | | | May 2019 | Outside Director of J. FRONT RETAILING Co., Ltd. (present) | | |
| | | | June 2019 | Outside Director of Yokogawa Electric Corporation (present) | | |
| | | | May 2020 | Director of Daimaru Matsuzakaya Department Stores Co. Ltd. | | |
| | | | May 2022 | Director of PARCO Co., Ltd. (present) | | |

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

| Title and position | Name | Date of birth | Career summary | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| Director | SEKI Tadayuki | December 7, 1949 | April 1973<br>June 1998<br><br><br>June 2004<br><br><br>April 2007<br><br><br>June 2009<br><br><br><br>April 2010<br><br>May 2011<br><br><br>April 2013<br><br><br>April 2014<br><br><br><br>April 2015<br>May 2016<br><br>June 2016<br><br><br><br>April 2017<br><br>June 2017<br><br>July 2017<br><br><br>May 2020<br><br><br>May 2022 | Joined ITOCHU Corporation<br>General Manager, Finance Division, ITOCHU International Inc. (Stationed in New York)<br>Executive Officer of ITOCHU Corporation, CFO of Food Company<br>Managing Executive Officer, General Manager of Finance Division<br>Representative Director, Managing Director, Chief Officer for Finance, Accounting, Risk Management and CFO<br>Representative Director, Senior Managing Executive Officer<br>Representative Director, Senior Managing Executive Officer and CFO<br>Representative Director, Executive Vice President and CFO<br>Representative Director, Executive Vice President, Executive Advisory Officer, CFO & CAO<br>Adviser<br>External Director of PARCO Co., Ltd.<br>Outside Director of NIPPON VALQUA INDUSTRIES, LTD. (present VALQUA, LTD.) (present)<br>Advisory Member of ITOCHU Corporation (present)<br>Outside Director of JSR Corporation (present)<br>Outside Statutory Auditor of Asahi Mutual Life Insurance Company (present)<br>Outside Director of J. FRONT RETAILING Co., Ltd. (present)<br>Director of PARCO Co., Ltd.<br>Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present) | (Note 2) | 2 |

| Title and position | Name | Date of birth | Career summary | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| Director | KOIDE Hiroko | August 10, 1957 | September 1986 | Joined J. Walter Thompson Japan K.K. (present Wunderman Thompson Tokyo G.K.) | (Note 2) | 0 |
| | | | May 1993 | Joined Nippon Lever K.K. (present Unilever Japan K.K.) | | |
| | | | April 2001 | Director | | |
| | | | April 2006 | General Manager of Marketing Management Division of Masterfoods Ltd. (present Mars Japan Limited) | | |
| | | | April 2008 | Chief Operating Officer | | |
| | | | November 2010 | President and Representative Director of Parfums Christian Dior Japon K.K. | | |
| | | | January 2013 | Outside Director of Kirin Co., Ltd. | | |
| | | | April 2013 | Senior Vice President of Global Marketing of Newell Rubbermaid Inc. (U.S.) (present Newell Brands Inc.) | | |
| | | | June 2016 | Outside Director of Mitsubishi Electric Corporation (present) | | |
| | | | April 2018 | Director of Vicela Japan Co., Ltd. | | |
| | | | June 2019 | Outside Director of Honda Motor Co., Ltd | | |
| | | | | Outside Director of J-OIL MILLS, Inc. (present) | | |
| | | | May 2021 | Outside Director of J. FRONT RETAILING Co., Ltd. (present) | | |

| Title and position | Name | Date of birth | Career summary | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| Director | YOSHIMOTO Tatsuya | April 13, 1956 | April 1979 | Joined The Daimaru, Inc. | (Note 2) | 81 |
| | | | March 2000 | Senior Manager of Preparatory Office for Opening Sapporo Store of Planning Office for Sapporo Store, Head Office | | |
| | | | January 2008 | General Manager of Tokyo Store | | |
| | | | May 2008 | Corporate Officer, General Manager of Tokyo Store | | |
| | | | January 2010 | Corporate Officer, General Manager of Sales Planning Promotion Division and Marketing Planning Promotion Division of Department Stores Coordination Division of J. FRONT RETAILING Co., Ltd. | | |
| | | | March 2010 | Corporate Officer of Daimaru Matsuzakaya Department Stores Co. Ltd. | | |
| | | | | Senior General Manager of Management Planning Division | | |
| | | | May 2012 | Director and Corporate Officer | | |
| | | | April 2013 | President of Daimaru Matsuzakaya Department Stores Co. Ltd. and President of Daimaru Matsuzakaya Sales Associates Co. Ltd. | | |
| | | | May 2013 | Director of J. FRONT RETAILING Co., Ltd. (present) | | |
| | | | May 2017 | Representative Managing Executive Officer | | |
| | | | May 2020 | Director, President and Representative Executive Officer (present) | | |

| Title and position | Name | Date of birth | Career summary | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| Director | WAKABAYASHI Hayato | August 31, 1961 | April 1985 | Joined Matsushita Electric Industrial Co., Ltd. (present Panasonic Corporation) | (Note 2) | 13 |
| | | | April 1998 | President of Panasonic Financial Center Malaysia Co., Ltd. | | |
| | | | April 2007 | Director and Chief Executive Officer of Matsushita Electric (China) Finance Limited | | |
| | | | February 2009 | Finance Planning Team Leader (Manager), Headquarters Finance & IR Group of Panasonic Corporation | | |
| | | | July 2013 | General Manager, Finance & IR Group, Corporate Strategy Division and Finance Strategy Team Leader of Panasonic Corporation (Director) | | |
| | | | May 2015 | Joined J. FRONT RETAILING Co., Ltd. | | |
| | | | | In charge of Finance Policy, Administration Unit | | |
| | | | September 2015 | Executive Officer | | |
| | | | | In charge of Financial Strategy and Policy, Administration Unit | | |
| | | | March 2016 | Senior Executive General Manager of Financial Strategy Unit and in charge of Finance Policy | | |
| | | | May 2016 | Director (present) | | |
| | | | March 2017 | In charge of Financing and Finance Policy | | |
| | | | May 2017 | Managing Executive Officer (present) | | |
| | | | May 2018 | Senior General Manager of Financing and Finance Policy Division | | |
| | | | May 2020 | Director of PARCO Co., Ltd. (present) | | |
| | | | June 2020 | Senior Executive General Manager of Financial Strategy Unit of J. FRONT RETAILING Co., Ltd. (present) | | |
| Total | | | | | | 206 |

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

2. The term of office will be from the conclusion of the Annual Shareholders Meeting for the fiscal year ended February 28, 2022 to the conclusion of the Annual Shareholders Meeting for the fiscal year ending February 28, 2023.

2) Executive officers

| Title and position | Name | Date of birth | Career summary | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| President and Representative Executive Officer | YOSHIMOTO Tatsuya | April 13, 1956 | (Note 1) | | (Note 2) | 81 |
| Managing Executive Officer Senior Executive General Manager of Financial Strategy Unit | WAKABAYASHI Hayato | August 31, 1961 | (Note 1) | | (Note 2) | 13 |
| Managing Executive Officer Senior Executive General Manager of Management Strategy Unit | ONO Keiichi | August 2, 1975 | April 1998 | Joined The Daimaru, Inc. | (Note 2) | 4 |
| | | | September 2016 | General Manager of Sales Promotion Department, Daimaru Kyoto store of Daimaru Matsuzakaya Department Stores Co. Ltd. | | |
| | | | March 2018 | Executive Officer of J. FRONT RETAILING Co., Ltd. | | |
| | | | | President and Representative Director of Dimples' Co., Ltd. | | |
| | | | October 2020 | Executive Officer and Senior General Manager of Structural Reform Promotion Division, Financial Strategy Unit of J. FRONT RETAILING Co., Ltd. | | |
| | | | March 2022 | Managing Executive Officer Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management (present) | | |
| | | | May 2022 | Director of PARCO Co., Ltd. (present) | | |
| Managing Executive Officer Senior Executive General Manager of Group Digital Unit | HAYASHI Naotaka | September 7, 1968 | April 1991 | Joined PARCO Co., Ltd. | (Note 2) | 1 |
| | | | March 2009 | General Manager of E-commerce Business Department of PARCO-CITY Co., Ltd. (present PARCO Digital Marketing Co., Ltd.) | | |
| | | | March 2013 | General Manager of Web Communication Department of PARCO Co., Ltd. | | |
| | | | March 2016 | Executive Officer (Web Marketing Department and Media Communication Department) | | |
| | | | March 2017 | Executive Officer (Group ICT Strategy Office) | | |
| | | | May 2020 | Executive Officer (CRM Promotion Department and Digital Promotion Department) | | |
| | | | March 2022 | Managing Executive Officer and Senior Executive General Manager of Group Digital Unit of J. FRONT RETAILING Co., Ltd. (present) | | |

| Title and position | Name | Date of birth | Career summary | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| Managing Executive Officer Senior Executive General Manager of Group System Unit | NAKAYAMA Takashi | October 14, 1966 | April 1992 | Joined Mitsubishi Corporation | (Note 2) | 5 |
| | | | April 1998 | General Manager of New Business Development Department of eCubeNet. com Co., Ltd. | | |
| | | | April 2003 | Executive Officer Partner of Eupholink Co., Ltd. | | |
| | | | April 2004 | Vice President and COO | | |
| | | | April 2008 | Distribution Trading Company Sector Partner of SIGMAXYZ Inc. | | |
| | | | April 2015 | Leader of Process Engineering Unit, IT Planning Dept. of Mitsubishi Corporation | | |
| | | | March 2017 | Retired from Mitsubishi Corporation | | |
| | | | April 2017 | Joined J. FRONT RETAILING Co., Ltd. | | |
| | | | | Senior General Manager of Group Digital Strategy Division and Senior General Manager of New Business Division, Management Strategy Unit | | |
| | | | September 2017 | Executive Officer, Senior General Manager of Group Digital Strategy Division, Management Strategy Unit and Senior General Manager of New Business Division | | |
| | | | March 2019 | Executive Officer and Senior General Manager of Group Digital Strategy Division, Management Strategy Unit | | |
| | | | May 2020 | Executive Officer, Senior Executive General Manager of Group Digital Strategy Unit and Senior General Manager of Digital Promotion Division | | |
| | | | May 2021 | Managing Executive Officer and Senior Executive General Manager of Group Digital Strategy Unit | | |
| | | | March 2022 | Managing Executive Officer and Senior Executive General Manager of Group System Unit (present) | | |
| | | | May 2022 | Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present) | | |

| Title and position | Name | Date of birth | Career summary | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| Managing Executive Officer Senior Executive General Manager of Human Resources Strategy Unit and Administration Unit | MATSUDA Hirokazu | March 29, 1960 | April 1983 | Joined The Daimaru, Inc. | (Note 2) | 13 |
| | | | April 2005 | General Manager in charge of Labor, Personnel Department, Administration Division, Group Headquarters | | |
| | | | January 2008 | General Manager of Personnel Department, Operation Division, Group Headquarters | | |
| | | | March 2010 | General Manager of Administration Headquarters and in charge of Personnel Structure Reform, Head Office of Daimaru Matsuzakaya Department Stores Co. Ltd. | | |
| | | | March 2014 | General Manager of Personnel Department of Administration Headquarters, in charge of Personnel Structure Reform, and in charge of Personnel Planning and Labor, Head Office | | |
| | | | May 2014 | Corporate Officer and in charge of Group Organizational and Personnel Policy, Management Strategy Unit of J. Front Retailing Co., Ltd. | | |
| | | | | Corporate Officer and General Manager of Personnel Department, Administration Headquarters of Daimaru Matsuzakaya Department Stores Co. Ltd. | | |
| | | | January 2015 | Senior Executive General Manager of Administration Headquarters and in charge of Compliance and Risk Management | | |
| | | | May 2015 | Director and Corporate Officer | | |
| | | | May 2017 | Director and Corporate Executive Officer | | |
| | | | May 2018 | Corporate Executive Officer | | |
| | | | March 2021 | Managing Executive Officer, Senior Executive General Manager of Human Resources Strategy Unit and Administration Unit and in charge of Compliance (present) | | |
| | | | May 2022 | Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present) | | |

| Title and position | Name | Date of birth | Career summary | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| Executive Officer | KAWASE Kenji | January 2, 1970 | April 1992 | Joined PARCO Co., Ltd. | (Note 2) | – |
| | | | March 2012 | General Manager of President Office | | |
| | | | September 2012 | Representative Director and President of PARCO-CITY Co., Ltd. | | |
| | | | March 2017 | Representative Director and President of PARCO Digital Marketing Co., Ltd. | | |
| | | | March 2019 | Executive Officer (Collaboration Business Planning Office) of PARCO Co., Ltd. | | |
| | | | May 2020 | Executive Officer (Collaboration Business Group) | | |
| | | | March 2021 | Executive Officer (Entertainment Department) | | |
| | | | March 2022 | Executive Officer, Senior General Manager of Management Planning Division, Business Portfolio Transformation Promotion Division, and Group Communications Promotion Division of Management Strategy Unit of J. FRONT RETAILING Co., Ltd. (present) | | |

| Title and position | Name | Date of birth | Career summary | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| Executive Officer | HIRAI Yuji | January 29, 1960 | April 1982 | Joined The Taiyo Kobe Bank, Limited (present Sumitomo Mitsui Banking Corporation) | (Note 2) | 1 |
| | | | April 1988 | Joined PARCO Co., Ltd. | | |
| | | | March 1999 | General Manager of Development Department, Development Unit | | |
| | | | March 2001 | General Manager of Subsidiaries and Associates Corporate Planning Department, Corporate Planning Office | | |
| | | | March 2002 | Manager in charge of Financial Planning, Financial Administration Unit | | |
| | | | March 2003 | Manager in charge of Management Planning, Corporate Office | | |
| | | | March 2006 | Manager in charge of Management Planning and in charge of Subsidiaries and Associates, Corporate Planning Office | | |
| | | | March 2007 | Executive Officer, Executive General Manager of Development Unit | | |
| | | | March 2008 | Executive Officer, General Manager of Corporate Planning Office | | |
| | | | March 2010 | Executive Officer (Development Business Department and Property Management) | | |
| | | | March 2012 | Executive Officer (ZERO GATE Business Department) | | |
| | | | March 2013 | Executive Officer (Real Estate Strategy Division) | | |
| | | | May 2020 | Executive Officer (Real Estate Strategy Group) | | |
| | | | March 2022 | Executive Officer and Senior General Manager of CRE Planning Division of Management Strategy Unit of J. FRONT RETAILING Co., Ltd. (present) | | |
| | | | | Executive Officer of PARCO Co., Ltd. (present) | | |

| Title and position | Name | Date of birth | Career summary | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| Executive Officer | YAMAZAKI Shiro | January 26, 1970 | April 1993 | Joined The Daimaru, Inc. | (Note 2) | – |
| | | | March 2004 | Staff of Sales Planning Department, Sales Planning & CS Promotion Division of Tokyo Store | | |
| | | | March 2007 | Staff of Tokyo Metropolitan Area Strategy Office of J. FRONT RETAILING Co., Ltd. | | |
| | | | March 2010 | Staff of Management Planning Office, Head Office of Daimaru Matsuzakaya Department Stores Co. Ltd. | | |
| | | | September 2013 | Staff of Sales Promotion Department, Daimaru Shinsaibashi store | | |
| | | | September 2015 | Staff of Shinsaibashi New Store Planning Office, Head Office | | |
| | | | September 2019 | Staff of Sales Promotion Department, Daimaru Shinsaibashi store | | |
| | | | January 2020 | Staff of Group Digital Strategy Division, Management Strategy Unit of J. FRONT RETAILING Co., Ltd. | | |
| | | | March 2020 | Staff of Group Digital Strategy Unit | | |
| | | | May 2020 | Representative Director and President of JFR Information Center Co., Ltd. | | |
| | | | March 2022 | Executive Officer and Senior General Manager of System Planning Division of Group System Unit of J. FRONT RETAILING Co., Ltd. (present) | | |
| | | | | Director of JFR Information Center Co., Ltd. (present) | | |
| Executive Officer | NOGUCHI Hideki | May 15, 1965 | April 1990 | Joined PARCO Co., Ltd. | (Note 2) | 1 |
| | | | March 2007 | General Manager in charge of Accounting & Finance Department, Financial Administration Unit | | |
| | | | March 2010 | Executive Officer (Accounting Department and Finance/IR Department) | | |
| | | | May 2020 | Executive Officer (Accounting Department, Business Management Department, and Administration and Legal Department) | | |
| | | | May 2021 | Executive Officer (Accounting & Finance Department, Business Administration Department, Business Management Department, and Administration and Legal Department) | | |
| | | | March 2022 | Executive Officer and Senior General Manager of Accounting and Tax Affairs Division, Financial Strategy Unit (present) | | |

| Title and position | Name | Date of birth | Career summary | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| Executive Officer | UMEBAYASHI Akira | May 4, 1972 | April 1995 | Joined The Daimaru, Inc. | (Note 2) | – |
| | | | May 2009 | Assistant to Business Promotion Department, Administration Headquarters (Assigned Exclusively to Union) (Responsible for the Tokyo Store) | | |
| | | | September 2016 | Staff of Group Personnel Department, Administration Unit of J. FRONT RETAILING Co., Ltd. | | |
| | | | March 2017 | Staff of Group Personnel Department, Administration Unit and Staff of the Board of Directors Secretariat | | |
| | | | September 2017 | Senior General Manager of Group Personnel Department, Administration Unit (in charge of Group Personnel Policy) and Staff of the Board of Directors Secretariat | | |
| | | | May 2018 | Senior General Manager of Group Human Resources Policy Division, Human Resources Strategy Unit and Staff of the Board of Directors Secretariat | | |
| | | | March 2020 | Senior General Manager of Group Human Resources Policy Division, Human Resources Strategy Unit and Staff of Nomination Committee Secretariat and Remuneration Committee Secretariat | | |
| | | | October 2020 | Senior General Manager of Group Human Resources Policy Division, Human Resources Strategy Unit, Staff of Nomination Committee Secretariat and Remuneration Committee Secretariat, and Staff of Structural Reform Promotion Division, Financial Strategy Unit | | |
| | | | September 2021 | Senior General Manager of Group Human Resources Policy Division and Group Human Resources Development Division, Human Resources Strategy Unit, Staff of Nomination Committee Secretariat and Remuneration Committee Secretariat, and Staff of Structural Reform Promotion Division, Financial Strategy Unit | | |

| Title and position | Name | Date of birth | Career summary | | Term of office | Number of shares held (Thousands of shares) |
|---|---|---|---|---|---|---|
| | | | March 2022 | Executive Officer and Senior General Manager of Group Human Resources Policy Division, Group Human Resources Development Division, and Group Welfare Division of Human Resources Strategy Unit, and Staff of Nomination Committee Secretariat and Remuneration Committee Secretariat (present) | | |
| Total | | | | | | 123 |

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

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

(ii) Outside officers

The Company has six Outside Directors.

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

1) Relationship with the Company and appointment of Outside Directors

| Name | Important concurrent positions (As of May 27, 2022) | Relationship with the Company and appointment |
|---|---|---|
| YAGO Natsunosuke | Outside Director of SUBARU CORPORATION | YAGO Natsunosuke has been involved in top-level company management for many years, and has abundant experience in strengthening financial bases and in compliance management. He also possesses highly specialized knowledge of internal control and corporate governance gained through his experience of being involved in the transition to a company with three committees (nomination, audit and remuneration committees). He has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice 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, and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him. |
| HAKODA Junya | Member of the Ethics Committee of the Japanese Institute of Certified Public Accountants;<br><br>Chairperson of the Committee on Training and Research for Outside Officers, Japanese Institute of Certified Public Accountants | HAKODA Junya was involved in accounting audits, management consulting, and internal audits of auditing firms, etc. 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, and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him. |

| Name | Important concurrent positions (As of May 27, 2022) | Relationship with the Company and appointment |
|---|---|---|
| UCHIDA Akira | Outside Director of Yokogawa Electric Corporation | UCHIDA Akira possesses broad experience and knowledge in the corporate division, as a manager in charge of management planning and IR, 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, and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him. |
| SATO Rieko | Partner of Ishii Law Office;<br>Outside Director (Audit & Supervisory Committee Member) of Dai-ichi Life Holdings, Inc.;<br>Outside Director (Member of the Audit and Supervisory Committee) of NTT DATA CORPORATION;<br>Outside Audit & Supervisory Board Member of Mitsubishi Corporation | SATO Rieko possesses abundant experience as an outside director and outside audit & supervisory board member at other companies, in addition to having made a career in handling many projects with in-depth and specialized knowledge as an attorney at law specializing in corporate legal affairs. She has contributed to improving the effectiveness of the Board of Directors by providing 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, and has accordingly appointed her as an Outside Director. The Company has no interest in or relationship with her. |
| SEKI Tadayuki | Outside Director of VALQUA, LTD.;<br>Outside Director of JSR Corporation;<br>Outside Statutory Auditor of Asahi Mutual Life Insurance Company | SEKI Tadayuki was involved in international business management and risk management at a general trading company for many years, and has extensive experience in finance and accounting as CFO, as well as abundant experience as an outside director and outside corporate auditor of multiple companies. He has contributed to improving the effectiveness of the Board of Directors by actively and 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, and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him. |

| Name | Important concurrent positions (As of May 27, 2022) | Relationship with the Company and appointment |
|---|---|---|
| KOIDE Hiroko | Outside Director of Mitsubishi Electric Corporation;<br>Outside Director of J-OIL MILLS, Inc. | 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, and has accordingly appointed her as an Outside Director. The Company has no interest in or relationship with her. |

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

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

(3) Status of audit

(i) Status of audit by Audit Committee

1) Organization, members and procedures of Audit Committee

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

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

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

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

2) Activities of Audit Committee

In the current fiscal year, the Company held a total of 20 meetings of the Audit Committee. The attendance of each Audit Committee member at the meetings is as follows.

| Category | Name | Attendance at the meetings of the Audit Committee (Note 1) |
|---|---|---|
| Chairperson of Audit Committee (outside) | NISHIKAWA Koichiro (Note 2) | 6/6 |
| Chairperson of Audit Committee (outside) | HAKODA Junya (Note 3) | 14/14 |
| Audit Committee Member (full-time) | TSUTSUMI Hiroyuki (Note 2) | 6/6 |
| Audit Committee Member (full-time) | MURATA Soichi (Note 2) | 6/6 |
| Audit Committee Member (full-time) | HAMADA Kazuko (Note 3) | 14/14 |
| Audit Committee Member (outside) | SATO Rieko | 20/20 |
| Audit Committee Member (outside) | SEKI Tadayuki | 20/20 |

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

The main activities and matters for discussion of the Audit Committee (held 20 times) and the Audit Committee Meetings (held 15 times) were as follows.

In addition, the activities of the full-time Corporate Auditors included confirming circular approval memos, attending important internal meetings, confirming auditing issues through periodic meetings with the Internal Audit Division, the Accounting Auditor, and the corporate auditors of other Group companies, and have promoted the construction of an organization audit structure while working to share information with other members.

Main activities

- Conduct audits of the execution of duties by the Representative Executive Officer and exchange opinions
- Audit the execution of duties of Directors and Executive Officers, and interview them
- Receive reports from the Internal Audit Division
- Discuss the audit plan of the Accounting Auditor, exchange opinions and receive review report
- Receive audit reports from corporate auditors of Group companies
- Receive reports from Finance Division, etc.
- Interview Risk Management Committee and Compliance Committee
- Interview those responsible for the business report preparation process
- Discuss with the Accounting Auditor regarding Key Audit Matters (KAM)

Main items for discussion

- Audit policy, KAM, audit plan, allocation of work

- Preparation of audit environment (organizational audit structure, etc.) and key issues to be addressed
- Status of compliance with laws and regulations
- Construction and operation status of internal control system
- Appropriateness of audits by the Accounting Auditor and evaluation of the Accounting Auditor

Based on the information received through these discussions, the Audit Committee makes periodic audit reports to the Board of Directors, and offers guidance and proposals in the form of "audit findings" regarding matters deemed to be of particular importance.

(ii) Status of internal audit

1) Organization, members and procedures of internal audit

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

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

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

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

(iii) Status of accounting audit

1) Name of audit firm

Ernst & Young ShinNihon LLC

2) Consecutive audit period

70 years

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

3) Certified public accountants who executed the audit duties

TAKENOUCHI Kazunori (Consecutive audit period: 4 years)

SHIBAYAMA Yoshihisa (Consecutive audit period: 5 years)

MATSUURA Hiroshi (Consecutive audit period: 5 years)

4) Breakdown of support staff for audit operations

Support staff for financial audit operations consist of 30 certified public accountants and 41 others.

5) Policies and reasons for selecting audit firm

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

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

6) Assessment of audit firm by Audit Committee

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

(iv) Details of audit fee, etc.

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

| Category | Previous fiscal year | | Current fiscal year | |
|---|---|---|---|---|
| | Fees for audit certification services (Millions of yen) | Fees for non-audit services (Millions of yen) | Fees for audit certification services (Millions of yen) | Fees for non-audit services (Millions of yen) |
| Reporting company | 102 | 10 | 119 | 13 |
| Consolidated subsidiaries | 143 | – | 175 | 9 |
| Total | 245 | 10 | 295 | 23 |

Note: The content of non-audit service for the Company is accounting support in real estate transfer for the previous fiscal year and support for application of the standard for revenue recognition in the current fiscal year.

