

April 11, 2023

Consolidated Financial Results
for the Fiscal Year Ended February 28, 2023
(under IFRS)

Company name: **J. FRONT RETAILING Co., Ltd.**
Listing: Tokyo Stock Exchange and Nagoya Stock Exchange
Securities code: 3086
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Scheduled date of annual general shareholders meeting: May 25, 2023
Scheduled date to commence dividend payments: May 2, 2023
Scheduled date to file Annual Securities Report: May 26, 2023
Preparation of supplementary material on financial results: Yes
Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Gross sales		Sales revenue		Business profit		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 28, 2023	998,755	15.3	359,679	8.5	24,854	112.1	19,059	103.2	16,873	172.6
February 28, 2022	865,919	12.5	331,484	3.9	11,718	395.1	9,380	–	6,190	–

Fiscal year ended	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
February 28, 2023	14,237	229.4	16,402	181.9	54.32	54.30
February 28, 2022	4,321	–	5,818	–	16.50	16.50

Fiscal year ended	Profit/shareholders' equity	Operating profit/total assets	Operating profit/sales revenue
	%	%	%
February 28, 2023	4.0	1.6	5.3
February 28, 2022	1.2	0.8	2.8

- * 1. Of sales revenue, sales from purchase recorded at the time of sale (shoka shiire) of the “Department Store Business” have been converted into gross amount and the net amount of sales of the “SC Business” into tenant transaction volume (gross amount basis) to calculate gross sales.
2. Business profit is obtained by subtracting cost of sales and selling, general and administrative expense from sales revenue. Operating profit is obtained by adding other operating income to and subtracting other operating expenses from business profit.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
February 28, 2023	1,120,953	371,410	359,385	32.1	1,370.43
February 28, 2022	1,192,907	362,120	350,368	29.4	1,337.29

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
February 28, 2023	65,480	(13,371)	(105,694)	39,874
February 28, 2022	49,866	(5,289)	(80,392)	93,278

2. Cash dividends

	Annual dividends					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends attributable to owners of parent (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
February 28, 2022	–	14.00	–	15.00	29.00	7,593	175.7	2.2
February 28, 2023	–	15.00	–	16.00	31.00	8,122	57.1	2.3
February 29, 2024 (Forecast)	–	16.00	–	17.00	33.00		33.9	

3. Consolidated earnings forecasts for the fiscal year ending February 29, 2024 (from March 1, 2023 to February 29, 2024)

(Percentages indicate year-on-year changes.)

	Gross sales		Sales revenue		Business profit		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First six months ending August 31, 2023	533,500	14.9	195,500	15.6	19,000	39.4	18,500	39.8	17,500	43.2
Fiscal year ending February 29, 2024	1,115,000	11.6	413,000	14.8	40,000	60.9	38,500	102.0	36,000	113.4

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	
First six months ending August 31, 2023	12,500	23.1	Yen 47.70
Fiscal year ending February 29, 2024	25,500	79.1	97.30

* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates

- a. Changes in accounting policies required by IFRS: None
- b. Changes in accounting policies due to other reasons: None
- c. Changes in accounting estimates: None

(3) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of February 28, 2023	270,565,764 shares
As of February 28, 2022	270,565,764 shares

b. Number of treasury shares at the end of the period

As of February 28, 2023	8,323,612 shares
As of February 28, 2022	8,565,722 shares

c. Average number of shares during the period

For the fiscal year ended February 28, 2023	262,075,939 shares
For the fiscal year ended February 28, 2022	261,863,266 shares

<Reference> Non-consolidated performance**Non-consolidated performance for the fiscal year ended February 28, 2023****(from March 1, 2022 to February 28, 2023)****(1) Non-consolidated operating results**

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 28, 2023	15,238	(1.6)	8,959	(14.6)	8,284	(12.8)	8,448	(40.7)
February 28, 2022	15,482	12.1	10,487	9.8	9,505	7.4	14,253	90.4

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
February 28, 2023	32.25	32.24
February 28, 2022	54.44	54.44

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
February 28, 2023	574,302	336,121	58.5	1,282.90
February 28, 2022	641,307	335,241	52.3	1,280.48

Reference: Equity

As of February 28, 2023: ¥336,121 million

As of February 28, 2022: ¥335,241 million

<Reason for difference compared with the previous fiscal year's actual non-consolidated performance>

Operating revenue and profit declined as a result of factors that include a decrease in dividend income and consulting fee income from subsidiaries, as well as the absence of gain on sales of shares of subsidiaries and associates recorded in the previous fiscal year.

*** Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.**

*** Proper use of earnings forecasts, and other special matters**

(Caution regarding forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. These statements do not purport that the Company pledges to realize such statements. Actual business and other results may differ substantially due to various factors. Please refer to "1. Operating results (1) Analysis of operating results" on page 3 of the material attached to this financial results report for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

(How to obtain supplementary material on financial results)

Supplementary material on financial results was disclosed on the same day on TDnet.

