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

Securities code: 3086
May 1, 2023

To Our Shareholders

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

Notice of Convocation of the 16th Annual Shareholders Meeting

You are hereby notified that the 16th Annual Shareholders Meeting of J. FRONT RETAILING Co., Ltd. (hereinafter the "Company") will be held on Thursday, May 25, 2023.

In convening this general meeting of shareholders, the Company has taken measures to electronically provide information that constitutes the content of reference documents for the general meeting of shareholders, etc. (matters to be provided electronically), and posts this information as "Notice of Convocation of the 16th Annual Shareholders Meeting" and "16th Annual Shareholders Meeting: Other Matters for Which Information is Provided in Electronic Format (Matters for Which Document Provision is Omitted)" on the following websites. To review the information, please access the websites by using the internet addresses shown below.

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

Date and Time: Thursday, May 25, 2023, at 10:00 a.m. (JST) (Reception opens at 9:30 a.m.)

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

Purpose of the meeting:

Matters to be reported:
1. Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements for the 16th fiscal year (from March 1, 2022 to February 28, 2023)
2. Audit reports of the Accounting Auditor and the Audit Committee on Consolidated Financial Statements for the 16th fiscal year

Matters to be resolved: Proposal: Election of Eleven (11) Directors

Decisions made for convocation:

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

Important notes for when attending the Annual Shareholders Meeting in person

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

Important notes concerning the Annual Shareholders Meeting informational materials

- ■ Of the matters provided electronically, the <Basic Policy for Establishment of Internal Control System> in the Business Report, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements are not included in the documents to be delivered to shareholders who have requested the delivery of paper-based documents in accordance with relevant laws and regulations and the provisions of Article 16 of the Company's Articles of Incorporation. Accordingly, the documents to be delivered to shareholders who have made a request for delivery of paper-based documents are part of the documents included in the scope of audits by the Audit Committee and the Financial Auditor when they create their respective audit reports.
- ■ If revisions are made to the matters provided electronically, a notice of the revisions and the details of the matters before and after the revisions will be posted on the Company's aforementioned website and the Annual Shareholders Meeting informational materials website.

Company website: https://www.j-front-retailing.com/ (in Japanese)

▶ Please access the Company's website using the above URL, go to the page for the Shareholders Meeting by clicking the banner "The 16th Annual Shareholders Meeting," and check the Annual Shareholders Meeting informational materials listed under "The 16th Annual Shareholders Meeting."

Website for Annual Shareholders Meeting informational materials: https://d.sokai.jp/3086/teiji (in Japanese)

Process of the Annual Shareholders Meeting

Before the Annual Shareholders Meeting

1. Read the Annual Shareholders Meeting informational materials.

On the Internet, check “Notice of Convocation of the 16th Annual Shareholders Meeting” and “16th Annual General Shareholders Meeting: Other Matters for Which Information is Provided in Electronic Format (Matters for Which Document Provision is Omitted).” Scan the QR code printed on the voting form (at right).
Company website: https://www.j-front-retailing.com/
Website for Annual Shareholders Meeting informational materials: https://d.sokai.jp/3086/teiji

2. Exercise voting rights in advance.

Exercise deadline: Received by 6:00 p.m. on Wednesday, May 24, 2023 (JST)
Convenient exercise of voting rights by smartphone is recommended.
▶ For details, refer to “Guide to the Exercise of Voting Rights” on page 4

3. Ask questions in advance.

Question deadline: Received by 6:00 p.m. on Thursday, May 18, 2023 (JST)
We will accept questions in advance from shareholders on the Annual Shareholders Meeting online website.
▶ For details, please refer to “Information regarding the Engagement Portal,” the online site for the Annual Shareholders Meeting, on page 5

Date of the Annual Shareholders Meeting

1. Persons attending the venue in person

Please submit the voting form at the reception desk for the meeting.

▶ Documents containing a Notice of Convocation (matters to be provided electronically) will be distributed at the venue.

2. Persons attending via live streaming

Streaming time: From 10:00 a.m. on Thursday, May 25, 2023 to the closing of the Annual Shareholders Meeting

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

▶ For details, please refer to “Information regarding the Engagement Portal,” the online site for the Annual Shareholders Meeting, on page 5

Guide to the Exercise of Voting Rights

How to scan QR code
You can log in to the voting website without entering your login ID and temporary password printed on the voting form.
1. Scan QR code printed on the voting form (at right).
2. Follow the directions that appear on the screen to input approval or disapproval to each proposal.
   *"QR code" is a registered trademark of DENSO WAVE INCORPORATED.

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

For inquiries about the system, please contact:

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

To institutional investors

To exercise voting rights at this meeting, institutional investors can use the Electronic Voting Platform for institutional investors operated by ICJ, Inc.

Handling of Exercise of Voting Rights
• If a shareholder does not indicate approval or disapproval for a proposal on the voting form, it will be deemed that the shareholder intended to approve the proposal.
• If a shareholder exercises his/her voting rights both by written form and electromagnetic means, only the exercise of voting rights by electromagnetic means shall be treated as valid. If the same shareholder exercises his/her voting rights by an electromagnetic means more than once, only the last exercise of voting rights shall be treated as valid.

Information regarding the Engagement Portal online site for the Annual Shareholders Meeting
“Engagement Portal” online site for the Annual Shareholders Meeting: https://engagement-portal.tr.mufg.jp/

From this site, you can view the live streaming of the Annual Shareholders Meeting and submit questions in advance.
Prepare the “Login ID” and “Password” indicated on the voting form and access the above Engagement Portal online site for the Annual Shareholders Meeting.
(i) Login ID: 0007 + Shareholder Number (12-digit number without a hyphen) shown on the voting form, etc.
(ii) Password: Postal code + 2023 (11-digit number without a hyphen) of the address registered in the shareholders’ register as of February 28, 2023

1. Guide to viewing live streaming of the meeting

(i) Enter your “Login ID” and “Password” on the login screen, confirm the Terms of Use and check the “I agree to the Terms of Use” checkbox if you agree, then click the “Login” button.
(ii) After logging in, click the “View Live Streaming of the Meeting” button, confirm the Terms of Use and check the “I agree to the Terms of Use” checkbox if you agree, then click “View.”
***Please be sure to make a note of your Login ID and Password before mailing in your voting form by postal service.** If you forget your ID and/or password, please contact us at the contact number listed below “Contact information for inquiries about the Annual Shareholders Meeting online site” on page 6.

(Note)
The postal code used for (ii) “Password (Postal code + 2023)” may differ from the postal code printed on the voting form (because the password does not reflect information such as a change of address made after the record date of the Annual Shareholders Meeting or a mailing address designated for the voting form to be sent). Shareholders residing outside Japan who have designated a standing proxy are requested to enter the postal code of the proxy.

(Important notice)
(1) Due to unavoidable circumstances, there is a possibility that we may not be able to conduct the live streaming. In such a case, a notice will be posted on the Company’s website (https://www.j-front-retailing.com/).
(2) Shareholders viewing the live streaming are not considered to be attending the Annual Shareholders Meeting under the Companies Act, and therefore, will not be able to exercise their voting rights or make any comments, including questions on the day. Please exercise your voting rights in advance by following the instructions on page 4 on this Notice of Convocation.
(3) Please note that viewing will be limited to shareholders only, and viewing by proxies is not permitted.
(4) Filming, recording, storing, or publishing on social networking sites, etc. of the live streaming is strictly prohibited.

2. Information about acceptance of advance questions

We plan to answer the many questions asked by shareholders at the Annual Shareholders Meeting.
Please note that we will not be able to respond to individual inquiries.
(i) Please click the “Question in advance” button displayed on the screen after logging in to the Annual Shareholders Meeting online site.
(ii) Select a category for your question, enter the question, confirm the Terms of Use and check the “I agree to the Terms of Use” checkbox if you agree, then click the “Confirm” button.
(iii) Confirm the contents of your question, etc., and then click the “Send” button.

Deadline for receipt of questions: by 6:00 p.m. on Thursday, May 18, 2023

(Contact information for inquiries about the Annual Shareholders Meeting online site) Mitsubishi UFJ Trust and Banking Corporation Dedicated support line for the “Engagement Portal”   Tel: 0120-676-808 (Toll free)
Service period From 9:00 a.m. to 5:00 p.m. on weekdays, excluding Saturdays, Sundays, national holidays, etc. (However, on the day of the Annual Shareholders Meeting, from 9:00 a.m. to the end of the Meeting)

Reference Materials for Shareholders Meeting

Proposal and Reference Information

Proposal: Election of Eleven (11) Directors

The terms of office of all 10 current Directors will expire at the conclusion of this Annual Shareholders Meeting. Therefore, based on a resolution of the Nomination Committee intended to deepen the governance structure to one appropriate for a company with three committees (nomination, audit, and remuneration committees), from the perspective of diversity for applying a broad range of insights and experience to our business strategies, and from the perspective of board succession to continually exercise supervisory functions, we request the addition of one (1) Director and the election of eleven (11) Directors.

If the candidates for Director in this proposal are elected as proposed, the Board of Directors will have a structure with seven out of eleven members, i.e. the majority of its members being independent Outside Directors, and three female Directors. We believe this will lead to a further strengthening of the oversight function and to ensuring a more diverse Board of Directors. The candidates for the Directors are shown below. Furthermore, of the candidates for Director, please refer to “3. Matters relating to corporate officers” in the Business Report regarding the status of activities of six Outside Directors who are proposed for reappointment, and “6. Operation of the Board of Directors” and “7. Operations of each Committee” in the Business Report regarding the status of operations of the Board of Directors and each committee.

Skills expected of candidates for Director

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

No.	Name	Attribute	Committee assignments (The "◎" mark indicates the candidates for Chairperson.)		
			Nomina-tion	Audit	Remunera-tion
1	YAMAMOTO Ryoichi*1 Chairperson	Reappointment Non-executive	○		○
2	HAMADA Kazuko*2	Reappointment Non-executive		○	
3	YAGO Natsunosuke	Reappointment Non-executive Independent Outside	◎		○
4	HAKODA Junya	Reappointment Non-executive Independent Outside		◎	
5	UCHIDA Akira	Reappointment Non-executive Independent Outside	○		◎
6	SATO Rieko*3	Reappointment Non-executive Independent Outside		○	
7	SEKI Tadayuki	Reappointment Non-executive Independent Outside		○	
8	KOIDE Hiroko	Reappointment Non-executive Independent Outside	○		○
9	KATAYAMA Eiichi	New Non-executive Independent Outside		○	
10	YOSHIMOTO Tatsuya	Reappointment Executive			
11	WAKABAYASHI Hayato	Reappointment Executive			

*Notes 1. If the election of YAMAMOTO Ryoichi is approved in this proposal, the Company plans to select him once again as the Chairperson of Board of Directors at the Board of Directors meeting to be held after the conclusion of this Annual Shareholders Meeting.
2. HAMADA Kazuko is recorded under the name of HIMENO Kazuko in the Family Registry system.
3. SATO Rieko is recorded under the name of KAMATA Rieko in the Family Registry system.
4. Eight Executive Officers who will not concurrently serve as Directors are scheduled to be elected at the Board of Directors meeting to be held after the conclusion of this Annual Shareholders Meeting.

No.	Name	Expected skills of Candidates for Director								
		Manage-ment strategy	Finance	Market-ing	Human resource & organiza-tion develop-ment	Legal affairs & compli-ance	IT & digital	E: Environ-ment	S: Society	G: Gover-nance
1	YAMAMOTO Ryoichi	○		○				○		○
2	HAMADA Kazuko				○				○	○
3	YAGO Natsunosuke	○						○		○
4	HAKODA Junya	○	○							○
5	UCHIDA Akira	○	○							○
6	SATO Rieko					○	○		○	○
7	SEKI Tadayuki		○			○			○	
8	KOIDE Hiroko	○		○	○					
9	KATAYAMA Eiichi	○	○				○			○
10	YOSHIMOTO Tatsuya	○		○				○		○
11	WAKABAYASHI Hayato	○	○		○					

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

No.	Name (Date of birth)	Career summary, positions and areas of responsibility	
1	YAMAMOTO Ryoichi (March 27, 1951) Number of the Company's shares owned (shares): **102,856** Number of other shares as stock-based remuneration not yet granted (shares): **25,465** Special interests between the Company and the Candidate: **None** Number of Board of Directors meetings attended during the 16th fiscal year: **15/15** Number of Nomination Committee meetings attended **13/13** Number of Remuneration Committee meetings attended **12/12** Tenure as Director (at the conclusion of this Meeting): **approx. 15 years and 9 months**	April 1973	Joined The Daimaru, Inc.
		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 and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
		September 2012	President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. and President and Representative Director 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)
		Important concurrent positions Outside Director of Daido Steel Co., Ltd Outside Director of NORITAKE CO., LIMITED	

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

- YAMAMOTO Ryoichi possesses broad insights and a high-level perspective gained through his extensive experience in all aspects of the retail industry. Since being appointed as President and Representative Director of the Company in 2013, he has been accurately and efficiently managing the overall business of the Group.

In addition to formulating and leading the penetration of the Group Vision in Fiscal 2017, which shows the direction of our management strategy considering the external environment surrounding the Group, he has been demonstrating strong leadership in positioning the Corporate Governance Code at the center of innovation and reforms of corporate management. Since May 2020, he has served as the Chairperson of Board of Directors, and has appropriately carried out these duties, contributing to improving the effectiveness of the Board of Directors.

In light of his track record and wealth of experience, and to achieve the Group Vision and sustainability management in a business environment where uncertainty is increasing, the Company expects him, as an Inside Director who is thoroughly understands the Group's overall strategy and the roles and expectations of individual businesses, to help ensure the enhancement of corporate value and sustainable growth of the Group by serving as the Chairperson of Board of Directors and conducting supervisory operations that consider all stakeholders. As such, the Company has nominated him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility	
2	HAMADA Kazuko (Name in Family Registry: HIMENO Kazuko) (September 6, 1962) Number of the Company's shares owned (shares): **999** Number of other shares as stock-based remuneration not yet granted (shares): **7,714** Special interests between the Company and the Candidate: **None** Number of Board of Directors meetings attended during the 16th fiscal year: **15/15** Number of Audit Committee meetings attended **22/22** Tenure as Director (at the conclusion of this Meeting): **approx. 2 years**	April 1985 September 2000 March 2002 March 2005 March 2007 March 2010 March 2013 March 2015 May 2020 May 2021	Joined Parco Co., Ltd. General Manager of Marketing Department of Sales Management Division Deputy General Manager of Kichijoji PARCO General Manager of Kichijoji PARCO General Manager of Shintokorozawa PARCO Executive Officer (Personnel) Executive Officer (Administration and Personnel) Executive Officer (Group Audit Office) Auditor Director of J. Front Retailing Co., Ltd. (present)

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

- HAMADA Kazuko served as store manager of the Kichijoji and Shintokorozawa stores at Parco Co., Ltd. before being appointed as an Executive Officer of the company in March 2010. She then engaged in initiatives such as planning a senior management development program as Executive Officer in charge of Administration and Personnel. Based on her wealth of experience, she has broad insights into the store operations and business management of Parco Co., Ltd. as well as the promotion of corporate diversity.

Furthermore, she has contributed to strengthening the auditing function of the Parco Business by taking charge of the Group Audit Office from March 2015 and serving as a corporate auditor from May 2020.

Since May 2021, she has served as a member of the Audit Committee as an internally elected Director, attending important internal management and other meetings. She has also contributed to strengthening the audit function by auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration), while exchanging opinions and engaging in discussions from the perspective of legality, appropriateness, etc. related to items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee.