The content of non-audit service at consolidated subsidiaries is support for construction of internal control system.

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

| Category | Previous fiscal year | | Current fiscal year | |
|---|---|---|---|---|
| | Fees for audit certification services (Millions of yen) | Fees for non-audit services (Millions of yen) | Fees for audit certification services (Millions of yen) | Fees for non-audit services (Millions of yen) |
| Reporting company | – | 3 | – | 217 |
| Consolidated subsidiaries | 5 | 4 | 6 | 0 |
| Total | 5 | 7 | 6 | 217 |

Note: The content of non-audit service for the Company is taxation support, etc. in real estate transfer for the previous fiscal year and support operations related to accounting systems in the current fiscal year.

The content of non-audit service at consolidated subsidiaries is taxation support operations, etc.

3) Policy on determining audit fee

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

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

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

(4) Remuneration, etc. for officers

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

The Company established and published an Officer Remuneration Policy (hereinafter the "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 Policy has been revised accordingly and is now in effect.

1) Basic policy for officer remuneration

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

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

2) How to determine remuneration levels

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

3) Composition of remuneration

<Executive Officer>

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

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

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

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

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

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

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

(Basic remuneration)

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

(Bonuses)

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

(Performance share (Performance-linked stock-based remuneration))

Performance-linked stock-based remuneration is issues of the Company's shares linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan. This remuneration is designed to help the Group achieve sustainable growth and increase corporate value over the medium to long term. When the shares are issued, in principle the equivalent of 50% of the Company's shares to be issued is converted and paid as cash to provide funds for payment of tax. However, in cases where there are undisclosed material facts in the Company, the Company's shares will not be converted. Under this system, 60% of the entire amount of performance-linked stock-based remuneration will be issued in a single issuance at the end of the Medium-term Business Plan, with the remaining 40% to be issued each year in order to promote management from the shareholders' perspective. Of the portion issued at the end of the Medium-term Business Plan, 80% is evaluated by financial indicators and is weighted so that 40% is evaluated based on consolidated operating profit and 40% on ROE, being the numerical targets of the Medium-term Business Plan (IFRS based) announced following a resolution of the Board of Directors. The remaining 20% is evaluated based on non-financial indicators. For non-financial targets, the system bases evaluation on a weighting of 10% for GHG reductions (scope 1 & 2 emissions) and 10% for raising the ratio of women in management positions. Regarding the portion issued each year, the level of achievement with respect to figures announced in the initial forecast (IFRS based) following a resolution of the Board of Directors will be evaluated based only on consolidated operating profit. The fluctuation range for remuneration in accordance with the performance achievement rate is between 0% and 200%.

[Performance-linked stock-based remuneration targets]

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

Note: KPI stands for Key Performance Indicator.

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

(Targets and results of indicators for performance-linked remuneration in the current fiscal year (from March 2021 to February 2022))

(Millions of yen)

| Type of remuneration | | | Target | Results |
|---|---|---|---|---|
| Bonuses | Financial perspective | Consolidated operating profit | 11,000 | 9,380 |
| Performance-linked stock-based remuneration | Short-term | Consolidated operating profit | 11,000 | 9,380 |
| | Medium-term | Consolidated operating profit<br>ROE<br>GHG reductions<br>Ratio of women in management positions | – | – |

<Director>

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

4) Remuneration determination process

To ensure the appropriateness of the level and amount of remuneration, and the transparency of decision-making processes, decisions are made by deliberation and resolution of the Remuneration Committee comprising independent Outside Directors and a non-executive Chairman of the Board of Directors, and headed by an independent Outside Director. Since the members of the Company's Remuneration Committee and its Nomination Committee are the same, they can coordinate together in activities related to the areas of nomination and remuneration of management, including selection and evaluations. The Remuneration Committee determines the policy for deciding the content of individual remuneration for officers of the Company, Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd. (Directors, Executive Officers and Corporate Officers), as well as deciding the content of individual remuneration for Directors and Executive Officers of the Company. The Committee also deliberates and resolves internal regulations and other rules for remuneration of the Company's Directors and Executive Officers. The remuneration details for individual officers of Daimaru Matsuzakaya Department Stores and PARCO are deliberated by the nomination and remuneration committees (whose members include independent Outside Directors of the Company), which are established at the discretion of each company, and are decided by each company's Board of Directors, after being resolved by each company's Annual Shareholders Meeting if such approval is required.

It is planned that the Remuneration Committee shall meet at least four times a year. Revisions of the officer remuneration system will be undertaken based on Medium-Term Business Plan periods. The Company will revise the level of basic remuneration during the Medium-term Business Plan if it is necessary to significantly revise basic remuneration due to extreme changes, etc. in the external environment. In the current fiscal year, the Remuneration Committee held 11 meetings.

In addition, the Company appoints an external remuneration consultant (Human Resources Governance Leaders Co., Ltd.) with a view to introducing objective viewpoints from outside the Company and expertise on officer remuneration systems. With its support, the Company reviews its remuneration levels and remuneration system in light of external data, economic environment, industry trends, business conditions and corporate culture, among others.

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

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

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

6) Stock acquisition and holding

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

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

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

| Category of officer | Total amount of remuneration, etc. (Millions of yen) | Total amount of remuneration, etc. by type (Millions of yen) | | | | Number of recipient directors (and other officers) (Persons) |
|---|---|---|---|---|---|---|
| | | Basic remuneration | Performance-linked bonuses | Performance-linked stock-based remuneration | Non-performance-linked stock-based remuneration | |
| Director [of which, Outside Director] | 197 [102] | 155 [84] | – [–] | – [–] | 42 [18] | 12 [8] |
| Executive Officer | 447 | 213 | 95 | 139 | – | 19 |
| Total | 645 | 368 | 95 | 139 | 42 | 31 |

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. The remunerations, etc. that are paid as compensation for the performance of duties during the term of the Executive Officers is shown in the Executive Officer row.
5. Beginning in the fiscal year ended February 28, 2018, to ensure steady execution of the Medium-term Business Plan for realizing the Group Vision, the Company has adopted the stock-based remuneration system using a trust for officers (a system of granting the Company's shares to officers (in certain cases, the Company's shares are converted into cash within the trust and cash in the amount equivalent to their conversion value is paid) in accordance with the officers' rank and level of achievement of the Medium-term Business Plan, etc.) The stock-based remuneration in the above chart 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.
6. The figure in the "Performance-linked bonuses" column represents an amount recognized as a provision (expense), factoring in the results of performance evaluation for the fiscal year ended February 28, 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.
7. 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.

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

| Name | Total amount of consolidated remuneration, etc. (Millions of yen) | Category of officer | Category of company | Total amount of remuneration, etc. by type (Millions of yen) | | | |
|---|---|---|---|---|---|---|---|
| | | | | Basic remuneration | Performance-linked bonuses | Performance-linked stock-based remuneration | Non-performance-linked stock-based remuneration |
| YAMAMOTO Ryoichi | 67 | Director | Reporting company | 43 | – | 8 | 16 |
| HAMADA Kazuko | 22 | Director | Reporting company | 16 | – | – | 6 |
| YAGO Natsunosuke | 19 | Director (Note 1) | Reporting company | 16 | – | – | 3 |
| HAKODA Junya | 16 | Director (Note 1) | Reporting company | 14 | – | – | 2 |
| UCHIDA Akira | 20 | Director (Note 1) | Reporting company | 17 | – | – | 3 |
| SATO Rieko | 19 | Director (Note 1) | Reporting company | 16 | – | – | 3 |
| SEKI Tadayuki | 19 | Director (Note 1) | Reporting company | 16 | – | – | 3 |
| KOIDE Hiroko | 11 | Director (Note 1) | Reporting company | 9 | – | – | 2 |
| YOSHIMOTO Tatsuya | 108 | Executive Officer | Reporting company | 46 | 23 | 39 | – |
| SAWADA Taro | 72 | Executive Officer | Reporting company | 40 | 12 | 20 | – |
| MAKIYAMA Kozo | 80 | Executive Officer | Reporting company | 42 | 22 | 16 | – |
| WAKABAYASHI Hayato | 45 | Executive Officer | Reporting company | 23 | 11 | 11 | – |
| ONO Keiichi | 29 | Executive Officer | Reporting company | 14 | 8 | 7 | – |
| HIRANO Hidekazu | 38 | Executive Officer | Reporting company | 20 | 10 | 8 | – |
| HAYASHI Naotaka | – | Executive Officer | Reporting company | – | – | – | – |
| NAKAYAMA Takashi | 39 | Executive Officer | Reporting company | 19 | 10 | 10 | – |
| MATSUDA Hirokazu | 42 | Executive Officer | Reporting company | 20 | 11 | 11 | – |
| KAWASE Kenji | – | Executive Officer | Reporting company | – | – | – | – |
| HIRAI Yuji | – | Executive Officer | Reporting company | – | – | – | – |
| YAMAZAKI Shiro | – | Executive Officer | Reporting company | – | – | – | – |
| NOGUCHI Hideki | – | Executive Officer | Reporting company | – | – | – | – |
| UMEBAYASHI Akira | – | Executive Officer | Reporting company | – | – | – | – |

Notes: 1. Independent Outside Director.
2. Lists only those who were officers as of the shareholders meeting of May 26, 2022.
3. Directors who concurrently serve as officers are listed in the "Executive Officer" column.
4. In the case of Executive Officers who serve concurrently at operating companies, remuneration paid by each company is included.

(5) Ownership of shares

(i) Classification criteria and approaches for investment shares

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

(Investment shares held for the purpose of pure investment)

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

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

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

(ii) Ownership of shares in the Group

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

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

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

(Holding policy)

- Shares will not be newly acquired in principle.
- If listed shares (including deemed shareholdings) that are already held are judged to "not be rational" based on the results of the validation of the rationale of holding, which occurs every year, the Group will negotiate with corporate customers and business partners, and reduce them as appropriate upon receiving consent regarding sale method, period, etc.
- For unlisted shares, the Company's executive management discussed whether or not to continue holding them, with a view to selling and reducing holdings. However, from the current fiscal year, we will confirm the suitability of holding all shares, in the same way as listed shares, from both qualitative and quantitative aspects, and strengthen our initiatives towards reducing holdings.

(Method for validation of rationale)

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

- Qualitative validation

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

- Quantitative validation

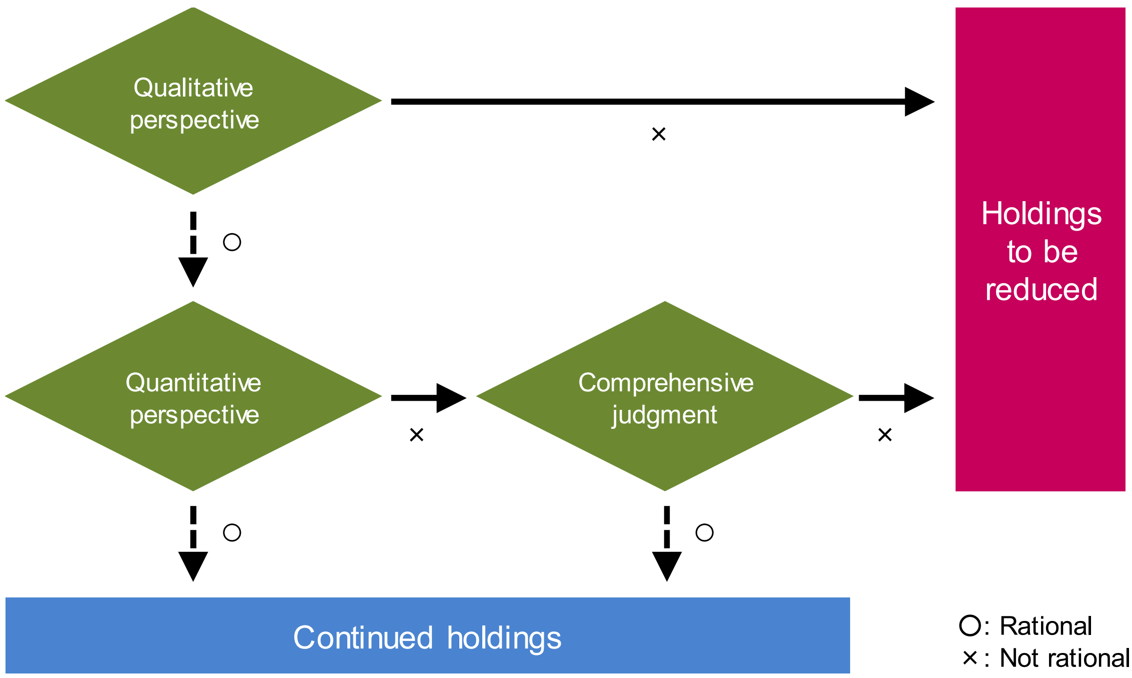
  The perspective relating to whether profitability by holding shares, including related trading profits and dividends, exceed capital costs, etc.

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

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

As a result, the number of the Group's cross shareholdings as of February 28, 2022 had decreased by 6 stocks compared with the previous fiscal year-end to 163 stocks (of which, the number of stocks of listed companies excluding deemed holdings was 21).

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




- Schedule for validation of rationale, negotiation and reduction

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

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

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

(Shares not listed)

| | Previous fiscal year | Increase | Decrease | Increase or decrease in market value | Current fiscal year | Reason for increase in number of shares |
|---|---|---|---|---|---|---|
| Number of issues (security titles) | 139 | 3 | (7) | – | 135 | Acquisition mainly aiming to acquire know-how for new businesses, strengthen existing businesses, etc. |
| Consolidated statement of financial position amount (Millions of yen) | 18,269 | 970 | (42) | 1,637 | 20,834 | |

(Shares other than those not listed)

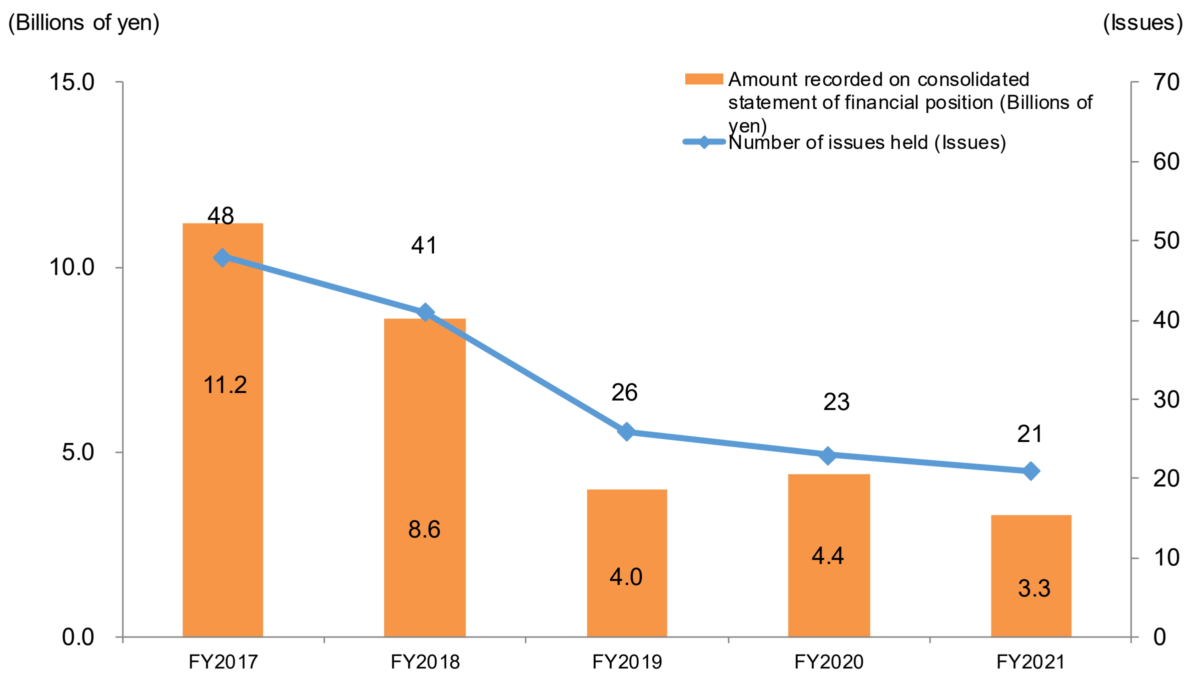
| | Previous fiscal year | Increase | Decrease | Increase or decrease in market value | Current fiscal year | Reason for increase in number of shares |
|---|---|---|---|---|---|---|
| Number of issues (security titles)* | 23 | – | (2) | – | 21 | – |
| Consolidated statement of financial position amount (Millions of yen) | 4,427 | – | (90) | (1,003) | 3,334 | |

(Deemed shareholdings)

| | Previous fiscal year | Increase | Decrease | Increase or decrease in market value | Current fiscal year | Reason for increase in number of shares |
|---|---|---|---|---|---|---|
| Number of issues (security titles)* | 7 | – | – | – | 7 | – |
| Consolidated statement of financial position amount (Millions of yen) | 7,850 | – | (34) | 1,190 | 9,006 | |

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

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




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

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

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

A. Number of issues and carrying amount

(Shares not listed)

| | Previous fiscal year | Increase | Decrease | Year-end valuation | Current fiscal year | Reason for increase in number of shares |
|---|---|---|---|---|---|---|
| Number of issues (security titles) | 5 | 2 | – | – | 7 | Acquisition mainly aiming to acquire know-how for new businesses, strengthen existing businesses, etc. |
| Carrying amount (Millions of yen) | 1,131 | 509 | – | (4) | 1,636 | |

(Shares other than those not listed)

| | Previous fiscal year | Increase | Decrease | Increase or decrease in market value | Current fiscal year | Reason for increase in number of shares |
|---|---|---|---|---|---|---|
| Number of issues (security titles) | 1 | – | – | – | 1 | – |
| Carrying amount (Millions of yen) | 28 | – | – | (4) | 24 | |

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

(Specified investment shares)

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

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

| Issue name | Current fiscal year<br>Number of shares (Shares)<br>Carrying amount (Millions of yen) | Previous fiscal year<br>Number of shares (Shares)<br>Carrying amount (Millions of yen) | Purpose of holding | Quantitative effects of shareholding | Reason for increase in number of shares | Holding of the Company's shares |
|---|---|---|---|---|---|---|
| Misonoza Theatrical Corporation | 12,000<br>24 | 12,000<br>28 | (Purpose of holding)<br>・Contribution to community development<br>・Promotion of arts and culture | (Quantitative standard)<br>・Not met<br>(Comprehensive judgment)<br>・Made judgment to continue to hold taking into consideration the fact that this company is indispensable for developing art and culture in the area in which the reporting company's stores exist. | – | None |

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

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

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

A. Number of issues and carrying amount

(Shares not listed)

| | Previous fiscal year | Increase | Decrease | Year-end valuation | Current fiscal year | Reason for increase in number of shares |
|---|---|---|---|---|---|---|
| Number of issues (security titles) | 99 | – | (5) | – | 94 | – |
| Carrying amount (Millions of yen) | 2,709 | – | (37) | – | 2,672 | |

(Shares other than those not listed)

| | Previous fiscal year | Increase | Decrease | Increase or decrease in market value | Current fiscal year | Reason for increase in number of shares |
|---|---|---|---|---|---|---|
| Number of issues (security titles)* | 17 | – | (1) | – | 16 | – |
| Carrying amount (Millions of yen) | 3,991 | – | (41) | (917) | 3,033 | |

(Deemed shareholdings)

| | Previous fiscal year | Increase | Decrease | Increase or decrease in market value | Current fiscal year | Reason for increase in number of shares |
|---|---|---|---|---|---|---|
| Number of issues (security titles)* | 7 | – | – | – | 7 | – |
| Carrying amount (Millions of yen) | 7,850 | – | (34) | 1,190 | 9,006 | |

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

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

(Specified investment shares)

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

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

Of the following, the Company has obtained consent for the sale of five stocks.

| Issue name | Current fiscal year | Previous fiscal year | Purpose of holding | Quantitative effects of shareholding | Reason for increase in number of shares | Holding of the Company's shares |
|---|---|---|---|---|---|---|
| | Number of shares (Shares) | Number of shares (Shares) | | | | |
| | Carrying amount (Millions of yen) | Carrying amount (Millions of yen) | | | | |
| Toho Gas Co., Ltd. | 222,893 | 222,893 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Stable merchandise sales<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Not met<br>(Comprehensive judgment)<br>・ Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru Matsuzakaya Department Stores exist, and the recognition that it has continuously contributed to a stable level of profit. | – | Yes |
| | 685 | 1,395 | | | | |
| OSAKA GAS CO., LTD. | 310,400 | 310,400 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Stable merchandise sales<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Not met<br>(Comprehensive judgment)<br>・ Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru Matsuzakaya Department Stores exist, and the recognition that it has continuously contributed to a stable level of profit. | – | Yes |
| | 654 | 591 | | | | |

| Issue name | Current fiscal year<br>Number of shares (Shares)<br>Carrying amount (Millions of yen) | Previous fiscal year<br>Number of shares (Shares)<br>Carrying amount (Millions of yen) | Purpose of holding | Quantitative effects of shareholding | Reason for increase in number of shares | Holding of the Company's shares |
|---|---|---|---|---|---|---|
| Misonoza Theatrical Corporation | 200,000<br>403 | 200,000<br>476 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Contribution to community development<br>・ Promotion of arts and culture | (Quantitative standard)<br>・ Not met<br>(Comprehensive judgment)<br>・ Made judgment to continue to hold taking into consideration the fact that this company is indispensable for developing art and culture in the area in which stores of Daimaru Matsuzakaya Department Stores exist. | – | None |
| CHUBU-NIPPON BROADCASTING CO., LTD. | 568,205<br>318 | 568,205<br>313 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Advertisement including public relations activities<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Not met<br>(Comprehensive judgment)<br>・ Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru Matsuzakaya Department Stores exist, and the recognition that it has continuously contributed to a stable level of profit. | – | Yes |
| ANA HOLDINGS INC. | 82,200<br>207 | 82,200<br>209 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Stable merchandise sales<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Met | – | None |
| Hakuyosha Co., Ltd. | 171,337<br>203 | 171,337<br>402 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Provision of services to customers<br>Maintaining good business relationships | (Quantitative standard)<br>・ Not met<br>(Comprehensive judgment)<br>・ Made judgment to continue to hold taking into consideration the fact that it is indispensable for maintaining customer service. | – | Yes |
| Meiko Trans Co., Ltd. | 144,803<br>166 | 144,803<br>166 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Stable merchandise sales<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Not met<br>(Comprehensive judgment)<br>・ Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru | – | None |

| Issue name | Current fiscal year<br>Number of shares (Shares)<br>Carrying amount (Millions of yen) | Previous fiscal year<br>Number of shares (Shares)<br>Carrying amount (Millions of yen) | Purpose of holding | Quantitative effects of shareholding | Reason for increase in number of shares | Holding of the Company's shares |
|---|---|---|---|---|---|---|
| | | | | Matsuzakaya Department Stores exist. | | |
| Toppan Printing Co., Ltd. | 42,500<br>95 | 42,500<br>71 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Securing supply chain<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Met | – | Yes<br>*1 |
| YOMEISHU SEIZO CO., LTD. | 52,000<br>92 | 52,000<br>98 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Stable merchandise sales<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Not met<br>(Comprehensive judgment)<br>・ Made judgment to continue to hold taking into consideration the recognition that it has continuously contributed to a stable level of profit. | – | Yes |
| OKAYA & CO., LTD. | 6,600<br>62 | 6,600<br>59 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Stable merchandise sales<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Not met<br>(Comprehensive judgment)<br>・ Made judgment to continue to hold taking into consideration the recognition that it has continuously contributed to a stable level of profit. | – | None |
| WASHINGTON HOTEL CORPORATION | 79,200<br>52 | 79,200<br>66 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Stable merchandise sales<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Not met<br>(Comprehensive judgment)<br>・ Made judgment to continue to hold taking into consideration the recognition that it has continuously contributed to a stable level of profit. | – | None |
| Sangetsu Corporation | 24,000<br>38 | 24,000<br>36 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Stable merchandise sales<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Not met<br>(Comprehensive judgment)<br>・ Made judgment to continue to hold taking into consideration the recognition that it has continuously contributed to a stable level of profit. | – | None |

| Issue name | Current fiscal year<br>Number of shares (Shares)<br>Carrying amount (Millions of yen) | Previous fiscal year<br>Number of shares (Shares)<br>Carrying amount (Millions of yen) | Purpose of holding | Quantitative effects of shareholding | Reason for increase in number of shares | Holding of the Company's shares |
|---|---|---|---|---|---|---|
| THE ROYAL HOTEL, LIMITED | 21,750<br>24 | 21,750<br>28 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Stable merchandise sales<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Not met<br>(Comprehensive judgment)<br>・ Made judgment to continue to hold taking into consideration the recognition that it has continuously contributed to a stable level of profit. | – | None |
| Hayashikane Sangyo Co., Ltd. | 26,260<br>13 | 26,620<br>16 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Stable merchandise sales<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Met | – | None |
| Rinnai Corporation | 1,155<br>10 | 1,155<br>12 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Stable merchandise sales<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Met | – | Yes |
| Yamaguchi Financial Group, Inc. | 5,000<br>3 | 5,000<br>3 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Stable merchandise sales<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Met | – | None |
| ISEWAN TERMINAL SERVICE CO., LTD. *2 | –<br>– | 57,973<br>41 | – | – | – | None |

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

*2. All sold in the current fiscal year upon reaching an agreement.