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1. Operating results

(1) Analysis of operating results

A. Operating results for the current fiscal year

(Millions of yen, %)	Fiscal year ended February 28, 2023	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Gross sales	998,755	132,836	15.3	23,755
Sales revenue	359,679	28,195	8.5	13,679
Gross profit	169,536	21,694	14.7	1,536
Selling, general and administrative expense	144,682	8,559	6.3	682
Business profit	24,854	13,136	112.1	854
Other operating income	4,540	(6,528)	(59.0)	740
Other operating expenses	10,336	(3,070)	(22.9)	6,036
Operating profit	19,059	9,679	103.2	(4,441)
Profit attributable to owners of parent	14,237	9,916	229.4	(1,763)

During the current fiscal year, while the Japanese economy has shown a gradual recovery centering on domestic demand as the effects of the novel coronavirus disease (COVID-19) gradually abate, geopolitical risks such as the situation in Ukraine have emerged, and economic instability, such as sharp fluctuations in exchange rates and rising prices, have persisted.

Corporate earnings have ebbed and flowed as social and economic activities began to normalize: although there were signs of improvement in earnings in the service sector and others as the demand recovered following the COVID-19 pandemic, production activity stagnated due to economic slowdown overseas, soaring resource prices and shortages in materials.

Turning to personal spending, while the impact of the COVID-19 began to diminish, primarily due to recovery in face-to-face service consumption and tourist demand from the middle of the fiscal year onward as restrictions on activities were eased, the outlook has grown increasingly uncertain as people grow more frugally minded due to factors including rising prices.

As to the progress of the FY2021-FY2023 Medium-term Business Plan, faced with the unprecedented business environment caused by the COVID-19 pandemic, the Company launched its Medium-term Business Plan (FY2021-FY2023), which focuses on sustainable management, for FY2021 onwards. This Business Plan positions this period as a time in which to achieve “complete recovery” from the COVID-19 crisis, in order to begin “regrowth” from FY2024.

In this, the second year of the Medium-term Business Plan, the impact of the COVID-19 pandemic and ensuing restrictions on activities which had been in place up to the previous fiscal year, began to diminish. In order to ensure that we are on the right track toward complete recovery, we have positioned this year as the year in which we will shift to “aggressive management” for regrowth in FY2024 and beyond, and have advanced the key strategies and measures set out in the plan.

Our commitment to sustainability primarily involved engaging in activities integrating our seven materiality issues (priority issues) with our key strategies, reducing greenhouse gas emissions based on our medium- to long-term targets, and seeking solutions to environmental and social challenges in cooperation with our suppliers.

Concerning the promotion of the key strategies and management structure reforms for “complete recovery” and “regrowth,” we have steadily advanced measures and strategic investments based on the key strategies, alongside management structure reforms which are the most important measures to achieve complete recovery.

Concerning the “real x digital strategy,” to make our stores more attractive, in the Department Store Business, in addition to expanding core categories, we promoted the creation of sales areas and stores utilizing the characteristics of each region and store. In the SC Business, we promoted major renovations

at our flagship stores, and expanded large-scale promotions at each store. In our initiatives using digital technology, we mainly promoted the digitalization of customer contact points by expanding app membership and increasing the sophistication of data usage, including discovery of potential customers.

Under our “prime life strategy,” in order to strengthen our response to the affluent market, together with our efforts mainly based on the “gaisho” (out-of-store sales) to expand our core categories and enhance our scarce merchandise and services offerings both in-store and online, we worked to expand our customer base.

Our “developer strategy” primarily involved development of large-scale multi-use facilities in Nagoya’s Sakae area and Osaka’s Shinsaibashi area, which are priority areas, and promoted a new investigation of redevelopment in partnership with local community and other companies in Fukuoka’ Tenjin area. In addition, we entered the residential real estate business to utilize our real estate holdings effectively.

Under “management structure reforms,” in addition to the effects of organizational and personnel structure reforms, fixed costs were reduced beyond the initial plan through the digitalization of advertising methods, joint Group purchasing of material and supplies, and a review of leased properties. In addition, to improve management and asset efficiency, we proceeded with the sale of non-business assets and decided to terminate operations at Matsumoto PARCO (scheduled for the end of February 2025).

At the same time, in order to accelerate efforts toward “regrowth” with a view to 2030, from current fiscal year the holding company has strengthened its functions for formulating and promoting management strategies such as “Group digital,” “Group CRE,” and “business portfolio transformation.”

Through these efforts, under the Group digital strategy we have worked to expand the Group’s customer base by analyzing and utilizing customer databases, develop new business plans utilizing digital technology, and formulate and implement a Group-wide digital human resource development plan.

For the Group CRE strategy, in addition to establishing basic policy and strategies to maximize the value of real estate holdings, we have decided to restructure our Developer Business in order to achieve further business growth by making prompt decisions from the perspective of overall group optimization.

In our efforts to transform our business portfolio, we established a CVC fund with the aim of creating new businesses through co-creation with startups, developing managerial human resources, and evolving into a corporate culture that encourages creation and challenge. Moreover, in order to enter the esports business, which is expected to grow in the future, and to create synergies with various businesses such as the SC business, we have acquired shares in XENOZ CO., Ltd.

To strengthen our management foundation in order to support the realization of medium- and long-term growth, under the Group human resource strategy, we strengthened investment in human resources by reinforcing recruitment of highly specialized human resources and development of their skills based on the key strategies, and by promoting cross-sectional projects across the Group to promote mid-career and young employees and women’s participation in the workplace. In addition, we promoted open staffing that reflects employees’ wishes and motivations, and group personnel exchanges that enhance the diversity of the organization and its human resources.