The Company expects her to help enhance corporate value and the sustainable growth of the Group, particularly through the maximization of group synergies with Parco, by utilizing her wealth of knowledge based on her achievements and experience and fulfilling appropriate management oversight work, and therefore has nominated her to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility	
3	Independent Outside Director YAGO Natsunosuke (May 16, 1951) Number of the Company's shares owned (shares): **6,696** Number of other shares as stock-based remuneration not yet granted (shares): **4,904** Special interests between the Company and the Candidate: **None** Number of Board of Directors meetings attended during the 16th fiscal year: **15/15** Number of Nomination Committee meetings attended **13/13** Number of Remuneration Committee meetings attended **12/12** Tenure as Director (at the conclusion of this Meeting): **approx. 3 years**	April 1977 June 2002 April 2004 June 2004 April 2005 June 2005 April 2006 April 2007 May 2007 July 2009 April 2013 October 2017 March 2019 June 2019 May 2020 May 2021	Joined EBARA CORPORATION Executive Officer Senior Executive Officer, Group Executive of Precision Machinery Group, Representative Director and Chairman of Ebara Precision Machinery Europe GmbH, Representative Director and Chairman of Ebara Technologies Inc. and Chairman of Ebara Precision Machinery Shanghai Inc. Director Director and Chairman of Ebara Precision Machinery Taiwan Inc. Director, President of Precision Machinery Company and General Manager of Fujisawa Operation Director and Managing Executive Officer President of Precision Machinery Company President and Representative Director President and Representative Director and General Manager of Internal Control Promotion Department President and Representative Director and General Manager of Internal Control Department Chairman & Director Representative Director of The Ebara Hatakeyama Memorial Foundation (present) Retired from the office of Chairman & Director of EBARA CORPORATION Outside Director of SUBARU CORPORATION (present) Outside Director of J. Front Retailing Co., Ltd. (present) Director of Parco Co., Ltd.
		Important concurrent positions Outside Director of SUBARU CORPORATION	

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

- YAGO Natsunosuke has been involved in top-level corporate management for many years, and has a wealth of experience in compliance management and strengthening financial bases. He also possesses a high level of expertise in internal control and corporate governance gained through his experience in transitioning 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 in many areas, including on the direction of the medium- to long-term strategies and key points when formulating them, apirations for the developer business, ideas for assets under ownership in financial strategies, and concepts for generating profits from customer data.

As the Chairperson of the Nomination Committee, he confirms the conditions of future management team candidates based on the succession plan, and promotes the establishment of an officer selection process that ensures objectivity, transparency, and continuity. As a member of the Remuneration Committee, he also provides necessary advice at suitable times in the deliberation on reviews of suitable remuneration standards and operating rules for bonuses and share-based payments in the officer remuneration system, and contributes to strengthening the management personnel functions.

In light of his track record, his wealth of experience and considerable insights, the Company expects him to contribute greatly to the management of the Group as an Outside Director. As such, he has been nominated as a candidate to continue serving as Outside Director.

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

HAKODA Junya
(July 10, 1951)

Number of the Company's shares owned (shares):
1,958
Number of other shares as stock-based remuneration not yet granted (shares):
2,971
Special interests between the Company and the Candidate:
None
Number of Board of Directors meetings attended during the 16th fiscal year:
15/15
Number of Audit Committee meetings attended
22/22
Tenure as Director (at the conclusion of this Meeting):
approx. 2 years</td><td>April 1974
November 1980

April 1984
April 2000

August 2006

April 2008

September 2009

September 2010
December 2014

March 2015
June 2015

June 2017

September 2019

August 2020

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

Chairperson of the Committee on Training and Research for Outside Officers, Japanese Institute of Certified Public Accountants</td></tr>
<tr><td colspan="4">Reasons for nomination as candidate for Outside Director and overview of expected roles
- HAKODA Junya has been involved in accounting audits, management consulting, and internal audits of auditing firms, etc. for many years at PricewaterhouseCoopers, and has also served as an eminent professor teaching internal audit theory in the Graduate School of Keio University, and therefore has a wealth of 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). He has also contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight regarding a wide range of matters including consistency of medium- to long-term financial planning and medium- to long-term strategies, new business initiatives, human resource development concepts, and important points when formulating international business strategies.
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), 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, wealth of experience and considerable insights, the Company expects him to contribute greatly to management of the Group as an Outside Director. As such, he has been nominated as a candidate to continue serving as Outside Director.</td></tr>
<tr><td>5</td><td>Independent
Outside Director
UCHIDA Akira</td><td>April 1975
June 1996
June 2000</td><td>Joined Toray Industries, Inc.
Executive Vice President of Toray Industries (America), Inc.
General Manager on Special Assignment of Corporate Strategic Planning Division 1, General Manager on Special Assignment of Corporate Communications Dept. of Toray Industries, Inc.</td></tr>
</table>

No.	Name (Date of birth)	Career summary, positions and areas of responsibility	
	(October 4, 1950) Number of the Company's shares owned (shares): **5,364** Number of other shares as stock-based remuneration not yet granted (shares): **6,837** Special interests between the Company and the Candidate: **None** Number of Board of Directors meetings attended during the 16th fiscal year: **15/15** Number of Nomination Committee meetings attended **13/13** Number of Remuneration Committee meetings attended **12/12** Tenure as Director (at the conclusion of this Meeting): **approx. 4 years**	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, Toray Industries, Inc.
		March 2019	Retired from Adviser, Toray Industries, Inc.
		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)
		Important concurrent positions Outside Director of Yokogawa Electric Corporation (Concurrent positions in the Group) Director of Parco Co., Ltd.	

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

- UCHIDA Akira possesses broad experience and knowledge in the corporate sector, as a manager in charge of management planning and IR, as well 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 a wide range of matters including the necessary KPI perspective when formulating Medium-term Business Plans, concepts for funding plans when carrying out changes to business portfolios, intra-Group cooperation and governance as a holding company, the acquisition and development of expert human resources, and important points for supporting new businesses initiatives.
  As the Chairperson of the Remuneration Committee, he carries out reviews of suitable remuneration standards and operating rules for bonuses and share-based payments in the officer remuneration system. As a member of the Nomination Committee, he confirms the status of future management team candidates based on the succession plan, provides necessary advice at suitable times in the deliberation on the officer selection process that ensures objectivity, transparency, and continuity, and contributes to strengthening the management personnel functions.
  In light of his track record and considerable insights, the Company expects him to contribute greatly to management of the Group as an Outside Director. As such, he has been nominated as a candidate to continue serving as Outside Director.

6	Independent Outside Director SATO Rieko (Name in Family Registry: KAMATA Rieko) (November 28, 1956)	April 1984	Registered as attorney at law
		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)

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility</th></tr>
<tr><td rowspan="4"></td><td rowspan="4">Number of the Company’s shares owned (shares):
3,125
Number of other shares as stock-based remuneration not yet granted (shares):
8,770
Special interests between the Company and the Candidate:
None
Number of Board of Directors meetings attended during the 16th fiscal year:
15/15
Number of Audit Committee meetings attended
22/22
Tenure as Director (at the conclusion of this Meeting):
approx. 5 years</td><td>May 2019</td><td>Director of Daimaru Matsuzakaya Department Stores Co. Ltd.</td></tr>
<tr><td>June 2020</td><td>Outside Director (Member of the Audit and Supervisory Committee) of NTT DATA CORPORATION</td></tr>
<tr><td></td><td>Outside Audit & Supervisory Board Member of Mitsubishi Corporation (present)</td></tr>
<tr><td colspan="2">Important concurrent positions
Partner of Ishii Law Office
Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc.
Outside Audit & Supervisory Board Member of Mitsubishi Corporation</td></tr>
<tr><td colspan="4">Reasons for nomination as candidate for Outside Director and overview of expected roles
- SATO Rieko possesses a wealth of experience as an outside director and outside audit & supervisory board member at other companies, in addition to her career in handling many projects with advanced and specialized knowledge as an attorney at law specializing primarily in corporate legal affairs. She has also contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight regarding a wide range of matters including identifying paths to creating corporate value and achieving profit targets, specific policies for decarbonization and diversity & inclusion which contribute to sustainable management, the strategic use of customer data, and legal perspectives related to reducing cross-shareholdings.
She also serves as a lead director of the executive session established by the Company as an opportunity for Outside Directors to openly and freely exchange opinions and share information.
She serves as a member of the Audit Committee and is working to strengthen audit functions by fulfilling expectations of her in terms of exchanging and discussing opinions on items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee from the perspective of legality, appropriateness, etc. while auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees). She is also simultaneously working to enhance the governance of the Group as a whole.
In light of her track record and considerable insights, the Company expects her to contribute greatly to management of the Group as an Outside Director. As such, she has been nominated as a candidate to continue serving as Outside Director.</td></tr>
<tr><td rowspan="10">7</td><td rowspan="10">Independent
Outside Director
SEKI Tadayuki
(December 7, 1949)
Number of the Company’s shares owned (shares):
3,230
Number of other shares as stock-based remuneration not yet granted (shares):</td><td>April 1973</td><td>Joined ITOCHU Corporation</td></tr>
<tr><td>June 1998</td><td>General Manager, Finance Division, ITOCHU International Inc. (Stationed in New York)</td></tr>
<tr><td>June 2004</td><td>Executive Officer of ITOCHU Corporation, CFO of Food Company</td></tr>
<tr><td>April 2007</td><td>Managing Executive Officer, General Manager of Finance Division</td></tr>
<tr><td>June 2009</td><td>Representative Director, Managing Director, Chief Officer for Finance, Accounting, Risk Management and CFO</td></tr>
<tr><td>April 2010</td><td>Representative Director, Senior Managing Executive Officer</td></tr>
<tr><td>May 2011</td><td>Representative Director, Senior Managing Executive Officer and CFO</td></tr>
<tr><td>April 2013</td><td>Representative Director, Executive Vice President and CFO</td></tr>
<tr><td>April 2014</td><td>Representative Director, Executive Vice President, Executive Advisory Officer, CFO & CAO</td></tr>
<tr><td>April 2015</td><td>Adviser</td></tr>
</table>

No.	Name (Date of birth)	Career summary, positions and areas of responsibility	
	4,904	May 2016	External Director of Parco Co., Ltd.
	Special interests between the Company and the Candidate:	June 2016	Outside Director of NIPPON VALQUA INDUSTRIES, LTD. (present VALQUA, LTD.) (present)
	None	April 2017	Advisory Member of ITOCHU Corporation
	Number of Board of Directors meetings attended during the 16th fiscal year:	June 2017	Outside Director of JSR Corporation (present)
	15/15	July 2017	Outside Statutory Auditor of Asahi Mutual Life Insurance Company (present)
	Number of Audit Committee meetings attended	May 2020	Outside Director of J. Front Retailing Co., Ltd. (present)
	22/22		Director of Parco Co., Ltd.
	Tenure as Director (at the conclusion of this Meeting):	May 2022	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)
	approx. 3 years	Important concurrent positions Outside Director of VALQUA, LTD. Outside Director of JSR Corporation Outside Statutory Auditor of Asahi Mutual Life Insurance Company (Concurrent positions in the Group) Director of Daimaru Matsuzakaya Department Stores Co. Ltd.	

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

- SEKI Tadayuki has many years of experience in international business management and risk management at a general trading company, and has extensive knowledge and experience in finance and accounting as CFO, as well as broad knowledge as an outside director and outside statutory 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 a wide range of matters including concepts related to businesses and assets under ownership when carrying out changes to business portfolios, consistency of strategies with core competences and resources, and identification of risks in new business initiatives.
As a member of the Audit Committee, he is working to strengthen audit functions by fulfilling expectations of him in terms of exchanging and discussing opinions from the perspective of legality, appropriateness, etc. on items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee, while auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees). He is also simultaneously working to enhance the governance of the Group as a whole.
In light of his track record and considerable insights, the Company expects him to contribute greatly to management of the Group as an Outside Director. As such, he has been nominated as a candidate to continue serving as Outside Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility	
8	Independent Outside Director KOIDE Hiroko (August 10, 1957)	September 1986	Joined J. Walter Thompson Japan K.K. (present Wunderman Thompson Tokyo G.K.)
		May 1993	Joined Nippon Lever K.K. (present Unilever Japan K.K.)
		April 2001	Director
	Number of the Company's shares owned (shares):	April 2006	General Manager of Marketing Management Division of Masterfoods Ltd. (present Mars Japan Limited)
	1,957	April 2008	Chief Operating Officer
	Number of other shares as stock-based remuneration not yet granted (shares):	November 2010	President and Representative Director of Parfums Christian Dior Japon K.K.
	2,971	January 2013	Outside Director of Kirin Co., Ltd.
	Special interests between the Company and the Candidate:	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)
		Important concurrent positions	

No.	Name (Date of birth)	Career summary, positions and areas of responsibility
	None Number of Board of Directors meetings attended during the 16th fiscal year: **15/15** Number of Nomination Committee meetings attended **13/13** Number of Remuneration Committee meetings attended **12/12** Tenure as Director (at the conclusion of this Meeting): **approx. 2 years**	Outside Director of Mitsubishi Electric Corporation Outside Director of J-OIL MILLS, Inc.

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

- KOIDE Hiroko has extensive knowledge based on her rich experience in the fields of global management and marketing, 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 a wealth of 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 a wide range of matters including how to formulate medium- to long-term strategies based on robust strategic discussions, the importance of a marketing-oriented way of thinking such as identifying targets and needs, and aspirations for the new developer business.

  As a member of the Nomination Committee, she confirms the status of future management team candidates based on the succession plan and deliberates on the officer selection process that ensures objectivity, transparency, and continuity. As a member of the Remuneration Committee, she also provides necessary advice at suitable times and contributes to strengthening the management personnel functions at meetings which review suitable remuneration standards and operating rules for bonuses and share-based payments in the officer remuneration system.

  In light of her track record, extensive experience and considerable insights, the Company expects her to contribute greatly to management of the Group. As such, she has been nominated as a candidate to continue serving as Outside Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility	
9	Independent Outside Director New Candidate KATAYAMA Eiichi (May 17, 1966) Number of the Company's shares owned (shares): **1,500** Special interests between the Company and the Candidate: **None**	April 1989	Joined Nomura Research Institute, Ltd.
		June 2000	Seconded to Nomura Corporate Advisors Co., Ltd.
		October 2010	Joined Merrill Lynch Japan Securities Co., Ltd. (present BofA Securities Japan Co., Ltd.).
		June 2012	Managing Director and General Manager of Research Division
		January 2016	Joined Panasonic Corporation Officer (in charge of Business Development)
		January 2017	Officer (in charge of Strategy Business) Vice President of Eco Solutions Company, in charge of AGE-FREE Business
		April 2017	President and Representative Director of Panasonic Cycle Technology Co., Ltd.
		February 2019	Executive Officer and CSO of Panasonic Corporation In charge of Business Planning, Business Development, and Business Creation Project
		April 2020	Managing Executive Officer and CSO
		October 2020	In charge of Sports Management Business
		October 2021	Managing Executive Officer Assistant General Manager of Lifestyle Updates Business Division President of Cold Chain Solutions Company In charge of Sports Management Business
		April 2022	Executive Vice President President of Cold Chain Solutions Company In charge of DEI promotion, General Manager of Cold Chain Business Division
		April 2023	Executive Vice President President of the Cold Chain Solutions Company CDO and in charge of DEI promotion (present)
		Important concurrent positions Executive Vice President of Panasonic Corporation	

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

- KATAYAMA Eiichi has a wide range of financial and accounting knowledge based on his many years of experience as a security company analyst and working in the investment banking business.
  As the manager of several companies at a general appliance manufacturer, he has delivered strong leadership and achieved business regeneration, structural reforms, and other improvements. As CSO, he possesses extensive experience and advanced knowledge about a wide range of matters including constructing and carrying out various M&A actions, formulating and implementing company-wide strategies, taking the lead in the transition to a pure holding company, and contributing to strengthening group governance.
  As the officer in charge of new business, he has knowledge related to the creation of new digital businesses, and through his initiatives in digitalizing existing businesses, he has developed knowledge that permits a comprehensive view of the latest digital trends from an objective perspective.
  In light of his track record, extensive experience and considerable insights, the Company expects that he will apply them to the appropriate supervision of management in the Group. As such, he has been nominated as a candidate to serve as a new Outside Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility	
10	YOSHIMOTO Tatsuya (April 13, 1956) Number of the Company's shares owned (shares): **96,391** Special interests between the Company and the Candidate: **None** Number of Board of Directors meetings attended during the 16th fiscal year: **15/15** Tenure as Director (at the conclusion of this Meeting): **approx. 10 years**	April 1979	Joined The Daimaru, Inc.
		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 and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. and President and Representative Director 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	President and Representative Executive Officer
		March 2023	President and Representative Executive Officer and Senior Executive General Manager of CRE Strategy Unit (present)