(Deemed shareholdings)

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

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

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

Of the following, the Company has obtained consent for the sale of six stocks.

| Issue name | Current fiscal year<br>Number of shares (Shares)<br>Carrying amount (Millions of yen) | Previous fiscal year<br>Number of shares (Shares)<br>Carrying amount (Millions of yen) | Purpose of holding | Quantitative effects of shareholding | Reason for increase in number of shares | Holding of the Company's shares |
|---|---|---|---|---|---|---|
| Mitsubishi UFJ Financial Group, Inc. | 4,913,000<br>3,498 | 4,913,000<br>2,741 | (Purpose of holding)<br>・ Financial transactions and collection of business information<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Not met<br>(Comprehensive judgment)<br>・ Made judgment to continue to hold taking into consideration the relationship with the company whose shares we hold, and the recognition that it has continuously contributed to a stable level of profit. | – | None |
| Sumitomo Mitsui Trust Holdings, Inc. | 670,500<br>2,755 | 670,500<br>2,348 | (Purpose of holding)<br>・ Financial transactions and collection of business information<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Not met<br>(Comprehensive judgment)<br>・ Made judgment to continue to hold taking into consideration the relationship with this company, and the recognition that it has continuously contributed to a stable level of profit. | – | Yes<br>*1 |
| Sumitomo Mitsui Financial Group, Inc. | 280,000<br>1,153 | 280,000<br>1,047 | (Purpose of holding)<br>・ Financial transactions and collection of business information<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Met | – | Yes<br>*2 |
| OSAKA GAS CO., LTD. | 300,000<br>632 | 300,000<br>571 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Stable merchandise sales<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Not met<br>(Comprehensive judgment)<br>・ Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru Matsuzakaya Department Stores exist, and the recognition that it has continuously contributed to a stable level of profit. | – | Yes |

| Issue name | Current fiscal year<br>Number of shares (Shares)<br>Carrying amount (Millions of yen) | Previous fiscal year<br>Number of shares (Shares)<br>Carrying amount (Millions of yen) | Purpose of holding | Quantitative effects of shareholding | Reason for increase in number of shares | Holding of the Company's shares |
|---|---|---|---|---|---|---|
| YAMATO HOLDINGS CO., LTD. | 270,000<br>606 | 270,000<br>756 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Securing supply chain<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Not met<br>(Comprehensive judgment)<br>・ Made judgment to continue to hold taking into consideration the fact that it is indispensable for maintaining customer service. | – | Yes |
| OUG Holdings Inc.<br>*3 | 102,700<br>284 | 115,000<br>324 | (Segment)<br>・ Department store<br>(Purpose of holding)<br>・ Stable merchandise purchasing<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Not met<br>(Comprehensive judgment)<br>・ Made judgment to continue to hold taking into consideration the recognition that it has continuously contributed to a stable level of profit. | – | None |
| The Nanto Bank, Ltd. | 33,000<br>70 | 33,000<br>59 | (Purpose of holding)<br>・ Financial transactions and collection of business information<br>・ Maintaining good business relationships | (Quantitative standard)<br>・ Not met<br>(Comprehensive judgment)<br>・ Made judgment to continue to hold taking into consideration the relationship with the company whose shares we hold. | – | None |

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

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

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

## V. Financial Information

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

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

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

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

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

2. Note on independent audit

   The consolidated financial statements for the fiscal year (from March 1, 2021 to February 28, 2022) and the non-consolidated financial statements for the fiscal year (from March 1, 2021 to February 28, 2022) were audited by Ernst & Young ShinNihon LLC in accordance with Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

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

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

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

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

## 1. Consolidated Financial Statements, etc.

### (1) Consolidated Financial Statements

### 1) Consolidated Statement of Financial Position

| | Notes | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|---|
| | | Millions of yen | Millions of yen |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 128,925 | 93,278 |
| Trade and other receivables | 7,27 | 113,414 | 112,262 |
| Other financial assets | 9,36 | 5,841 | 11,929 |
| Inventories | 8 | 20,684 | 12,459 |
| Other current assets | 10 | 4,739 | 4,954 |
| Total current assets | | 273,605 | 234,884 |
| Non-current assets | | | |
| Property, plant and equipment | 11,20 | 493,644 | 480,380 |
| Right-of-use assets | 13 | 157,819 | 140,470 |
| Goodwill | 12 | 523 | 523 |
| Investment property | 14 | 188,879 | 189,688 |
| Intangible assets | 12 | 5,752 | 7,289 |
| Investments accounted for using equity method | 16 | 37,815 | 38,761 |
| Other financial assets | 9,20,36 | 86,870 | 79,977 |
| Deferred tax assets | 18 | 6,751 | 8,209 |
| Other non-current assets | 10 | 12,061 | 12,721 |
| Total non-current assets | | 990,116 | 958,022 |
| Total assets | | 1,263,722 | 1,192,907 |

| | Notes | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|---|
| | | Millions of yen | Millions of yen |
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Bonds and borrowings | 19,20 | 145,151 | 108,152 |
| Trade and other payables | 21 | 121,937 | 116,107 |
| Lease liabilities | 13,19 | 29,799 | 28,554 |
| Other financial liabilities | 13,19, 20,36 | 30,211 | 29,915 |
| Income tax payables | | 1,957 | 4,485 |
| Provisions | 23 | 914 | 954 |
| Other current liabilities | 24,27 | 59,953 | 59,243 |
| Total current liabilities | | 389,926 | 347,413 |
| Non-current liabilities | | | |
| Bonds and borrowings | 19,20 | 214,779 | 209,562 |
| Lease liabilities | 13,19 | 173,085 | 155,839 |
| Other financial liabilities | 13,19, 20,36 | 39,237 | 36,741 |
| Retirement benefit liabilities | 22 | 19,781 | 19,416 |
| Provisions | 23 | 10,534 | 9,553 |
| Deferred tax liabilities | 18 | 51,301 | 51,697 |
| Other non-current liabilities | 24 | 731 | 563 |
| Total non-current liabilities | | 509,451 | 483,373 |
| Total liabilities | | 899,378 | 830,787 |
| Equity | | | |
| Capital | 25 | 31,974 | 31,974 |
| Share premium | 25 | 188,542 | 188,894 |
| Treasury shares | 25 | (14,830) | (14,780) |
| Other components of equity | 25 | 9,578 | 9,574 |
| Retained earnings | 25 | 136,906 | 134,705 |
| Total equity attributable to owners of parent | | 352,171 | 350,368 |
| Non-controlling interests | | 12,171 | 11,751 |
| Total equity | | 364,343 | 362,120 |
| Total liabilities and equity | | 1,263,722 | 1,192,907 |

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

### Consolidated Statement of Income

| | Notes | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|---|
| | | Millions of yen | Millions of yen |
| Sales revenue | 27 | 319,079 | 331,484 |
| Cost of sales | 29 | (184,711) | (183,642) |
| Gross profit | | 134,368 | 147,842 |
| Selling, general and administrative expense | 30 | (132,001) | (136,123) |
| Other operating income | 28 | 5,711 | 11,068 |
| Other operating expense | 31 | (32,343) | (13,406) |
| Operating profit (loss) | | (24,265) | 9,380 |
| Finance income | 32 | 962 | 1,335 |
| Finance costs | 32 | (6,086) | (5,890) |
| Share of profit (loss) of investments accounted for using equity method | | 717 | 1,364 |
| Profit (loss) before tax | | (28,672) | 6,190 |
| Income tax expense | 18 | 2,251 | (2,225) |
| Profit (loss) | | (26,421) | 3,964 |
| Profit (loss) attributable to: | | | |
| Owners of parent | | (26,193) | 4,321 |
| Non-controlling interests | | (227) | (356) |
| Profit (loss) | | (26,421) | 3,964 |
| Earnings per share | | | |
| Basic earnings (loss) per share (Yen) | 34 | (100.03) | 16.50 |
| Diluted earnings (loss) per share (Yen) | 34 | (100.03) | 16.50 |

## Consolidated Statement of Comprehensive Income

| | Notes | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|---|
| | | Millions of yen | Millions of yen |
| Profit (loss) | | (26,421) | 3,964 |
| | | | |
| Other comprehensive income | | | |
| Items that will not be reclassified to profit or loss | | | |
| Financial assets measured at fair value through other comprehensive income | 33,36 | (2,106) | (52) |
| Remeasurements of defined benefit plans | 33 | 1,107 | 1,632 |
| Share of other comprehensive income of entities accounted for using equity method | 33 | (94) | 136 |
| Total items that will not be reclassified to profit or loss | | (1,093) | 1,716 |
| | | | |
| Items that may be reclassified to profit or loss | | | |
| Cash flow hedges | 33 | 13 | (13) |
| Exchange differences on translation of foreign operations | 33 | (26) | 151 |
| Share of other comprehensive income of entities accounted for using equity method | 33 | 3 | (0) |
| Total items that may be reclassified to profit or loss | | (9) | 136 |
| Other comprehensive income, net of tax | | (1,102) | 1,853 |
| Comprehensive income | | (27,523) | 5,818 |
| | | | |
| Comprehensive income attributable to: | | | |
| Owners of parent | | (27,296) | 6,173 |
| Non-controlling interests | | (226) | (355) |
| Comprehensive income | | (27,523) | 5,818 |

### 3) Consolidated Statement of Changes in Equity

| | Notes | Equity attributable to owners of parent | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | Other components of equity | | |
| | | Capital | Share premium | Treasury shares | Exchange differences on translation of foreign operations | Cash flow hedges | Financial assets measured at fair value through other comprehensive income |
| | | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Balance at March 1, 2020 | | 31,974 | 189,340 | (14,974) | (65) | (3) | 11,710 |
| Profit (loss) | | – | – | – | – | – | – |
| Other comprehensive income | | – | – | – | (24) | 15 | (2,107) |
| Total comprehensive income | | – | – | – | (24) | 15 | (2,107) |
| Purchase of treasury shares | 25 | – | – | (3) | – | – | – |
| Disposal of treasury shares | 25 | – | (0) | 0 | – | – | – |
| Dividends | 26 | – | – | – | – | – | – |
| Share-based payment transactions | | – | (796) | 148 | – | – | – |
| Transfer from other components of equity to retained earnings | | – | – | – | – | – | 53 |
| Total transactions with owners | | – | (797) | 144 | – | – | 53 |
| Balance at February 28, 2021 | | 31,974 | 188,542 | (14,830) | (89) | 11 | 9,656 |
| Profit (loss) | | – | – | – | – | – | – |
| Other comprehensive income | | – | – | – | 150 | (13) | (53) |
| Total comprehensive income | | – | – | – | 150 | (13) | (53) |
| Purchase of treasury shares | 25 | – | – | (32) | – | – | – |
| Disposal of treasury shares | 25 | – | (0) | 0 | – | – | – |
| Dividends | 26 | – | – | – | – | – | – |
| Share-based payment transactions | | – | 351 | 81 | – | – | – |
| Transfer from other components of equity to retained earnings | | – | – | – | – | – | (86) |
| Total transactions with owners | | – | 351 | 49 | – | – | (86) |
| Balance at February 28, 2022 | | 31,974 | 188,894 | (14,780) | 60 | (1) | 9,516 |

| | Notes | Equity attributable to owners of parent | | | | Non-controlling interests | Total |
|---|---|---|---|---|---|---|---|
| | | Other components of equity | | Retained earnings | Total | | |
| | | Remeasure-ments of defined benefit plans | Total | | | | |
| | | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Balance at March 1, 2020 | | – | 11,641 | 169,206 | 387,188 | 12,493 | 399,681 |
| Profit (loss) | | – | – | (26,193) | (26,193) | (227) | (26,421) |
| Other comprehensive income | | 1,013 | (1,103) | – | (1,103) | 0 | (1,102) |
| Total comprehensive income | | 1,013 | (1,103) | (26,193) | (27,296) | (226) | (27,523) |
| Purchase of treasury shares | 25 | – | – | – | (3) | – | (3) |
| Disposal of treasury shares | 25 | – | – | – | (0) | – | (0) |
| Dividends | 26 | – | – | (7,066) | (7,066) | (94) | (7,161) |
| Share-based payment transactions | | – | – | – | (648) | – | (648) |
| Transfer from other components of equity to retained earnings | | (1,013) | (959) | 959 | – | – | – |
| Total transactions with owners | | (1,013) | (959) | (6,107) | (7,719) | (94) | (7,813) |
| Balance at February 28, 2021 | | – | 9,578 | 136,906 | 352,171 | 12,171 | 364,343 |
| Profit (loss) | | – | – | 4,321 | 4,321 | (356) | 3,964 |
| Other comprehensive income | | 1,769 | 1,852 | – | 1,852 | 1 | 1,853 |
| Total comprehensive income | | 1,769 | 1,852 | 4,321 | 6,173 | (355) | 5,818 |
| Purchase of treasury shares | 25 | – | – | – | (32) | – | (32) |
| Disposal of treasury shares | 25 | – | – | – | 0 | – | 0 |
| Dividends | 26 | – | – | (8,377) | (8,377) | (64) | (8,442) |
| Share-based payment transactions | | – | – | – | 433 | – | 433 |
| Transfer from other components of equity to retained earnings | | (1,769) | (1,855) | 1,855 | – | – | – |
| Total transactions with owners | | (1,769) | (1,855) | (6,522) | (7,976) | (64) | (8,041) |
| Balance at February 28, 2022 | | – | 9,574 | 134,705 | 350,368 | 11,751 | 362,120 |

## 4) Consolidated Statement of Cash Flows

| | Notes | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|---|
| | | Millions of yen | Millions of yen |
| Cash flows from (used in) operating activities | | | |
| Profit (loss) before tax | | (28,672) | 6,190 |
| Depreciation and amortization expense | | 50,361 | 49,629 |
| Impairment loss | 15 | 14,122 | 1,136 |
| Finance income | | (962) | (1,335) |
| Finance costs | | 6,086 | 5,890 |
| Share of loss (profit) of investments accounted for using equity method | | (717) | (1,364) |
| Loss (gain) on sales of non-current assets | | 0 | (2,666) |
| Loss on disposals of non-current assets | | 1,260 | 1,726 |
| Gain on sales of shares of subsidiaries | | – | (3,951) |
| Loss on sales of shares of subsidiaries | | – | 1,818 |
| Decrease (increase) in inventories | | (1,522) | 5,904 |
| Decrease (increase) in trade and other receivables | | 26,608 | (536) |
| Increase (decrease) in trade and other payables | | (12,720) | (4,159) |
| Increase (decrease) in retirement benefit liabilities | | (267) | (365) |
| Decrease (increase) in retirement benefit assets | | 2,988 | (407) |
| Other, net | | 5,666 | 228 |
| Subtotal | | 62,232 | 57,737 |
| Interest received | | 110 | 130 |
| Dividends received | | 232 | 208 |
| Interest paid | | (6,028) | (5,808) |
| Income taxes paid | | (6,251) | (4,548) |
| Income taxes refund | | 6,176 | 2,147 |
| Net cash flows from (used in) operating activities | | 56,471 | 49,866 |
| Cash flows from (used in) investing activities | | | |
| Purchase of property, plant and equipment | | (14,729) | (5,820) |
| Proceeds from sales of property, plant and equipment | | 7 | 492 |
| Purchase of investment property | | (3,813) | (2,601) |
| Proceeds from sales of investment property | | – | 2,887 |
| Purchase of investment securities | | (1,401) | (2,760) |
| Proceeds from sales of investment securities | | 1,480 | 2,503 |
| Proceeds from sales of shares of subsidiaries that result in change in scope of consolidation | 19 | 91 | 3,479 |
| Other, net | | (2,505) | (3,469) |
| Net cash flows from (used in) investing activities | | (20,870) | (5,289) |

| | Notes | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|---|
| | | Millions of yen | Millions of yen |
| Cash flows from (used in) financing activities | | | |
| Net increase (decrease) in current borrowings | 19 | (13,000) | – |
| Net increase (decrease) in commercial papers | 19 | 66,001 | (54,998) |
| Proceeds from non-current borrowings | 19 | 82,000 | – |
| Repayments of non-current borrowings | 19 | (23,400) | (17,150) |
| Proceeds from issuance of bonds | 19 | – | 29,867 |
| Redemption of bonds | 19 | (10,000) | – |
| Repayments of lease liabilities | 13,19 | (29,254) | (29,674) |
| Purchase of treasury shares | | (3) | (32) |
| Dividends paid | | (7,056) | (8,348) |
| Dividends paid to non-controlling interests | | (94) | (64) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | | (6,471) | – |
| Other, net | | 6 | 8 |
| Net cash flows from (used in) financing activities | | 58,727 | (80,392) |
| Net increase (decrease) in cash and cash equivalents | | 94,328 | (35,815) |
| Cash and cash equivalents at beginning of period | 6 | 34,633 | 128,925 |
| Effect of exchange rate changes on cash and cash equivalents | | (37) | 168 |
| Cash and cash equivalents at end of period | 6 | 128,925 | 93,278 |

**Notes to Consolidated Financial Statements**

1. Reporting Entity

J. FRONT RETAILING Co., Ltd. (the "Company") is the ultimate parent of the Company group (the "Group") and a company located in Japan. The registered address of its head office is Chuo-ku, Tokyo.
The Company's consolidated financial statements for the fiscal year ended February 28, 2022 comprise the Company and its subsidiaries' interests in the Group's associates.

For the Group's major business activities, please refer to "5. Segment Information."

2. Basis of Preparation

(1) Compliance with IFRS

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

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

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

3. Significant Accounting Policies

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

(1) Basis of consolidation

1) Subsidiaries

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

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

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

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

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

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

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

2) Associates

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

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

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

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

3) Joint control

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

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

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

(2) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

(3) Foreign currency translation

1) Foreign currency transactions

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

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

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

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

2) Financial statements of foreign subsidiaries and associates

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

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

(4) Financial instruments

1) Non-derivative financial assets

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

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

(i) Financial assets measured at amortized cost

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

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

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

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

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

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

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

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

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

(iv) Impairment of financial assets

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

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

(v) Derecognition of financial assets

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

2) Non-derivative financial liabilities

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

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

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

3) Presentation of financial assets and liabilities

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

4) Derivatives and hedge accounting

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

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

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

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

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

(i) Cash flow hedges

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

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

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

(ii) Fair value hedges

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Assets held for sale

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

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

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

(8) Property, plant and equipment

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

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

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

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

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

(9) Goodwill

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

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

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

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

(10) Intangible assets

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

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

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

• Software 5 years

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

(11) Right-of-use assets

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

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

Right-of-use assets are depreciated using the straight-line method mainly over 2 to 59 years from the commencement date.

(12) Lease liabilities

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

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

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

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

Furthermore, for rent concessions arising as a direct consequence of the novel coronavirus disease (COVID-19), which meet specified requirements, the Group has selected to apply the practical expedient and therefore does not assess whether rent concessions are lease modifications.

(13) Investment property

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

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

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

(14) Impairment of non-financial assets

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

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

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

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

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

(15) Employee benefits

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

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

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

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

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

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

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

(16) Share-based payment

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

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

(17) Provisions

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

*Asset retirement obligations*

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

*Provision for loss on business liquidation*

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

(18) Sales revenue

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

The Group, under a holding company structure, develops businesses such as the 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 performance obligations are deemed to be satisfied at the time of delivery of goods when customers gain control of such goods, the Group mainly recognizes revenue at the time of delivery of such goods. Furthermore, revenue is measured at the amount of consideration promised in contracts between customers, less any discounts, rebates and sales returns, etc.

1) Revenue recognition by business segment

i) Department Store Business

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

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

(19) Government grants

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

(20) Income tax

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

1) Current taxes

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

2) Deferred taxes

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

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

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

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

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

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

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

(21) Earnings per share

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

(22) Operating segments

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

(23) Treasury shares

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

(24) Borrowing costs

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

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

4. Significant Accounting Estimates and Judgments

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

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

As a result of the global spread of COVID-19, the Group has been impacted by the deterioration in business results due to demands for temporary closures and shortened operating hours of stores, self-curfew, etc. by the Japanese government and each local government, and other factors. Amid these circumstances, the future impact is uncertain as it is difficult at this time to predict when the pandemic will end and when there will be a recovery in consumption. Given these circumstances, the Group factors in the effects of strategies and measures in each business and has made reasonable estimates that reflect the situation as of the end of the reporting period, based on the assumption that the recovery trend in domestic spending will continue in FY2022 and inbound tourism demand will head for a full-scale recovery from FY2023. If uncertainty further increases, the Group may revise the carrying amounts of assets and liabilities in future accounting periods.

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

(1) Property, plant and equipment, 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 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 FY2023.

The growth rate after the business plan 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 and non-financial assets in the Department Store Business and the SC Business are as follows.

(Millions of yen)

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

(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 judgment of the recoverability is made on the basis of an estimate of taxable profit for each future fiscal year determined based on the Group’s business plan.

The significant assumptions in the Group’s business plan are forecast trends for personal spending in Japan and the projected recovery in inbound tourism demand as well as the forecast for sales revenue that incorporates the effect of each business plan based on the market growth rate factoring in the impact of COVID-19, etc. for the Department Store Business, the SC Business and the Payment and Finance Business segments; the forecast for sales revenue that incorporates new development projects from the business plan in the Developer Business segment; and the forecast for operating profit taking into account the effects of cost reductions achieved through business structure reforms in each segment.

These significant 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 next fiscal year.

The breakdown of deferred tax assets by major cause and their carrying amounts are stated in “18. Income Tax.”

(3) Post-employment benefits

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

Of the assumptions provided above, the discount rate and anticipated rate of salary increase, which are particularly important, are provided in “22. Employee Benefits.”

(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 coinciding with the next individual-store large-scale renovation plan or when the next Medium-term Business Plan is decided. If revisions to the lease periods become necessary, such revisions could have a material effect on the amounts recognized in the consolidated financial statements in the next fiscal year and beyond.

Details of lease periods are stated in “3. Significant Accounting Policies.”

5. Segment Information

(1) Overview of reportable segments

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

The Group is comprised, under a holding company structure, of the reportable segments “Department Store Business,” “SC Business,” “Developer Business” and “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. The SC Business undertakes development, management, supervision and operation, etc. of shopping centers. The Developer Business carries out development, management, operation, interior decorating work, etc. of real estate. The Payment and Finance Business undertakes issuance and administration, etc. of credit cards.

Towards our business growth based on the conversion of PARCO Co., Ltd. into a wholly-owned subsidiary and consolidation of the Real Estate Business, reportable segment classifications have been changed to the above classifications effective from the first quarter of the fiscal year ended February 28, 2022.

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

As a result of this change, Daimaru Matsuzakaya Sales Associates Co. Ltd., which was previously included in “Other,” has been included in “Department Store Business” from the fiscal year ended February 28, 2022.

Furthermore, segment information for the fiscal year ended February 28, 2021 has been prepared and disclosed based on the reportable segment classifications after the change.

(2) Segment revenue and business results

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

Fiscal year ended February 28, 2021

| | Reportable segments | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Department Store Business | SC Business | Developer Business | Payment and Finance Business | Total | Other | Total | Adjustments | Consolidated |
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| External revenue | 173,185 | 54,877 | 42,511 | 5,952 | 276,527 | 42,552 | 319,079 | – | 319,079 |
| Inter-segment revenue | 645 | 571 | 11,314 | 3,083 | 15,614 | 20,007 | 35,622 | (35,622) | – |
| Total | 173,831 | 55,449 | 53,825 | 9,035 | 292,142 | 62,559 | 354,701 | (35,622) | 319,079 |
| Segment profit (loss) | (20,785) | (6,968) | 1,981 | 421 | (25,351) | 1,724 | (23,626) | (638) | (24,265) |
| Finance income | | | | | | | | | 962 |
| Finance costs | | | | | | | | | (6,086) |
| Share of profit (loss) of investments accounted for using equity method | | | | | | | | | 717 |
| (Loss) before tax | | | | | | | | | (28,672) |
| Segment assets | 578,453 | 348,404 | 111,550 | 70,165 | 1,108,573 | 108,019 | 1,216,593 | 47,129 | 1,263,722 |
| Other items | | | | | | | | | |
| Depreciation and amortization expense | 31,590 | 13,526 | 4,405 | 133 | 49,655 | 1,768 | 51,424 | (1,063) | 50,361 |
| Impairment loss | 10,357 | 3,167 | 7 | – | 13,533 | 245 | 13,778 | 343 | 14,122 |
| Investments accounted for using equity method | 21,958 | – | 45 | – | 22,003 | 158 | 22,161 | 15,653 | 37,815 |
| Capital expenditures | 19,600 | 8,661 | 9,082 | 149 | 37,494 | 631 | 38,126 | (8,765) | 29,360 |

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

Fiscal year ended February 28, 2022

| | Reportable segments | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Department Store Business | SC Business | Developer Business | Payment and Finance Business | Total | Other | Total | Adjustments | Consolidated |
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| External revenue | 190,307 | 51,585 | 40,698 | 7,273 | 289,864 | 41,619 | 331,484 | – | 331,484 |
| Inter-segment revenue | 431 | 971 | 9,935 | 3,764 | 15,103 | 20,135 | 35,239 | (35,239) | – |
| Total | 190,739 | 52,556 | 50,633 | 11,037 | 304,967 | 61,755 | 366,723 | (35,239) | 331,484 |
| Segment profit (loss) | (4,594) | 2,055 | 4,711 | 1,970 | 4,142 | 1,199 | 5,341 | 4,039 | 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 |
| Segment assets | 566,354 | 334,273 | 106,420 | 72,505 | 1,079,554 | 108,065 | 1,187,620 | 5,287 | 1,192,907 |
| Other items | | | | | | | | | |
| Depreciation and amortization expense | 30,416 | 14,671 | 4,102 | 154 | 49,345 | 1,704 | 51,049 | (1,419) | 49,629 |
| Impairment loss | 113 | 234 | 776 | – | 1,123 | 13 | 1,136 | – | 1,136 |
| Investments accounted for using equity method | 21,861 | – | 47 | – | 21,908 | 156 | 22,065 | 16,696 | 38,761 |
| Capital expenditures | 10,582 | 5,074 | 3,745 | 38 | 19,441 | 1,132 | 20,573 | 58 | 20,632 |

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

(3) Information by geographical area

*Sales revenue from external customers*

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

*Non-current assets*

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

6. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| | Millions of yen | Millions of yen |
| Cash | 4,031 | 2,654 |
| Deposits (including time deposits with deposit terms of three months or less) | 124,893 | 90,624 |
| Total | 128,925 | 93,278 |

7. Trade and Other Receivables

The breakdown of trade and other receivables is as follows.