The Group’s financial strategy was to improve its financial position by securing free cash flow, optimizing cash and deposits on hand, and reducing interest-bearing debt, based on an assessment of changes in the business environment due to COVID-19 and the progress and outlook of business performance. In addition to efforts to improve return on invested capital (ROIC) in each business, a consolidated taxation system was introduced to strengthen tax governance and optimize tax costs.

Under the Group systems strategy, in addition to supporting the promotion of the key strategies in each business, we developed a group-wide accounting system to enhance business management, and strengthened our response to information security and business continuity.

As a result of various measures including those mentioned above, sales revenue was ¥359,679 million (up 8.5% year on year), with respect to consolidated earnings for the current fiscal year.

In addition to the improvement in sales revenue over the fiscal year, the effects of fixed cost reductions and cost savings resulted in business profit of ¥24,854 million (up 112.1% year on year). Despite the recording of an impairment loss on department stores and a PARCO store and a business liquidation loss on Matsumoto PARCO following the decision to terminate its operations, operating profit rose sharply to ¥19,059 million (up 103.2% year on year), profit before tax was ¥16,873 million (up 172.6% year on year), and profit attributable to owners of parent was ¥14,237 million (up 229.4% year on year).

Regarding dividends, the Company has decided to pay an annual dividend of ¥31 per share (¥29 in the previous fiscal year), for an increase of ¥2 relative to the previous fiscal year.

Business results by segment **<Department Store Business>**

(Millions of yen, %)	Fiscal year ended February 28, 2023	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Sales revenue	215,754	25,015	13.1	6,154
Business profit	12,834	11,036	613.7	934
Operating profit	7,529	12,123	–	(1,571)

As the impact of the pandemic and restrictions on activities began to diminish, mainly from the middle of the fiscal year onward, customer numbers and sales improved steadily as a result of strategic investment effects advanced during this period, as previously restrained consumption began to recover and the number of foreign visitors to Japan increased.

In terms of initiatives for the key strategies, in addition to expanding core categories such as luxury, watches, and art, we promoted the creation of attractive sales floors and stores by taking advantage of the characteristics of each store, such as building a large concentrated character zone at the Daimaru Umeda store.

In addition to promoting the digitalization of customer contact points through apps, our digital utilization efforts included the evolution of our customer policies, such as the identification of potential customers through data analysis and utilization. We have also launched “DEPACO,” a media commerce site for cosmetics that leverages the department stores’ strengths, including brick-and-mortar stores and sales service capabilities.

To strengthen our response to the affluent market, we worked to expand our customer base by expanding our core categories, creating high-quality store environments such as lounges for our loyal customers, and enhancing our scarce merchandise and services offerings both in-store and on our customer-exclusive website.

In our management structure reform initiatives, we reviewed our cost structure including creating effects from organizational and personnel structure reforms in anticipation of a new store operation model, reviewing areas for business process outsourcing.

As a result of various measures including those mentioned above, sales revenue was ¥215,754 million (up 13.1% year on year). Operating profit was ¥7,529 million despite the recording of an impairment loss on stores (operating loss of ¥4,594 million in the previous year) and returned to profitability.

<SC Business>

(Millions of yen, %)	Fiscal year ended February 28, 2023	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Sales revenue	54,361	1,805	3.4	(902)
Business profit	5,382	1,538	40.0	(234)
Operating profit	3,733	1,678	81.6	(2,460)

With a rebound from suspended store operations and restrictions imposed on entrance to entertainment venues in the previous fiscal year, and with personal spending turning toward recovery from the middle of the fiscal year onward, initiatives such as strategic remodeling of flagship stores and strengthened promotions have seen steady improvement in the number of customers visiting stores and tenant transaction volume.

In terms of initiatives to achieve the key strategies, in light of the changing times and changing lifestyles in the COVID-19 pandemic, Ikebukuro PARCO renovated its ground floor and expanded content with a high affinity to the area, while Nagoya PARCO has implemented large-scale renovations with the keywords “genderless” and “ageless.” In addition, unique pop-up stores, character collaboration projects, and joint projects through local partnerships were rolled out at each store. We also worked with tenants to expand app membership, and promoted core improvements such as improving the shopping experience in our physical and online stores. We ceased operations of Tsudanuma PARCO at the end of February 2023.

As a result of various measures including those mentioned above, sales revenue was ¥54,361 million (up 3.4% year on year). Despite loss on business liquidation and impairment loss on stores following the decision to terminate operations at Matsumoto PARCO (scheduled for the end of February 2025), operating profit was ¥3,733 million (up 81.6% year on year).

<Developer Business>

(Millions of yen, %)	Fiscal year ended February 28, 2023	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Sales revenue	54,670	4,037	8.0	(1,854)
Business profit	2,947	(187)	(6.0)	361
Operating profit	3,695	(1,016)	(21.6)	86

We pursued key strategies to maximize the use of the Group’s real estate holdings and transform our real estate portfolio. We entered the residential real estate business mainly for the development of non-commercial facilities that utilize our real estate holdings, and planned and implemented the development of large-scale multi-use facilities in priority areas where the Company has a solid foundation. Specifically, together with the “Nishiki 3-25 District Project (tentative name)” in Nagoya’s Sakae area and the “Shinsaibashi Project (tentative name)” in Osaka’s Shinsaibashi area, both of which are scheduled for completion and opening in 2026, promoted a new investigation of redevelopment in partnership with local community and other companies, with the aim of contributing to the creation of attractive, high-quality urban development in Fukuoka’s Tenjin area.