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

- YOSHIMOTO Tatsuya has a wealth of experience and knowledge in Department Store Business in general, particularly those areas related to business management, planning, and store operations. Since being appointed as President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. in 2013, he has been involved in executing the existing high-quality department store business strategy based on the roles and expectations of the Department Store Business under the Group's strategy, and formulating a new Department Store Business strategy in reaction to the massive changes in the external environment. He has been demonstrating swift and resoundingly effective leadership based on a strong results-oriented approach aimed at realizing these initiatives.
  Since 2017, as Representative Managing Executive Officer of the Company, he has accumulated further knowledge based on his experiences in business management for the Group as a whole and management reform based on the Corporate Governance Code.
  Since becoming President and Representative Executive Officer of the Company in FY2020, he has resolutely carried out structural reforms in the Group as part of the Medium-term Business Plan aimed at fully returning the Company to the operating profit level of FY2019 in the midst of a harsh business environment. He has also exercised leadership for implementing sustainability management and for business innovations aimed at success in future competition, including organizational changes and personnel interactions to maximize Group synergy, speaking directly with Group employees, and assigning younger employees and middle management to carry out projects directly under his direction.
  In light of his track record and experience, the Company has judged that he is a competent professional who can contribute to the enhancement of corporate value and the sustainable growth of the Group, and accordingly has nominated him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility	
11	WAKABAYASHI Hayato (August 31, 1961) Number of the Company's shares owned (shares): **17,210** Special interests between the Company and the Candidate: **None**	April 1985	Joined Matsushita Electric Industrial Co., Ltd. (present Panasonic Corporation)
		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 (present) and in charge of Finance Policy

No.	Name (Date of birth)	Career summary, positions and areas of responsibility	
	Number of Board of Directors meetings attended during the 16th fiscal year: **15/15** Tenure as Director (at the conclusion of this Meeting): **approx. 7 years**	May 2016 March 2017 May 2017 May 2018 May 2020	Director (present) In charge of Financing and Finance Policy Managing Executive Officer (present) Senior General Manager of Financing and Finance Policy Division Director of Parco Co., Ltd. (present)
		Important concurrent positions (Concurrent positions in the Group) Director of Parco Co., Ltd.	

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

WAKABAYASHI Hayato has pursued his career mainly in the financial realm of a general appliance manufacturer, and as such has sufficient knowledge and experience related to financial policy, including the enhancement of financial standing, improving levels of cash management and other such initiatives. For that reason, he was invited into the Group in May 2015 and has established and promoted a financial strategy encompassing the entire Group.

In addition to carrying out the adoption of International Financial Reporting Standards (IFRS) in 2017 and financial measures to support the continuity of business activities in a difficult business environment, including the onset of the COVID-19 pandemic, he has promoted a wide range of financial strategies and actions for the entire Group and contributed to improving its financial strength by introducing a Group consolidated tax payment system, beginning the renovation of the accounting system, and establishing ROIC for each business with the aim of improving investment profitability.

In addition to such achievements and in-depth insights on finance, he has the commensurate abilities as a management professional in terms of his strategic and transformation-minded leadership, strong results-oriented approach and other such attributes. As such, the Company has judged that he is a competent professional who can contribute to the enhancement of corporate value and the sustainable growth of the Group by executing business acting as a Director, and accordingly has nominated him as a candidate to continue serving as Director.

Special notes regarding the candidates for Director

- The Company has entered into an agreement with candidates for Directors YAMAMOTO Ryoichi, HAMADA Kazuko, YAGO Natsunosuke, HAKODA Junya, UCHIDA Akira, SATO Rieko, SEKI Tadayuki and KOIDE Hiroko individually to limit his/her liability for damages stipulated in Paragraph 1, Article 423 of the Companies Act as prescribed in Paragraph 1, Article 427 of the said Act. If the election of the new candidate for Director KATAYAMA Eiichi is approved under this proposal, the Company plans to enter into the same agreement with this candidate.
- The Company has entered into a Directors and Officers liability insurance contract with an insurance company as prescribed in Paragraph 1, Article 430-3 of the Companies Act. Under such an insurance contract, the Company will bear the full amount of insurance premiums for all the insured. The insurance policy covers all Directors and Executive Officers of the Company and all Directors and Audit & Supervisory Board Members of its subsidiaries. All candidates for Directors are included in the insured persons of the said insurance contract. If the election of the new candidate for Director KATAYAMA Eiichi is approved under this proposal, the Company plans to include him as one of the insured under the insurance contract.
- Candidates for Directors YAGO Natsunosuke, HAKODA Junya, UCHIDA Akira, SATO Rieko, SEKI Tadayuki and KOIDE Hiroko are independent officers who have been given the obligation by the Tokyo Stock Exchange, Inc. and the Nagoya Stock Exchange, Inc. to protect ordinary shareholders. The Company has notified each of the stock exchanges that the Company will designate the new candidate for Director KATAYAMA Eiichi as an independent officer if his election is approved under this proposal.
- At Mitsubishi Electric Corporation, where candidate for Director KOIDE Hiroko has been in office as an Outside Director since June 2016, several incidents of quality misconduct regarding several products of the company came to light from April 2021. After the incidents came to light, several manufacturing bases of the company related to the incidents received notice, some that their ISO9001 and IRIS certifications would be suspended, and other that part of the scope of their ISO9001 certification and the whole of their IRIS certification would be canceled from July 2021 and onwards. She was not directly involved in the incidents and was not aware of the incidents until they came to light. She has regularly provided advice from the point of view of compliance with laws and regulations even before the incidents came to light, such as by expressing her opinion at meetings of the Board of Directors regarding the importance of a change in thinking with regard to quality issues, etc., and has continued to fulfill her duty as an Outside Director after the incidents came to light by providing advice and oversight with respect to efforts aimed at thorough compliance with laws and regulations and with contracts and at the implementation of effective measures to prevent fraud.

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

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

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

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

(iii) Major business partner of the Group

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

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

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

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

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

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

Business Report (From March 1, 2022 to February 28, 2023)

1. Current status of the corporate group

(1) Business summary and results

In the fiscal year under review, the Japanese economy showed a gradual move toward recovery centered on domestic demand as the impact of the novel coronavirus (COVID-19) gradually eased. However, unstable conditions continued with the emergence of geopolitical risks including conditions in Ukraine, sharp forex fluctuations, and inflation.

As for corporate earnings, as social and economic activities moved toward normalization, we saw improvement in the service and other industries with recovery in demand following the COVID-19 pandemic. However, recovery has seesawed amid a slowdown in the overseas economy, surging resource prices, and stalled production activities due to shortages in the supply of materials.

In personal spending, the impact from COVID-19 began to diminish, mainly due to a recovery in the consumption of in-person services and tourism demand from the middle of the fiscal year onward, as restrictions limiting movement eased. However, there is increasing uncertainty regarding the future amid greater frugality due to rising inflation.

Faced with unprecedented management conditions caused by the COVID-19 pandemic, the Company launched its new Medium-term Business Plan (FY2021-FY2023) in fiscal 2021, setting sustainability at the core of management. Under the Medium-term Business Plan, we aim to achieve a “complete recovery” from the COVID-19 crisis and have positioned the period as one of poising ourselves for “regrowth” beginning in fiscal 2024.

During the fiscal year under review, the second year of the Medium-term Business Plan, the impact of COVID-19 and restrictions on movement in place through the previous fiscal year began to diminish. As such, to create a strong foothold for complete recovery and achieve regrowth from fiscal 2024 onward, we have positioned the fiscal year as a year to transition to offense-oriented management and have promoted the key strategies and measures established by the Medium-term Business Plan.

Our commitment to sustainability primarily involves integrating our seven materialities (priority issues) with our key strategies, reducing greenhouse gas emissions in line with our medium- to long-term targets, and seeking solutions to environmental and social challenges in cooperation with our suppliers (refer to “(6) The Group’s sustainability initiatives” for further details on our commitment to sustainability).

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

Key strategies and management structure reforms looking toward “complete recovery” and “regrowth”	**Real × digital strategy** Department Store Business and SC Business (PARCO)	**Prime life strategy** Department Store Business and Payment and Finance Business	**Developer strategy** Developer Business (PARCO)	**Management structure reforms** Reduce fixed costs, increase management efficiency and asset efficiency
Strengthening management foundation to support medium- to long-term growth	**Financial strategy**	**Human resource strategy**	**IT strategy (defensive)**	**Governance**

1) Promoting the implementation of key strategies and management structure reforms looking toward "complete recovery" and "regrowth"

We made steady progress in implementing measures and strategic investments based on our key strategies, and in management structure reforms which is the most important measure for achieving complete recovery.

Regarding our Real x Digital Strategy, to increase the attractiveness of our stores, in the Department Store Business, we have promoted the creation of sales floors and stores that utilize the unique qualities of both the regions and the stores themselves, in addition to expanding the key categories. In the SC Business, we conducted large-scale remodeling of our flagship stores and expanded large-scale promotions in each store. Our digital initiatives mainly involved digitalizing customer contact points by increasing our app membership count and making more sophisticated use of data by identifying potential customers.

Under our Prime Life Strategy, to enhance our response to the affluent market segment, based largely on department store gaisho (out-of-store-sales), we have expanded our key categories, improved our offers of scarce merchandise and services both in-store and online, and worked to expand our customer base.

Under our Developer Strategy, we evaluated redevelopment in Fukuoka's Tenjin area through cooperation with the region and other companies in addition to developing large-scale complex facilities in our key areas including Nagoya's Sakae area and Osaka's Shinsaibashi area. We also launched into the residential real estate business to use our real estate holdings effectively.

In our management restructuring, we have succeeded in reducing costs more than initially planned by digitalizing our advertising methods, conducting Group-wide purchasing of materials, and reviewing rental properties in addition to generating effects from organizational and personnel structure reforms to reduce fixed costs. Furthermore, to improve management and asset efficiency, we proceeded with the sale of non-business assets and decided to end operations of Matsumoto PARCO (scheduled for the end of February 2025).

At the same time, to accelerate our initiatives toward regrowth with a view to 2030, we have sought to strengthen our capabilities for formulating and promoting management strategies such as "Group Digital," "Group Corporate Real Estate (CRE)," and "Business Portfolio Transformation" starting from the fiscal year under review,

Through these initiatives, the Group digital strategy strove to expand our Group customer base by analyzing and utilizing the customer database, formulate new business plans using digital technologies, and formulate and implement a Group-wide digital human resource development plan.

Under our Group CRE strategy, we have established basic policies and strategies aimed at maximizing the value of our real estate holdings. In addition, we have decided to reorganize the Developer Business to achieve further business growth by fast decision-making from the standpoint of Group-wide optimization.

In terms of initiatives for business portfolio transformation, we have established a CVC fund with the goals of creating new businesses through co-creation with startup companies, developing management personnel, and evolving a corporate culture that encourages creativity and the spirit of challenge. We also acquired shares of XENOZ Co., Ltd. with the goals of entering the e-sports business, for which future growth is expected, and creating synergies with our businesses including the SC Business.

2) Strengthening management foundation to support medium- to long-term growth

Under our Group human resource strategy, we strengthened investment in human resources by bolstering the recruitment and skills development of highly specialized talent based on our key strategies, and by promoting Group-wide projects aimed at encouraging the active participation of mid-career and young employees and women. We also promoted open recruitment and personnel placement to reflect the intentions and desires of our employees, and facilitated personnel interaction on a Group-wide basis to improve the diversity of our organizations and personnel.

Under our Group financial strategy, we improved our financial standing by identifying changes in the business environment caused by COVID-19 as well as assessing the progress of performance and forecasts, securing free cash flows, optimizing cash and deposits on hand, and reducing interest-bearing liabilities. Furthermore, in addition to our efforts to improve our rate of return on invested capital (ROIC) in each of our businesses, we have introduced a consolidated taxation system to enhance tax governance and optimize tax costs.

Under our Group systems strategy, in addition to supporting the promotion of key strategies in each business, we promoted development of a common accounting system for the Group to enhance management and administration, and strengthened our response to both information security and business continuity.

3) Consolidated revenue and results by segment for the fiscal year under review

(i) Consolidated revenue

As a result of various measures including those mentioned above, revenue for the fiscal year under review was ¥359,679 million, up 8.5% year on year.

Furthermore, business profit was ¥24,854 million, up 112.1% year on year, as a result of improvement in revenue throughout the fiscal year, along with the effects from reduced fixed costs and expenses. Operating profit was ¥19,059 million (up 103.2% year on year) despite the recording of impairment losses on department stores and PARCO stores and loss on liquidation of business following the decision to end operations at Matsumoto PARCO. 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), demonstrating a large increase in profit.

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.

<Key performance indicator results and targets>

	FY2020 results	FY2021 results	FY2022 results	FY2023 targets
Consolidated operating profit (IFRS)	¥(24,265) million	¥9,380 million	¥19,059 million	¥38,500 million
Consolidated ROE	(7.1)%	1.2%	4.0%	7.0%
Consolidated ROIC	0.2%	1.2%	2.7%	4.6%
Greenhouse gas emissions*	(32.0)%	(36.7)%	(under calculation)	(40)%
Ratio of women in management positions	19.9%	21.3%	22.2%	26%

*Scope 1 and 2 emissions compared with FY2017. The result for FY2022 is under calculation.

(Reference) Scope 1: Direct emissions of greenhouse gases from an organization itself (gasoline for company vehicles, etc.).

Scope 2: Indirect emissions from the use of electricity, heat, or steam provided by another company (electrical usage in stores and offices, etc.)

(ii) Results by segment

Revenue and operating profit by business segment of the corporate group (Millions of yen)

Business segment	15th fiscal year (Fiscal 2021)				16th fiscal year (Current fiscal year) (Fiscal 2022)			
	Revenue		Operating profit		Revenue		Operating profit	
	Results	Composition	Results	Composition	Results	Composition	Results	Composition
		%		%		%		%
Department Store Business	190,739	57.5	(4,594)	–	215,754	60.0	7,529	39.5
SC Business	52,556	15.9	2,055	–	54,361	15.1	3,733	19.6
Developer Business	50,633	15.3	4,711	–	54,670	15.2	3,695	19.4
Payment and Finance Business	11,037	3.3	1,970	–	12,889	3.6	3,485	18.3
Total	304,967	92.0	4,142	–	337,676	93.9	18,443	96.8
Other	61,755	18.6	1,199	–	55,922	15.5	899	4.7
Adjustments	(35,239)	(10.6)	4,039	–	(33,919)	(9.4)	(283)	(1.5)
Consolidated total	331,484	100.0	9,380	100.0	359,679	100.0	19,059	100.0

Department Store Business

Revenue of ¥215,754 million (+13.1% YoY), operating profit of ¥7,529 million (operating loss of ¥4,594 million in the previous fiscal year)

<Reference data>
Gross sales of ¥657,955 million (+18.4% YoY), business profit of ¥12,834 million (+613.7% YoY)

As the impact of the spread of COVID-19 and restrictions on movement began to diminish, mainly from the middle of the fiscal year onward, consumer behavior, which had been restrained, began to recover. Additionally, as the number of foreign tourists visiting Japan increased, the number of customers visiting stores and net sales improved steadily, reflecting the effects of strategic investments promoted during the period.

In terms of our key strategy initiatives, we promoted the creation of attractive sales floors and stores using the unique qualities of each store by expanding key categories such as luxury goods, watches, and art, mainly at our flagship stores, and by building a large-scale character zone at our Daimaru Umeda store.

Furthermore, in our digital initiatives, we evolved our customer policies by promoting the digitalization of customer contact points through our app and by identifying potential customers through data analysis and use. We also launched a new cosmetics information site “DEPACO” as a form of media commerce, leveraging the strengths of department stores, including physical stores and sales capabilities.