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

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| | Millions of yen | Millions of yen |
| Notes receivable - trade | 2,342 | 2,081 |
| Accounts receivable - trade | 53,512 | 53,164 |
| Accounts receivable - other | 49,990 | 49,675 |
| Contract assets | 3,280 | 3,193 |
| Other | 4,289 | 4,147 |
| Total | 113,414 | 112,262 |

8. Inventories

The breakdown of inventories is as follows:

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| | Millions of yen | Millions of yen |
| Merchandise and finished goods | 20,061 | 11,982 |
| Work in process | 127 | 117 |
| Supplies | 495 | 360 |
| Total | 20,684 | 12,459 |
| Inventories sold beyond 12 months | – | 3 |

The amount of inventories that were recognized as expenses was ¥155,579 million in the fiscal year ended February 28, 2021 and ¥171,024 million in the fiscal year ended February 28, 2022.

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

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| | Millions of yen | Millions of yen |
| Amounts of write-down | 205 | 138 |

9. Other Financial Assets

The breakdown of other financial assets is as follows:

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| | Millions of yen | Millions of yen |
| Financial assets measured at amortized cost | | |
| Time deposits with deposit terms of more than three months | 4,918 | 4,853 |
| Lease and guarantee deposits | 56,820 | 55,053 |
| Loans receivable | 1,693 | 1,604 |
| Other | 5,860 | 5,739 |
| Financial instruments measured at fair value through profit or loss | | |
| Derivative financial assets | 27 | 7 |
| Financial assets measured at fair value through other comprehensive income | | |
| Shares and investments in capital | 23,391 | 24,648 |
| Total | 92,711 | 91,907 |
| Total current assets | 5,841 | 11,929 |
| Total non-current assets | 86,870 | 79,977 |

10. Other Assets

The breakdown of other assets is as follows:

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| | Millions of yen | Millions of yen |
| Prepaid expense | 2,368 | 2,131 |
| Advance payments - trade | 618 | 1,009 |
| Suspense payments | 382 | 337 |
| Retirement benefit assets | 9,098 | 9,506 |
| Other | 4,332 | 4,690 |
| Total | 16,800 | 17,675 |
| Other current assets | 4,739 | 4,954 |
| Other non-current assets | 12,061 | 12,721 |

11. Property, Plant and Equipment

(1) Schedule of changes

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

Acquisition costs

| | Land | Buildings and structures | Machinery and vehicles | Furniture and fixtures | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Balance as of March 1, 2020 | 271,884 | 482,344 | 3,965 | 18,085 | 835 | 777,115 |
| Acquisitions | – | 11,742 | 39 | 939 | 1,033 | 13,754 |
| Sales or disposals | – | (5,014) | (26) | (608) | – | (5,648) |
| Transfer among line items | 15,831 | 20,339 | 252 | (674) | (1,597) | 34,150 |
| Other | – | (497) | – | (125) | – | (623) |
| Balance as of February 28, 2021 | 287,715 | 508,914 | 4,229 | 17,617 | 271 | 818,748 |
| Acquisitions | 43 | 4,655 | 75 | 721 | 145 | 5,642 |
| Sales or disposals | (490) | (5,396) | (131) | (448) | – | (6,466) |
| Transfer among line items | – | (148) | – | 9 | (80) | (220) |
| Exclusion from consolidation | – | (1,409) | – | (1,395) | – | (2,804) |
| Balance as of February 28, 2022 | 287,268 | 506,616 | 4,174 | 16,504 | 335 | 814,899 |

Accumulated depreciation and impairment

| | Land | Buildings and structures | Machinery and vehicles | Furniture and fixtures | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Balance as of March 1, 2020 | (481) | (289,092) | (2,704) | (11,669) | – | (303,947) |
| Depreciation expense | – | (15,471) | (236) | (1,333) | – | (17,041) |
| Impairment loss | – | (8,240) | (25) | (234) | – | (8,500) |
| Sales or disposals | – | 4,701 | 24 | 588 | – | 5,314 |
| Transfer among line items | (18) | (1,825) | 79 | 251 | – | (1,513) |
| Other | – | 476 | – | 107 | – | 583 |
| Balance as of February 28, 2021 | (499) | (309,452) | (2,863) | (12,289) | – | (325,104) |
| Depreciation expense | – | (15,920) | (225) | (1,347) | – | (17,493) |
| Impairment loss | – | (41) | (2) | (14) | – | (58) |
| Sales or disposals | – | 4,865 | 130 | 436 | – | 5,432 |
| Transfer among line items | – | 149 | (0) | (6) | – | 143 |
| Exclusion from consolidation | – | 1,282 | – | 1,278 | – | 2,561 |
| Balance as of February 28, 2022 | (499) | (319,115) | (2,961) | (11,942) | – | (334,518) |

Carrying amounts

| | Land | Buildings and structures | Machinery and vehicles | Furniture and fixtures | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Balance as of March 1, 2020 | 271,403 | 193,252 | 1,260 | 6,415 | 835 | 473,167 |
| Balance as of February 28, 2021 | 287,215 | 199,462 | 1,366 | 5,328 | 271 | 493,644 |
| Balance as of February 28, 2022 | 286,768 | 187,500 | 1,213 | 4,561 | 335 | 480,380 |

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

2. Please refer to "28. Other Operating Income" for the gain on sales of non-current assets for the fiscal years ended February 28, 2021 and February 28, 2022, and "31. Other Operating Expense" for the loss on disposals of non-current assets for the fiscal years ended February 28, 2021 and February 28, 2022.

(2) Assets pledged as collateral

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

(3) Commitments

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

12. Goodwill and Intangible Assets

(1) Schedule of changes

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

Acquisition costs

| | Goodwill | Other intangible assets | | |
|---|---|---|---|---|
| | | Software | Other | Total |
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Balance as of March 1, 2020 | 568 | 11,167 | 587 | 11,754 |
| Acquisitions | – | 2,426 | 1 | 2,428 |
| Sales or disposals | – | (691) | (40) | (732) |
| Transfer among line items | – | 147 | (58) | 88 |
| Other | – | (12) | (4) | (16) |
| Balance as of February 28, 2021 | 568 | 13,036 | 485 | 13,521 |
| Acquisitions | – | 3,675 | 3 | 3,678 |
| Sales or disposals | – | (916) | (7) | (924) |
| Transfer among line items | – | (61) | 1 | (60) |
| Exclusion from consolidation | – | (1,018) | (0) | (1,018) |
| Balance as of February 28, 2022 | 568 | 14,715 | 481 | 15,197 |

Accumulated amortization and impairment

| | Goodwill | Other intangible assets | | |
|---|---|---|---|---|
| | | Software | Other | Total |
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Balance as of March 1, 2020 | (44) | (5,658) | (433) | (6,092) |
| Amortization expense | – | (1,834) | (1) | (1,836) |
| Impairment loss | – | (451) | – | (451) |
| Sales or disposals | – | 691 | – | 691 |
| Transfer among line items | – | (93) | 2 | (91) |
| Other | – | 10 | – | 10 |
| Balance as of February 28, 2021 | (44) | (7,336) | (432) | (7,769) |
| Amortization expense | – | (1,993) | (1) | (1,994) |
| Impairment loss | – | (1) | – | (1) |
| Sales or disposals | – | 912 | 7 | 919 |
| Transfer among line items | – | (0) | (0) | (0) |
| Exclusion from consolidation | – | 939 | – | 939 |
| Balance as of February 28, 2022 | (44) | (7,480) | (426) | (7,907) |

Carrying amounts

| | Goodwill | Other intangible assets | | |
|---|---|---|---|---|
| | | Software | Other | Total |
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Balance as of March 1, 2020 | 523 | 5,508 | 153 | 5,662 |
| Balance as of February 28, 2021 | 523 | 5,699 | 52 | 5,752 |
| Balance as of February 28, 2022 | 523 | 7,235 | 54 | 7,289 |

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

(2) Impairment test on goodwill

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

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| | Millions of yen | Millions of yen |
| SC Business | 523 | 523 |
| Total | 523 | 523 |

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

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

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

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

13. Leases

(1) As lessee

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

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

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

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

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

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

(Millions of yen)

| | Type of underlying assets | | | | Total |
|---|---|---|---|---|---|
| | Buildings and structures | Machinery, tools and fixtures | Land | Intangible assets, other | |
| As of February 28, 2021 | 131,651 | 2,221 | 22,400 | 1,546 | 157,819 |
| As of February 28, 2022 | 115,049 | 1,603 | 22,433 | 1,382 | 140,470 |

Profit or loss related to right-of-use assets

Costs related to leases and cash outflow are as follows.

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Depreciation expense of right-of-use assets (Note) | | |
| Items with buildings and structures as the underlying assets | 23,092 | 22,441 |
| Items with machinery, tools and fixtures as the underlying asset | 988 | 919 |
| Items with land as the underlying asset | 1,161 | 1,201 |
| Items with intangible assets, other as the underlying asset | 165 | 156 |
| Total depreciation expense of right-of-use assets | 25,408 | 24,718 |
| Interest expenses related to lease liabilities | 4,445 | 4,009 |
| Costs related to current lease obligations | 428 | 487 |
| Costs related to leases of low-value assets | 1,053 | 1,084 |
| Contingent rents not included in the measurement of lease liabilities | 576 | 163 |
| Total (net) of costs related to leases | 6,504 | 5,744 |
| Repayments of lease liabilities | 29,254 | 29,674 |
| Income from subleasing (Note) | 11,720 | 11,962 |
| Cash outflow related to leases | 24,038 | 23,456 |

Note: Right-of-use assets that fall under the definition of investment property are excluded.

Lease liabilities

A maturity analysis for lease liabilities is as follows.

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Contractual undiscounted cash flows | | |
| Due within one year | 33,137 | 31,932 |
| Due after one year through two years | 30,347 | 29,089 |
| Due after two years through three years | 28,048 | 27,524 |
| Due after three years through four years | 26,518 | 21,935 |
| Due after four years through five years | 21,676 | 14,913 |
| Due after five years | 90,376 | 85,426 |
| Balance of lease liabilities before discount | 230,103 | 210,821 |
| Current | 29,799 | 28,554 |
| Non-current | 173,085 | 155,839 |

(2) As lessor

The Group mainly leases investment property and tenant space inside commercial facilities using finance lease or operating lease transactions.

These lease assets are exposed to the risk of being damaged due to the use by the lessee that is above and beyond regular use, or as a result of intentional acts or gross negligence. To avoid and mitigate such risks, the Group requires in accordance with lease contracts that lessees provide a lease or guarantee deposit of a certain amount, and if the asset is actually damaged, the lease or guarantee deposit is used to fund the costs required for repair.

1) Finance leases (As lessor)

The information has been omitted due to its immateriality.

2) Operating leases (As lessor)

Revenue related to operating leases is as follows:

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Lease revenue (other than contingent rents) | 26,372 | 28,532 |
| Lease revenue (contingent rents) | 21,628 | 24,956 |

The maturity analysis for lease payments relating to operating leases is as follows:

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Due within one year | 21,939 | 21,129 |
| Due after one year through two years | 19,507 | 19,630 |
| Due after two years through three years | 18,945 | 18,099 |
| Due after three years through four years | 17,612 | 16,509 |
| Due after four years through five years | 15,876 | 15,182 |
| Due after five years | 120,612 | 111,513 |
| Total | 214,493 | 202,064 |

Changes in the carrying amount, acquisition cost, and accumulated depreciation and impairment of underlying assets of operating leases recorded under property, plant and equipment in the consolidated statement of financial position are as follows:

Carrying amount

(Millions of yen)

| | Land | Buildings and structures |
|---|---|---|
| Balance as of March 1, 2020 | 112,472 | 78,383 |
| Acquisitions | – | 9,167 |
| Acquisition due to business combinations | – | – |
| Sales or disposals | – | (66) |
| Changes due to commencement and expiration of leases | 21,259 | 6,288 |
| Transfer among line items | 15,831 | 17,163 |
| Depreciation expense | – | (6,364) |
| Impairment loss | (263) | (1,141) |
| Exchange differences on translation of foreign operations | – | – |
| Other | (49) | – |
| Balance as of February 28, 2021 | 149,250 | 103,431 |
| Acquisitions | 43 | 1,620 |
| Sales or disposals | – | (170) |
| Changes due to commencement and expiration of leases | – | – |
| Transfer among line items | – | – |
| Depreciation expense | – | (7,537) |
| Impairment loss | – | (41) |
| Exchange differences on translation of foreign operations | – | – |
| Other | (63) | 57 |
| Balance as of February 28, 2022 | 149,231 | 97,359 |

Acquisition costs

(Millions of yen)

| | Land | Buildings and structures |
|---|---|---|
| Balance as of March 1, 2020 | 112,687 | 168,111 |
| Balance as of February 28, 2021 | 149,729 | 206,992 |
| Balance as of February 28, 2022 | 149,709 | 208,406 |

Accumulated depreciation and impairment

(Millions of yen)

| | Land | Buildings and structures |
|---|---|---|
| Balance as of March 1, 2020 | 215 | 89,727 |
| Balance as of February 28, 2021 | 478 | 103,561 |
| Balance as of February 28, 2022 | 478 | 111,046 |

14. Investment Property

(1) Schedule of changes

Changes in acquisition costs, accumulated depreciation and impairment and carrying amounts of investment property and fair values as of the end of each fiscal year are as follows:

Acquisition costs

| | Self-owned assets | Right-of-use assets | Total |
|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen |
| Balance as of March 1, 2020 | 212,433 | 31,278 | 243,711 |
| Acquisitions | 4,569 | 4,193 | 8,763 |
| Sales or disposals | (185) | – | (185) |
| Transfer among line items | (34,227) | (251) | (34,479) |
| Other | (726) | (132) | (859) |
| Balance as of February 28, 2021 | 181,862 | 35,088 | 216,950 |
| Acquisitions | 3,472 | 4,007 | 7,480 |
| Sales or disposals | (1,133) | – | (1,133) |
| Transfer among line items | 175 | – | 175 |
| Other | 71 | (129) | (57) |
| Balance as of February 28, 2022 | 184,446 | 38,967 | 223,413 |

Accumulated depreciation and impairment

| | Self-owned assets | Right-of-use assets | Total |
|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen |
| Balance as of March 1, 2020 | (15,962) | (8,394) | (24,356) |
| Depreciation expense | (2,322) | (3,118) | (5,441) |
| Impairment loss | (130) | (47) | (177) |
| Sales or disposals | 54 | – | 54 |
| Transfer among line items | 1,509 | 6 | 1,516 |
| Other | 216 | 116 | 332 |
| Balance as of February 28, 2021 | (16,634) | (11,436) | (28,071) |
| Depreciation expense | (1,964) | (3,221) | (5,185) |
| Impairment loss | (805) | (83) | (888) |
| Sales or disposals | 426 | – | 426 |
| Transfer among line items | (154) | – | (154) |
| Other | – | 147 | 147 |
| Balance as of February 28, 2022 | (19,131) | (14,594) | (33,725) |

Carrying amounts and fair values

(Millions of yen)

| | As of February 28, 2021 | | As of February 28, 2022 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Investment property | 188,879 | 266,687 | 189,688 | 257,720 |

Fair value of investment property is based on real-estate appraisal by an external real-estate appraiser with recent experience in appraisal for the region where the property is located and the type of the property to be valued who holds certified professional qualifications and others. The appraisal is based on market evidence reflecting the transaction price of similar assets in accordance with valuation standards of the country where the property is located.

(2) Income and expenses from investment property

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Rental income | 16,027 | 17,054 |
| Direct operating expense | 10,271 | 10,398 |

The amounts of rental income from investment property and accompanying direct operating expense are included in "sales revenue" and "cost of sales," respectively, in the consolidated statement of income.

(3) Commitments

Please refer to "39. Commitments" for commitments related to purchase of investment property.

15. Impairment of Non-financial Assets

Non-financial assets are grouped based on the smallest cash-generating unit (principally stores) that generates cash inflows largely independent of those of other assets.

Impairment losses are recorded in "other operating expense" in the consolidated statement of income.

The breakdown of the assets for which impairment losses were recognized by segment is as follows:

Fiscal year ended February 28, 2021

(Millions of yen)

| Segment | Company name (Location) | Use | Type | Impairment loss |
|---|---|---|---|---|
| Department Store Business | Daimaru Matsuzakaya Department Stores Co. Ltd. (Kita-ku, Osaka, etc.) | Store, etc. | Buildings and structures | 6,883 |
| | | | Machinery and vehicles | 2 |
| | | | Furniture and fixtures | 41 |
| | | | Right-of-use assets | 3,386 |
| | | | Other | 44 |
| SC Business | PARCO Co., Ltd. (Matsumoto, Nagano, etc.) | Store, etc. | Buildings and structures | 1,171 |
| | | | Machinery and vehicles | 7 |
| | | | Furniture and fixtures | 24 |
| | | | Right-of-use assets | 1,204 |
| | | | Investment property | 54 |
| | NEUVE A Co., Ltd. (Shibuya-ku, Tokyo, etc.) | Store, etc. | Buildings and structures | 146 |
| | | | Furniture and fixtures | 156 |
| | | | Right-of-use assets | 341 |
| | | | Software | 56 |
| | | | Other | 7 |
| Developer Business | PARCO SPACE SYSTEMS Co., Ltd. (Tokorozawa, Saitama, etc.) | Office, etc. | Furniture and fixtures | 2 |
| | | | Right-of-use assets | 5 |
| Other | J. Front Foods Co., Ltd. (Chuo-ku, Tokyo, etc.) | Office, etc. | Buildings and structures | 138 |
| | | | Furniture and fixtures | 3 |
| | | | Software | 5 |
| | | | Other | 13 |
| | Daimaru Kogyo, Ltd. (Chuo-ku, Osaka, etc.) | Office, etc. | Buildings and structures | 16 |
| | | | Machinery and vehicles | 16 |
| | | | Furniture and fixtures | 6 |
| | | | Software | 46 |
| Adjustments (corporate) | J. FRONT RETAILING Co., Ltd. (Chuo-ku, Tokyo) | Other | Software | 343 |
| | | | Total | 14,122 |

Note: Since reportable segments have been changed from the fiscal year ended February 28, 2022, the figures for the fiscal year ended February 28, 2021 have been reclassified based on the new segment classifications.

1) With regard to the Department Store Business, principally because of decreased profitability of Daimaru Matsuzakaya Department Stores Co. Ltd.'s Daimaru Umeda store, the carrying amount of

buildings and structures, etc. was reduced to the recoverable amount and the reduction of ¥9,534 million was recognized as an impairment loss. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by a pre-tax discount rate of 3.7%, which was based on the WACC at the time of measurement, taking into account the future profitability and other factors.

2) With regard to the SC Business, principally because of decreased profitability of PARCO Co., Ltd.'s Matsumoto PARCO, the carrying amount of buildings and structures, etc. was reduced to the recoverable amount and the reduction of ¥783 million was recognized as an impairment loss. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by a pre-tax discount rate of 3.6%, which was based on the WACC at the time of measurement, taking into account the future profitability and other factors.

In addition, with regard to PARCO Co., Ltd.'s Tsudanuma PARCO for which the decision to cease operations was made, an impairment loss (¥925 million) was recorded as loss on business liquidation. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by a pre-tax discount rate of 3.4%, which was based on the WACC at the time of measurement, taking into account the future profitability and other factors.

There was no reversal of impairment losses recorded in the fiscal year ended February 28, 2021.

Fiscal year ended February 28, 2022

(Millions of yen)

| Segment | Company name (Location) | Use | Type | Impairment loss |
|---|---|---|---|---|
| Department Store Business | Daimaru Matsuzakaya Department Stores Co. Ltd. (Chuo-ku, Tokyo, etc.) | Investment property, etc. | Right-of-use assets | 6 |
| | | | Investment property | 106 |
| SC Business | PARCO Co., Ltd. (Funabashi, Chiba, etc.) | Store, etc. | Buildings and structures | 41 |
| | | | Machinery and vehicles | 2 |
| | | | Furniture and fixtures | 0 |
| | | | Right-of-use assets | 188 |
| | | | Software | 0 |
| Developer Business | PARCO Co., Ltd. (Osaka, Osaka, etc.) | Store, etc. | Furniture and fixtures | 0 |
| | | | Right-of-use assets | 76 |
| | | | Investment property | 698 |
| Other | Daimaru Kogyo, Ltd. (Chuo-ku, Osaka, etc.) | Office, etc. | Furniture and fixtures | 12 |
| | | | Software | 0 |
| | | | Total | 1,136 |

1) With regard to 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.

2) With regard to 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.

3) With regard to 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 amount 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.

There was no reversal of impairment losses recorded in the fiscal year ended February 28, 2022.

16. Investments Accounted for Using the Equity Method

Investments in associates

The carrying amount of investments in associates that are not individually material is as follows:

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Total carrying amount | 37,815 | 38,761 |

The Group's share of comprehensive income of associates that are not individually material is as follows:

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Share of profit | 717 | 1,364 |
| Share of other comprehensive income | (91) | 136 |
| Share of comprehensive income | 626 | 1,500 |

17. Joint Operations

In the Group, Daimaru Matsuzakaya Department Stores Co. Ltd., a subsidiary, works on the joint operation of GINZA SIX, a commercial facility located at Ginza 6-chome 10, running the joint operation with partners, namely L Real Estate S.C.A SICAR and SUMITOMO CORPORATION. With regard to revenue and expenses related to the operation of this commercial facility, including profit and loss based on tenant agreements, the amount corresponding to the ownership ratio of Daimaru Matsuzakaya Department Stores Co. Ltd. (68%), determined according to the ownership category of the commercial facility and other factors, was recognized.

18. Income Tax

(1) Deferred tax assets and liabilities

The breakdown of and changes in deferred tax assets and liabilities by major cause are as follows:

Fiscal year ended February 28, 2021

(Millions of yen)

| | Balance as of March 1, 2020 | Recognized in profit or loss | Recognized in other comprehensive income | Other (Note) | Balance as of February 28, 2021 |
|---|---|---|---|---|---|
| Deferred tax assets | | | | | |
| Retirement benefit liabilities | 5,810 | 1,534 | (164) | – | 7,180 |
| Allowance for credit losses | 665 | (50) | – | – | 614 |
| Non-current assets | 5,900 | (527) | – | – | 5,372 |
| Other financial assets | – | 85 | (31) | 6 | 60 |
| Asset retirement obligations | 1,061 | 883 | – | – | 1,944 |
| Tax loss carryforwards | 30 | 5,457 | – | – | 5,487 |
| Gain on adjustment of accounts payable | 4,714 | 520 | – | – | 5,235 |
| Long-term unearned revenue | 104 | 1 | – | – | 106 |
| Prepaid expense (Land leasehold right) | 2,972 | – | – | – | 2,972 |
| Lease liabilities | 62,469 | (2,885) | – | – | 59,584 |
| Other | 11,673 | (1,594) | (294) | – | 9,784 |
| Total | 95,401 | 3,425 | (490) | 6 | 98,343 |
| Deferred tax liabilities | | | | | |
| Non-current assets | 74,676 | 4,612 | – | (384) | 78,903 |
| Securities | 6,442 | (781) | (786) | – | 4,873 |
| Right-of-use assets | 62,445 | (6,208) | – | (3) | 56,233 |
| Other | 678 | 1,727 | 611 | (134) | 2,882 |
| Total | 144,243 | (650) | (175) | (522) | 142,893 |
| Net amount of deferred tax assets | (48,841) | 4,076 | (314) | 529 | (44,550) |

Note: Changes, etc. due to the sale of a consolidated subsidiary are included in “Other.”