In addition, to achieve further business growth, we placed J. Front City Development Co., Ltd. directly under the holding company, and have decided to have J. Front City Development Co., Ltd. take over management of the developer business currently being managed by PARCO CO., LTD. Through this business restructuring, we will build a system for swift decision-making from the perspective of overall group optimization, while also further promoting the development and securing of specialist personnel, and the strengthening of governance by practicing corporate-level management and risk management that are optimal for the business.

As a result of the various measures including those mentioned above, despite the impact of the termination of operations at existing properties, sales revenue was ¥54,670 million (up 8.0% year on year) as a result of an increase in interior decorating/facility work, facility management services, etc.,

both within the Group and outside it. Operating profit was ¥3,695 million (down 21.6% year on year) due to a rebound from gain on sales of non-current assets and other factors in the previous fiscal year.

<Payment and Finance Business>

(Millions of yen, %)	Fiscal year ended February 28, 2023	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Sales revenue	12,889	1,852	16.8	90
Business profit	3,486	1,580	82.9	215
Operating profit	3,485	1,515	76.9	184

In the payment business, in addition to the recovery of transaction volume in the Department Store Business and at external affiliate stores, we worked to provide special experiences, such as holding special events for card members, in order to increase awareness of our unique point program (QIRA points). We also strengthened our Affiliate Store Business by improving the payment environment at the Group's commercial facilities.

In the finance business, in addition to strengthening the insurance agency business, we worked to expand our financial services, such as an investment trust savings service in collaboration with other companies.

As a result of various measures including those mentioned above, sales revenue was ¥12,889 million (up 16.8% year on year) and operating profit was ¥3,485 million (up 76.9% year on year).

<Other Businesses>

(Millions of yen, %)	Fiscal year ended February 28, 2023	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Sales revenue	55,922	(5,833)	(9.4)	4,175
Business profit	924	(328)	(26.2)	155
Operating profit	899	(300)	(25.0)	33

Wholesaler Daimaru Kogyo, Ltd. posted increases in both revenue and profit, mainly due to factors such as a recovery in orders received in the automotive components division. However, sales revenue fell to ¥55,922 million (down 9.4% year on year) and operating profit fell to ¥899 million (down 25.0% year on year) due to the exclusion of the personnel recruitment business from the scope of consolidation at the end of the previous fiscal year.

B. Consolidated earnings forecasts for the next fiscal year

In our full-year consolidated earnings forecasts for the fiscal year ending February 29, 2024, we project gross sales of ¥1,115,000 million, sales revenue of ¥413,000 million; business profit of ¥40,000 million; operating profit of ¥38,500 million; profit before tax of ¥36,000 million; and profit attributable to owners of parent of ¥25,500 million. Our forecast for basic earnings per share is ¥97.30.

(2) Analysis of financial position

A. Position of assets, liabilities, and equity

(Millions of yen, %)	As of February 28, 2022	As of February 28, 2023	Change in amount
Current assets	234,884	201,860	(33,024)
Non-current assets	958,022	919,092	(38,930)
Total assets	1,192,907	1,120,953	(71,954)
Current liabilities	347,413	317,953	(29,460)
Non-current liabilities	483,373	431,589	(51,784)
Total liabilities	830,787	749,542	(81,245)
Equity attributable to owners of parent	350,368	359,385	9,017
Ratio of equity attributable to owners of parent to total assets	29.4	32.1	2.7
Total equity	362,120	371,410	9,290

Total assets as of February 28, 2023 was ¥1,120,953 million, down ¥71,954 million compared with February 28, 2022. Total liabilities was ¥749,542 million, a decrease of ¥81,245 million compared with February 28, 2022. Interest-bearing debt (including lease liabilities) was ¥413,949 million, down ¥88,160 million as a result of the Company having conducted optimization of cash and deposits on hand secured to provide for effects of the pandemic, and having proceeded with repayment.

Total equity was ¥371,410 million, an increase of ¥9,290 million compared with February 28, 2022.

B. Cash flow position for the current fiscal year

(Millions of yen)	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Change in amount
Net cash flows from (used in) operating activities	49,866	65,480	15,614
Net cash flows from (used in) investing activities	(5,289)	(13,371)	(8,082)
Free cash flows	44,577	52,109	7,532
Net cash flows from (used in) financing activities	(80,392)	(105,694)	(25,302)
Net increase (decrease) in cash and cash equivalents	(35,815)	(53,585)	(17,770)
Cash and cash equivalents at end of period	93,278	39,874	(53,404)

The balance of cash and cash equivalents (hereinafter “cash”) as of February 28, 2023 was ¥39,874 million, down ¥53,404 million compared with February 28, 2022.

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

Net cash from operating activities was ¥65,480 million. In comparison with the previous fiscal year, cash provided increased by ¥15,614 million, largely due to the increased profit before tax.