To enhance our approach to the affluent market segment, we expanded our key categories and built high-quality store environments including customer lounges. We also improved our offers of scarce merchandise and services both in-store and on dedicated customer sites, and worked to expand our customer base.

In our management structure reforms, we produced results in organizational and personnel structure reforms with a view to new store operating models and worked to revise our cost structure including reviewing the scope of our outsourcing.

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

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

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

Company / Store			Amount	Composition	Year-on-year changes
Daimaru Matsuzakaya Department Stores Co. Ltd.				%	%
	Daimaru				
		Osaka Shinsaibashi store	70,805	10.8	33.9
		Osaka Umeda store	48,311	7.3	17.2
		Tokyo store	64,236	9.8	34.9
		Kyoto store	61,520	9.4	17.3
		Kobe store	83,954	12.8	19.7
		Suma store	6,314	1.0	(3.6)
		Ashiya store	4,204	0.6	0.7
		Sapporo store	62,068	9.4	25.7
		Shimonoseki store	8,360	1.3	(0.6)
		Sub total	409,776	62.3	23.1
	Matsuzakaya				
		Nagoya store	117,737	17.9	13.2
		Ueno store	23,984	3.6	14.8
		Shizuoka store	17,517	2.7	2.5
		Takatsuki store	5,504	0.8	6.3
		Sub total	164,743	25.0	8.9
	Corporations, head office, etc.		27,970	4.3	28.0
	Total		602,490	91.6	19.1
The Hakata Daimaru, Inc.			47,108	7.2	13.5
Kochi Daimaru Co., Ltd.			8,379	1.3	1.2
Adjustments			(22)	0.0	−
Total			657,955	100.0	18.4

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

Product	Amount	Composition	Year-on-year changes
		%	%
Men’s clothing and haberdashery	36,959	5.6	15.9
Ladies’ clothing and haberdashery	227,036	34.5	28.5
Children’s clothing and haberdashery	6,494	1.0	2.1
Kimono, bedding and other clothing	6,318	1.0	12.2
Accessories	46,608	7.1	19.9
Furniture	4,939	0.8	15.2
Home appliances	171	0.0	13.0
Household goods	13,598	2.1	(7.1)
Food products	141,573	21.5	8.3
Food halls and cafes	15,419	2.3	41.5
General goods	118,712	18.0	18.3
Services	2,379	0.4	22.7
Other	37,765	5.7	13.3
Adjustments	(22)	0.0	–
Total	657,955	100.0	18.4

(Note) Gross sales are calculated by converting certain transactions recognized as revenue under IFRS on a net basis to amounts on a gross basis. Specifically, we converted sales from purchase recorded at the time of sale (shoka shiire) to a gross amount.

SC Business

Revenue of ¥54,361 million (+3.4% YoY), operating profit of ¥3,733 million (+81.6% YoY)

<Reference data>
Gross sales of ¥254,641 million (+16.2% YoY), business profit of ¥5,382 million (+40.0% YoY)

The SC Business experienced steady improvement in both the number of customers visiting stores and tenant transaction volume due to strategic remodeling centered on flagship stores and stronger promotions, amid a rebound from store closures and restricted admission policies at entertainment venues imposed in the previous fiscal year, and as personal spending began to recover starting in the middle of the fiscal year onward.

In terms of our key strategy initiatives, with an eye on both the changing times and changing lifestyles driven by the COVID-19 pandemic, we renovated the ground floor and expanded contents with a strong affinity with the area at Ikebukuro PARCO, and we carried out large-scale renovations with genderless and ageless themes at Nagoya PARCO. We also rolled out unique pop-up stores, character collaboration plans, and cooperative plans with local communities at each store. Furthermore, with the cooperation of our tenants, we worked to develop a foundation by increasing our app membership count and enhancing the convenience of shopping at both 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, revenue was ¥54,361 million, up 3.4% year on year. Operating profit was ¥3,733 million (up 81.6% year on year) despite the recording of loss on liquidation of business following the decision to end operations at Matsumoto PARCO (planned for the end of February 2025) and impairment losses on stores.

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

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

Store	Amount	Composition	Year-on-year changes	Store	Amount	Composition	Year-on-year changes
Sapporo PARCO	9,980	% 4.0	% 25.3	Shintokorozawa PARCO	7,570	% 3.0	% (6.9)
Sendai PARCO	17,304	7.0	16.4	Tsudanuma PARCO	9,702	3.9	4.2
Urawa PARCO	25,851	10.4	9.6	Hibarigaoka PARCO	6,798	2.7	11.0
Ikebukuro PARCO	20,991	8.4	28.7	Matsumoto PARCO	4,020	1.6	0.8
PARCO_ya Ueno	6,481	2.6	23.2	Total of community complex group	28,092	11.3	1.9
Kichijoji PARCO	6,852	2.8	15.2	Total of urban and community complex groups	248,502	100.0	16.9
Shibuya PARCO	22,823	9.2	33.7				
Kinshicho PARCO	8,715	3.5	25.4				
Chofu PARCO	17,411	7.0	14.4				
Shizuoka PARCO	7,669	3.1	0.6				
Nagoya PARCO	26,910	10.8	18.5				
Shinsaibashi PARCO	17,757	7.1	30.3				
Hiroshima PARCO	11,921	4.8	11.0				
Fukuoka PARCO	19,739	7.9	15.2				
Total of urban complex group	220,410	88.7	19.1				

(Note) 1. The tenant transaction volume represents the total amount of tenant transactions at PARCO stores.
2. Tsudanuma PARCO closed on February 28, 2023.

Developer Business

Revenue of ¥54,670 million (+8.0% YoY), operating profit of ¥3,695 million (-21.6% YoY)

<Reference data>
Gross sales of ¥54,670 million (+1.6% YoY), business profit of ¥2,947 million (-6.0% YoY)

We promoted our key strategies aimed at maximizing the use of the Group's real estate holdings and reforming our real estate portfolio. This mainly involved entering the residential real estate business to develop non-commercial facilities using our real estate holdings and planning and carrying out the development of large-scale mixed-use facilities in key areas where the Company has a solid foundation. Specifically, in addition to Nishiki 3-chome District 25 (tentative name) in Nagoya's Sakae area slated for completion and opening in 2026 and the Shinsaibashi Project (tentative name) in Osaka's Shinsaibashi area, we evaluated redevelopment in the Tenjin area of Fukuoka in collaboration with local communities and other companies, aiming to contribute to the creation of attractive, high-quality urban development.

Additionally, to pursue further business growth, we established J. Front City Development Co., Ltd. directly under our holding company and decided to transfer the developer business operated by PARCO Co., Ltd. to J. Front City Development Co., Ltd. By restructuring this business, we are building a system capable of fast decision making from the standpoint of Group-wide optimization. In addition, we will further strengthen our governance by developing and securing specialists, conducting management and administration suitable for the business, and carrying out risk management.

As a result of various measures including those mentioned above, revenue was ¥54,670 million (up 8.0% year on year) due to increases in interior and facilities work inside and outside the Group and facilities management contracting, despite the impact of the end of operations of existing properties. Operating profit was ¥3,695 million, down 21.6% year on year, partly due to a rebound with respect to gain on sales of non-current assets recorded in the previous fiscal year.

Payment and Finance Business

Revenue of ¥12,889 million (+16.8% YoY), operating profit of ¥3,485 million (+76.9% YoY)

<Reference data>
Gross sales of ¥12,889 million (+16.8% YoY), business profit of ¥3,486 million (+82.9% YoY)

In the payment business, in addition to the recovery in transaction volume in the Department Store Business and external affiliated stores, we provided special experiences including unique member events to increase awareness about our unique points program (QIRA Point). We also worked to strengthen the external affiliated stores by improving the payment environment in Group commercial facilities.

In the finance business, we strengthened the insurance agency business as well as expanded our financial services including investment trust installment services through partnerships with other companies.

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

(Note) Starting from the fiscal year under review, gross sales for JFR Card Co., Ltd. have been changed to IFRS revenue in our calculations. Percentage changes year on year have been calculated by restating the results for the fiscal year ended February 28, 2022.

<u>Other</u>

Revenue of ¥55,922 million (-9.4% YoY), operating profit of ¥899 million (-25.0% YoY)

<Reference data>
Gross sales of ¥57,358 million (-12.3% YoY), business profit of ¥924 million (-26.2% YoY)

Daimaru Kogyo, Ltd., which is engaged in the wholesale business, enjoyed increased revenue and profit due mainly to a recovery in orders in the automotive component division. However, due to the impact of removing the temporary staffing business from the scope of consolidation at the end of the previous year, revenue was ¥55,922 million (down 9.4% year on year), and operating profit was ¥899 million (down 25.0% year on year).

(Note) Starting from the fiscal year under review, gross sales for Daimaru Kogyo, Ltd. have been changed to IFRS revenue in our calculations. Percentage changes year on year have been calculated by restating the results for the fiscal year ended February 28, 2022.

(2) Explanation of financial position

(Assets, liabilities, and equity as of February 28, 2023)

Total assets as of February 28, 2023 were ¥1,120,953 million, down ¥71,954 million compared with February 28, 2022. Total liabilities were ¥749,542 million, a decrease of ¥81,245 million compared with February 28, 2022. Interest-bearing liabilities (including lease liabilities) were ¥413,949 million, down ¥88,160 million compared with February 28, 2022, as a result of the Company optimizing cash and deposits on hand secured to provide for effects of the COVID-19 pandemic, and having proceeded with repayment.

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

(Cash flow position)

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 provided by operating activities was ¥65,480 million. In comparison with the previous fiscal year, cash provided increased by ¥15,614 million, largely due to an increase in 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 the proceeds from sales of investment property and subsidiary shares recorded in the previous fiscal year, in addition to an increase in purchase of property, plant and equipment.

Net cash used in financing activities was ¥105,694 million. In comparison with the previous fiscal year, net cash used in financing activities increased by ¥25,302 million, as we repaid interest-bearing liabilities including bond redemptions.

(3) Status of capital investment

The basic approach taken regarding the Group’s recurring capital investment is to keep such investment within the scope of the amount of depreciation. In the current fiscal year, total capital investments were ¥23,415 million.

(i) Major facilities completed during the current fiscal year

Major facilities completed during the current fiscal year included investments in renovating sales floors at the Matsuzaka Nagoya store and Daimaru Kyoto store in the Department Store Business, internal renovations and facility upgrades at Nagoya PARCO and Ikebukuro PARCO in the SC Business, and investment in the launch of HAB @ Kumamoto in the Developer Business.

(ii) New construction and expansions of major facilities during the current fiscal year

New construction in Nagoya’s Sakae area for the development of Nishiki 3-chome District 25 (tentative name)

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

Not applicable.

(4) Status of procurement

The Group’s basic policy is to source funds needed for business activities using funds generated by the Group. Moreover, when the need arises for business investment or other expenditures, the holding company spearheads efforts to procure such funds mainly by issuing bonds and borrowing from financial institutions, with consideration placed on maintaining financial soundness.

The Group subsidiaries do not procure funds from financial institutions, but instead we promote streamlined means of procuring Group funds by seeking needed funding through intra-Group financing using a cash management system.

For the current fiscal year, based on the above policy, we procured ¥5,500 million through long-term borrowings from financial institutions. Meanwhile, we optimized the cash and deposits on hand that we had secured in preparation for the impact of the spread of COVID-19 and repaid ¥24,000 million in short-term borrowings and ¥15,100 million in long-term borrowings. Additionally, with the redemption of ¥20,000 million in unsecured straight bonds and ¥15,000 million in commercial paper, our balance of interest-bearing liabilities (excluding lease liabilities) decreased by ¥68,600 million compared to February 28, 2022 to ¥249,100 million. We also scaled back the commitment line from ¥200,000 million to ¥100,000 million.

(5) Issues to be addressed

Two years have passed since the start of the Medium-term Business Plan (FY2021-FY2023), which positions sustainability at the core of management.

In fiscal 2022, as the impact of repeated spread of COVID-19 and restrictions on movement diminished, we transitioned to offense-oriented management and promoted concentrated investment and management structure reforms based on our key strategies. As a result of these efforts, mainly from the middle of the fiscal year onward, revenue steadily began to recover, and we reduced interest-bearing liabilities, improving our financial standing.

The environment surrounding our business is becoming increasingly uncertainty due to the emergence of geopolitical risk, rising global inflation, and growing concerns over an economic slowdown due to prolonged supply constraints, even though social and economic activities continue to normalize. In addition to “changes in consumer behavior due to COVID-19” and “the decline of existing business models,” we are aware of the need to respond to these risks from both short-term and medium- to long-term perspectives.

In fiscal 2023, the final year of the Medium-term Business Plan, we will accelerate the implementation of key strategies and measures in each business in order to surely capture domestic spending and inbound demand, which are beginning to recover, and to achieve a “prompt recovery in earnings power.” Furthermore, given the highly uncertain business environment, we will further reduce fixed costs in our management structure reforms, compared to the initial plan, and thorough variable costs and other expenses.

In terms of our performance targets for fiscal 2023, we set our operating profit targets very carefully at the start of the period as we expect utilities costs to surge greater than initially expected, and because we must carefully identify trends in domestic spending and inbound demand. Considering the future changes in the business environment, we aim to achieve the performance targets in the Medium-term Business Plan by steadily promoting our individual strategies and policies.

Furthermore, amid accelerating changes in spending behavior caused by the COVID-19 pandemic, the importance of business portfolio transformation has grown further. Against this backdrop, with sustainability at the core of management, we will establish a future vision for the Group with an eye to 2030 and set a clear trajectory toward regrowth including transforming the business models of existing businesses, business growth in non-commercial fields, and the creation of new businesses. In addition, based on these medium- to long-term strategies, we will begin formulating our next Medium-term Business Plan to start in fiscal 2024.

1) Accelerating the promotion of key strategies and management structure reforms aimed at a “prompt recovery in earnings power.”

(i) Real x Digital Strategy

We are working to increase the attractiveness of flagship stores through concentrated investment and to strengthen our online business with digital technologies.

Furthermore, we are working to expand the Group’s customer base by promoting the mutual exchange of customers in our key areas such as Nagoya and Shinsaibashi to integrate and use the Group’s customer database.

A. Increase the attractiveness of stores

- To establish competitive superiority in each region, we are further strengthening key categories that customer strongly support in our Department Store Business and enhancing unique promotions and events. Meanwhile, we are accelerating our response to market changes by developing new content with a focus on beauty, health, and the environment, while streamlining sales floors that handle practical merchandise.

- In addition to concentrated investment in our flagship stores including Shibuya, Ikebukuro, Nagoya, and Shinsaibashi PARCO, we are developing sales floors with new, fun experiences and enhancing our information dissemination in Japan and overseas to increase the value of visiting our stores. We are also opening new community-based commercial facilities.

B. Strengthen online business

- In addition to expanding the products and brands in department store websites and cosmetics media commerce, we will strengthen our business activities from a CSV perspective by launching a men's line service in our fashion subscription business and expanding sales channels for regional products using the online platform.
- In the SC Business, we are updating our existing online stores, expanding our shops and sales menus, increasing customer and shop convenience by responding to cross-border EC, and providing high-value-added services.

(ii) Prime Life Strategy

To strengthen our response to the affluent market segment, we are evolving our customer polices by working to expand our customer base, developing new content, and using diverse points of customer contact including stores, gaisho and websites.

A. Expand the customer base

- In the Department Store Business, we are expanding our customer base through partnerships with other companies, online enrollments, and promoting member registration on dedicated customer websites, while also transforming visitors to Japan into regular customers through the use of our app.

B. Develop new products and services

- In the Department Store Business, we are creating rare content and services that increase royalties in addition to further strengthening our mainstay categories. Also, in the Payment and Finance Business, we are developing and providing financial services tailored to the life stages of customers through business partnerships with other companies.

C. Evolve customer policies

- We are strengthening our sales activities using digital technologies including a dedicated customer website and online customer approach while evolving our CRM by expanding the scope of our data analysis and use.

(iii) Developer Strategy

In addition to promoting large-scale development projects in key areas, we are effectively using our real estate holdings and strengthening our business foundation.