Fiscal year ended February 28, 2022

(Millions of yen)

| | Balance as of March 1, 2021 | Recognized in profit or loss | Recognized in other comprehensive income | Other (Note) | Balance as of February 28, 2022 |
|---|---|---|---|---|---|
| Deferred tax assets | | | | | |
| Retirement benefit liabilities | 7,180 | (451) | (734) | – | 5,994 |
| Allowance for credit losses | 614 | 46 | – | (3) | 657 |
| Non-current assets | 5,372 | (717) | – | (1) | 4,653 |
| Other financial assets | 60 | 28 | (79) | – | 8 |
| Asset retirement obligations | 1,944 | (261) | – | – | 1,683 |
| Tax loss carryforwards | 5,487 | 1,142 | – | – | 6,630 |
| Gain on adjustment of accounts payable | 5,235 | 422 | – | – | 5,658 |
| Long-term unearned revenue | 106 | (7) | – | – | 98 |
| Prepaid expense (Land leasehold right) | 2,972 | 11 | – | – | 2,984 |
| Lease liabilities | 59,584 | (6,424) | – | 43 | 53,203 |
| Other | 9,784 | 5,654 | – | (284) | 15,154 |
| Total | 98,343 | (555) | (814) | (245) | 96,727 |
| Deferred tax liabilities | | | | | |
| Non-current assets | 78,903 | (3,287) | – | 0 | 75,616 |
| Securities | 4,873 | 199 | 435 | – | 5,508 |
| Right-of-use assets | 56,233 | (5,714) | – | (107) | 50,411 |
| Other | 2,882 | 5,821 | (23) | (2) | 8,679 |
| Total | 142,893 | (2,980) | 412 | (109) | 140,215 |
| Net amount of deferred tax assets | (44,550) | 2,424 | (1,226) | (136) | (43,488) |

Note: Changes, etc. due to the sale of a consolidated subsidiary are included in “Other.”

Deferred tax assets and liabilities in the consolidated statement of financial position are as follows:

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Deferred tax assets | 6,751 | 8,209 |
| Deferred tax liabilities | 51,301 | 51,697 |
| Net amount | (44,550) | (43,488) |

In recognizing deferred tax assets, the Group takes into account the possibility that tax loss carryforwards or deductible temporary differences can be utilized against future taxable profit. In the recoverability of deferred tax assets, the Group considers the scheduled reversal of deferred tax liabilities, projected future taxable profit and tax planning.

Based on the result of the above assessment of recoverability of deferred tax assets, some of the Group’s subsidiaries have not recognized deferred tax assets for certain tax loss carryforwards and deductible temporary differences. Tax loss carryforwards and deductible temporary differences for which deferred tax assets have not been recognized are as follows:

Major balances of deferred tax assets of the Group are related to the consolidated taxation group in which the Company is the consolidated parent corporation, and many of these deferred tax assets were recorded at Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd., which are domestic subsidiaries.

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Tax loss carryforwards | 12,310 | 5,297 |
| Deductible temporary differences | 54,097 | 45,082 |
| Total | 66,408 | 50,380 |

The deferral period of tax loss carryforwards for which deferred tax assets have not been recognized is as follows:

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| 1st year | – | – |
| 2nd year | – | – |
| 3rd year | – | – |
| 4th year | – | – |
| 5th year and after | 12,310 | 5,297 |
| Total | 12,310 | 5,297 |

The Company and some of its domestic subsidiaries decided in October 2021 to apply the consolidated taxation system effective from the fiscal year ending February 28, 2023 and applied for approval for the consolidated taxation system to the relevant authorities in November 2021, and the consolidated taxation system is to be applied from the next fiscal year. Accordingly, from the current fiscal year, the Company and some of its domestic subsidiaries have applied accounting treatment assuming the adoption of the said system. The above figures do not include the amounts of deductible temporary differences and unused tax losses for which deferred tax assets have not been recognized, related to local taxes (inhabitant tax and business tax), which are not subject to the said system. As of February 28, 2022, the amount of deductible temporary differences related to local taxes (inhabitant tax and business tax) was ¥56,515 million, and the amount of unused tax losses was ¥7,477 million.

As of February 28, 2021 and February 28, 2022, the total amount of temporary differences for investments in subsidiaries that were not recognized as deferred tax liabilities were ¥140,938 million and ¥130,448 million, respectively.

(2) Income tax

The breakdown of income tax is as follows:

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Current taxes: | | |
| Current period | 1,910 | 4,624 |
| Prior periods | (86) | 25 |
| Total current taxes | 1,824 | 4,650 |
| Deferred taxes: | | |
| Origination and reversal of temporary differences, etc. | (9,692) | 757 |
| Changes in unrecognized deferred tax assets | 5,616 | (3,182) |
| Total deferred taxes | (4,076) | (2,424) |
| Total | (2,251) | 2,225 |

(3) Reconciliation between effective tax rates

Differences between the effective statutory tax rate and average effective tax rate are as follows:

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| | % | % |
| Effective statutory tax rate | 30.6 | 30.6 |
| Entertainment expense | (0.3) | 1.4 |
| Bonuses for directors (and other officers) | (0.0) | 0.3 |
| Dividend income | 0.0 | (0.3) |
| Share of profit (loss) of investments accounted for using equity method | 0.8 | (6.8) |
| Unrecognized deferred tax assets | (23.2) | (5.1) |
| Consolidation adjustments for gain (loss) on sales of shares of subsidiaries | – | 10.3 |
| Difference from the applicable tax rate of subsidiaries | (0.3) | 4.8 |
| Other | 0.2 | 0.7 |
| Average effective tax rate | 7.9 | 36.0 |

19. Cash Flow Information

(1) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

Fiscal year ended February 28, 2021

| | | | Changes that do not affect cash flows | | | |
|---|---|---|---|---|---|---|
| | Balance as of March 1, 2020 | Changes that affect cash flows | New leases and changes in agreements | Changes in fair values | Other | Balance as of February 28, 2021 |
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Current borrowings | 71,000 | (13,000) | – | – | – | 58,000 |
| Commercial papers | 4,000 | 66,001 | – | – | – | 70,001 |
| Non-current borrowings | 103,510 | 58,600 | – | – | – | 162,110 |
| Bonds | 79,766 | (10,000) | – | – | 52 | 69,819 |
| Lease liabilities | 220,497 | (29,254) | 11,701 | – | (59) | 202,885 |
| Total | 478,773 | 72,346 | 11,701 | – | (6) | 562,815 |

Fiscal year ended February 28, 2022

| | Balance as of March 1, 2021 | Changes that affect cash flows | Changes that do not affect cash flows | | | Balance as of February 28, 2022 |
|---|---|---|---|---|---|---|
| | | | New leases and changes in agreements | Changes in fair values | Other | |
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Current borrowings | 58,000 | – | – | – | – | 58,000 |
| Commercial papers | 70,001 | (54,998) | – | – | – | 15,002 |
| Non-current borrowings | 162,110 | (17,150) | – | – | – | 144,960 |
| Bonds | 69,819 | 29,867 | – | – | 65 | 99,752 |
| Lease liabilities | 202,885 | (29,674) | 11,891 | – | (708) | 184,394 |
| Total | 562,815 | (71,955) | 11,891 | – | (642) | 502,109 |

(2) Non-cash transactions

Right-of-use assets acquired through leases are as follows:

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| | Millions of yen | Millions of yen |
| Right-of-use assets acquired through leases | 10,883 | 8,333 |

(3) Loss of control

1) Transfer of NEUVE A Co., Ltd.

(i) Overview of transaction

In accordance with the share transfer agreement concluded with Libra Invesco Co., Ltd. on May 10, 2021, PARCO Co., Ltd., a consolidated subsidiary of the Company, transferred all the shares of NEUVE A Co., Ltd. held by PARCO Co., Ltd. on June 30, 2021. Due to this transfer, the Company lost control of NEUVE A Co., Ltd.

(ii) The amounts of assets and liabilities disposed of

(Millions of yen)

| | Amount |
|---|---|
| Cash and cash equivalents | 650 |
| Other current assets | 3,085 |
| Non-current assets | 1,189 |
| Total assets | 4,924 |
| Current liabilities | 2,226 |
| Non-current liabilities | 402 |
| Total liabilities | 2,628 |

(iii) Cash flows arising from loss of control

(Millions of yen)

| | Amount |
|---|---|
| Cash and cash equivalents received as compensation for loss of control | 600 |
| Expenses related to transfer of a subsidiary | (79) |
| Cash and cash equivalents in a subsidiary of which the Company lost control | (650) |
| Payments for sales of shares of subsidiaries that result in change in scope of consolidation (Note) | (129) |

Note: Payments for sales of shares of subsidiaries that result in change in scope of consolidation are included in cash flows from (used in) investing activities in the consolidated statement of cash flows.

2) Transfer of Dimples' Co., Ltd.

(i) Overview of transaction

In accordance with the share transfer agreement concluded with WORLD HOLDINGS CO., LTD. on January 6, 2022, the Company transferred 90% of the total number of shares of Dimples' Co., Ltd. held by the Company on February 28, 2022. Due to this transfer, the Company lost control of Dimples' Co., Ltd.

(ii) The amounts of assets and liabilities disposed of

(Millions of yen)

| | Amount |
|---|---|
| Cash and cash equivalents | 309 |
| Other current assets | 760 |
| Non-current assets | 495 |
| Total assets | 1,565 |
| Current liabilities | 1,221 |
| Non-current liabilities | 149 |
| Total liabilities | 1,370 |

(iii) Cash flows arising from loss of control

(Millions of yen)

| | Amount |
|---|---|
| Cash and cash equivalents received as compensation for loss of control | 3,788 |
| Cash and cash equivalents in a subsidiary of which the Company lost control | (309) |
| Proceeds from sales of shares of subsidiaries that result in change in scope of consolidation (Note) | 3,479 |

Note: Proceeds from sales of shares of subsidiaries that result in change in scope of consolidation are included in cash flows from (used in) investing activities in the consolidated statement of cash flows.

## 20. Bonds and Borrowings

### (1) Breakdown of financial liabilities

The breakdown of "bonds and borrowings" and "other financial liabilities" is as follows:

| | As of February 28, 2021 | As of February 28, 2022 | Average interest rate (Note 1) | Repayment deadline |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | % | |
| Current borrowings | 75,150 | 73,150 | 0.29 | – |
| Commercial papers | 70,001 | 15,002 | – | – |
| Non-current borrowings | 144,960 | 129,810 | 0.38 | From March 2023 to May 2035 |
| Bonds (Note 2) | 69,819 | 99,752 | (Note 2) | (Note 2) |
| Guarantee deposits received | 39,555 | 37,790 | – | – |
| Other | 29,893 | 28,866 | – | – |
| Total | 429,379 | 384,372 | – | – |
| Current liabilities | 175,363 | 138,068 | – | – |
| Non-current liabilities | 254,016 | 246,304 | – | – |

Notes: 1. The average interest rates are weighted-average interest rates based on the contract interest rates and the closing balances for each borrowing.

2. Summary of issuing conditions of bonds is as follows:

(Millions of yen)

| Company name | Bond name | Date of issue | As of February 28, 2021 | As of February 28, 2022 | Interest rate (%) | Maturity date |
|---|---|---|---|---|---|---|
| J. FRONT RETAILING Co., Ltd. | 4th series of unsecured bonds | August 5, 2015 | 5,000 | 5,000 | 0.46 | August 5, 2022 |
| J. FRONT RETAILING Co., Ltd. | 5th series of unsecured bonds | August 4, 2017 | 15,000 | 15,000 | 0.16 | August 4, 2022 |
| J. FRONT RETAILING Co., Ltd. | 6th series of unsecured bonds | August 4, 2017 | 20,000 | 20,000 | 0.43 | August 4, 2027 |
| J. FRONT RETAILING Co., Ltd. | 7th series of unsecured bonds | May 22, 2019 | 20,000 | 20,000 | 0.20 | May 22, 2024 |
| J. FRONT RETAILING Co., Ltd. | 8th series of unsecured bonds | May 22, 2019 | 10,000 | 10,000 | 0.37 | May 22, 2029 |
| J. FRONT RETAILING Co., Ltd. | 9th series of unsecured bonds | May 26, 2021 | – | 15,000 | 0.17 | May 26, 2026 |
| J. FRONT RETAILING Co., Ltd. | 10th series of unsecured bonds | May 26, 2021 | – | 15,000 | 0.47 | May 26, 2028 |
| Total | | | 70,000 | 100,000 | 0.30 | |

Agreements on some of borrowings of the Group require the maintenance of specific financial ratios and net assets at a certain level.

The Group has complied with all the agreements on borrowings.

(2) Assets pledged as collateral

The Group has pledged corporate properties as collateral for borrowings, etc. Secured creditors have the right to receive the payment of their claims prior to other unsecured creditors with regard to the Group's properties.

Assets pledged as collateral for borrowings, etc. are as follows:

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Land | 5,290 | – |
| Buildings and structures | 2,288 | – |
| Other financial assets | 241 | 160 |
| Inventories | 83 | 81 |
| Total | 7,903 | 242 |

The corresponding obligations are as follows:

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Long-term borrowings | 225 | – |
| Trade and other payables | 110 | 177 |
| Total | 335 | 177 |

## 21. Trade and Other Payables

The breakdown of trade and other payables is as follows.

These are all classified as financial liabilities measured at amortized cost.

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Notes payable - trade | 2,276 | 2,353 |
| Accounts payable - trade | 61,741 | 62,937 |
| Accounts payable - other | 32,495 | 27,327 |
| Deposits received | 22,893 | 21,602 |
| Other | 2,530 | 1,886 |
| Total | 121,937 | 116,107 |

## 22. Employee Benefits

The Group has established defined benefit plans (such as a corporate pension fund plan and lump-sum retirement benefit plan) as employee retirement benefit plans, and certain consolidated subsidiaries have adopted defined contribution plans. In addition, the Group may pay extra retirement payments when employees retire before their normal retirement date. Certain consolidated subsidiaries have instituted a retirement benefit trust.

In regard to the corporate pension fund plan, the Group has obligations including paying contributions to the corporate pension fund under the Defined-Benefit Corporate Pension Act, etc. Directors of the fund have responsibilities including a duty of loyalty to faithfully execute operations related to managing and operating funds in the interests of the fund. In addition, it is stipulated that directors are forbidden from entering into any asset management contract aimed at serving the interests of a third party, and rules of conduct that include forbidding acts that create a conflict of interest are clarified.

The plan is mainly operated by a corporate pension fund that is independent from the Group. The board of representatives comprises the same number of representatives elected from among the employers (elected representatives) and representatives elected from among employees (mutually elected representatives), and the chairperson (president) of the board of representatives is elected from among the employers.

Decisions of the board of representatives are made by a majority of members in attendance, but in the case of a tie, the President, who is the Chairperson, has the authority to make a decision. However, it is stipulated that decisions related to particularly important matters shall be determined by a majority in excess of the above.

The board of representatives holds the authority to make decisions about all important matters, such as investment policies. Actual asset management is conducted by a managing trustee under an investment service agreement, and directions from the board of representatives regarding investment in individual securities, etc. are forbidden by laws and regulations.

The Company is required to pay contributions to the corporate pension fund and contributions are regularly reviewed within the range permitted by laws and regulations. While the Company is obligated to make contributions stipulated by the fund into the future, in addition to these contributions, it also funds a retirement benefit trust on a voluntary basis.

With regard to the lump-sum retirement benefit plan, the Company is obligated to pay benefits directly to the beneficiaries. There are no statutory requirements regarding funding.

(1) Defined benefit plans

The relationship between the present value of the defined benefit obligations and the fair value of the plan assets and the amounts recognized in the consolidated statement of financial position is as follows:

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Present value of funded defined benefit obligations | 25,291 | 23,729 |
| Fair value of plan assets | (36,043) | (35,179) |
| Subtotal | (10,752) | (11,450) |
| Present value of unfunded defined benefit obligations | 21,435 | 21,360 |
| Liabilities of defined benefit plans | 10,683 | 9,910 |
| Amounts in the consolidated statement of financial position | | |
| Retirement benefit liabilities | 19,781 | 19,416 |
| Retirement benefit assets | 9,098 | 9,506 |
| Net defined benefit liability or asset in the consolidated statement of financial position | 10,683 | 9,910 |

Changes in the present value of the defined benefit obligations are as follows:

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Present value of defined benefit obligations at beginning of period | 47,341 | 46,726 |
| Service cost | 1,652 | 1,480 |
| Interest expense | 79 | 190 |
| Remeasurements | | |
| Actuarial gains and losses arising from changes in demographic assumptions | (146) | (25) |
| Actuarial gains and losses arising from changes in financial assumptions | 802 | (148) |
| Benefits paid | (2,877) | (3,135) |
| Other | (125) | 1 |
| Present value of defined benefit obligations at end of period | 46,726 | 45,089 |

Changes in the fair value of the plan assets are as follows:

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Fair value of plan assets at beginning of period | 39,253 | 36,043 |
| Interest revenue | 60 | 143 |
| Remeasurements | | |
| Return on plan assets | 2,268 | 2,193 |
| Contributions by employer | 819 | 764 |
| Benefits paid | (2,360) | (2,265) |
| Return of trust assets | (4,000) | (1,700) |
| Other | 2 | – |
| Fair value of plan assets at end of period | 36,043 | 35,179 |

The fair value of each item of plan assets is as follows:

As of February 28, 2021

(Millions of yen)

| Items of plan assets | Assets with quoted market prices in active markets | Assets without quoted market prices in active markets | Total |
|---|---|---|---|
| Cash and cash equivalents | 1,704 | – | 1,704 |
| Domestic shares | 11,085 | 238 | 11,323 |
| Overseas shares | 3,888 | 249 | 4,137 |
| Jointly operated trusts (shares) | – | 684 | 684 |
| Domestic bonds | 353 | 7,758 | 8,112 |
| Overseas bonds | 120 | 2,588 | 2,708 |
| Jointly operated trusts (public and corporate bonds) | – | 1,149 | 1,149 |
| General accounts of life insurance companies | – | 5,444 | 5,444 |
| Other | – | 778 | 778 |
| Total | 17,151 | 18,891 | 36,043 |

As of February 28, 2022

(Millions of yen)

| Items of plan assets | Assets with quoted market prices in active markets | Assets without quoted market prices in active markets | Total |
|---|---|---|---|
| Cash and cash equivalents | 1,269 | – | 1,269 |
| Domestic shares | 12,092 | 283 | 12,376 |
| Overseas shares | 3,588 | 280 | 3,869 |
| Jointly operated trusts (shares) | – | 761 | 761 |
| Domestic bonds | 298 | 6,112 | 6,411 |
| Overseas bonds | 98 | 3,872 | 3,970 |
| Jointly operated trusts (public and corporate bonds) | – | 977 | 977 |
| General accounts of life insurance companies | – | 4,735 | 4,735 |
| Other | – | 808 | 808 |
| Total | 17,347 | 17,832 | 35,179 |

The Group’s management of plan assets is aimed at ensuring the necessary income over the long-term to reliably make pension and lump-sum payments into the future. Its investment policy to achieve this is fundamentally to make diversified investments after analyzing characteristics of risks and returns for each asset and taking into account correlations between respective assets.

Specifically, the Group develops the policy asset mix that is the optimal combination now and in the future after taking into account the expected rate of return and risks on eligible investments, and the managing trustee manages assets accordingly.

In regard to plan assets, the status of asset management is managed primarily by regularly reviewing the financial position of the plans, formulating long-term management policies, and monitoring the status of asset allocation.

The Group's pension funding is determined after taking into consideration various factors such as the allowable limit of deductible expenses under tax laws, the funding status of plan assets and actuarial calculations. Contributions to plan assets are intended to cover benefits for services already rendered, in addition to benefits for services to be rendered in future.

In accordance with the provisions of the Defined-Benefit Corporate Pension Act, the rules of the corporate pension fund stipulate that the amount of contributions shall be recalculated every three to five years with a record date of the fiscal year end, in order to preserve a balanced budget into the future. During the recalculation, the basic rates related to contributions (expected interest rates, expected mortality rates, expected withdrawal rates, expected salary increase indexes, expected number of new participants, etc.) are reviewed, and the appropriateness of the contributions is reverified.

The Group plans to pay contributions of ¥823 million in the fiscal year ending February 28, 2023.

The weighted average duration of the defined benefit obligations as of February 28, 2021 was 9.48 years.

The weighted average duration of the defined benefit obligations as of February 28, 2022 was 9.28 years.

The main actuarial assumptions used to calculate the present value of the defined benefit obligations are as follows:

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| | % | % |
| Discount rate | Mainly 0.3 | Mainly 0.4 |
| Anticipated rate of salary increase | Mainly 4.6 | Mainly 4.6 |

The sensitivity analysis is conducted based on changes in assumptions that are reasonably possible, as of the end of the fiscal year.

The sensitivity analysis is based on the premise that all actuarial assumptions remain constant other than the actuarial assumption that is the focus of the analysis, but in reality there is a possibility that changes in other actuarial assumptions may affect the sensitivity analysis.

If there are no other changes to assumptions, the sensitivity of defined benefit obligations at the end of each fiscal year to changes in the discount rate is as follows. Furthermore, the Group does not expect any changes in the anticipated rate of salary increase.

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Changes in discount rate | | |
| 0.5% increase | (2,094) | (1,981) |
| 0.5% decrease | 2,266 | 2,139 |

Amounts recognized as retirement benefit expense are as follows:

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Service cost | 1,652 | 1,480 |
| Net interest | 19 | 47 |
| Other | 76 | 122 |
| Total | 1,748 | 1,650 |

(2) Defined contribution plans

The amount recorded as expenses in relation to defined contribution plans is ¥4,575 million for the fiscal year ended February 28, 2021 and ¥4,479 million for the fiscal year ended February 28, 2022, and included in “cost of sales” and “selling, general and administrative expense” in the consolidated statement of income. The above amounts include the amount of the employer’s contribution to welfare pension insurance premiums.

(3) Extra retirement payments

Extra retirement payments may be provided when an employee retires prior to the normal retirement date.

The amount recorded as expenses in relation to extra retirement payments was ¥101 million in the fiscal year ended February 28, 2021 and ¥3,477 million in the fiscal year ended February 28, 2022, and included in “other operating expense” in the consolidated statement of income.

(4) Employee benefit expenses

The amount of employee benefit expenses was ¥61,307 million in the fiscal year ended February 28, 2021 and ¥62,009 million in the fiscal year ended February 28, 2022, and included in “cost of sales” and “selling, general and administrative expense” in the consolidated statement of income.

## 23. Provisions

The breakdown and changes of provisions are as follows:

(Millions of yen)

| | Asset retirement obligations | Provision for loss on business liquidation | Total |
|---|---|---|---|
| Balance as of March 1, 2020 | 3,952 | 1,956 | 5,908 |
| Increase during the period | 3,024 | 3,637 | 6,661 |
| Discounted interest expenses for the period | 43 | – | 43 |
| Decrease during the period (use) | (118) | (505) | (623) |
| Decrease during the period (reversal) | – | (102) | (102) |
| Other | (192) | (245) | (438) |
| Balance as of February 28, 2021 | 6,708 | 4,740 | 11,449 |
| Increase during the period | 122 | – | 122 |
| Discounted interest expenses for the period | 48 | – | 48 |
| Decrease during the period (use) | (362) | (443) | (805) |
| Decrease during the period (reversal) | (51) | (82) | (134) |
| Other | (123) | (48) | (172) |
| Balance as of February 28, 2022 | 6,342 | 4,165 | 10,507 |

The breakdown of provisions in the consolidated statement of financial position is as follows:

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Current liabilities | 914 | 954 |
| Non-current liabilities | 10,534 | 9,553 |
| Total | 11,449 | 10,507 |

(1) Asset retirement obligations

Asset retirement obligations are recorded at the estimated amount of restoration costs for rented stores, offices, etc. for which the Group has obligations to restore to original state at the time when the lease agreement is terminated. These expenses are expected to be mainly paid after one year or longer has passed from the end of the fiscal year, and will be affected by future business plans, etc.

(2) Provision for loss on business liquidation

An amount of loss is recorded for the cost of store dismantlement, etc. that is expected to be borne in the future as a result of business liquidation, store closure and store rebuilding. These expenses are expected to be mainly paid after store closure or rebuilding (within four years from the end of the fiscal year), but will be affected by changes in the surrounding environment and other factors.

## 24. Other Liabilities

The breakdown of other liabilities is as follows:

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Accrued bonuses | 3,794 | 4,504 |
| Accrued paid absences | 3,389 | 2,479 |
| Deferred income (Note) | 434 | 408 |
| Contract liabilities | 42,935 | 39,739 |
| Other accrued expense | 6,949 | 9,939 |
| Other | 3,182 | 2,734 |
| Total | 60,685 | 59,806 |
| Other current liabilities | 59,953 | 59,243 |
| Other non-current liabilities | 731 | 563 |

Note: The breakdown of deferred income in the fiscal year ended February 28, 2021 was ¥434 million in government grants.
The breakdown of deferred income in the fiscal year ended February 28, 2022 is ¥408 million in government grants.

## 25. Equity and Other Equity Items

### (1) Capital and share premium

Changes in the number of authorized shares, number of issued shares, and the balances of capital, etc. are as follows:

| | Number of authorized shares (Shares) | Number of issued shares (Shares) | Capital (Millions of yen) | Share premium (Millions of yen) |
|---|---|---|---|---|
| As of March 1, 2020 | 1,000,000,000 | 270,565,764 | 31,974 | 189,340 |
| Changes during the period | – | – | – | (797) |
| As of February 28, 2021 | 1,000,000,000 | 270,565,764 | 31,974 | 188,542 |
| Changes during the period | – | – | – | 351 |
| As of February 28, 2022 | 1,000,000,000 | 270,565,764 | 31,974 | 188,894 |

Note: All shares issued by the Company are ordinary shares with no restrictions and no par value. Issued shares are fully paid.