Net cash used in investing activities was ¥13,371 million. In comparison with the previous fiscal year, cash used increased by ¥8,082 million, largely due to a rebound from proceeds from sales of investment property and subsidiary shares and other factors, in addition to an increase in purchase of property, plant and equipment.

Net cash used in financing activities was ¥105,694 million. Expenditures increased by ¥25,302 million compared to the previous fiscal year due to progress in repaying interest-bearing debt, including the redemption of bonds.

<Reference> Trends in cash flow indicators

	Fiscal year ended February 29, 2020	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Ratio of equity attributable to owners of parent to total assets (%)	31.2	27.9	29.4	32.1
Market value ratio of equity attributable to owners of parent to total assets (%)	24.2	21.1	21.1	29.5
Interest-bearing debt to cash flow ratio (%)	652.7	996.6	1,006.9	632.2
Interest coverage ratio (times)	12.4	9.4	8.6	12.7

Ratio of equity attributable to owners of parent to total assets: total equity attributable to owners of parent / total assets

Market value ratio of equity attributable to owners of parent to total assets: market capitalization / total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt / cash flow

Interest coverage ratio: cash flow / paid interest

- Notes:
1. All indicators are calculated based on consolidated financial figures.
 2. Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of issued shares at the end of the period (excluding treasury shares).
 3. The figure used for cash flow is “net cash from (used in) operating activities.”
 4. Interest-bearing debt consists of current borrowings, commercial papers, current portion of bonds, lease liabilities (short-term), bonds, non-current borrowings and lease liabilities (long-term) recorded on the consolidated statement of financial position. Furthermore, regarding the paid interest, we use the interest paid recorded on the consolidated statement of cash flows.

(3) Basic policy on profit distribution and dividends for the current fiscal year and the next fiscal year

The Company's basic policy is to return profits appropriately in accordance with a targeted consolidated dividend payout ratio of 30% or more while striving to provide a stable dividend, with the aim of maintaining and enhancing the Company's sound financial standing while keeping profit levels, future capital investment, free cash flow trends and other such factors in consideration. The Company also considers carrying out purchases of its own shares as appropriate in accordance with such aims as improving capital efficiency and implementing a flexible capital policy.

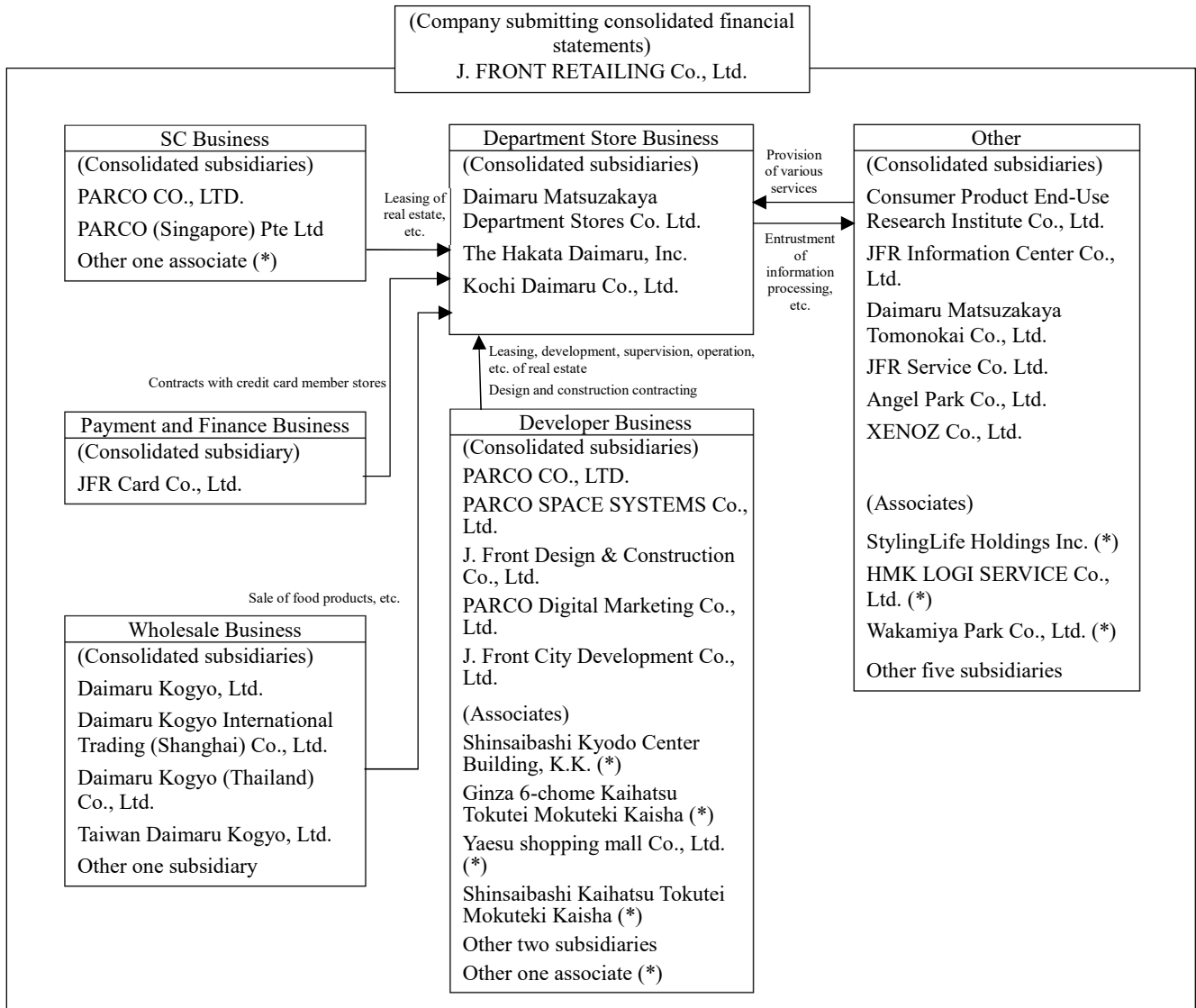
With respect to internal reserves, the Company intends to enhance corporate value by using them for such purposes as investing in store refurbishments and business expansions to strengthen its sales power, as well as strengthening its financial standing.