Furthermore, under our new business promotion framework launched in March of this year, we are formulating and promoting long-term development plans centered in the key areas* of seven cities in which the Company maintains its business foundation, from the standpoints of Group-wide optimization and advanced utilization of asset holdings.

*Sapporo, Tokyo, Nagoya, Kyoto, Osaka, Kobe, and Fukuoka

A. Promote large-scale development projects in key areas.

- In addition to our large-scale development products in Nagoya's Sakae area and Osaka's Shinsaibashi, we are advancing the Tenjin 2-chome South Block Station-front East West Street Area Project (tentative name) through cooperation with the region and other companies.

B. Effectively use real estate holdings

- Contribute to earnings by developing and completing residential properties that match the characteristics of real estate holdings.

C. Strengthen business foundations

- We will work to strengthen our business foundations by undertaking asset replacement and establishing a consignment framework for the asset management business.

(iv) Management structure reforms

In fixed cost reductions, we are working to generate greater benefits than initially planned. Additionally, we are working to thoroughly manage variable costs as utility costs continue to surge greater than expected.

A. Reduction of fixed costs

- In addition to the effect of the ongoing organizational and personnel structure reforms, Group-wide purchasing, and a review of rental properties, we will further review cost structure reforms, including a review of outsourcing areas and streamlining back-office operations.

B. Increase management efficiency and asset efficiency

- With an eye to "regrowth" from fiscal 2024 onward, we will work to improve management efficiency by refining our business foundation based on future prospects, growth potential, and earnings potential based on invested capital and to improve asset efficiency by assessing non-business assets.

2) Clarifying the future vision for the Group toward 2030 and the trajectory toward "regrowth"

As the use of digital technologies in everyday life progresses driven by the COVID-19 pandemic, consumer behavior is changing at an accelerated pace, with a renewed awareness of the value of real-life experiences, such as connecting with people and local communities, sharing places, spaces and emotions, and a heightened awareness of social and environmental issues.

As ways of living and enjoying life diversify for our customers, we have established a future vision for the Group toward 2030 to "realize a sustainable society and new happiness in life" and are working to resolve social issues through our businesses and to create new value not bound by our existing business sectors, products, or services.

To achieve these goals, we will make full use of our management resources including store assets owned by the Company, customers and regions, supplier connections, and our business knowhow. We will also formulate medium- to long-term strategies and our next Medium-term Business Plan aimed at "regrowth" by transforming the business models of existing businesses, growing businesses in non-commercial sectors, and creating new businesses.

<Management issues and direction toward "regrowth">

i) Business model transformation of existing businesses

To transform the business models of our Department Store Business and SC Business, we will expand our customer base through customer exchanges in key areas and improving services for overseas customers and next-generation customers. We will also work on development of new businesses aimed at creating environmental and social value.

ii) Business growth in non-commercial fields

In our Developer Business, we will formulate and promote long-term strategies such as long-term development plans in key areas, expansion of construction and interior design business, asset replacement, and diversification of earnings through asset management, with the aim of proposing diverse urban lifestyles and contributing to the development of attractive urban areas.

In our Payment and Finance Business, we will rebuild the growth strategy in our finance business by efforts that include creating a plan to establish a Group payment infrastructure and developing high-value-added services using customer data.

iii) Creating new businesses

We are developing and entering businesses with expectations for future growth such as e-sports and subscription businesses. Moreover, by combining physical stores and virtual spaces, we are providing new experiences to our customers as we use digital technologies to create new businesses.

Furthermore, to increase the efficacy of these strategies, we are utilizing diverse knowledge from inside and outside the Company, including partnering with regions and other companies, business acquisitions, and business co-creation with the CVC fund.

3) Strengthen management foundations for achievement of medium- to long-term growth

We are working to strengthen management foundations for our Group vision with an eye to 2030 and to increase the effectiveness of our business portfolio transformation. In particular, to realize the sustainability management that the Company aims for, we are promoting “human capital management” for the sustainable growth of our people and organizations by proactively promoting diversity and focusing investment on the human resources that create new value.

(i) Group human resource strategy

We are strengthening recruitment and developing skills of highly specialized talent, developing the human resources responsible for the next generation, and encouraging the active participation of women. Additionally, we are strengthening investment in human resources both in the placement of individual personnel in positions that develop motivation and latent capabilities, and in reskilling.

Furthermore, with an eye to the future vision of the Group and business portfolio transformation, we are formulating development, hiring, and placement policies based on the visualization of the required human resources and capabilities. We are also accelerating the promotion of our personnel strategy linked to our management strategy, including increasing employee engagement.

(ii) Group financial strategy

Aimed at business portfolio transformation and realizing growth deriving from profitability in each business, we are working to enhance the sophistication of Group management and administration by formulating a plan to improve return on invested capital (ROIC) through coordination with each business and disseminate it internally. Furthermore, in light of trends in the capital markets, we are working to strengthen our financial standing by creating operating cash flow, securing strategic investment capital, and controlling interest-bearing liabilities.

(iii) Group systems strategy

We will proceed with introduction of the common Group accounting system aimed at the sophistication of management and administration and streamlining operations at each company in preparation for its full-fledged operations scheduled for the next Medium-term Business Plan. Furthermore, from the standpoint of Group-wide optimization and strengthening the response to information security and business continuity, we are working to strengthen Group IT governance, including creating new networks and performing integrated management of investment plans and processes.

(iv) Strengthening corporate governance

With the goals of realizing medium- to long-term growth and enhancing corporate value, we are working to develop more sophisticated corporate governance practices by strengthening the oversight function of the Board of Directors and speeding up management decision-making and execution to transform our business portfolio.

(6) The Group’s sustainability initiatives

1) Sustainability management and the seven materialities (priority issues)

The Company has established its sustainability policy “with people, with local communities, with environment to realize a sustainable society and new happiness in life,” and is promoting Group-wide sustainability management.

In its Medium-term Business Plan launched in fiscal 2021, the Company has identified seven materialities for promoting sustainability management and realizing “Well-Being Life.” In each materiality, the aim is to realize the creation of shared value (CSV) that balances social value and economic value by creating business opportunities from both risks and opportunities.

2) Fiscal 2022 initiatives

- Reducing greenhouse gas emissions through the use of renewable energy

By changing over to renewable energy in our stores and offices, converting lighting to LED, and using electric vehicles for company vehicles, we have reduced Scope 1 and 2 greenhouse gas emissions (fiscal 2022 results are being calculated, fiscal 2023 target: 40% reduction compared to fiscal 2017). Furthermore, the ratio of renewable energy to the total energy used in our business activities is expected to exceed 30% by the end of fiscal 2022 (fiscal 2023 target: 40%).

- Promoting resource recycling and circular-type businesses

At Daimaru Matsuzakaya Department Stores Co. Ltd., we entered the fashion subscription business with “AnotherADdress” in March 2021 with the aim of balancing “the enjoyment of fashion” with “a departure from the mass production and disposal model.” Amid lifestyle changes prompted by the COVID-19 pandemic and increasing interest in environmentally-friendly services, AnotherADdress has enjoyed strong customer support and continued growth. We are working to expand the business by adding a new men’s line in March 2023.

Furthermore, at Daimaru Matsuzakaya Department Stores Co. Ltd., we are promoting “ECOFF Recycle Campaign” activities in which we collect unneeded clothing, shoes, and bags from customers to create new resources and reuse them in new materials and products. Through the continued, strong support of our customers through fiscal 2022, we collected around 367 tons of used items, expanding both the number of participants and collection volume of the program.

- Reducing greenhouse gas emissions together with our suppliers

At Daimaru Matsuzakaya Department Stores Co. Ltd., we held a briefing in April 2022 for our main suppliers (attended by 300 people from 253 companies). We communicated both the Group’s resolve and concrete initiatives to realize a decarbonized society. We will continue to cooperate with our suppliers to realize a decarbonized society throughout the entire supply chain.

- Encouraging the active participation of women

Female employees make up 52.9% of all employees in the Group, and we position and encourage the active participation of women as a key management strategy as we strive for corporate growth.

In fiscal 2022, we launched the “project to encourage the active participation of women” under the direct management of the Company President. Members were selected from each operating company and multiple discussions were held on creating an environment in which women can fully exercise their individuality and capabilities. We also held “career forums” for management candidates which included training on the mindset required to exercise leadership and become a manager.

As a result of these initiatives, the ratio of women in management positions at the end of fiscal 2022 was 22.2% (fiscal 2023 target: 26%).

- Strengthening the recruitment of highly specialized professionals

The Group is actively hiring highly specialized professionals with the specialized skills, experience, and knowledge needed for new growth fields, such as digital, developer-related, and the Payment and Finance Business. In fiscal 2022, the Group hired a total of 132 people (103 in the previous fiscal year). Particularly at our holding company, the ratio of outside hires to total employees is 36.4%. Through diversity in our organizations and personnel, we are working to realize sustainable growth and the creation of new value.

*The Company has set “Scope 1 and 2 GHG emissions” and the “ratio of women in management positions” as non-financial indicators for performance-linked stock-based remuneration in its officer remuneration system and has clarified the responsibility of management in achieving these targets.

* Details of the Company's seven materialities are available via the link below.
(https://www.j-front-retailing.com/english/sustainability/sustainability.html)

(7) Status of assets and profit or loss

Changes in assets and profit or loss of the corporate group

(Millions of yen, unless otherwise stated)

International Financial Reporting Standards (IFRS)				
Category	13th fiscal year (Fiscal 2019)	14th fiscal year (Fiscal 2020)	15th fiscal year (Fiscal 2021)	16th fiscal year (Fiscal 2022)
Gross sales	1,133,654	769,453	865,919	998,755
Revenue	480,621	319,079	331,484	359,679
Business profit	45,363	2,366	11,718	24,854
Operating profit	40,286	(24,265)	9,380	19,059
Operating profit/revenue	8.4%	(7.6)%	2.8%	5.3
Profit before tax	37,161	(28,672)	6,190	16,873
Profit attributable to owners of parent	21,251	(26,193)	4,321	14,237
Total assets	1,240,308	1,263,722	1,192,907	1,120,953
Total equity	399,681	364,343	362,120	371,410
Equity attributable to owners of parent	387,188	352,171	350,368	359,385
Ratio of equity attributable to owners of parent to total assets	31.2	27.9	29.4	32.1
Interest-bearing liabilities [Of which, lease liabilities]	478,773 [220,497]	562,815 [202,885]	502,109 [184,394]	413,949 [164,825]
Cash flows from operating activities	73,358	56,471	49,866	65,480
Cash flows from investing activities	(49,559)	(20,870)	(5,289)	(13,371)
Free cash flows	23,799	35,601	44,577	52,109
Cash flows from financing activities	(14,829)	58,727	(80,392)	(105,694)
Cash and cash equivalents at end of period	34,633	128,925	93,278	39,874
Profit/equity attributable to owners of parent (ROE)	5.4%	(7.1)%	1.2%	4.0%
Operating profit/total assets (ROA)	3.2%	(1.9)%	0.8%	1.6%
Return on invested capital (ROIC)	–	0.2	1.2	2.7
Basic earnings per share (EPS) (Yen)	81.19	(100.03)	16.50	54.32
Equity attributable to owners of parent per share (Yen)	1,479.07	1,344.91	1,337.29	1,370.43
Price earnings ratio (PER)	14.13%	(10.17)%	58.29%	23.55%
Interim dividend (Yen)	18.00	9.00	14.00	15.00
Year-end dividend (Yen)	18.00	18.00	15.00	16.00
Dividend payout ratio	44.3%	–%	175.7%	57.1%
Dividends/equity attributable to owners of parent	2.4%	2.0%	2.2%	2.3%

(Notes)
1. Profit attributable to owners of parent, operating profit and business profit after tax are used to calculate ROE, ROA and ROIC, respectively.
2. Gross sales are calculated by converting certain transactions recognized as revenue under IFRS on a net basis to amounts on a gross basis. Specifically, we converted sales from purchase recorded at the time of sale (shoka shiire) of the Department Store Business to a gross amount and the net amount transactions of the SC Business to tenant transaction volume (gross basis). Accordingly, gross sales for the 15th fiscal year have been retrospectively adjusted.
3. Business profit is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

(8) Status of significant parent company and subsidiaries

(i) Relationship with the parent company

No items to report

(ii) Status of major subsidiaries

(Millions of yen, unless otherwise stated)

Company name	Share capital	Ratio of ownership by the Company (%)	Major businesses
Daimaru Matsuzakaya Department Stores Co. Ltd.	10,000	100.0	Department Store Business
The Hakata Daimaru, Inc.	3,037	69.9	Department Store Business
Kochi Daimaru Co., Ltd.	300	100.0	Department Store Business
PARCO Co., Ltd.	34,367	100.0	Shopping Center Business
Parco (Singapore) Pte Ltd.	S$4 million	100.0	Shopping Center Business
PARCO SPACE SYSTEMS Co., Ltd.	100	100.0	Space engineering and management business
J. Front Design & Construction Co., Ltd.	100	100.0	Design and construction contracting
PARCO Digital Marketing Co., Ltd.	10	100.0	Internet-related business
J. Front City Development Co., Ltd. (Note 1)	10	100.0	Real estate business
JFR Card Co., Ltd.	100	100.0	Payment and Finance Business
Daimaru Kogyo, Ltd.	1,800	100.0	Wholesale business
Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	US$2 million	100.0	Wholesale business
Daimaru Kogyo (Thailand) Co., Ltd.	THB202 million	99.9	Wholesale business
Taiwan Daimaru Kogyo, Ltd. (Note 2)	NT$60 million	100.0	Wholesale business
Consumer Product End-Use Research Institute Co., Ltd.	100	100.0	Merchandise test and quality control
Angel Park Co., Ltd.	400	50.2	Parking
JFR Service Co. Ltd.	100	100.0	Commissioned back-office service, leasing, parking
JFR Information Center Co., Ltd.	10	100.0	Information service
Daimaru Matsuzakaya Tomonokai Co., Ltd.	100	100.0	Specified prepaid transaction service
XENOZ Co., Ltd. (Note 3)	100	50.8	E-sports business

(Notes) 1. On October 27, 2022, the Company acquired all shares of JAPAN RETAIL ADVISORS Co., Ltd. from PARCO Co., Ltd. and changed the trade name to J. Front City Development Co., Ltd.

2. On August 22, 2022, the decision was made to dissolve Taiwan Daimaru Kogyo, Ltd., which is now in liquidation proceedings.

3. On December 1, 2022, the Company acquired shares of XENOZ Co., Ltd., making it a consolidated subsidiary.

(iii) Matters relating to specified wholly owned subsidiaries

(Millions of yen)

Name	Address	Total book value	Total assets of the Company
Daimaru Matsuzakaya Department Stores Co. Ltd.	18-11, Kiba 2-chome, Koto-ku, Tokyo	202,109	574,302
PARCO Co., Ltd.	28-2, Minami-Ikebukuro 1-chome, Toshima-ku, Tokyo	160,581	574,302

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

(9) Major businesses

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

(10) Major business locations

(Department Store Business)

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

(SC Business)

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

(Developer Business)

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

(Payment and Finance Business)

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

(Other subsidiaries)

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

(11) Status of employees

(i) Employees of the corporate group

Category	Number of employees
J. FRONT RETAILING Co., Ltd.	151
Department Store Business	2,884
SC Business	494
Developer Business	843
Payment and Finance Business	211
Other	532
Total	5,115

(Note) Other than the employees above, the number of dedicated employees is 1,195 and the number of fixed-term employees is 948.

(ii) Employees of the Company

Number of employees	Average age
151	49.0

(Note) Other than the employees above, the number of dedicated employees is 3 and the number of fixed-term employees is 13.

(iii) Employees of major subsidiaries

Name	Number of employees	Average age
Daimaru Matsuzakaya Department Stores Co. Ltd.	2,627	49.0
PARCO Co., Ltd.	688	43.9

(12) Status of major creditors

Major creditors of the corporate group

(Millions of yen)

Creditor		Amount payable
Borrowings		
	MUFG Bank, Ltd.	37,658
	Development Bank of Japan Inc.	34,484
	Sumitomo Mitsui Banking Corporation	23,184
	Mizuho Bank, Ltd.	12,284
	Other	61,700
	Sub total	169,310
Straight bonds, etc.		79,813
Total		249,123

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

At a Board of Directors meeting held on October 11, 2022, the Company resolved to transfer the developer business of its wholly owned subsidiary PARCO Co., Ltd. to its wholly owned subsidiary JAPAN RETAIL ADVISORS Co., Ltd. (currently J. Front City Development Co., Ltd.) through a company split (absorption-type split), with an effective date of March 1, 2023.