### (2) Treasury shares

Changes in the number and balance of treasury shares are as follows:

| | Number of shares (Shares) | Amount (Millions of yen) |
|---|---|---|
| As of March 1, 2020 | 8,862,367 | (14,974) |
| Changes during the period | (87,087) | 144 |
| As of February 28, 2021 | 8,775,280 | (14,830) |
| Changes during the period | (18,325) | 50 |
| As of February 28, 2022 | 8,756,955 | (14,780) |

Note: Treasury shares include shares of the Company owned by the officer remuneration BIP trust.

(3) Nature and purposes of share premium and retained earnings

1) Share premium

It is stipulated in the Companies Act of Japan ("Companies Act"), that at least 50% of the payment of certain issues of common shares shall be credited to capital. The remainder of the payment shall be credited to legal capital surplus included in share premium. In addition, the Companies Act permits, upon approval of the shareholders meeting, the transfer of amounts from legal capital surplus to capital.

2) Retained earnings

Under the Companies Act, 10% of the amount paid as dividends from surplus shall be reserved as legal capital surplus (an item of share premium) or legal retained earnings (an item of retained earnings), until the total amount of legal capital surplus and legal retained earnings reaches 25% of capital. The legal retained earnings may be used to eliminate or reduce a deficit, or may be reversed by resolution of the shareholders meeting.

(4) Nature and purposes of other components of equity

*Exchange differences on translation of foreign operations*

Exchange differences on translation of foreign operations represent the translation differences that occurred when consolidating financial statements denominated in a foreign currency for companies including foreign subsidiaries.

*Cash flow hedges*

The Group uses derivatives to hedge the risk of fluctuations in future cash flows. Cash flow hedges represent the effective portion of changes in fair value of derivative transactions designated as cash flow hedges.

*Financial assets measured through other comprehensive income*

Financial assets measured at fair value through other comprehensive income represent the changes in fair value of financial assets measured at fair value through other comprehensive income.

*Remeasurements of defined benefit plans*

Remeasurements of defined benefit plans are the effect of difference between actuarial assumptions as at the beginning of the period and actual results in defined benefit plans and the effect of changes in actuarial assumptions. They are recognized in other comprehensive income when incurred and immediately transferred from other components of equity to retained earnings.

## 26. Dividends

(1) Dividends paid

Fiscal year ended February 28, 2021

| Resolution | Class of shares | Total amount of dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Board of Directors meeting held on April 10, 2020 | Ordinary shares | 4,751 | 18.00 | February 29, 2020 | May 8, 2020 |
| Board of Directors meeting held on October 13, 2020 | Ordinary shares | 2,375 | 9.00 | August 31, 2020 | November 11, 2020 |

Note: Total amount of dividends resolved at the Board of Directors meeting held on April 10, 2020 includes ¥40 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Total amount of dividends resolved at the Board of Directors meeting held on October 13, 2020 includes ¥19 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Fiscal year ended February 28, 2022

| Resolution | Class of shares | Total amount of dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Board of Directors meeting held on April 13, 2021 | Ordinary shares | 4,751 | 18.00 | February 28, 2021 | May 7, 2021 |
| Board of Directors meeting held on October 12, 2021 | Ordinary shares | 3,700 | 14.00 | August 31, 2021 | November 11, 2021 |

Note: 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.

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 whose effective date belongs to the following fiscal year

Fiscal year ended February 28, 2021

| Resolution | Class of shares | Total amount of dividends (Millions of yen) | Dividends per share (Yen) | Record date | Effective date |
|---|---|---|---|---|---|
| Board of Directors meeting held on April 13, 2021 | Ordinary shares | 4,751 | 18.00 | February 28, 2021 | May 7, 2021 |

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

Fiscal year ended February 28, 2022

| 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 12, 2022 | Ordinary shares | 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.

## 27. Sales Revenue

### (1) Disaggregation of revenue

In accordance with IFRS 8 Operating Segments, the Group reports information about its four segments, namely "Department Store Business," "SC Business," "Developer Business" and "Payment and Finance Business." These reportable segments are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and assessing business results. Furthermore, the "Other" category is an operating segment not included as a reportable segment. It includes wholesaling, parking, leasing, etc.

The Group considers that the categories of these reportable segments can be used to meet the objective for the disaggregation disclosure requirement in paragraph 114 of IFRS 15. The following table shows the disaggregation of revenue in accordance with the above categories and includes the reconciliation representing how disaggregated revenue relates to each segment.

Revenue arising from these businesses is mainly recorded in accordance with contracts with customers, and the amount of sales revenue related to variable consideration, etc. is immaterial. In addition, the amount of promised consideration does not include any significant financing.

In addition, sales revenue in the fiscal year ended February 28, 2021 was prepared based on the reportable segment classifications after the change, and sales of the Corporate Sales Division and revenue attributable to the head office, which had been included in the relevant stores in the Department Store Business, prepared as other stores, etc. were disclosed.

| Segment | | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|---|
| | | Millions of yen | Millions of yen |
| | Daimaru<br>Osaka Shinsaibashi store | 16,285 | 19,158 |
| | Osaka Umeda store | 14,298 | 14,840 |
| | Tokyo store | 12,650 | 14,721 |
| | Kyoto store | 14,439 | 15,440 |
| | Kobe store | 18,645 | 21,233 |
| | Sapporo store | 13,084 | 14,708 |
| | Matsuzakaya<br>Nagoya store | 30,148 | 34,150 |
| | Ueno store | 6,837 | 7,529 |
| | Other stores, etc. | 47,441 | 48,956 |
| | Elimination of inter-segment revenue | (645) | (431) |
| Department Store Business | | 173,185 | 190,307 |
| | PARCO | 43,852 | 49,358 |
| | Other | 11,596 | 3,198 |
| | Elimination of inter-segment revenue | (571) | (971) |
| SC Business | | 54,877 | 51,585 |
| | PARCO | 7,736 | 8,130 |
| | PARCO SPACE SYSTEMS | 17,718 | 18,150 |
| | J. Front Design & Construction | 27,325 | 23,645 |
| | Other | 1,044 | 706 |
| | Elimination of inter-segment revenue | (11,314) | (9,935) |
| Developer Business | | 42,511 | 40,698 |
| | Payment and Finance Business | 9,035 | 11,037 |
| | Elimination of inter-segment revenue | (3,083) | (3,764) |
| Payment and Finance Business | | 5,952 | 7,273 |
| | Other | 62,559 | 61,755 |
| | Elimination of inter-segment revenue | (20,007) | (20,135) |
| Other | | 42,552 | 41,619 |
| Total | | 319,079 | 331,484 |

| | | | |
|---|---|---|---|
| | Revenue from contracts with customers | 267,861 | 274,803 |
| | Revenue arising from other sources | 51,217 | 56,680 |
| Sales revenue | | 319,079 | 331,484 |

Note: The "Department Store Business," "SC Business" and "Developer Business" categories include lease revenue based on IFRS 16, and the "Payment and Finance Business" category includes interest revenue based on IFRS 9. Lease revenue and interest revenue are included in "Revenue arising from other sources." The "Other" category is a business segment not included in reportable segments. It includes wholesaling, parking, leasing, etc.

1) Department Store Business

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

This business was greatly affected by shortened operating hours of stores, voluntary business restrictions and other factors due to the spread of COVID-19, thus resulting in a significant decline in sales revenue compared to before the spread of COVID-19 in both the previous fiscal year and the current fiscal year.

2) 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.

This business was greatly affected by temporary closures and shortened operating hours of PARCO stores, temporary closures of entertainment facilities, and other factors due to the spread of COVID-19, thus resulting in a significant decline in sales revenue compared to before the spread of COVID-19 in both the previous fiscal year and the current fiscal year.

3) Developer Business

The Developer Business carries out development, management, 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.

4) 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.

5) 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) Balance of contracts

Balance of contracts of the Group is as follows:

Fiscal year ended February 28, 2021

(Millions of yen)

| | As of March 1, 2020 | As of February 28, 2021 |
|---|---|---|
| Receivables from contracts with customers | 105,283 | 87,602 |
| Contract assets | 6,494 | 3,280 |
| Contract liabilities | 35,411 | 42,935 |

Fiscal year ended February 28, 2022

(Millions of yen)

| | As of March 1, 2021 | As of February 28, 2022 |
|---|---|---|
| Receivables from contracts with customers | 87,602 | 85,715 |
| Contract assets | 3,280 | 3,193 |
| Contract liabilities | 42,935 | 39,739 |

Notes: 1. Receivables from contracts with customers

Receivables from contracts with customers primarily consist of receivables in association with the use of credit cards issued by the Group, and the amount includes the amount collected on behalf of third parties as agent transactions. The collection period of these receivables is mainly within one to two months.

2. Contract assets

Contract assets are related to rights to considerations arising when the Group is to receive payments from customers in line with a series of performances, and are recognized mainly in association with contracted work agreements. For the completed part of work, the Group recognizes contract assets in advance, and they are transferred to trade receivables at the time when the customer conducts acceptance inspection and the invoice is sent.

Contract assets are included in trade and other receivables in the consolidated statement of financial position.

3. Contract liabilities

Contract liabilities are related to consideration received prior to performance under contracts and transferred to revenue at the time when the Group performs obligations under contracts.

Contract liabilities are included in other current liabilities in the consolidated statement of financial position.

Of contract liabilities at the end of the previous period, the amount recognized in revenue in the fiscal year ended February 28, 2022 was ¥21,112 million.

The decrease in contract liabilities in the fiscal year ended February 28, 2022 is mainly due to a decline because of completion of contracted work exceeding an increase as a result of a rise in annual membership fees for cards.

Regarding performance obligations satisfied or partially satisfied in prior periods, no amount was recognized in sales revenue in the fiscal years ended February 28, 2021 and February 28, 2022.

(3) Transaction price allocated to the remaining performance obligations

With regard to transaction price allocated to the remaining performance obligations, the Group will recognize revenue in accordance with progress toward completion of construction work, the actual use of gift certificates and points, and performance of services from membership fees. The total amount of transaction price allocated to the remaining performance obligations and the timing when revenue is expected to be recognized are as follows:

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Due within one year | 31,770 | 30,103 |
| Due after one year through two years | 4,175 | 11,419 |
| Due after two years | 5,184 | 9,207 |
| Total | 41,130 | 50,729 |

## 28. Other Operating Income

The breakdown of other operating income is as follows:

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Gain on sales of shares of subsidiaries | – | 3,951 |
| Gain on sales of non-current assets | 0 | 2,666 |
| Subsidies for employment adjustment | 2,574 | 399 |
| Other subsidies | – | 1,012 |
| Compensation income | 5 | – |
| Other | 3,131 | 3,038 |
| Total | 5,711 | 11,068 |

Notes:
1. Gain on sales of shares of subsidiaries for the fiscal year ended February 28, 2022, is a gain on the transfer of 90% of the shares of Dimples' Co., Ltd. to WORLD HOLDINGS CO., LTD. Gain on valuation at the time of measuring the remaining portion of 10% at fair value was ¥411 million and recognized as gain on sales of shares of subsidiaries.
2. Gain on sales of non-current assets for the fiscal year ended February 28, 2022, is mainly a gain on sales due to the sale of real estate holdings in the Developer Business.
3. The Company was eligible for subsidies for employment adjustment and other special measures due to the impact of COVID-19.

## 29. Cost of Sales

The breakdown of cost of sales is as follows:

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Cost of goods sold | 143,158 | 137,226 |
| Personnel expense | 12,713 | 14,552 |
| Depreciation expense | 19,737 | 21,965 |
| Other | 9,101 | 9,899 |
| Total | 184,711 | 183,642 |

## 30. Selling, General and Administrative Expense

The breakdown of selling, general and administrative expense is as follows:

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Personnel expense | 48,627 | 49,944 |
| Depreciation and amortization expense | 25,135 | 25,971 |
| Advertising expense | 7,996 | 9,189 |
| Operational costs | 6,117 | 6,677 |
| Other | 44,124 | 44,340 |
| Total | 132,001 | 136,123 |

(Changes in presentation)

"Rent expense," which was presented as a major expense item in the fiscal year ended February 28, 2021, has been reclassified as "Other" due to its immateriality. The amount for the fiscal year ended February 28, 2021, and the fiscal year ended February 28, 2022, is ¥2,105 million and ¥997 million, respectively.

## 31. Other Operating Expense

The breakdown of other operating expense is as follows:

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Loss on sales of shares of subsidiaries | – | 1,818 |
| Loss on disposals of non-current assets | 1,260 | 1,726 |
| Impairment loss | 13,196 | 1,136 |
| Costs associated with temporary closures | 11,473 | 3,146 |
| Structural reform costs | – | 3,802 |
| Loss on business liquidation | 4,663 | – |
| Other | 1,748 | 1,775 |
| Total | 32,343 | 13,406 |

Notes:
1. Loss on sales of shares of subsidiaries for the fiscal year ended February 28, 2022, was a loss on sale related to the transfer of all shares of NEUVE A Co., Ltd. to Libra Invesco Co., Ltd.
2. 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.
3. Structural reform costs in the fiscal year ended February 28, 2022, are mainly extra retirement payments due to the expanded voluntary early retirement program for Daimaru Matsuzakaya Department Stores Co. Ltd. and The Hakata Daimaru, Inc.

## 32. Finance Income and Finance Costs

The breakdown of finance income is as follows:

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Interest income | | |
| Financial assets measured at amortized cost | 759 | 1,127 |
| Dividend income | | |
| Equity financial assets measured at fair value through other comprehensive income | 203 | 208 |
| Total | 962 | 1,335 |

The breakdown of finance costs is as follows:

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Interest expense | | |
| Financial liabilities measured at amortized cost | 1,135 | 1,205 |
| Interest expenses related to lease liabilities | 4,445 | 4,009 |
| Other | 505 | 676 |
| Total | 6,086 | 5,890 |

## 33. Other Comprehensive Income

The amount arising during the period and reclassification adjustments to profit or loss for each item of other comprehensive income and tax effect are as follows:

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Financial assets measured at fair value through other comprehensive income | | |
| Amount arising during the period | (2,564) | 461 |
| Tax effect | 457 | (515) |
| Financial assets measured at fair value through other comprehensive income | (2,106) | (52) |
| Remeasurements of defined benefit plans | | |
| Amount arising during the period | 1,520 | 2,349 |
| Tax effect | (412) | (716) |
| Remeasurements of defined benefit plans | 1,107 | 1,632 |
| Share of other comprehensive income of entities accounted for using equity method | | |
| Amount arising during the period | (143) | 208 |
| Tax effect | 49 | (72) |
| Share of other comprehensive income of entities accounted for using equity method | (94) | 136 |
| Total items that will not be reclassified to profit or loss | (1,093) | 1,716 |
| Items that may be reclassified to profit or loss | | |
| Cash flow hedges | | |
| Amount arising during the period | 19 | (20) |
| Reclassification adjustments | – | – |
| Before tax effect | 19 | (20) |
| Tax effect | (6) | 6 |
| Cash flow hedges | 13 | (13) |
| Exchange differences on translation of foreign operations | | |
| Amount arising during the period | (26) | 151 |
| Reclassification adjustments | – | – |
| Before tax effect | (26) | 151 |
| Tax effect | (0) | – |
| Exchange differences on translation of foreign operations | (26) | 151 |
| Share of other comprehensive income of entities accounted for using equity method | | |
| Amount arising during the period | 3 | (0) |
| Reclassification adjustments | – | – |
| Before tax effect | 3 | (0) |
| Tax effect | (0) | (0) |
| Share of other comprehensive income of entities accounted for using equity method | 3 | (0) |
| Total items that may be reclassified to profit or loss | (9) | 136 |
| Total other comprehensive income | (1,102) | 1,853 |

## 34. Earnings Per Share

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Profit (loss) attributable to owners of parent (Millions of yen) | (26,193) | 4,321 |
| Adjustment to profit | – | – |
| Profit (loss) used to calculate diluted earnings per share (Millions of yen) | (26,193) | 4,321 |
| Average number of ordinary shares during the period (Shares) | 261,842,400 | 261,863,266 |
| Increase in the number of ordinary shares: | | |
| Officer remuneration BIP trust (Shares) | – | 66,841 |
| Average number of diluted ordinary shares during the period (Shares) | 261,842,400 | 261,930,107 |
| Basic earnings (loss) per share (Yen) | (100.03) | 16.50 |
| Diluted earnings (loss) per share (Yen) | (100.03) | 16.50 |

Notes: 1. The calculation of basic earnings (loss) per share and diluted earnings per share excludes the number of the Company's shares owned by the officer remuneration BIP trust from the average number of ordinary shares during the period because such shares are treated as the Company's treasury shares.

2. Diluted loss per share for the fiscal year ended February 28, 2021 is equal to basic loss per share because there are no potential shares that have dilutive effects.

## 35. Share-Based Payment

### (1) Share-based payment plan

1) Details of share-based payment plan

The Group has also adopted an officer remuneration BIP (Board Incentive Plan) trust (hereinafter the "BIP Trust") as a performance-linked share-based payment for officers of PARCO Co., Ltd., which had previously used a Share Distribution Trust, in addition to the Company and Daimaru Matsuzakaya Department Stores Co. Ltd., from June 2021. The BIP Trust, which is similar to performance share plans and restricted stock plans in the U.S. and Europe, is a system of granting the Company's shares to officers (in certain cases, the Company's shares are converted into cash within the trust and cash in the amount equivalent to their conversion value is paid) in accordance with the officers' rank and level of achievement of the Medium-term Business Plan, etc.

2) Number of points granted during the period and weighted average fair value of the points

In the assessment of fair value, a calculation is made based on the market price of shares adjusted after taking into account expected dividends. The number of points granted during the period and weighted average fair value of the points are as follows:

Fiscal year ended February 28, 2021

| | BIP Trust | | | Share Distribution Trust |
|---|---|---|---|---|
| | Short-term PS | Medium- to long-term PS | RS | |
| Number of points granted during the period | 37,560 | 126,490 | 33,491 | 59,981 |
| Weighted average fair value (Yen) | 1,483 | 1,475 | 1,475 | 1,850 |

Fiscal year ended February 28, 2022

(Former plan)

| | BIP Trust | | | Share Distribution Trust |
|---|---|---|---|---|
| | Short-term PS | Medium- to long-term PS | RS | |
| Number of points granted during the period | – | 41,005 | 33,491 | 11,772 |
| Weighted average fair value (Yen) | – | 1,475 | 1,475 | 1,850 |

(New plan)

| | BIP Trust | | |
|---|---|---|---|
| | Short-term PS | Medium- to long-term PS | RS |
| Number of points granted during the period | 84,857 | 138,857 | 23,079 |
| Weighted average fair value (Yen) | 989 | 922 | 922 |

Notes: 1. PS (Performance Share) is a share-based payment plan under which shares are granted when a predetermined performance target for a certain period is achieved. The Company's shares are granted to officers according to the level of annual achievement in performance each year for short-term PS and according to the level of achievement of the Medium-term Business Plan after the completion of the Medium-term Business Plan for medium- to long-term PS.

2. RS (Restricted Stock) is a share-based payment plan under which shares that have restrictions on transfer for a certain period are granted at the time of retirement in accordance with rank.

3. The Share Distribution Trust is a system of distributing shares at the time of retirement and paying the amount of cash equivalent to their conversion value.

(2) Share-based payment expense

The amounts recognized as share-based payment expense, which were included in the consolidated statement of income, were ¥(537) million in the fiscal year ended February 28, 2021 and ¥455 million in the fiscal year ended February 28, 2022.

## 36. Financial Instruments

(1) Capital management

The Group works to increase productivity and managerial efficiency as a group and conducts capital management with the aim of achieving sustained improvement in corporate value.

One of the major indicators monitored in the Group's capital management is the D/E ratio, and management uses this for monitoring and confirmation. Furthermore, the Group is not subject to any material capital regulations.

D/E ratio is as follows:

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Interest-bearing debt | 562,815 | 502,109 |
| Equity attributable to owners of parent | 352,171 | 350,368 |
| D/E ratio (%) | 1.60 | 1.43 |

(2) Financial risk management policy

In the course of its business activities, the Group is exposed to financial risks (credit risk, liquidity risk, foreign currency risk, and interest rate risk), and engages in risk management to reduce these financial risks.

The Group uses derivative transactions to avoid foreign currency fluctuation risk or interest rate fluctuation risk and, in accordance with its policy, does not carry out any speculative transactions.

1) Credit risk management

Credit risk is the risk that a business partner will default on contractual obligations and cause the Group to incur a financial loss.

To address this risk, each Group company carries out due date management and balance management for each business partner and seeks early identification and mitigation of collectability concerns.

The Group's receivables are from a number of business partners in a wide range of industries and regions.

The Group does not have credit risks overly concentrated in a single counterparty or a group to which the counterparty belongs.

The maximum exposure to credit risk on financial assets is the carrying amount after impairment presented in consolidated financial statements. The Group does not hold any properties as collateral or other credit enhancements in regard to exposure to these credit risks.

The Group considers whether or not there has been a significant increase in credit risk from the date of initial recognition, and establishes an allowance for credit losses. Specifically, when there is no significant increase in credit risk since initial recognition, expected credit losses for 12 months are measured as allowance for credit losses.

On the other hand, when there is a significant increase in credit risk since initial recognition, lifetime expected credit losses are measured as allowance for credit losses. Whether credit risk has significantly increased or not is determined based on changes in default risk. Regardless of the above, for trade receivables, lease receivables, etc. without a significant financing component, allowance for credit losses is measured at an amount equal to lifetime expected credit losses.

In the measurement of these expected credit losses, reasonable and supportable information that is available at the fiscal year end is used for past events, current situations and projection of future economic conditions such as credit loss experience in past years, status of delinquent receivables and financial conditions of creditors. Expected credit losses on financial assets for which credit risk has not increased significantly and trade receivables, etc. without a significant financing component are set altogether as a group and collectively assessed based on historical credit losses because they have largely homogeneous credit risk characteristics.

Expected credit losses on financial assets for which credit risk has increased significantly and credit-impaired financial assets are individually assessed, taking into account historical credit loss experience, future estimated collectible amount and others.

If a debtor does not make a payment within 90 days after the due date, the situation is considered as default.

When financial assets are assessed as fully or partially uncollectible and the Group determines, as a result of credit research, that it is appropriate to write off the assets, the Group directly writes off the carrying amount of the credit-impaired financial assets.

(i) Changes in allowance for credit losses

The Group considers whether or not there has been a significant increase in credit risk from the date of initial recognition, and establishes an allowance for credit losses.

Changes in allowance for credit losses are as follows:

(Millions of yen)

| | 12-month expected credit losses | Lifetime expected credit losses (Assessed collectively) | Lifetime expected credit losses (Assessed individually) | Credit-impaired financial assets (Lifetime expected credit losses) |
|---|---|---|---|---|
| Balance as of March 1, 2020 | 163 | 65 | 2,987 | 927 |
| Transfer to lifetime expected credit losses | (25) | – | 78 | (52) |
| Transfer to credit-impaired financial assets | (86) | – | (147) | 233 |
| Transfer to 12-month expected credit losses | 0 | – | (0) | (0) |
| Changes due to new arising and collection of financial assets | 78 | 1 | 265 | 266 |
| Financial assets that were derecognized during the period | – | (5) | – | (1) |
| Direct write-off | (0) | – | (98) | (379) |
| Changes in model/risk variables | – | – | – | – |
| Balance as of February 28, 2021 | 131 | 61 | 3,085 | 994 |
| Transfer to lifetime expected credit losses | (32) | – | 84 | (52) |
| Transfer to credit-impaired financial assets | (59) | – | (88) | 147 |
| Transfer to 12-month expected credit losses | 0 | – | (0) | (0) |
| Changes due to new arising and collection of financial assets | 76 | (21) | 240 | 213 |
| Financial assets that were derecognized during the period | (3) | – | (39) | (3) |
| Direct write-off | (0) | – | (92) | (463) |
| Changes in model/risk variables | – | – | – | – |
| Other | – | (0) | (1) | (1) |
| Balance as of February 28, 2022 | 111 | 38 | 3,187 | 835 |

(ii) The carrying amounts of financial assets by risk type (before deducting allowance for credit losses) are as follows:

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| | Millions of yen | Millions of yen |
| Financial assets measured at amortized cost, etc. (12-month expected credit losses) | 121,407 | 119,123 |
| Trade and other receivables (Lifetime expected credit losses) | 60,402 | 59,166 |
| Financial assets whose credit risk has increased significantly since initial recognition (Lifetime expected credit losses) | 4,136 | 4,526 |
| Credit-impaired financial assets (Lifetime expected credit losses) | 1,032 | 869 |

2) Liquidity risk management

Liquidity risk is the risk of failure to make payments on the due date when the Group is required to fulfill its payment obligations for financial liabilities due.

The Group manages liquidity risk with methods such as preparing monthly cash flow management plans at all companies, and securing sufficient liquidity on hand through commitment line contracts and overdraft contracts with its main financing banks.