The Company has decided to pay an annual dividend of ¥31 per share in the current fiscal year, comprising an interim dividend of ¥15 per share and a year-end dividend of ¥16 per share.

In the next fiscal year, the Company plans to pay an annual dividend of ¥33 per share, comprising an interim dividend of ¥16 per share and a year-end dividend of ¥17 per share.

2. Overview of the corporate group

The corporate group consists of the Company, 28 subsidiaries and nine associates. 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, parking, and leasing. The following is a business organization chart of the Group's main consolidated subsidiaries and equity method companies.



- 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. On October 27, 2022, the Company accepted all shares of JAPAN RETAIL ADVISORS Co., Ltd., from PARCO CO., LTD., and changed its trade name to J. Front City Development Co., Ltd.
 4. On December 1, 2022, the Company acquired shares of XENZO Co., Ltd. and made it a consolidated subsidiary.

3. Basic rational on selection of accounting standard

The Group has voluntarily adopted the International Financial Reporting Standards (IFRS) from the fiscal year ended February 28, 2018 for the purpose of implementing effective management based on appropriate asset evaluation, applying business management that gives emphasis to the profit of the current period and improving the convenience of overseas investors by improving the international comparability of financial information.

4. Consolidated financial statements and significant notes thereto

(1) Consolidated statement of financial position

	As of February 28, 2022	As of February 28, 2023
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	93,278	39,874
Trade and other receivables	112,262	129,121
Other financial assets	11,929	10,836
Inventories	12,459	16,932
Other current assets	4,954	5,094
Total current assets	234,884	201,860
Non-current assets		
Property, plant and equipment	480,380	469,401
Right-of-use assets	140,470	119,501
Goodwill	523	995
Investment property	189,688	187,247
Intangible assets	7,289	7,797
Investments accounted for using equity method	38,761	41,402
Other financial assets	79,977	79,711
Deferred tax assets	8,209	3,137
Other non-current assets	12,721	9,897
Total non-current assets	958,022	919,092
Total assets	1,192,907	1,120,953

	As of February 28, 2022	As of February 28, 2023
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and borrowings	108,152	63,530
Trade and other payables	116,107	133,835
Lease liabilities	28,554	28,411
Other financial liabilities	29,915	29,975
Income tax payables	4,485	1,527
Provisions	954	2,397
Other current liabilities	59,243	58,276
Total current liabilities	<u>347,413</u>	<u>317,953</u>
Non-current liabilities		
Bonds and borrowings	209,562	185,593
Lease liabilities	155,839	136,414
Other financial liabilities	36,741	35,290
Retirement benefit liabilities	19,416	16,754
Provisions	9,553	8,699
Deferred tax liabilities	51,697	48,366
Other non-current liabilities	563	469
Total non-current liabilities	<u>483,373</u>	<u>431,589</u>
Total liabilities	<u>830,787</u>	<u>749,542</u>
Equity		
Capital	31,974	31,974
Share premium	188,894	189,068
Treasury shares	(14,780)	(14,466)
Other components of equity	9,574	10,654
Retained earnings	134,705	142,153
Total equity attributable to owners of parent	<u>350,368</u>	<u>359,385</u>
Non-controlling interests	<u>11,751</u>	<u>12,025</u>
Total equity	<u>362,120</u>	<u>371,410</u>
Total liabilities and equity	<u><u>1,192,907</u></u>	<u><u>1,120,953</u></u>

(2) Consolidated statement of income and consolidated statement of comprehensive income

(Consolidated statement of income)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
	Millions of yen	Millions of yen
Sales revenue	331,484	359,679
Cost of sales	(183,642)	(190,142)
Gross profit	147,842	169,536
Selling, general and administrative expense	(136,123)	(144,682)
Other operating income	11,068	4,540
Other operating expenses	(13,406)	(10,336)
Operating profit	9,380	19,059
Finance income	1,335	871
Finance costs	(5,890)	(5,218)
Share of profit (loss) of investments accounted for using equity method	1,364	2,161
Profit before tax	6,190	16,873
Income tax expense	(2,225)	(2,611)
Profit	3,964	14,262
Profit attributable to:		
Owners of parent	4,321	14,237
Non-controlling interests	(356)	25
Profit	3,964	14,262
Earnings per share		
Basic earnings per share (Yen)	16.50	54.32
Diluted earnings per share (Yen)	16.50	54.30