2. Matters relating to shares of the Company

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

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

(3) Number of shareholders: 166,642

(4) Major shareholders

Name of shareholders	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	46,039	17.42
Custody Bank of Japan, Ltd. (Trust Account)	20,798	7.87
Nippon Life Insurance Company	9,828	3.72
J. Front Retailing Kyoei Supplier Shareholding Association	6,462	2.45
The Dai-ichi Life Insurance Company, Limited	4,012	1.52
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	3,825	1.45
JP Morgan Securities Japan Co., Ltd.	3,565	1.35
SMBC Nikko Securities Inc.	3,387	1.28
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	3,204	1.21
JAPAN SECURITIES FINANCE CO., LTD.	3,124	1.18

(Note) Shareholding ratio is calculated by deducting treasury shares (6,272 thousand shares). Treasury shares do not include shares of the Company owned by the officer remuneration BIP trust.

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

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

	Number of granted persons	Number of shares
Director	–	–
[of which, Outside Director]	–	–
Executive Officer	25	35,930
Total	25	35,930

(Notes)
1. The number of shares granted to Directors who concurrently serve as Executive Officers as compensation for performance of duties during the term of the Executive Officer is shown in the Executive Officer row.
2. The aforementioned number of granted persons and the number of shares include officers who were present during the current fiscal year, officers who retired during the current fiscal year, and officers who were present from May 25, 2017 to February 28, 2021 and the shares granted to those officers.
3. The number of shares above amounts to shares issued to each Director. 39,654 shares among the shares whose rights are granted to each Director will be provided in cash in the amount equivalent to the amount converted within the Trust pursuant to the share granting rules related to the stock-based remuneration system.

3. Matters relating to corporate officers

(1) Names, etc. of Directors

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

(Notes)
1. HAMADA Kazuko is recorded under the name of HIMENO Kazuko in the Family Registry.
2. SATO Rieko is recorded under the name of KAMATA Rieko in the Family Registry.
3. Stated are the number of Board of Directors meetings attended and number of Board of Directors meetings held during the individual's tenure this fiscal year (Details of attendance at each committee meeting are given in "7. Operations of each Committee.")
4. The Company enters into agreements limiting liability for damages such that are stipulated in Paragraph 1, Article 423 of the Companies Act, provided for in Paragraph 1, Article 427 of the said Act, with the relevant individuals (marked as "Yes" in the "Limited liability agreements" column). These agreements limit the amount of their

liability for damages to the higher of either ¥12,000,000 or the minimum amount of liability such that is stipulated in Paragraph 1, Article 425 of the said Act.

5. The Company enters into a Directors and Officers liability insurance contract with an insurance company as stipulated in Paragraph 1, Article 430-3 of the Companies Act. Under such an insurance contract, indemnification will be provided for legal damages and litigation costs to be borne by the insured. The Company covers the payment for the entire amount of the premium for all of those insured. The insurance policy covers all Directors and Executive Officers of the Company and all Directors and Audit & Supervisory Board Members of its subsidiaries. However, the contract does not cover any damages, etc. arising from criminal acts and violations of laws and regulations committed by the insured knowingly what they are doing, as a measure to prevent the impairment of the appropriateness of the execution of duties by the insured.
6. Audit Committee member HAKODA Junya has been involved in accounting audits, management consulting, and internal audits of accounting firms, etc., serving as a certified public accountant for many years. He has both a wealth of experience and highly specialized knowledge in relation to corporate auditing. He also has deep insight into finance and accounting matters.
7. Audit Committee member SEKI Tadayuki was involved in international business management and risk management. As CFO, he has both a wealth of experience and highly specialized knowledge in relation to finance and accounting. He also has deep knowledge of finance and accounting matters.
8. Audit Committee member HAMADA Kazuko is a full-time Audit Committee member. We aim to improve the effectiveness of audits by appointing to serve as full-time Audit Committee member an in-house Director who does not execute business and has specialist knowledge of specific areas of our business based on a thorough understanding of in-house organizations and business execution.

(2) Names, etc. of Executive Officers

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company
President and Representative Executive Officer	YOSHIMOTO Tatsuya	
Managing Executive Officer	WAKABAYASHI Hayato	Senior Executive General Manager of Financial Strategy Unit Director of PARCO Co., Ltd.
Managing Executive Officer	ONO Keiichi	Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management Director of PARCO Co., Ltd
Managing Executive Officer	HAYASHI Naotaka	Senior Executive General Manager of Group Digital Unit
Managing Executive Officer	NAKAYAMA Takashi	Senior Executive General Manager of Group System Unit Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
Managing Executive Officer	MATSUDA Hirokazu	Senior Executive General Manager of Human Resources Strategy Unit and Administration Unit and in charge of Compliance Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
Executive Officer	KAWASE Kenji	Senior General Manager of Management Planning Division, Business Portfolio Transformation Promotion Division, and Group Communications Promotion Division of Management Strategy Unit
Executive Officer	HIRAI Yuji	Senior General Manager of CRE Planning Division of Management Strategy Unit Executive Officer of PARCO Co., Ltd. President and Representative Director of J. Front City Development Co., Ltd.
Executive Officer	YAMAZAKI Shiro	Senior General Manager of System Planning Division of Group System Unit
Executive Officer	NOGUCHI Hideki	Senior General Manager of Accounting and Tax Affairs Division of Financial Strategy Unit
Executive Officer	UMEBAYASHI Akira	Senior General Manager of Group Human Resources Policy Division, Group Human Resources Development Division, and Group Welfare Division of Human Resources Strategy Unit

(Reference) A new Executive Officer was elected and appointed. Accordingly, Executive Officers' areas of responsibility in the Company and important concurrent positions outside the Company were partially changed on March 1, 2023 as indicated below.

Position in the Company	Name	New areas of responsibility in the Company and important concurrent positions outside the Company
President and Representative Executive Officer	YOSHIMOTO Tatsuya	Senior Executive General Manager of CRE Strategy Unit
Executive Officer (New)	OCHIAI Isao	Senior General Manager of Management Planning Division and Business Portfolio Transformation Promotion Division of Management Strategy Unit
Executive Officer	UMEBAYASHI Akira	Senior General Manager of Group Human Resources Development Division and Group Welfare Division of Human Resources Strategy Unit

On March 1, 2023, KAWASE Kenji and HIRAI Yuji retired as Executive Officers. KAWASE Kenji assumed the positions of Representative Director, President and Executive Officer of PARCO Co., Ltd. and HIRAI Yuji assumed the positions of Representative Director and President (full-time) of J. Front City Development Co., Ltd.

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

	Number of payees	Total amount of remuneration, etc. (Millions of yen)	Totals by category of remuneration, etc. (Millions of yen)			
			Basic remuneration	Performance-linked bonuses	Performance-linked stock-based remuneration	Non-performance-linked stock-based remuneration
Director	8	192	151	–	–	40
[of which, Outside Director]	[6]	[104]	[86]	–	–	[18]
Executive Officer	15	483	213	122	147	–
Total	23	675	365	122	147	40

(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 ¥9 million.
2. 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.
3. In the above table, the remuneration, etc. for Executive Officers of ¥483 million includes ¥25 million (including performance-linked stock-based remuneration) paid to four Executive Officers who held the post between March 1 and May 26, 2022.
4. Beginning in the fiscal year ended February 28, 2018, to ensure steady execution of the Medium-term Business Plan for realizing the Group Vision, the Company has adopted the stock-based remuneration system using a trust for officers (a system of granting the Company's shares to officers (in certain cases, the Company's shares are converted into cash within the trust and cash in the amount equivalent to their conversion value is paid) in accordance with the officers' rank and level of achievement of the Medium-term Business Plan, etc.) The stock-based remuneration in the above chart is the total recorded as expenses for the period under review. It is divided into performance-linked stock-based remuneration corresponding to degree of achievement of single fiscal year results and degree of achievement of the Medium-Term Business Plan targets, as well as non-performance-linked stock-based remuneration for Directors who do not execute business. Actual trends with respect to financial indicators for calculating bonuses and performance share in the current business year (consolidated operating profit and ROE) are stated under "1. Current status of the corporate group, (7) Status of assets and profit or loss." Meanwhile, actual trends with respect to non-financial indicators (greenhouse gas emissions and ratio of women in management positions) are stated in <Key performance indicator results and targets> under "1. Current status of the corporate group, (1) Business summary and results"
5. Figures in the "performance-linked bonuses" and "performance-linked stock-based remuneration" columns represent amounts recognized as provisions (standard amounts) before adjustment for the results of performance evaluation for the fiscal year ended February 28, 2023. The actual amounts to be paid in total and on an individual basis will be determined by a meeting of the Remuneration Committee scheduled for or after April 2023.

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

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

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

<Basic policy for officer remuneration>

The Company's Officer Remuneration System follows the basic approach below, aiming to achieve the objectives of realizing and promoting sustainability management (pay for purpose). The same basic policy has been established for the Directors and Executive Officers of the Group's major subsidiaries Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd., as well as for the Representative Directors of JFR Card Co., Ltd., J. Front City Development Co., Ltd., and J. Front Design & Construction Co., Ltd. (hereinafter, "eligible officers of major subsidiaries of the Group").

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

<How to determine remuneration levels>

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

<Composition of remuneration>

[Executive Officers]

Remuneration for Executive Officers shall comprise "basic remuneration" (monetary remuneration) in accordance with mission grade, "bonuses" (monetary remuneration) based on individual evaluations conducted each business year, and "performance shares" (performance-linked stock-based remuneration, which is trust-type stock-based remuneration) linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan as a stock-based remuneration system. The performance indicators of bonuses and performance shares were selected as shown in the table below so as to achieve KPIs for the final fiscal year of the Medium-term Business Plan and to make a healthy incentive for sustainable growth function.

<table>
<tr><th rowspan="2">Type of remuneration</th><th rowspan="2" colspan="4">Payment basis</th><th rowspan="2">Payment method</th><th colspan="2">Composition of remuneration</th></tr>
<tr><th>President</th><th>Officers other than President</th></tr>
<tr><td>Basic remuneration (fixed)</td><td colspan="4">Determined separately for each mission grade</td><td>Monthly payment in cash</td><td>38.5%</td><td>45.4%</td></tr>
<tr><td rowspan="5">Bonuses (variable)</td><td colspan="4">Base amount by mission grade × Rate of change*1
*1 The rate of change is based on a calculation of scores using the quantitative and qualitative evaluations below.</td><td rowspan="5">Annual payment in cash</td><td rowspan="5">23.0%</td><td rowspan="5">27.3%</td></tr>
<tr><td colspan="3">Details</td><td>Evaluation weights</td></tr>
<tr><td>Quantitative evaluation*2 <50%></td><td>Fiscal year’s financial evaluation</td><td>Consolidated operating profit*3</td><td>50%</td></tr>
<tr><td rowspan="2">Qualitative evaluation*2 <50%></td><td rowspan="2">Fiscal year’s non-financial evaluation</td><td>Level of achievement of action plan for achieving individual missions</td><td>30%</td></tr>
<tr><td>Level of achievement of action plan for achieving non-financial targets in line with materialities</td><td>20%</td></tr>
<tr><td rowspan="9">Performance-linked stock-based remuneration (variable)</td><td colspan="4">[Short-term: 40%] Base amount by mission grade × Performance achievement factor*4
*4 Calculated based on the following measures of achievement</td><td rowspan="3">Annual payment in stocks*6</td><td rowspan="9">38.5%</td><td rowspan="9">27.3%</td></tr>
<tr><td colspan="3">Details</td><td>Evaluation weights</td></tr>
<tr><td colspan="3">Consolidated operating profit</td><td>100%</td></tr>
<tr><td colspan="4">[Medium to long term: 60%] Base amount by mission grade × Performance achievement factor*5
*5 Calculated based on the following measures of achievement</td><td rowspan="6">At the expiration of the term of each Medium-term Business Plan in stocks*6</td></tr>
<tr><td colspan="3">Details</td><td>Evaluation weights</td></tr>
<tr><td rowspan="2">Financial indicators <80%></td><td colspan="2">Consolidated operating profit</td><td>40%</td></tr>
<tr><td colspan="2">ROE</td><td>40%</td></tr>
<tr><td rowspan="2">Non-financial indicators <20%></td><td colspan="2">Greenhouse gas reductions (Scope 1 & 2 emissions)</td><td>10%</td></tr>
<tr><td colspan="2">Goal achievement for ratio of women in management positions</td><td>10%</td></tr>
</table>

*2 For eligible officers of major subsidiaries of the Group, the quantitative evaluation rate is 70%, and the qualitative evaluation rate is 30%. The evaluation weight for the qualitative evaluation includes 20% for the level of achievement of the action plan for achieving individual missions and 10% for the level of achievement of the action plan for achieving non-financial targets in line with materialities.

*3 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, 5 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

*6 In principle, the equivalent of 50% of the Company's shares to be issued is converted and paid as cash to provide funds for payment of tax.

[Directors who do not execute business]

Remuneration for Directors who do not execute business shall consist only of fixed remuneration, which shall be "basic remuneration" (monetary remuneration) in accordance with responsibilities and "restricted stock" (non-performance-linked stock-based remuneration, which is trust-type stock-based remuneration), which is not linked to performance, as part of the stock-based remuneration system. Restricted stock is a system for issuing the Company's shares in a way that it is not linked to performance, with the objective of involving Directors who do not execute business in management with a medium- to long-term view in order that they should strengthen proactive and defensive governance of the Company from a different standpoint to the Executive Officers as representatives of stakeholders. The shares are issued upon their retirement from office. The Company will disclose the number of shares held as the number of dilutive potential shares until the shares are issued.

<Stock acquisition and holding>

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

(ii) Process for determining remuneration for Directors and Executive Officers and forfeiture of remuneration of Executive Officers (clawback/malus)

To ensure the appropriateness of remuneration levels and the transparency of decision-making processes, decisions are made by resolution of a Remuneration Committee comprising independent Outside Directors (majority) and the Chairperson of Board of Directors who does not execute business, and headed by an independent Outside Director.

Remuneration Committee meetings are to be held at least four times per year. The committee decides on the policy for determining remuneration details for the individual officers (Directors and Executive Officers) of the Company and major subsidiaries of the Group, and on the remuneration details for individual Directors and Executive Officers of the Company. Basic remuneration positioned as fixed remuneration is decided for each mission grade based on the size (weight) of the responsibility borne by each officer. As for bonuses, evaluation is carried out using the "fiscal year's financial indicators," serving as quantitative evaluation, and the "fiscal year's non-financial indicators," which include qualitative evaluation. The committee also confirms the performance-linked factor in accordance with the level of achievement with respect to figures announced in the initial forecast (IFRS based) following a resolution of the Board of Directors to determine short-term performance shares that account for 40% of performance shares (performance-linked stock-based remuneration).

Based on these results, the committee determines that the remuneration details for individual Directors and Executive Officers during the current fiscal year align with the Company's basic policy for officer remuneration and the approach to determine remuneration levels.

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

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

The Officer Remuneration System is subject to review as scheduled in the Medium-term Business Plan, and in April 2021 the Officer Remuneration Policy was revised in accordance with the FY2021-FY2023 Medium-term Business Plan. Thereafter, it was continuously deliberated and revised as needed.

During the Medium-term Business Plan period, the level of basic remuneration will be reviewed if a drastic review becomes necessary due to dramatic changes in the external environment and so forth.