The balance of financial liabilities (other than lease liabilities, etc.) by payment due date is as follows:

(Millions of yen)

| As of February 28, 2021 | Carrying amount | Contractual amount | Due within one year | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
|---|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | 121,937 | 121,937 | 121,937 | – | – | – | – | – |
| Current borrowings | 75,150 | 75,334 | 75,334 | – | – | – | – | – |
| Commercial papers | 70,001 | 70,000 | 70,000 | – | – | – | – | – |
| Non-current borrowings | 144,960 | 148,100 | 498 | 15,688 | 30,012 | 12,844 | 26,764 | 62,292 |
| Bonds | 69,819 | 71,091 | 211 | 20,187 | 164 | 20,144 | 124 | 30,260 |
| Other financial liabilities | 69,449 | 69,445 | 30,211 | 82 | 1,094 | 620 | 26 | 37,410 |
| Derivative financial liabilities | | | | | | | | |
| Forward exchange | – | – | – | – | – | – | – | – |
| Interest rate swaps | – | – | – | – | – | – | – | – |
| Total | 551,317 | 555,909 | 298,194 | 35,957 | 31,271 | 33,608 | 26,915 | 129,963 |

Notes: 1. Current borrowings include the current portion of non-current borrowings.
2. Receivables and liabilities resulting from derivative transactions are presented on a net basis.

(Millions of yen)

| As of February 28, 2022 | Carrying amount | Contractual amount | Due within one year | Due after one year through two years | Due after two years through three years | Due after three years through four years | Due after four years through five years | Due after five years |
|---|---|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | | | |
| Trade and other payables | 116,107 | 116,107 | 116,107 | – | – | – | – | – |
| Current borrowings | 73,150 | 73,300 | 73,300 | – | – | – | – | – |
| Commercial papers | 15,002 | 15,000 | 15,000 | – | – | – | – | – |
| Non-current borrowings | 129,810 | 132,397 | 482 | 30,012 | 12,844 | 26,764 | 17,662 | 44,629 |
| Bonds | 99,752 | 101,452 | 20,283 | 260 | 20,240 | 220 | 15,207 | 45,241 |
| Other financial liabilities | 66,657 | 66,679 | 29,915 | 1,034 | 535 | – | – | 35,193 |
| Derivative financial liabilities | | | | | | | | |
| Forward exchange | – | – | – | – | – | – | – | – |
| Interest rate swaps | – | – | – | – | – | – | – | – |
| Total | 500,480 | 504,937 | 255,090 | 31,307 | 33,620 | 26,984 | 32,870 | 125,064 |

Notes: 1. Current borrowings include the current portion of non-current borrowings.
2. Receivables and liabilities resulting from derivative transactions are presented on a net basis.

If funds are temporarily insufficient for the payment of trade payables, etc., the Group procures funds with the following financing methods. Fund procurement methods and the status of procurement in each fiscal year were as follows:

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Commitment line | | |
| Used | – | – |
| Unused | 300,000 | 200,000 |
| Total | 300,000 | 200,000 |
| Overdraft limit | | |
| Used | 40,000 | 40,000 |
| Unused | 141,030 | 141,030 |
| Total | 181,030 | 181,030 |
| Commercial paper issuance limit | | |
| Used | 70,000 | 15,000 |
| Unused | 30,000 | 85,000 |
| Total | 100,000 | 100,000 |

3) Foreign currency risk management

The Group conducts transactions denominated in foreign currencies and is exposed to the risk of fluctuations in exchange rates of foreign currencies against the Japanese yen, but this has immaterial effect on profit before tax.

4) Interest rate risk management

The Group is exposed to various interest rate fluctuation risks in the course of its business activities. Particularly, fluctuations in interest rates greatly affect borrowing costs.

To mitigate such interest rate fluctuation risks, the Group hedges the risks by conducting interest rate swap transactions and other means.

(3) Fair value of financial instruments

1) Calculation method of fair value

*(Cash and cash equivalents, trade and other receivables, other financial assets (current), trade and other payables, and other financial liabilities (current))*

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

Derivatives are measured as financial assets or liabilities measured at fair value through profit or loss based on prices presented by the counterparty financial institutions.

*(Other financial assets (non-current), and other financial liabilities (non-current))*

The fair value of listed shares is measured based on market prices at the last date of a fiscal year. The fair value of unlisted shares is measured by discounted future cash flows, valuation model based on profit and net assets, comparable company analysis method or the like.

Other financial assets or other financial liabilities measured at amortized cost mainly consist of lease and guarantee deposits paid or lease and guarantee deposits received, and their fair value is measured at present value calculated by discounting future cash flows at rates such as the current market interest rate.

*(Bonds and borrowings)*

Bonds and borrowings are measured by present value obtained by discounting future cash flows at interest rates that would be charged for a new similar borrowing.

2) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows.

Financial instruments measured at fair value and financial instruments whose carrying amount closely approximates fair value are not included in the following table.

| | As of February 28, 2021 | | As of February 28, 2022 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Financial assets: | | | | |
| Other financial assets (non-current) | 63,893 | 66,967 | 55,743 | 57,867 |
| Total | 63,893 | 66,967 | 55,743 | 57,867 |
| Financial liabilities: | | | | |
| Borrowings | 220,110 | 220,018 | 202,960 | 202,691 |
| Bonds | 69,819 | 69,387 | 99,752 | 99,475 |
| Other financial liabilities (non-current) | 39,237 | 39,189 | 36,741 | 36,686 |
| Total | 329,166 | 328,595 | 339,454 | 338,853 |

3) Fair value measurement

In regard to financial instruments measured at fair value, the fair value amounts measured are categorized into three levels, from Level 1 to Level 3, in accordance with the observability and materiality of inputs used in measurement.

Level 1: Market prices for identical assets or liabilities in active markets

Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using an observable price

Level 3: Fair value that is determined using a valuation technique including unobservable inputs

The fair value of financial instruments measured at fair value is as follows.

Any transfer between levels in the fair value hierarchy is recognized on each reporting date. In the fiscal years ended February 28, 2021 and February 28, 2022, there was no transfer between Level 1, Level 2 and Level 3.

As of February 28, 2021

Financial assets measured at fair value on a recurring basis

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Assets: | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Derivative financial assets | – | 27 | – | 27 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Other financial assets (non-current) | 4,427 | – | 18,549 | 22,976 |
| Total | 4,427 | 27 | 18,549 | 23,004 |
| Liabilities: | | | | |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Derivative financial liabilities | – | – | – | – |
| Total | – | – | – | – |

As of February 28, 2022

Financial assets measured at fair value on a recurring basis

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Assets: | | | | |
| Financial assets measured at fair value through profit or loss | | | | |
| Derivative financial assets | – | 7 | – | 7 |
| Financial assets measured at fair value through other comprehensive income | | | | |
| Other financial assets (non-current) | 3,334 | – | 20,899 | 24,233 |
| Total | 3,334 | 7 | 20,899 | 24,241 |
| Liabilities: | | | | |
| Financial liabilities measured at fair value through profit or loss | | | | |
| Derivative financial liabilities | – | – | – | – |
| Total | – | – | – | – |

4) Changes, from the beginning to the end of the period, in financial instruments whose fair value measurement is categorized within Level 3

Changes, from the beginning to the end of the period, in financial instruments whose fair value measurement is categorized within Level 3 are as follows:

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| | Millions of yen | Millions of yen |
| Balance at beginning of period | 21,471 | 18,549 |
| Other comprehensive income (Note) | (3,022) | 1,410 |
| Purchase | 100 | 549 |
| Sale | (0) | (30) |
| Other | – | 420 |
| Balance at end of period | 18,549 | 20,899 |

Note: Gains or losses included in other comprehensive income relate to financial assets measured at fair value through other comprehensive income as of the reporting date. These gains or losses are included in "financial assets measured at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

Financial instruments classified as Level 3 principally consist of unlisted shares. Fair value of unlisted shares is measured by the Group's department in charge using the latest figures available for each quarter in accordance with the Group's accounting policies and others, and reported together with the basis for changes in fair value to superiors and to management where necessary.

Illiquidity discount that is a significant unobservable input used for the measurement of fair value classified as Level 3 in the fair value hierarchy is 30% in the calculation.

A significant increase (decrease) in this input will cause a significant decrease (increase) in the fair value.

(4) Fair value hierarchy for assets and liabilities that are not measured at fair value but of which fair value has been disclosed

Fair values of financial instruments measured at amortized cost are as follows.

Financial instruments measured at fair value and financial instruments whose carrying amount closely approximates fair value are not included in the following tables.

(Millions of yen)

| As of February 28, 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Financial assets measured at amortized cost | | | | |
| Other financial assets (non-current) | – | 7,931 | 59,036 | 66,967 |
| Total | – | 7,931 | 59,036 | 66,967 |
| Liabilities: | | | | |
| Financial liabilities measured at amortized cost | | | | |
| Borrowings | – | 220,018 | – | 220,018 |
| Bonds | – | 69,387 | – | 69,387 |
| Other financial liabilities (non-current) | – | – | 39,189 | 39,189 |
| Total | – | 289,406 | 39,189 | 328,595 |

(Millions of yen)

| As of February 28, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Financial assets measured at amortized cost | | | | |
| Other financial assets (non-current) | – | 4,301 | 53,566 | 57,867 |
| Total | – | 4,301 | 53,566 | 57,867 |
| Liabilities: | | | | |
| Financial liabilities measured at amortized cost | | | | |
| Borrowings | – | 202,691 | – | 202,691 |
| Bonds | – | 99,475 | – | 99,475 |
| Other financial liabilities (non-current) | – | – | 36,686 | 36,686 |
| Total | – | 302,166 | 36,686 | 338,853 |

(5) Financial assets measured at fair value through other comprehensive income

The Group designates investments in equity instruments held in order to maintain and strengthen business relationships as financial assets measured at fair value through other comprehensive income in the light of the holding purpose.

1) Fair value of securities

In regard to investments in equity instruments designated as financial assets measured at fair value through other comprehensive income, the fair value of the main securities is as follows:

As of February 28, 2021

(Millions of yen)

| Securities | Amount |
|---|---|
| Asahi Properties Inc. | 4,875 |
| Takenaka Corporation | 4,243 |
| Toho Gas Co., Ltd. | 1,395 |
| Chunichi Shimbun Co., Ltd. | 986 |
| Nagashima Resort Co., Ltd. | 697 |
| Nagoya Dome Company, Limited | 682 |
| MBS MEDIA HOLDINGS, INC. | 638 |
| OSAKA GAS CO., LTD. | 591 |
| TOKAI TELEVISION BROADCASTING Co., Ltd. | 536 |
| Misonoza Theatrical Corporation | 504 |

As of February 28, 2022

(Millions of yen)

| Securities | Amount |
|---|---|
| Asahi Properties Inc. | 5,578 |
| Takenaka Corporation | 4,687 |
| Chunichi Shimbun Co., Ltd. | 975 |
| Toho Gas Co., Ltd. | 685 |
| OSAKA GAS CO., LTD. | 654 |
| MBS MEDIA HOLDINGS, INC. | 614 |
| Nagoya Dome Company, Limited | 601 |
| TOKAI TELEVISION BROADCASTING Co., Ltd. | 458 |
| Misonoza Theatrical Corporation | 427 |
| Japan Installment Deposit Guarantee Co., Ltd. | 420 |

2) Dividend income

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Investments derecognized during the period | 2 | 0 |
| Investments held at end of period | 200 | 207 |
| Total | 203 | 208 |

3) Financial assets measured at fair value through other comprehensive income derecognized during the period

The Group sells financial assets measured at fair value through other comprehensive income for the purpose of periodic portfolio revisions, management of risk assets and others. The fair value on the date of sale thereof and cumulative gain or loss on the sale (before tax) are as follows:

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Fair value on the date of sale | 77 | 183 |
| Cumulative gain (loss) on sale | 1 | 95 |

4) Transfer to retained earnings

The Group transfers cumulative gain or loss caused by fluctuations in the fair value of financial assets measured at fair value through other comprehensive income to retained earnings when the asset is derecognized. In the fiscal years ended February 28, 2021 and February 28, 2022, cumulative gain or loss (after tax) in other comprehensive income transferred to retained earnings were ¥(53) million and ¥86 million, respectively.

(6) Derivatives and hedges

1) Cash flow hedges

Cash flow hedges are hedges to avoid the risk of fluctuations in future cash flows. The Company utilizes forward exchange contracts to hedge fluctuations in cash flows for forecast transactions, and interest rate swaps and currency swaps to hedge fluctuations in cash flows related to floating-rate borrowings. Changes in fair value of derivative transactions designated as cash flow hedges are recognized as other comprehensive income, included in other components of equity, and transferred to profit (loss) when the hedged item is recognized as profit (loss).

The details of hedging instruments designated as cash flow hedges are as follows:

As of February 28, 2021

| | Contract value | With term exceeding one year | Carrying amount | | Line item in the consolidated statement of financial position | Changes in fair value used to calculate the ineffective portion of the hedge |
|---|---|---|---|---|---|---|
| | | | Assets | Liabilities | | |
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | | Millions of yen |
| Foreign currency risk | | | | | | |
| Forward exchange contracts | 2,163 | – | 27 | – | Other financial assets | – |
| Interest rate risk | | | | | | |
| Interest rate swaps | – | – | – | – | Other financial liabilities | – |

As of February 28, 2022

| | Contract value | With term exceeding one year | Carrying amount | | Line item in the consolidated statement of financial position | Changes in fair value used to calculate the ineffective portion of the hedge |
|---|---|---|---|---|---|---|
| | | | Assets | Liabilities | | |
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | | Millions of yen |
| Foreign currency risk | | | | | | |
| Forward exchange contracts | 1,871 | – | 7 | – | Other financial assets | – |
| Interest rate risk | | | | | | |
| Interest rate swaps | – | – | – | – | Other financial liabilities | – |

(7) Transfer of financial assets

The Group securitizes certain trade receivables through the transfer of shares. However, some of such securitized receivables impose an obligation to pay on the Group retrospectively if the debtor does not make a payment. Since these securitized receivables do not meet requirements for derecognition of financial assets, they are not derecognized.

As of February 28, 2021 and February 28, 2022, such transferred assets were recorded in “trade and other receivables” and the amount of money received arising at the time when the assets were transferred as related liabilities was recorded in “bonds and borrowings,” at ¥18,000 million in the fiscal year ended February 28, 2021 and ¥18,000 million in the fiscal year ended February 28, 2022.

37. Subsidiaries

Status of subsidiaries is as follows:

| Name | Location | Reportable segment | Equity ratio (%) | |
|---|---|---|---|---|
| | | | As of February 28, 2021 | As of February 28, 2022 |
| Daimaru Matsuzakaya Department Stores Co. Ltd. | Japan | Department Store Business | 100.0 | 100.0 |
| The Hakata Daimaru, Inc. | Japan | Department Store Business | 69.9 | 69.9 |
| Kochi Daimaru Co., Ltd. | Japan | Department Store Business | 100.0 | 100.0 |
| PARCO Co., Ltd. | Japan | SC Business<br>Developer Business | 100.0 | 100.0 |
| PARCO (SINGAPORE) PTE LTD | Singapore | SC Business | 100.0 | 100.0 |
| PARCO SPACE SYSTEMS Co., Ltd. | Japan | Developer Business | 100.0 | 100.0 |
| J. Front Design & Construction Co., Ltd. | Japan | Developer Business | 100.0 | 100.0 |
| PARCO Digital Marketing Co., Ltd. | Japan | Developer Business | 100.0 | 100.0 |
| JAPAN RETAIL ADVISORS Co., Ltd. | Japan | Developer Business | 100.0 | 100.0 |
| JFR Card Co., Ltd. | Japan | Payment and Finance Business | 100.0 | 100.0 |
| Daimaru Kogyo, Ltd. | Japan | Other (Wholesale) | 100.0 | 100.0 |
| Daimaru Kogyo International Trading (Shanghai) Co., Ltd. | China | Other (Wholesale) | 100.0 | 100.0 |
| Daimaru Kogyo (Thailand) Co., Ltd. | Thailand | Other (Wholesale) | 99.9 | 99.9 |
| Taiwan Daimaru Kogyo, Ltd. | Taiwan | Other (Wholesale) | 100.0 | 100.0 |
| Consumer Product End-Use Research Institute Co., Ltd. | Japan | Other (Merchandise test and quality control) | 100.0 | 100.0 |
| Angel Park Co., Ltd. | Japan | Other (Parking) | 50.2 | 50.2 |
| JFR Service Co. Ltd. | Japan | Other (Commissioned back-office service/parking and leasing) | 100.0 | 100.0 |
| JFR Information Center Co., Ltd. | Japan | Other (Information service) | 100.0 | 100.0 |
| Daimaru Matsuzakaya Tomonokai Co., Ltd. | Japan | Other (Specified prepaid transaction service) | 100.0 | 100.0 |

38. Related Parties

(1) Transactions with related parties

Notes related to transactions with related parties (excluding those eliminated in the consolidated financial statements) have been omitted because there were no significant transactions, etc.

(2) Remuneration for key management personnel

Description of the remuneration for Directors and other key management personnel of the Group is as follows:

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Officer remuneration | 1,685 | 1,675 |
| Retirement benefit | 1 | 1 |
| Share-based payment | (537) | 455 |
| Total | 1,149 | 2,132 |

39. Commitments

Commitments related to expenditures after the reporting date are as follows:

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Purchase of property, plant and equipment | 1,987 | 193 |
| Purchase of intangible assets | 3 | 219 |
| Purchase of investment property | – | 3,082 |
| Total | 1,990 | 3,495 |

40. Contingent Liabilities

Amount of guarantee obligations

The Group has provided guarantee for transactions, etc. between its employees and financial institutions as follows:

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Debt guarantees for employees | 2 | 1 |
| Total | 2 | 1 |

41. Subsequent Events

No items to report

42. Approval of Consolidated Financial Statements

These consolidated financial statements were approved by the President and Representative Executive Officer Tatsuya Yoshimoto on May 27, 2022.

### (2) Other

Quarterly financial information, etc. for the current fiscal year

| (Cumulative) | First three months | First six months | First nine months | Current fiscal year |
|---|---|---|---|---|
| Sales revenue (Millions of yen) | 74,097 | 157,333 | 237,479 | 331,484 |
| Profit (loss) before tax (Millions of yen) | (4,413) | (2,871) | 2,079 | 6,190 |
| Profit (loss) attributable to owners of parent (Millions of yen) | (3,062) | (1,995) | 3,669 | 4,321 |
| Basic earnings (loss) per share (Yen) | (11.70) | (7.62) | 14.01 | 16.50 |

| (Quarterly) | First quarter | Second quarter | Third quarter | Fourth quarter |
|---|---|---|---|---|
| Basic earnings (loss) per share (Yen) | (11.70) | 4.08 | 21.63 | 2.49 |

## 2. Non-consolidated Financial Statements, etc.

### (1) Non-consolidated Financial Statements

### 1) Non-consolidated Balance Sheet

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 117,810 | 85,030 |
| Short-term loans receivable from subsidiaries and associates | 26,244 | 49,074 |
| Other | 2,050 | 2,152 |
| Allowance for doubtful accounts | (340) | (370) |
| Total current assets | 145,764 | 135,887 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 90 | 77 |
| Other | 21 | 16 |
| Total property, plant and equipment | 111 | 94 |
| Intangible assets | | |
| Software | 205 | 553 |
| Total intangible assets | 205 | 553 |
| Investments and other assets | | |
| Investment securities | 1,159 | 1,660 |
| Shares of subsidiaries and associates | 377,358 | 377,268 |
| Long-term loans receivable from subsidiaries and associates | 151,000 | 124,000 |
| Deferred tax assets | – | 1,615 |
| Other | 636 | 479 |
| Allowance for doubtful accounts | (500) | (500) |
| Total investments and other assets | 529,654 | 504,524 |
| Total non-current assets | 529,972 | 505,172 |
| Deferred assets | | |
| Bond issuance costs | 180 | 247 |
| Total deferred assets | 180 | 247 |
| Total assets | 675,917 | 641,307 |

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Short-term borrowings | 56,925 | 55,150 |
| Commercial papers | 70,001 | 15,002 |
| Current portion of bonds | – | 20,000 |
| Accrued expenses | 626 | 616 |
| Income taxes payable | 135 | 356 |
| Provision for bonuses | 106 | 139 |
| Provision for bonuses for directors (and other officers) | 23 | 95 |
| Provision for officer remuneration BIP trust | – | 111 |
| Other | 1,883 | 2,393 |
| Total current liabilities | 129,701 | 93,864 |
| Non-current liabilities | | |
| Bonds payable | 70,000 | 80,000 |
| Long-term borrowings | 144,960 | 129,810 |
| Provision for officer remuneration BIP trust | 106 | 413 |
| Deferred tax liabilities | 3 | – |
| Other | 1,794 | 1,978 |
| Total non-current liabilities | 216,864 | 212,201 |
| Total liabilities | 346,565 | 306,066 |
| Net assets | | |
| Shareholders’ equity | | |
| Share capital | 31,974 | 31,974 |
| Capital surplus | | |
| Legal capital surplus | 9,474 | 9,474 |
| Other capital surplus | 239,601 | 239,400 |
| Total capital surplus | 249,075 | 248,874 |
| Retained earnings | | |
| Other retained earnings | | |
| Retained earnings brought forward | 62,398 | 68,200 |
| Total retained earnings | 62,398 | 68,200 |
| Treasury shares | (14,066) | (13,816) |
| Total shareholders’ equity | 329,382 | 335,233 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | (30) | 7 |
| Total valuation and translation adjustments | (30) | 7 |
| Total net assets | 329,351 | 335,241 |
| Total liabilities and net assets | 675,917 | 641,307 |

## 2) Non-consolidated Statement of Income

(Millions of yen)

| | | Fiscal year ended February 28, 2021 | | Fiscal year ended February 28, 2022 |
|---|---|---|---|---|
| Operating revenue | | | | |
| Dividend income | *1 | 9,210 | *1 | 10,482 |
| Consulting fee income | *1 | 4,602 | *1 | 5,000 |
| Total operating revenue | | 13,812 | | 15,482 |
| General and administrative expenses | *1, *2 | 4,264 | *1, *2 | 4,995 |
| Operating profit | | 9,547 | | 10,487 |
| Non-operating income | | | | |
| Interest income | *1 | 677 | *1 | 712 |
| Dividend income | *1 | 158 | *1 | 44 |
| Other | | 90 | | 22 |
| Total non-operating income | | 926 | | 779 |
| Non-operating expenses | | | | |
| Interest expenses | *1 | 644 | *1 | 672 |
| Interest on bonds | | 223 | | 284 |
| Amortization of bond issuance costs | | 52 | | 65 |
| Provision of allowance for doubtful accounts | *3 | 200 | *3 | 30 |
| Commitment fees | | 415 | | 574 |
| Other | | 88 | | 135 |
| Total non-operating expenses | | 1,624 | | 1,762 |
| Ordinary profit | | 8,849 | | 9,505 |
| Extraordinary income | | | | |
| Gain on sale of shares of subsidiaries and associates | | – | *7 | 3,644 |
| Total extraordinary income | | – | | 3,644 |
| Extraordinary losses | | | | |
| Loss on valuation of shares of subsidiaries and associates | *4 | 763 | | – |
| Loss on sale of shares of subsidiaries and associates | *5 | 241 | | – |
| Impairment losses | *6 | 343 | | – |
| Total extraordinary losses | | 1,348 | | – |
| Profit before income taxes | | 7,500 | | 13,149 |
| Income taxes - current | | 15 | | 518 |
| Income taxes - deferred | | (1) | | (1,622) |
| Total income taxes | | 13 | | (1,103) |
| Profit | | 7,487 | | 14,253 |

### 3) Non-consolidated Statement of Changes in Equity

Fiscal year ended February 28, 2021

(Millions of yen)

| | Shareholders' equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital surplus | | | Retained earnings | | Treasury shares | Total shareholders' equity |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Other retained earnings<br>Retained earnings brought forward | Total retained earnings | | |
| Balance at beginning of period | 31,974 | 9,474 | 239,601 | 249,075 | 62,038 | 62,038 | (14,210) | 328,878 |
| Changes during period | | | | | | | | |
| Dividends of surplus | | | | | (7,127) | (7,127) | | (7,127) |
| Profit | | | | | 7,487 | 7,487 | | 7,487 |
| Purchase of treasury shares | | | | | | | (4) | (4) |
| Disposal of treasury shares | | | (0) | (0) | | | 148 | 148 |
| Net changes in items other than shareholders' equity | | | | | | | | |
| Total changes during period | – | – | (0) | (0) | 360 | 360 | 144 | 504 |
| Balance at end of period | 31,974 | 9,474 | 239,601 | 249,075 | 62,398 | 62,398 | (14,066) | 329,382 |

| | Valuation and translation adjustments | | Total net assets |
|---|---|---|---|
| | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance at beginning of period | (7) | (7) | 328,871 |
| Changes during period | | | |
| Dividends of surplus | | | (7,127) |
| Profit | | | 7,487 |
| Purchase of treasury shares | | | (4) |
| Disposal of treasury shares | | | 148 |
| Net changes in items other than shareholders' equity | (23) | (23) | (23) |
| Total changes during period | (23) | (23) | 480 |
| Balance at end of period | (30) | (30) | 329,351 |

Fiscal year ended February 28, 2022

(Millions of yen)

| | Shareholders' equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital surplus | | | Retained earnings | | Treasury shares | Total shareholders' equity |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Other retained earnings: Retained earnings brought forward | Total retained earnings | | |
| Balance at beginning of period | 31,974 | 9,474 | 239,601 | 249,075 | 62,398 | 62,398 | (14,066) | 329,382 |
| Changes during period | | | | | | | | |
| Dividends of surplus | | | | | (8,452) | (8,452) | | (8,452) |
| Profit | | | | | 14,253 | 14,253 | | 14,253 |
| Purchase of treasury shares | | | | | | | (32) | (32) |
| Disposal of treasury shares | | | (0) | (0) | | | 82 | 82 |
| Disposal of treasury shares for share distribution trust | | | (200) | (200) | | | 583 | 383 |
| Purchase of treasury shares by share distribution trust | | | | | | | (383) | (383) |
| Net changes in items other than shareholders' equity | | | | | | | | |
| Total changes during period | – | – | (200) | (200) | 5,801 | 5,801 | 250 | 5,851 |
| Balance at end of period | 31,974 | 9,474 | 239,400 | 248,874 | 68,200 | 68,200 | (13,816) | 335,233 |

| | Valuation and translation adjustments | | Total net assets |
|---|---|---|---|
| | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance at beginning of period | (30) | (30) | 329,351 |
| Changes during period | | | |
| Dividends of surplus | | | (8,452) |
| Profit | | | 14,253 |
| Purchase of treasury shares | | | (32) |
| Disposal of treasury shares | | | 82 |
| Disposal of treasury shares for share distribution trust | | | 383 |
| Purchase of treasury shares by share distribution trust | | | (383) |
| Net changes in items other than shareholders' equity | 38 | 38 | 38 |
| Total changes during period | 38 | 38 | 5,889 |
| Balance at end of period | 7 | 7 | 335,241 |

**Notes to Non-consolidated Financial Statements**

(Notes on premise of going concern)

No items to report.