(Consolidated statement of comprehensive income)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
	Millions of yen	Millions of yen
Profit	3,964	14,262
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(52)	823
Remeasurements of defined benefit plans	1,632	1,176
Share of other comprehensive income of entities accounted for using equity method	136	(7)
Total items that will not be reclassified to profit or loss	1,716	1,992
Items that may be reclassified to profit or loss		
Cash flow hedges	(13)	(1)
Exchange differences on translation of foreign operations	151	144
Share of other comprehensive income of entities accounted for using equity method	(0)	4
Total items that may be reclassified to profit or loss	136	147
Other comprehensive income, net of tax	1,853	2,140
Comprehensive income	5,818	16,402
Comprehensive income attributable to:		
Owners of parent	6,173	16,384
Non-controlling interests	(355)	18
Comprehensive income	5,818	16,402

(3) Consolidated statement of changes in equity

	Equity attributable to owners of parent					
	Capital	Share premium	Treasury shares	Other components of equity		
				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, 2021	31,974	188,542	(14,830)	(89)	11	9,656
Profit	-	-	-	-	-	-
Other comprehensive income	-	-	-	150	(13)	(53)
Total comprehensive income	-	-	-	150	(13)	(53)
Purchase of treasury shares	-	-	(32)	-	-	-
Disposal of treasury shares	-	(0)	0	-	-	-
Dividends	-	-	-	-	-	-
Share-based payment transactions	-	351	81	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	(86)
Total transactions with owners	-	351	49	-	-	(86)
Balance at February 28, 2022	31,974	188,894	(14,780)	60	(1)	9,516
Profit	-	-	-	-	-	-
Other comprehensive income	-	-	-	148	(1)	822
Total comprehensive income	-	-	-	148	(1)	822
Purchase of treasury shares	-	-	(8)	-	-	-
Disposal of treasury shares	-	(0)	1	-	-	-
Dividends	-	-	-	-	-	-
Obtaining of control of subsidiaries	-	-	-	-	-	-
Share-based payment transactions	-	175	322	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	-	-	109
Total transactions with owners	-	174	314	-	-	109
Balance at February 28, 2023	31,974	189,068	(14,466)	209	(2)	10,448

	Equity attributable to owners of parent					Total
	Other components of equity		Retained earnings	Total	Non-controlling interests	
	Remeasurements of defined benefit plans	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance at March 1, 2021	–	9,578	136,906	352,171	12,171	364,343
Profit	–	–	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	–	–	–	(32)	–	(32)
Disposal of treasury shares	–	–	–	0	–	0
Dividends	–	–	(8,377)	(8,377)	(64)	(8,442)
Share-based payment transactions	–	–	–	433	–	433
Transfer from other components of equity to retained earnings	(1,769)	(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
Profit	–	–	14,237	14,237	25	14,262
Other comprehensive income	1,177	2,147	–	2,147	(6)	2,140
Total comprehensive income	1,177	2,147	14,237	16,384	18	16,402
Purchase of treasury shares	–	–	–	(8)	–	(8)
Disposal of treasury shares	–	–	–	0	–	0
Dividends	–	–	(7,857)	(7,857)	(64)	(7,921)
Obtaining of control of subsidiaries	–	–	–	–	319	319
Share-based payment transactions	–	–	–	497	–	497
Transfer from other components of equity to retained earnings	(1,177)	(1,067)	1,067	–	–	–
Total transactions with owners	(1,177)	(1,067)	(6,789)	(7,368)	255	(7,113)
Balance at February 28, 2023	–	10,654	142,153	359,385	12,025	371,410

(4) Consolidated statement of cash flows

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
	Millions of yen	Millions of yen
Cash flows from (used in) operating activities		
Profit before tax	6,190	16,873
Depreciation and amortization expense	49,629	49,107
Impairment loss	1,136	5,900
Finance income	(1,335)	(871)
Finance costs	5,890	5,218
Share of loss (profit) of investments accounted for using equity method	(1,364)	(2,161)
Loss (gain) on sales of non-current assets	(2,666)	(771)
Loss on disposals of non-current assets	1,726	2,102
Gain on sales of shares of subsidiaries	(3,951)	-
Loss on sales of shares of subsidiaries	1,818	-
Decrease (increase) in inventories	5,904	(2,185)
Decrease (increase) in trade and other receivables	(536)	(16,898)
Increase (decrease) in trade and other payables	(4,159)	17,599
Increase (decrease) in retirement benefit liabilities	(365)	(2,661)
Decrease (increase) in retirement benefit assets	(407)	3,360
Other, net	228	1,944
Subtotal	57,737	76,558
Interest received	130	123
Dividends received	208	170
Interest paid	(5,808)	(5,172)
Income taxes paid	(4,548)	(8,282)
Income taxes refund	2,147	2,083
Net cash flows from (used in) operating activities	49,866	65,480
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(5,820)	(8,641)
Proceeds from sales of property, plant and equipment	492	190
Purchase of investment property	(2,601)	(3,043)
Proceeds from sales of investment property	2,887	1,599
Purchase of investment securities	(2,760)	(1,946)
Proceeds from sales of investment securities	2,503	2,072
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(207)
Proceeds from sales of shares of subsidiaries that result in change in scope of consolidation	3,479	-
Other, net	(3,469)	(3,396)
Net cash flows from (used in) investing activities	(5,289)	(13,371)