(5) Matters relating to Outside Directors

<table>
<tr><td rowspan="5">YAGO Natsunosuke
Independent
(Note)</td><td>Important concurrent positions</td><td>Outside Director of SUBARU CORPORATION</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td>No special relationships exist</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td>No items to report</td></tr>
<tr><td>Attendance at Board of Directors meetings</td><td>100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which he belongs</td><td>Nomination 100% (Attended all 13 meetings held during tenure this fiscal year)
Remuneration 100% (Attended all 12 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="3">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
YAGO Natsunosuke has been involved in top-level company management for many years and has a wealth of experience in strengthening financial bases and compliance management. He also has a high level of knowledge of internal controls and corporate governance gained through his experience in transitioning to a company with three committees (nomination, audit and remuneration committees). As such, we accordingly expect him to provide advice and oversight enlisting points of view and perspectives that vary from those of the Inside Directors. Moreover, YAGO Natsunosuke has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly on direction to be specified in the medium- to long-term strategies and key points at the time of their formulation, the desired form of a new developer business company, the approach to asset holdings in our financial strategy, and the approach to monetizing customer data. In regard to committee membership, he serves as the Chairperson of the Nomination Committee and a member of the Remuneration Committee, and has been working to strengthen the functions of managers by fulfilling expectations and roles associated with those committees. As the Chairperson of the Nomination Committee, he has proceeded with the establishment of the officer selection process that checks the status of future candidates for positions in senior management and ensures objectivity, transparency, and continuity based on the succession plan. As a member of the Remuneration Committee, he has contributed to reviews of appropriate remuneration levels for bonuses and stock-based remuneration and operating rules in the officer remuneration system.</td></tr>
<tr><td rowspan="5">HAKODA Junya
Independent
(Note)</td><td>Important concurrent positions</td><td>Chairperson of the Committee on Training and Research for Outside Officers, Japanese Institute of Certified Public Accountants</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td>No special relationships exist</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td>No items to report</td></tr>
<tr><td>Attendance at Board of Directors meetings</td><td>100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which he belongs</td><td>Audit 100% (Attended all 22 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="3">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
HAKODA Junya has been involved in accounting audits, management consulting, and internal audits for auditing firms, etc. as a certified public accountant for many years at PricewaterhouseCoopers, and also served as an eminent professor teaching internal audit theory in the Graduate School of Keio University, and therefore has a wealth of experience and high-level expertise in corporate auditing. As such, we accordingly expect him to provide advice and oversight from perspectives and viewpoints different from those of the Inside Directors. Moreover, HAKODA Junya has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly in terms of the consistency of the medium- to long-term financial plans and medium- to long-term strategies, pursuing new business initiatives, the approach to human resources development, and points of focus in formulating an international business strategy. Regarding Board committees, he serves as the Chairperson of the Audit Committee and has worked to strengthen audit functions by fulfilling expectations of him to promote the exchange of opinions and discussions from the perspective of legality, appropriateness, etc. on matters submitted to the Board of Directors or matters that the Audit Committee determines require monitoring, while auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees). He is also simultaneously working to enhance the governance of the Group as a whole.</td></tr>
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<tr><td rowspan="5">UCHIDA Akira
Independent
(Note)</td><td>Important concurrent positions</td><td>Outside Director of Yokogawa Electric Corporation
Director of PARCO Co., Ltd.</td></tr>
<tr><td>Relationships between the Company and each organization where important concurrent positions are held</td><td>PARCO Co., Ltd. is a wholly owned subsidiary of the Company.</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td>No items to report</td></tr>
<tr><td>Attendance at Board of Directors meetings</td><td>100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which he belongs</td><td>Nomination 100% (Attended all 13 meetings held during tenure this fiscal year)
Remuneration 100% (Attended all 12 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="3">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
UCHIDA Akira possesses extensive experience and knowledge of not only business planning and IR but also corporate departments as the person responsible for the finance and accounting division. As such, we accordingly expect him to draw on such experience and knowledge in providing advice and oversight from perspectives and viewpoints different from those of the Inside Directors. Moreover, UCHIDA Akira has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly in terms of the necessary KPI perspectives the Company should have when formulating medium-term business plans, the concepts for funding plans when promoting business portfolio transformation, Group coordination and the approach to governance as a holding company, the acquisition and development of specialists, and points of focus in supporting initiatives aimed at new business initiatives. Regarding Board committees, he serves as the Chairperson of the Remuneration Committee and a member of the Nomination Committee, and has been working to strengthen the functions of managers by fulfilling expectations and roles associated with those committees. As the Chairperson of the Remuneration Committee, he has promoted reviews of appropriate remuneration levels for bonuses and stock-based remuneration and operating rules in the officer remuneration system. As a member of the Nomination Committee, he has confirmed the status of future candidates for positions in senior management based on the Succession Plan and contributed to the executive decision-making process that ensures objectivity, transparency, and continuity.</td></tr>
<tr><td rowspan="5">SATO Rieko
Independent
(Note)</td><td>Important concurrent positions</td><td>Partner of Ishii Law Office
Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc.
Outside Audit & Supervisory Board Member of Mitsubishi Corporation</td></tr>
<tr><td>Relationships between the Company and each organization where important concurrent positions are held</td><td>No special relationships exist</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td>No items to report</td></tr>
<tr><td>Attendance at Board of Directors meetings</td><td>100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which she belongs</td><td>Audit 100% (Attended all 22 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="3">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
SATO Rieko has viewpoints and insights from a legal perspective on agenda topics based on a wealth of experience as well as advanced and expert knowledge as a lawyer specializing mainly in corporate legal affairs. As such, we accordingly expect her to provide advice and oversight from perspectives and viewpoints different from those of the Inside Directors. Moreover, SATO Rieko has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly in terms of the clarification of the path to creating corporate value and achieving profit targets, specific policies on decarbonization, diversity and inclusion that connect to sustainability management, the strategic use of customer data, and the legal position on reducing cross-shareholdings. She also has served as a lead director of the executive session which the Company established as an opportunity for Outside Directors to openly and freely exchange opinions and share information. Regarding Board committees, she serves as a member of the Audit Committee and has worked to strengthen audit functions by fulfilling expectations of her in terms of exchanging opinions and discussions from the perspective of legality, appropriateness, etc. on matters submitted to the Board of Directors or matters that the Audit Committee determines require monitoring, while auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees). She is also simultaneously working to enhance the governance of the Group as a whole.</td></tr>
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<table>
<tr><td rowspan="5">SEKI Tadayuki
Independent
(Note)</td><td>Important concurrent positions</td><td>Outside Director of VALQUA, LTD.
Outside Director of JSR Corporation
Outside Statutory Auditor of Asahi Mutual Life Insurance Company
Director of Daimaru Matsuzakaya Department Stores Co. Ltd.</td></tr>
<tr><td>Relationships between the Company and each organization where important concurrent positions are held</td><td>Daimaru Matsuzakaya Department Stores Co. Ltd. is a wholly owned subsidiary of the Company.</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td>No items to report</td></tr>
<tr><td>Attendance at Board of Directors meetings</td><td>100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which he belongs</td><td>Audit 100% (Attended all 22 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="3">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
SEKI Tadayuki was involved in international business management and risk management at a general trading company for many years, and as CFO has both a wealth of knowledge and experience in finance and accounting. He also has wide-ranging insights derived from roles as Outside Director and Audit & Supervisory Board Member at multiple companies. As such, we accordingly expect him to provide advice and oversight from perspectives and viewpoints different from those of the Inside Directors. Moreover, SEKI Tadayuki has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly on such issues as the approach to business and asset holdings to promote business portfolio transformation, alignment of strategy with core competencies and resources, and risk awareness in new business initiatives. Regarding Board committees, he serves as a member of the Audit Committee and has worked to strengthen audit functions by fulfilling expectations of him in terms of exchanging opinions and discussions from the perspective of legality, appropriateness, etc. on matters submitted to the Board of Directors or matters that the Audit Committee determines require monitoring, while auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees). He is also simultaneously working to enhance the governance of the Group as a whole.</td></tr>
<tr><td rowspan="5">KOIDE Hiroko
Independent
(Note)</td><td>Important concurrent positions</td><td>Outside Director of Mitsubishi Electric Corporation
Outside Director of J-OIL MILLS, Inc.</td></tr>
<tr><td>Relationships between the Company and each organization where important concurrent positions are held</td><td>No special relationships exist</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td>No items to report</td></tr>
<tr><td>Attendance at Board of Directors meetings</td><td>100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which she belongs</td><td>Nomination 100% (Attended all 13 meetings held during tenure this fiscal year)
Remuneration 100% (Attended all 12 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="3">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
KOIDE Hiroko served as an officer at foreign companies for many years and engaged in corporate management as the head of marketing at the head office of a U.S. company, and therefore has extensive knowledge based on her rich experience in the fields of global management and marketing. She also has a wealth of insights gained as an Outside Director at multiple listed companies. As such, we accordingly expect her to provide advice and oversight from perspectives and viewpoints different from those of the Inside Directors. Moreover, KOIDE Hiroko has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly in terms of the approach to formulating medium- to long-term strategies based on robust strategic discussions, the importance of a marketing-oriented way of thinking such as identifying target and needs, and aspirations for the new developer business. As for Board committees, she serves as a member of the Nomination Committee and a member of the Remuneration Committee, and has been working to strengthen the functions of managers by fulfilling expectations and roles associated with those committees. As a member of the Nomination Committee, she has confirmed the status of future candidates for positions in senior management based on the Succession Plan and contributed to the executive decision-making process that ensures objectivity, transparency, and continuity. As a member of the Remuneration Committee, she has contributed to reviews of appropriate remuneration levels for bonuses and stock-based remuneration and operating rules in the officer remuneration system.</td></tr>
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(Note) The above-mentioned Outside Directors are independent officers, which are required to be put in place by the Tokyo Stock Exchange, Inc. and the Nagoya Stock Exchange, Inc. for the protection of general shareholders.

4. Matters relating to Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

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

(i) Amount of remuneration, etc. to be paid by the Company	¥139 million
(ii) Total cash and other financial profits to be paid by the Company and its subsidiaries	¥338 million

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

(3) Content of non-audit service

Services relating to adoption of the accounting standard for revenue recognition, etc.

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

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

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

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

(6) Rationale for Audit Committee's decision on reappointment of Accounting Auditor

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

5. Basic ideas on corporate governance

(1) Role of corporate governance

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

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

(2) Relationship with stakeholders

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

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

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

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

(3) Information disclosure

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

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

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

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

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

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

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

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

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

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

(5) Systems of corporate governance

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

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

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

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

(iv) The Company will build a governance structure that is easy to understand from a global perspective for overseas investors and others.

6. Operation of the Board of Directors

Composition of the Board	8 Directors who do not execute business (including 6 Outside Directors) and 2 Directors who concurrently serve as Executive Officer
Major roles	The Board of Directors shall discuss and resolve matters defined in the Companies Act and/or the Articles of Incorporation, as well as matters relating to management strategies, such as the Sustainability Policy, the Group Medium-term Business Plan, the Group Management Policy for the fiscal year, and matters relating to important business execution such as asset acquisition.
Operational status	Held at least once every month, in principle. With the majority of Directors being independent Outside Directors, the Board of Directors functions as a venue for constructive discussions and deliberations, beyond being solely a decision-making body for important matters, and is a key to the enhancement of corporate governance.
Comment from Chairperson of the Board Director YAMAMOTO Ryoichi	Since adopting a system in fiscal 2022 in which the majority of the Company's Board of Directors is composed of independent Outside Directors, we have aimed to enhance the Board's oversight function and to realize more effective deliberations than in the past. Furthermore, the Board set issues and conducted proceedings to ensure thorough discussion on the Company's robust growth strategy, an issue identified in previous fiscal year's evaluation of the effectiveness of the Board of Directors. In particular, the Board of Directors held focused deliberations on "progress of the current Medium-term Business Plan," "the fiscal 2023 Group management policy," "the next Medium-term Business Plan," and "the Group's future vision" as highly effective and strategically important matters. For fiscal 2023, the final year of the current Medium-term Business Plan, we are monitoring the achievement of single fiscal year profit targets while carefully following changes in economic conditions. Furthermore, to create a platform to lead to regrowth in the next Medium-term Business Plan, we hope to contribute to enhanced corporate value by advancing discussions that connect to the execution of high-quality strategies.

(Evaluation of effectiveness of the Board of Directors)

The Company conducted its eighth evaluation of the effectiveness of the Board of Directors between September and October 2022. Based on the results of the prior questionnaires given to all Directors, a third-party organization conducted individual interviews, and those details were discussed at a meeting of the Board of Directors held in October 2022.

The results of the evaluation of effectiveness showed that the Company's Board of Directors had worked to resolve the various issues raised in the previous fiscal year, and that the effectiveness of both the Board of Directors and the three statutory committees had been mostly ensured. Meanwhile, issues raised to improve the effectiveness of the Board of Directors further in the future included "strengthen monitoring of the current Medium-term Business Plan," "ensure thorough discussion on the Company's robust growth strategy," and "further improve the effectiveness of the three statutory committees."

Regarding "strengthen monitoring of the current Medium-term Business Plan," we strengthened monitoring of progress by clarifying the key performance indicators (KPI) used to measure the progress of our measures. In terms of "ensure thorough discussion on the Company's robust growth strategy," we held discussions to clarify the Group's overall direction for clearer definition of the Group's future vision and for the formulation of the next Medium-term Business Plan. Moreover, regarding "further improve the effectiveness of the three statutory committees," we have been continuing discussions at each committee aimed at resolving issues.

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

7. Operations of each Committee

(1) Nomination Committee

Composition of Committee	4 Directors who do not execute business (including 3 Outside Directors)
Major roles	The Nomination Committee determines the contents of proposals on the nomination and dismissal of Directors to be submitted to shareholders' meetings, and reports to the Board of Directors upon consultations from the Board of Directors regarding the nomination and dismissal of management personnel of the Company and major business subsidiaries, as well as the chairpersons and members of individual committees, and other matters.
Number of meetings held	13
Number of meetings attended	All 4 members attended all 13 meetings.
Comment from Chairperson of the Committee Director (Outside) YAGO Natsunosuke	The Nomination Committee utilizes in-house personnel evaluation information as well as assessment data by a third-party organization to deliberate effective composition of the Board of Directors and the election and dismissal of Directors and Executive Officers of the Company. The committee also obtains opportunities to gain insights into the personalities and ideas of candidates by conducting interviews, etc., as necessary, and strives to ensure greater objectivity, transparency and rationality. The Nomination Committee has positioned the management team succession plan, which is necessary to generate the sustainable growth of the Company, as a central issue and continues to conduct related deliberations. As for development of candidates for the next generation of managers, the committee evaluates their performance and conducts interviews based on the results of the human resources diagnosis, and discusses roles and reassignments for the development and strengthening of potential successors and ties this to implementation if necessary. The Nomination Committee will secure management personnel necessary for continuous growth and development of the Company, and strive for the election of the right person in the right place.

(2) Audit Committee

Composition of Committee	4 Directors who do not execute business (including 3 Outside Directors)
Major roles	In accordance with the overall policy and plan determined by the Board of Directors, the Audit Committee audits the execution of business by Directors and Executive Officers, important matters to be submitted to the Board of Directors, and other individual matters the Audit Committee considers necessary.
Number of meetings held	22
Number of meetings attended	All 4 members attended all 22 meetings.
Comment from Chairperson of the Committee Director (Outside) HAKODA Junya	The Audit Committee, in accordance with the Rules of Audit Committee, Audit Standards, and Practice Standards for Audit concerning Internal Control System, etc., formulated an audit plan for the current fiscal year, conducted the audit, and reported its contents to the Board of Directors. The committee also conducted hearing from Executive Officers and those responsible for each of the Group companies at Audit Committee Meeting (held 18 times), a meeting body held apart from the Audit Committee, regarding the main strategies in the second year of the Group's Medium-term Business Plan, the development and operation of an internal control system, and the compliance and risk management system to gain understanding of their current status. The Audit Committee will work to further strengthen and enhance the organizational audit system through mutual cooperation with the Internal Audit Division, Accounting Auditors, and Audit & Supervisory Board Members of Group companies, from the perspective of increasing the effectiveness and accuracy of audits. It will also continue to work to establish a high quality corporate governance structure that is worthy of social trust and to conduct audits in a fair and impartial manner to contribute to the growth of the Group and the enhancement of its corporate value.