(Significant accounting policies)

1. Basis and method of valuation of assets
   (1) Shares of subsidiaries and associates

   Stated at cost using the moving-average method

   (2) Available-for-sale securities

   Securities with available fair market values

   Stated at fair value based on the market prices at the fiscal year-end (Valuation differences are included in net assets; cost of securities sold is determined by the moving-average method)

   Securities without available fair market values

   Stated at cost using the moving-average method

2. Basis and method of valuation of derivatives

   Derivatives

   Stated at fair value

3. Basis and method of valuation of inventories

   Supplies

   Stated at cost using the FIFO method (the book value is written down based on the decreased profitability)

4. Depreciation method of non-current assets
   (1) Property, plant and equipment (excluding leased assets)

   Straight-line method

   (2) Intangible assets (excluding leased assets)

   Straight-line method

   Internal use software is amortized using the straight-line method over the internally expected useful life (5 years).

   (3) Leased assets

   Leased assets in finance leases that do not transfer ownership are depreciated using the straight-line method with zero residual value assuming the lease periods as useful lives.

5. Accounting method for deferred assets

   Bond issuance costs

   Amortized using the straight-line method over the period until redemption

6. Accounting policy for provisions
   (1) Allowance for doubtful accounts

   To prepare for losses from bad debt, an estimated uncollectible amount is provided.

   (2) Provision for bonuses

   To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.

(3) Provision for bonuses for directors (and other officers)

To prepare for the payment of bonuses to corporate officers, the amount expected to be paid is provided.

(4) Provision for officer remuneration BIP trust

To prepare for the granting of the Company's shares through an officer remuneration BIP trust, the amount equivalent to the value of shares in proportion to the number of points awarded to officers in accordance with the Stock Benefit Rules is provided.

7. Hedge accounting method

(1) Hedge accounting method

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

(2) Hedging instruments and hedged items

(i) Hedging instruments

Interest rate swaps

(ii) Hedged items

Borrowings and interest expenses on borrowings

(3) Hedging policy

Based on the risk management policy, hedging is undertaken to hedge interest rate fluctuation risk.

(4) Method for assessing the hedge effectiveness

At the end of each fiscal year, hedge effectiveness with respect to the hedged items and hedging instruments is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate, and duration are identical between the assets or liabilities of hedged items and hedging instruments.

8. Accounting treatment for consumption taxes

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

Of consumption tax on assets that are not qualified for tax deductions, deferred consumption taxes stipulated under tax law are recorded in long-term prepaid expenses and amortized on a straight-line basis during a five-year period.

(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 taxation 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.

(Significant 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 “4. Significant Accounting Estimates and Judgments” in the notes to consolidated financial statements.

(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) from the current fiscal year, and has presented “Significant accounting estimates.”

However, in accordance with the transitional treatment set forth in the proviso to paragraph 11 of the accounting standard, information related to the previous fiscal year is not provided in this note.

(Notes to non-consolidated statement of income)

*1. Transactions with subsidiaries and associates

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Operating transactions | | |
| Operating revenue | 13,812 | 15,482 |
| General and administrative expenses | 591 | 595 |
| Non-operating transactions | 833 | 700 |

*2. Major components of general and administrative expenses

(Millions of yen)

| | Fiscal year ended February 28, 2021 | Fiscal year ended February 28, 2022 |
|---|---|---|
| Officer remuneration | 156 | 693 |
| Employees' salaries | 871 | 905 |
| Provision for bonuses | 106 | 139 |
| Provision for bonuses for directors (and other officers) | 23 | 95 |
| Retirement benefit expenses | 63 | 61 |
| Welfare expenses | 225 | 226 |
| Taxes and dues | 334 | 407 |
| Depreciation | 103 | 34 |
| Rent expenses | 317 | 287 |
| Operational costs | 500 | 606 |
| Miscellaneous expenses | 1,182 | 565 |

*3. Provision of allowance for doubtful accounts

Fiscal year ended February 28, 2021

Loans to the subsidiary and associate JFR Kodomo Mirai Co., Ltd. were recognized as provision of allowance for doubtful accounts.

Fiscal year ended February 28, 2022

Loans to the subsidiary and associate JFR Kodomo Mirai Co., Ltd. were recognized as provision of allowance for doubtful accounts.

*4. Loss on valuation of shares of subsidiaries and associates

Fiscal year ended February 28, 2021

Loss on valuation was recognized for shares of the subsidiary and associate J. Front Foods Co., Ltd.

*5 Loss on sales of shares of subsidiaries and associates

Fiscal year ended February 28, 2021

Loss on sale was recognized in association with the sale of shares in the subsidiary and associate J. Front Foods Co., Ltd.

*6 Impairment loss

Fiscal year ended February 28, 2021

Impairment losses pertaining to software were recognized.

*7 Gain on sale of shares of subsidiaries and associates

Fiscal year ended February 28, 2022

Gain on sale was recognized in association with the sale of shares in the subsidiary and associate Dimples' Co., Ltd.

(Notes on securities)

Shares of subsidiaries and associates

As of February 28, 2021

(Millions of yen)

| Category | Carrying amount | Fair value | Difference |
|---|---|---|---|
| Shares of subsidiaries | – | – | – |
| Total | – | – | – |

Note: Shares of subsidiaries and associates whose fair values are deemed to be extremely difficult to determine

(Millions of yen)

| Category | Carrying amount |
|---|---|
| Shares of subsidiaries | 367,211 |
| Shares of associates | 10,147 |

As of February 28, 2022

(Millions of yen)

| Category | Carrying amount | Fair value | Difference |
|---|---|---|---|
| Shares of subsidiaries | – | – | – |
| Total | – | – | – |

Note: Shares of subsidiaries and associates whose fair values are deemed to be extremely difficult to determine

(Millions of yen)

| Category | Carrying amount |
|---|---|
| Shares of subsidiaries | 367,121 |
| Shares of associates | 10,147 |

(Notes on tax effect accounting)

1. The breakdown of deferred tax assets and liabilities by major cause

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Deferred tax assets | | |
| Provision for bonuses | 32 | 42 |
| Accrued insurance expenses | 5 | 6 |
| Accrued enterprise tax | 41 | 83 |
| Tax loss carryforwards | 2,250 | 1,667 |
| Allowance for doubtful accounts for subsidiaries and associates | 257 | 266 |
| Loss on valuation of shares of subsidiaries and associates | 61 | 61 |
| Provision for officer remuneration BIP trust | 32 | 77 |
| Loss on impairment of non-current assets | 105 | 112 |
| Other | 65 | 69 |
| Subtotal deferred tax assets | 2,848 | 2,387 |
| Valuation allowance | (2,848) | (767) |
| Total deferred tax assets | – | 1,620 |
| Deferred tax liabilities | | |
| Asset retirement obligations | (3) | (1) |
| Valuation difference on available-for-sale securities | – | (3) |
| Total deferred tax liabilities | (3) | (4) |
| Net amount of deferred tax assets | (3) | 1,615 |

2. Reconciliation of significant difference between effective statutory tax rate and effective income tax rate after application of tax effect accounting

(Millions of yen)

| | As of February 28, 2021 | As of February 28, 2022 |
|---|---|---|
| Effective statutory tax rate (%) | 30.6 | 30.6 |
| (Adjustments) | | |
| Permanent non-taxable income for tax purposes (e.g. dividend income) | (37.7) | (24.3) |
| Permanent non-deductible expenses for tax purposes (e.g. entertainment expenses) | 0.0 | 0.0 |
| Per capita inhabitant tax | 0.0 | 0.0 |
| Valuation allowance | 6.6 | (15.0) |
| Other | 0.6 | 0.3 |
| Effective income tax rate after application of tax effect accounting | 0.0 | (8.3) |

(Notes on business combinations)

No items to report.

(Significant subsequent events)

No items to report

### 4) Annexed detailed schedules

[Annexed detailed schedule of property, plant and equipment, etc.]

(Millions of yen)

| Category | Type of assets | Balance at beginning of period | Increase during the period | Decrease during the period | Amortization during the period | Balance at end of period | Accumulated depreciation |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | Buildings and structures | 90 | 1 | – | 13 | 77 | 58 |
| | Other | 21 | 0 | – | 5 | 16 | 21 |
| | Total | 111 | 1 | – | 19 | 94 | 80 |
| Intangible assets | Software | 205 | 425 | 63 | 14 | 553 | – |
| | Total | 205 | 425 | 63 | 14 | 553 | – |

[Annexed detailed schedule of provisions]

(Millions of yen)

| Category | Balance at beginning of period | Increase during the period | Decrease during the period | Balance at end of period |
|---|---|---|---|---|
| Allowance for doubtful accounts | 840 | 60 | 30 | 870 |
| Provision for bonuses | 106 | 139 | 106 | 139 |
| Provision for bonuses for directors (and other officers) | 23 | 95 | 23 | 95 |
| Provision for officer remuneration BIP trust | 106 | 528 | 110 | 524 |

### (2) Components of major assets and liabilities

The information has been omitted as the consolidated financial statements are prepared.

### (3) Other

No items to report.

## VI. Outline of Share-Related Administration of Reporting Company

<table>
<tr><td>Fiscal year</td><td colspan="2">From March 1 to the last day of February</td></tr>
<tr><td>Annual Shareholders Meeting</td><td colspan="2">May</td></tr>
<tr><td>Record date</td><td colspan="2">Last day of February</td></tr>
<tr><td>Record dates for dividends of surplus</td><td colspan="2">Last day of February<br>August 31</td></tr>
<tr><td>Number of shares per share unit</td><td colspan="2">100 shares</td></tr>
<tr><td>Purchase of shares less than one unit<br>Office for handling business<br><br><br><br>Shareholder register administrator<br><br><br>Forwarding office<br>Handling charge for purchase</td><td colspan="2"><br>(Special account)<br>1-4-5 Marunouchi, Chiyoda-ku, Tokyo<br>Mitsubishi UFJ Trust and Banking Corporation<br>Stock Transfer Agency<br>(Special account)<br>1-4-5 Marunouchi, Chiyoda-ku, Tokyo<br>Mitsubishi UFJ Trust and Banking Corporation<br>–<br>No charge</td></tr>
<tr><td>Method of public notice</td><td colspan="2">The public notices of the Company shall be given by electronic means. Provided, however, in case of unavoidable circumstances such as an accident which prevent the use of the public notice by electronic means, they shall be placed in “The Nikkei” newspaper.</td></tr>
<tr><td rowspan="2">Special benefits for shareholders</td><td>(i)</td><td>For shareholders owning at least 100 shares as of the last day of February and new shareholders owning at least 100 shares as of August 31, the “Daimaru Matsuzakaya shopping courtesy card” which entitles cardholders to a 10% discount when shopping at marked price at department stores operated by Daimaru Matsuzakaya Department Stores Co., Ltd. (Daimaru Shinsaibashi store, Daimaru Umeda store, Daimaru Tokyo store, Daimaru Kyoto store, Daimaru Kobe store, Daimaru Suma store, Daimaru Ashiya store, Daimaru Sapporo store, Daimaru Shimonoseki store, Matsuzakaya Nagoya store, Matsuzakaya Takatsuki store, Matsuzakaya Ueno store, Matsuzakaya Shizuoka store), The Hakata Daimaru, Inc. (Fukuoka Tenjin store), and Kochi Daimaru Co., Ltd., will be issued on the following basis. For shareholders as of the last day of February, the courtesy cards will be issued in May, with an annual spending limit set according to the number of shares owned as described below. (Valid from mid-May (the date of delivery) until May 31 the following year)
<table>
<tr><td rowspan="2">Number of shares owned as of the end of February</td><td colspan="2">Spending limit</td></tr>
<tr><td>Duration of ownership: Less than 3 years</td><td>Duration of ownership: 3 years or more</td></tr>
<tr><td>100 to 499 shares</td><td>¥0.5 million per year</td><td>¥1.5 million per year</td></tr>
<tr><td>500 to 999 shares</td><td>¥1.0 million per year</td><td>¥2.0 million per year</td></tr>
<tr><td>1,000 to 3,999 shares</td><td>Additional ¥1.0 million for every 1,000 shares</td><td>Additional ¥1.0 million for every 1,000 shares</td></tr>
<tr><td>4,000 shares or more</td><td>¥5.0 million per year (upper limit)</td><td>¥6.0 million per year (upper limit)</td></tr>
</table>
For new shareholders as of August 31, the courtesy cards will be issued in November, with an annual spending limit according to the number of shares owned set at half of the above amounts. (Valid from mid-November (the date of delivery) until May 31 the following year)</td></tr>
<tr><td>(ii)</td><td>By presenting the “Daimaru Matsuzakaya shopping courtesy card,” shareholders may gain entry free of charge for themselves and a guest to cultural events subject to admission fees held at facilities operated by Daimaru Matsuzakaya Department Stores Co., Ltd. and PARCO CO., LTD. (gallery spaces in Sapporo, Shibuya, Nagoya, Shinsaibashi, Fukuoka, etc.).<br><br>Note: Complementary admission may not apply to all cultural events.</td></tr>
</table>

| | | |
|---|---|---|
| | (iii) | The Company will issue the "PARCO shopping courtesy card" (credit card) upon request from shareholders owning at least 100 shares of the Company as of the end of February and August 31. The credit card will entitle the holder to a 5% discount (excluding some shops, products, services, etc.) at point of purchase for shopping at stores in Japan operated by PARCO Co., Ltd. (Sapporo PARCO, Sendai PARCO, Urawa PARCO, Shintokorozawa PARCO, Tsudanuma PARCO, Shibuya PARCO, Ikebukuro PARCO, Kinshicho PARCO, Hibarigaoka PARCO, Kichijoji PARCO, Chofu PARCO, Shizuoka PARCO, Nagoya PARCO, Matsumoto PARCO, Shinsaibashi PARCO, Hiroshima PARCO, Fukuoka PARCO and PARCO_ya UENO) and via the PARCO ONLINE STORE e-commerce platform. (Valid from the date of delivery until May 31 the following year) |

Note: The Company stipulates the rights regarding shares less than one unit in its Articles of Incorporation. According to the stipulation, the holders of shares less than one unit shall not be entitled to exercise the rights of shareholders in connection with such shares less than one unit other than those rights listed below:

(1) Rights set forth in items of Article 189, paragraph (2) of the Companies Act;

(2) Right to make a demand pursuant to the provisions of Article 166, paragraph (1) of the Companies Act;

(3) Right to receive an allotment of offered shares and offered share acquisition rights in proportion to the number of shares held by the shareholder; and

(4) Right to demand the purchase of additional shares less than one unit.

## VII. Reference Information of Reporting Company

### 1. Information about parent company, etc. of reporting company

The Company does not have a parent company, etc. as prescribed in Article 24-7, paragraph (1) of the Financial Instruments and Exchange Act.

### 2. Other reference information

From the beginning of this fiscal year until the filing date of this Annual Securities Report, the Company has filed the following documents.

(1) Annual Securities Report and Attached Documents, and Written Confirmation

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

Filed to Director-General of Kanto Local Finance Bureau on May 28, 2021.

(2) Internal Control Report

Filed to Director-General of Kanto Local Finance Bureau on May 28, 2021.

(3) Quarterly Securities Reports and Written Confirmations

First quarter of the 15th fiscal year (from March 1, 2021 to May 31, 2021)

Filed to Director-General of Kanto Local Finance Bureau on July 14, 2021.

Second quarter of the 15th fiscal year (from June 1, 2021 to August 31, 2021)

Filed to Director-General of Kanto Local Finance Bureau on October 14, 2021.

Third quarter of the 15th fiscal year (from September 1, 2021 to November 30, 2021)

Filed to Director-General of Kanto Local Finance Bureau on January 13, 2022.

(4) Extraordinary Securities Reports

Filed to Director-General of Kanto Local Finance Bureau on May 28, 2021.

Extraordinary Securities Report based on Article 19, paragraph (2), item (ix)-2 (Results of Exercise of Voting Rights at the Shareholders Meeting) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

(5) Shelf Registration Statements (corporate bonds) and Attached Documents

Filed to Director-General of Kanto Local Finance Bureau on March 2, 2022.

(6) Amended Shelf Registration Statements

Filed to Director-General of Kanto Local Finance Bureau on May 28, 2021.

Amended Shelf Registration Statements pertaining to Shelf Registration Statement filed on January 30, 2020.

(7) Securities Registration Statements

Filed to Director-General of Kanto Local Finance Bureau on June 29, 2021.

(8) Amended Securities Registration Statements

Filed to Director-General of Kanto Local Finance Bureau on July 14, 2021.

Amended Securities Registration Statements pertaining to Securities Registration Statements filed on June 29, 2021.

## B. Information About Reporting Company's Guarantor, Etc.

No items to report.

# Independent Auditor's Report

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

## Opinion

We have audited the accompanying consolidated financial statements of J. FRONT RETAILING Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at February 28, 2022, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at February 28, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

## Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

| Valuation of non-financial assets in the Department Store Business and SC Business | |
|---|---|
| Description of Key Audit Matter | Auditor's Response |
| As described in "Note 4. Significant Accounting Estimates and Judgments" in the notes to the consolidated financial statements, J.FRONT RETAILING Co., Ltd. ("the Company") recorded property, plant and equipment of ¥237,310 million and ¥240,894 million, right-of-use assets of ¥85,641 million and | We mainly performed the following audit procedures to consider the valuation of non-financial assets in the Department Store Busines and SC Business.<br>・ We compared the duration of the expected future cash flows with the remaining useful lives of the related assets and other factors. |

| | |
|---|---|
| ¥59,784 million, intangible assets of ¥4,247 million and ¥1,596 million, and investment property of ¥113,343 million and ¥1,314 million, in its Department Store Business and SC Business, respectively, as of February 28, 2022. As profitability has declined due to changes in the business environment, the Department Store Business and SC Business also recognized impairment losses of ¥113 million and ¥234 million, respectively.<br><br>The Company operates its Department Store Business and SC Business as its main business. As a result of the global spread of COVID-19, the Company has been impacted by the deterioration in business results due to the temporary closures of stores and other factors. Given these circumstances, the Company determines whether there is an indication of impairment by asset or cash-generating unit and conducts impairment tests if there is an indication of impairment.<br><br>During impairment testing, the Company estimates the recoverable amount of the asset or cash-generating unit by its fair value less costs of disposal or its value in use. Since the value in use is higher than the fair value less costs of disposal, the recoverable amount is mainly measured at value in use, which is estimated as 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 from the ultimate disposal of the asset. The Company also takes into consideration factors such as the remaining useful life of the asset to estimate the duration of future cash flows.<br><br>Future cash flows are estimated based on business plans, key assumptions of which, as described in “Note 4. Significant Accounting Estimates and Judgments” in the notes to the consolidated financial statements, are forecasts of domestic consumer spending trends, outlook for a recovery in the demand for inbound tourism, the impact of COVID-19, and sales growth rates after implementing business plans. | ・ For the expected future cash flows, used to estimate the value in use of assets, we considered the consistency with business plans approved by management. We also compared business plans prepared in prior years with actual results to evaluate whether there were deviations in accounting estimates and to evaluate the accuracy of estimates by the Company.<br><br>・ For the key assumptions used to determine estimated future cash flows, which are forecasts of consumer spending trends, outlook for a recovery in the demand for inbound tourism, the impact of COVID-19, and sales growth rates after implementing business plans, we evaluated the key assumptions adopted by the Company by holding discussions with management and store managers to gain an understanding of and analyze the key assumptions, and by making comparisons with past trends and available external data.<br><br>・ We considered the consistency between the information used to calculate the discount rate and external information. |

| | |
|---|---|
| The valuation of non-financial assets in the Department Store Busines and SC Business has a potentially large impact on the consolidated financial statements, and the key assumptions above used to determine estimated future cash flows involve uncertainties, which require judgements by management. Therefore, we determined the valuation of non-financial assets in the Department Store Busines and SC Business to be a key audit matter. | |

| Recoverability of deferred tax assets ("DTAs") | |
|---|---|
| Description of Key Audit Matter | Auditor's Response |
| As disclosed in the consolidated statement of financial position, the Company recognized deferred tax assets ("DTAs") totaling ¥8,209 million as of February 28, 2022. As described in "Note 18. Income Tax" in the notes to the consolidated financial statements, the amount of DTAs before offsets against deferred tax liabilities is ¥96,727 million, which includes DTAs associated with tax loss carryforwards totaling ¥6,630 million.<br><br>The key balances of DTAs in the consolidated statement of financial position primarily relate to the consolidated tax return group, of which the Company is the ultimate parent, and are DTAs related to deductible temporary differences and tax loss carryforwards of its domestic subsidiaries, Daimaru Matsuzakaya Department Stores Co., Ltd. and PARCO Co., Ltd.<br><br>The Company recognizes DTAs to the extent that it is probable that taxable profit will be available against which deductible temporary differences and tax loss carryforwards can be utilized. Taxable income is based primarily on the sufficiency of taxable income on the basis of the consolidated tax return group, of which the Company is the ultimate parent, whether there are tax planning opportunities, and the | We mainly performed the following audit procedures to consider the recoverability of DTAs.<br><br>・ The DTAs mainly consist of deductible temporary differences and tax loss carryforwards belonging to the Company's domestic subsidiaries, Daimaru Matsuzakaya Department Stores Co., Ltd. and PARCO Co., Ltd. Therefore, we examined whether estimates of taxable income of Daimaru Matsuzakaya Department Stores Co., Ltd. and PARCO Co., Ltd. used in assessing the recoverability of DTAs are based on revenue plans approved by management in business plans, by comparing the estimates with business plans.<br><br>・ We compared business plans prepared in prior years, which were used to estimate the future taxable income at that time, with the actual results and evaluated the degree of accuracy of the estimated taxable income.<br><br>・ For the key assumptions used to determine estimated future taxable income, which are forecasts of domestic consumer spending trends, outlook for a recovery in the demand for inbound tourism, the impact of COVID-19, sales revenue that |

| | |
|---|---|
| sufficiency of taxable temporary differences.<br><br>Estimated taxable income in accordance with profitability is based on business plans, whose key assumptions, as described in "Note 4. Significant Accounting Estimates and Judgments" in the notes to the consolidated financial statements, are forecasts of domestic consumer spending trends, outlook for a recovery in the demand for inbound tourism, the impact of COVID-19, sales revenue that incorporates the effect of business plans, and expected operating income taking into account the effect of cost reductions from business restructuring.<br><br>The valuation of the recoverability of DTAs is based on estimates of future taxable income conducted by management. The underlying business plans involve uncertainties related to the key assumptions and subjective judgments by management. Therefore, we determined the recoverability of DTAs to be a key audit matter. | incorporates the effect of business plans, and expected operating income taking into account the effect of cost reductions from business restructuring, we evaluated the key assumptions adopted by the Company by holding discussions with management to gain a understanding and analyze the key assumptions in detail, and by comparing the assumptions with past trends and available external data.<br><br>• We considered assessments of uncertainties by management that reflect certain risks in the estimates of future taxable income.<br><br>• We considered the reversal schedule relating to the main balances of deductible temporary differences and tax loss carryforwards based on the consolidated taxation system by involving tax specialists from our network firm. |

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

May 27, 2022

/s/ Kazunori Takenouchi
Designated Engagement Partner
Certified Public Accountant

/s/ Yoshihisa Shibayama
Designated Engagement Partner
Certified Public Accountant

/s/ Dai Matsuura
Designated Engagement Partner
Certified Public Accountant