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
	Millions of yen	Millions of yen
Cash flows from (used in) financing activities		
Net increase (decrease) in current borrowings	–	(24,000)
Net increase (decrease) in commercial papers	(54,998)	(15,002)
Proceeds from non-current borrowings	–	5,500
Repayments of non-current borrowings	(17,150)	(15,150)
Proceeds from issuance of bonds	29,867	–
Redemption of bonds	–	(20,000)
Repayments of lease liabilities	(29,674)	(29,138)
Purchase of treasury shares	(32)	(9)
Dividends paid	(8,348)	(7,832)
Dividends paid to non-controlling interests	(64)	(64)
Other, net	8	2
Net cash flows from (used in) financing activities	(80,392)	(105,694)
Net increase (decrease) in cash and cash equivalents	(35,815)	(53,585)
Cash and cash equivalents at beginning of period	128,925	93,278
Effect of exchange rate changes on cash and cash equivalents	168	181
Cash and cash equivalents at end of period	93,278	39,874

(5) Notes to consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Application of consolidated taxation system)

The Company and some of its domestic consolidated subsidiaries apply the consolidated taxation system.

(Segment information, etc.)

(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, supervision, operation, interior decorating work, etc. of real estate. The Payment and Finance Business undertakes issuance and administration, etc. of credit cards.

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.

(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, 2022

	Reportable segments					Other	Total	Adjustments	Consolidated
	Department Store Business	SC Business	Developer Business	Payment and Finance Business	Total				
	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:
- The “Other” category is a business segment not included in reportable segments. It includes wholesaling, parking, leasing, etc.
 - Capital expenditures are the amount of the increase in property, plant and equipment, right-of-use assets, investment property and intangible assets.
 - Adjustments are made as follows.
 - 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.
 - The adjustment for segment assets includes elimination of segment receivables, unrealized profit adjustments on non-current assets, and assets of the company submitting consolidated financial statements that are not attributable to any business segment.
 - The adjustment for depreciation and amortization expense consists of inter-segment transfers.
 - The adjustment for investments 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.
 - 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.
 - Segment profit (loss) is adjusted to operating profit in the consolidated financial statements.

Fiscal year ended February 28, 2023

	Reportable segments					Other	Total	Adjustments	Consolidated
	Department Store Business	SC Business	Developer Business	Payment and Finance Business	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen				
External revenue	215,295	53,308	42,297	7,585	318,486	41,193	359,679	–	359,679
Inter-segment revenue	459	1,053	12,372	5,304	19,190	14,728	33,919	(33,919)	–
Total	215,754	54,361	54,670	12,889	337,676	55,922	393,599	(33,919)	359,679
Segment profit	7,529	3,733	3,695	3,485	18,443	899	19,343	(283)	19,059
Finance income									871
Finance costs									(5,218)
Share of profit (loss) of investments accounted for using equity method									2,161
Profit before tax									16,873
Segment assets	544,939	321,529	115,536	80,272	1,062,277	132,614	1,194,892	(73,938)	1,120,953
Other items									
Depreciation and amortization expense	30,624	14,417	3,811	158	49,012	1,460	50,472	(1,365)	49,107
Impairment loss	3,887	2,006	–	–	5,894	6	5,900	–	5,900
Investments accounted for using equity method	22,260	1,038	–	–	23,299	156	23,455	17,947	41,402
Capital expenditures	12,057	2,596	5,735	128	20,517	1,272	21,790	780	22,570

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 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 profit 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 investments 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 is adjusted to operating profit in the consolidated financial statements.

(Per share information)

(1) Basic earnings per share and diluted earnings per share

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Basic earnings per share (Yen)	16.50	54.32
Diluted earnings per share (Yen)	16.50	54.30

(2) Basis for calculation of basic earnings per share and diluted earnings per share

1) Profit attributable to ordinary equity holders

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Profit attributable to owners of parent (Millions of yen)	4,321	14,237
Profit not attributable to ordinary equity holders of parent (Millions of yen)	—	—
Profit used to calculate basic earnings per share (Millions of yen)	4,321	14,237
Adjustment to profit (Millions of yen)	—	—
Profit used to calculate diluted earnings per share (Millions of yen)	4,321	14,237

2) Average number of shares during the period

	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023
Average number of common shares during the period (Thousands of shares)	261,863	262,075
Increase in the number of common shares		
Officer remuneration BIP trust (Thousands of shares)	66	138
Average number of diluted common shares	261,930	262,214

Note: The calculation of basic earnings per share and diluted earnings per share excludes the number of Company's shares owned by the officer remuneration BIP trust from the average number of common shares during the period because such shares are treated as the Company's treasury shares.

(Significant subsequent events)

No items to report.

5. Other

Changes in officers

For information about the changes in officers, please refer to “Changes in Officers of J. FRONT RETAILING and Group Companies,” which was released on the Company’s website today.