(3) Remuneration Committee

Composition of Committee	4 Directors who do not execute business (including 3 Outside Directors)
Major roles	The Remuneration Committee determines the policy on deciding the contents of individual remuneration to management personnel of the Company and major business subsidiaries, and these contents themselves.
Number of meetings held	12
Number of meetings attended	All 4 members attended all 12 meetings.
Comment from Chairperson of the Committee Director (Outside) UCHIDA Akira	Pursuant to the Officer Remuneration Policy formulated in April 2017 and subsequently revised, the Remuneration Committee examines the overall level of officer remuneration and the ratio of performance-linked remuneration, as well as the ratio of stock-based remuneration therein against preset peer group. By doing so, the Company maintains objective and appropriate remuneration level and system at all times. Regarding the Officer Remuneration System and Officer Remuneration Policy revised in accordance with the Medium-term Business Plan that commenced in fiscal 2021, we examined trends utilizing surveys by third-party organizations concerning the overall level of officer remuneration, the ratio of performance-linked remuneration, and stock-based remuneration for officers. At the same time, for bonuses that reflect the status of individual officer's achievements, we review each officer's goal setting and evaluation results as well as evaluation items, evaluation weights and evaluation rank determination process, to ensure that the end result will be shown with greater fairness and objectivity. In order to maintain an appropriate remuneration system and remuneration levels to compensate officers adequately for their work and commensurate with their offices and the role entrusted to them as professional managers, we will continue to operate the system appropriately going forward.

8. System and policies of the Company

(1) Systems to Ensure the Appropriateness of Operations <Basic Policy for Establishment of Internal Control System> (revised on May 26, 2022)

The Basic Policy for Establishment of Internal Control System is not presented in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents in accordance with the laws and regulations and the Article 16 of the Company's Articles of Incorporation.

It is presented in "Other Items Presented in Electronic Format for the 16th Annual Shareholders Meeting (Items Excluded From Delivered Paper-Based Documents)" on the Company's website (https://www.j-front-retailing.com/) (in Japanese) and the website for posted informational materials for the general meeting of shareholders (https://d.sokai.jp/3086/teiji) (in Japanese). Please refer to that release.

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

(2) Operational status of systems to ensure the appropriateness of operations <Basic Policy for Establishment of Internal Control System> (FY2022)

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

I. Group Management System

(i) Board of Directors

1) To separate supervisory and executive functions and ensure the effectiveness of discussions at the Board of Directors, the Board of Directors is comprised of a majority of independent Outside Directors who have no risk of a conflict of interest with the Company's shareholders.

2) The Board of Directors deliberates on material issues related to the Group management. As for the findings of and issues raised by the Board of Directors, there are demands for additional reports on execution, and efforts are made to run through the PDCA cycle, including additional debate by the Board of Directors. Briefings are also provided to Outside Directors prior to the Board of Directors meetings for fuller discussions at such meetings. The effectiveness of the Board of Directors is being improved through these initiatives.

3) The Board of Directors met 15 times in the current fiscal year. Their discussions included monitoring of the Medium-term Business Plan, the establishment of a developer operating company and the Group's future vision, as well as matters defined in the Companies Act and/or the Articles of Incorporation. In addition, the Board of Directors evaluates the state of developing and operating the various items stipulated in the "Basic Policy for Establishment of Internal Control System" and confirms there are no major problems.

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

(ii) Management execution framework

1) As an executive organization, the Company has established optimal strategy units for effective, faster strategy execution. Following on the mission of the President and Representative Executive Officer, the Executive Officer, who is the Senior Executive General Manager, prepares missions for each strategy unit in order to realize the Medium-term Business Plan and the Annual Execution Plan. These units execute business and support the operations and management of operating subsidiaries in line with its duties and mission.

2) The roles and responsibilities of the Company as a holding company include planning, formulating and spreading the Group Vision, the Group Medium-term Business Plan and the Group Management Policy for the fiscal year; managing the progress and performance of these activities; establishing business portfolio management (optimal allocation of management

resources), human resources management, shareholder management and corporate governance group-wide. With regard to business execution matters of operating subsidiaries, in order to promote speedy management decisions and clarify management responsibilities, standards have been established for delegating authority to operating companies, excluding matters that have a significant impact on Group management, and operations are conducted in accordance with these standards.

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

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

(iii) Internal Control Structure

1) Under the direction of President and Representative Executive Officer, the Company has established a department and person responsible for internal control. This department and person develop and manage the internal controls regarding the Companies Act and the internal control system regarding the Financial Instruments and Exchange Act at the Company and operating subsidiaries.

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

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

II. Risk Management System

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

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

3) The Risk Management Committee met three times in the current fiscal year to discuss current corporate risks based on an analysis of the macro environment and a risk survey. The committee also discussed the nature of effective future risk management based on a review of the risk management system in the current Medium-term Business Plan. Additionally, the committee decided on the Group risk list for the coming fiscal year and discussed the external disclosure policy for risk management.

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

   During the current fiscal year, the Company, based on its "Crisis Management Rules" and "Business Continuity Manual" to be followed in case of a large-scale natural disaster, made efforts to improve its ability to respond to a wide range of crisis events by conducting BCP drills several times, including at our operating companies. Regarding our response to infectious diseases, with the safety and security of our customers and employees as our top priority, we have implemented hygiene management practices to help prevent outbreaks and other measures to help prevent the spread of disease based on our “New Infectious Disease Response Manual” in line with the Crisis Management Rules.

III. Legal Compliance System

(i) Compliance promotion system

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

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

3) The Compliance Committee met three times during the current fiscal year to discuss issues in the Group’s internal organizational culture and initiatives aimed at reform. The committee also discussed the response to the aggregated reports to the whistle-blowing system.

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

(ii) Whistle-blowing system

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

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

3) During the current fiscal year, efforts were made to increase recognition and promote understanding of the system among the Group company employees through measures such as posting analysis of issues reported and the status of responses to them on our in-house portal site. As a result, 49 cases related to labor-management relations and other issues were reported, and are being dealt mainly by the secretariat.

IV. Internal Audit Structure

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

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

3) We have established an audit structure that utilizes digital equipment to enable execution of audit under COVID-19, and are performing audits. During the current fiscal year, we conducted operational audits on the status of legal compliance with the Labor Measures Comprehensive Promotion Act, the Antimonopoly Act, and other statutes, as well as the status of development of operational rules and regulations and their compliance. We also conducted audits based on themes such as the status of implementation of work style reforms and the status of management of confidential information and personal information.

V. Structure of the Audit Committee

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

2) In accordance with the overall policy and plan determined by the Board of Directors, the Audit Committee audits the execution of business by Executive Officers and Directors, important matters submitted to the Board of Directors, and other individual matters the Audit Committee considers necessary, as well as the status of establishing and implementing internal controls, and then prepares audit reports.

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

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

5) During the fiscal year under review, the Audit Committee met 22 times. Apart from the Audit Committee, efforts are being made at the Audit Committee Member Meeting to gain understanding of the current situation regarding execution by carrying out audits on execution of duties of all of the Executive Officers of the Company. Moreover, the Audit Committee works closely with the Audit & Supervisory Board Members of the Group companies through regular meetings to share recognition of auditing issues and exchange opinions.

VI. System for storage and management of information

(i) Confidential information management

The Company ensures that the documents associated with the execution of duties by the Executive Officers and Directors, as well as the minutes and relevant materials (including electronic records) of the meetings held by Executive Officers and Directors are appropriately stored and managed by each of the responsible departments based on laws and regulation as well as internal rules.

(ii) Information security management

The Company has formulated information security policies and IT governance policies and distributes them within the Group, and based on these policies, the individual departments in charge conduct information security management. Reports on the status of management of information systems and related matters are made at the Board of Directors, the Audit Committee, and the Group Management Meeting regularly and when necessary.

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

(3) Basic policy regarding control of the Company

I. Contents of basic policy

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

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

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

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

II. Frameworks contributing to realization of basic policy

Since the foundation of Daimaru and Matsuzakaya, the Group has long been engaged in the kimono and department store businesses based on their corporate philosophies and traditional spirit: “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 spirit, the Company has established the following Basic Mission Statement of the Group: “to aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations” and “to aim at developing the Group by making a broad contribution to society as a fair and trusted business entity.” Based on this Basic Mission Statement, the Company implements a wide range of measures, aimed at realizing the Group Vision of “Create and Bring to Life ‘New Happiness,” in order to make a contribution to securing and enhancing the corporate value of the Group and, by extension, the common interests of shareholders.

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

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

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

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

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

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

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

(4) Basic Capital Policy

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

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

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

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

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

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

(6) IR Policy

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

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

Consolidated Financial Statements

Consolidated Statement of Financial Position (As of February 28, 2023)

(Millions of yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	**201,860**	**Current liabilities**	**317,953**
Cash and cash equivalents	39,874	Bonds and borrowings	63,530
Trade and other receivables	129,121	Trade and other payables	133,835
Other financial assets	10,836	Lease liabilities	28,411
Inventories	16,932	Other financial liabilities	29,975
Other current assets	5,094	Income tax payables	1,527
		Provisions	2,397
		Other current liabilities	58,276
Non-current assets	**919,092**	**Non-current liabilities**	**431,589**
Property, plant and equipment	469,401	Bonds and borrowings	185,593
Right-of-use assets	119,501	Lease liabilities	136,414
Goodwill	995	Other financial liabilities	35,290
Investment property	187,247	Retirement benefit liability	16,754
Intangible assets	7,797	Provisions	8,699
Investments accounted for using equity method	41,402	Deferred tax liabilities	48,366
		Other non-current liabilities	469
Other financial assets	79,711		
Deferred tax assets	3,137		
Other non-current assets	9,897		
		Total liabilities	**749,542**
		Equity	
		Equity attributable to owners of parent	**359,385**
		Share capital	31,974
		Capital surplus	189,068
		Treasury shares	(14,466)
		Other components of equity	10,654
		Retained earnings	142,153
		Non-controlling interests	**12,025**
		Total equity	**371,410**
Total assets	**1,120,953**	**Total liabilities and equity**	**1,120,953**

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

Consolidated Statement of Profit or Loss (From March 1, 2022 to February 28, 2023)

(Millions of yen)

Item	Amount
Revenue	359,679
Cost of sales	(190,142)
Gross profit	**169,536**
Selling, general and administrative expenses	(144,682)
Other operating income	4,540
Other operating expenses	(10,336)
Operating profit	**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**
Income tax expense	(2,611)
Profit	**14,262**
Profit attributable to:	
Owners of parent	14,237
Non-controlling interests	25
Profit	14,262

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

Consolidated Statement of Changes in Equity (From March 1, 2022 to February 28, 2023)

(Millions of yen)

	Equity attributable to owners of parent							
				Other components of equity				
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total
Balance as of March 1, 2022	31,974	188,894	(14,780)	60	(1)	9,516	–	9,574
Profit	–	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	148	(1)	822	1,177	2,147
Total comprehensive income	–	–	–	148	(1)	822	1,177	2,147
Purchase of treasury shares	–	–	(8)	–	–	–	–	–
Disposal of treasury shares	–	(0)	1	–	–	–	–	–
Dividends	–	–	–	–	–	–	–	–
Changes resulting from additions to consolidation	–	–	–	–	–	–	–	–
Share-based payment transactions	–	175	322	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	109	(1,177)	(1,067)
Total transactions with owners	–	174	314	–	–	109	(1,177)	(1,067)
Balance as of February 28, 2023	31,974	189,068	(14,466)	209	(2)	10,448	–	10,654

	Equity attributable to owners of parent		Non-controlling interests	Total
	Retained earnings	Total		
Balance as of March 1, 2022	134,705	350,368	11,751	362,120
Profit	14,237	14,237	25	14,262
Other comprehensive income	–	2,147	(6)	2,140
Total comprehensive income	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)
Changes resulting from additions to consolidation	–	–	319	319
Share-based payment transactions	–	497	–	497
Transfer from other components of equity to retained earnings	1,067	–	–	–
Total transactions with owners	(6,789)	(7,368)	255	(7,113)
Balance as of February 28, 2023	142,153	359,385	12,025	371,410

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

[Reference]

Consolidated Statement of Cash Flows (Summary) (From March 1, 2022 to February 28, 2023)

(Millions of yen)

Item	Amount
Cash flows from operating activities	65,480
Cash flows from investing activities	(13,371)
Cash flows from financing activities	(105,694)
Net increase (decrease) in cash and cash equivalents	(53,585)
Cash and cash equivalents at beginning of period	93,278
Effect of exchange rate changes on cash and cash equivalents	181
Cash and cash equivalents at end of period	39,874

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

Non-consolidated Financial Statements

Non-consolidated Balance Sheet (As of February 28, 2023)
J. Front Retailing Co., Ltd.

(Millions of yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	**110,851**	**Current liabilities**	**49,971**
Cash and deposits	31,087	Short-term borrowings	45,530
Short-term loans receivable from subsidiaries and associates	75,100	Accounts payable - other	725
		Income taxes payable	121
Accounts receivable - other	4,939	Accrued expenses	719
Other	124	Deposits received	2,337
Allowance for doubtful accounts	(400)	Provision for bonuses	194
		Provision for bonuses for directors and other officers	122
		Provision for officer remuneration BIP trust	178
		Other	41
Non-current assets	**463,264**	**Non-current liabilities**	**188,209**
Property, plant and equipment	**219**	Bonds payable	80,000
Buildings and structures	185	Long-term borrowings	105,780
Other	34	Asset retirement obligations	76
		Long-term deposits received for officer shares trust	1,575
		Provision for officer remuneration BIP trust	777
		Total liabilities	**238,180**
Intangible assets	**1,348**	**Net assets**	
Software	1,348	**Shareholders' equity**	**336,043**
		Share capital	31,974
		Capital surplus	248,874
		Legal capital surplus	9,474
Investments and other assets	**461,695**	Other capital surplus	239,400
Investment securities	1,762	Retained earnings	68,719
Shares of subsidiaries and associates	378,341	Other retained earnings	68,719
Long-term loans receivable from subsidiaries and associates	81,000	Retained earnings brought forward	68,719
Deferred tax assets	472	Treasury shares	(13,526)
Other	619		
Allowance for doubtful accounts	(500)		
		Valuation and translation adjustments	**78**
Deferred assets	**186**	Valuation difference on available-for-sale securities	78
Bond issuance costs	186		
		Total net assets	**336,121**
Total assets	**574,302**	**Total liabilities and net assets**	**574,302**

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

Non-consolidated Statement of Income (From March 1, 2022 to February 28, 2023)
J. Front Retailing Co., Ltd.

(Millions of yen)

Item	Amount	
Operating revenue		
Dividend income	9,379	
Consulting fee income	5,859	15,238
General and administrative expense		**6,278**
Operating profit		**8,959**
Non-operating income		
Interest income	672	
Dividend income	69	
Other	45	787
Non-operating expenses		
Interest expenses	888	
Commitment fees	383	
Provision of allowance for doubtful accounts	30	
Other	159	1,462
Ordinary profit		**8,284**
Profit before income taxes		**8,284**
Income taxes - current	(1,276)	
Income taxes - deferred	1,112	(163)
Profit		**8,448**

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

Non-consolidated Statement of Changes in Equity (From March 1, 2022 to February 28, 2023)
J. Front Retailing Co., Ltd.

(Millions of yen)

	Shareholders' equity						Valuation and translation adjustments	Total net assets
	Share capital	Capital surplus		Retained earnings	Treasury shares	Total share-holders' equity	Valuation difference on available-for-sale securities	
		Legal capital surplus	Other capital surplus	Other retained earnings: Retained earnings brought forward				
Balance as of March 1, 2022	31,974	9,474	239,400	68,200	(13,816)	335,233	7	335,241
Dividends of surplus	–	–	–	(7,928)	–	(7,928)	–	(7,928)
Profit	–	–	–	8,448	–	8,448	–	8,448
Purchase of treasury shares	–	–	–	–	(8)	(8)	–	(8)
Disposal of treasury shares	–	–	(0)	–	299	299	–	299
Net changes in items other than shareholders' equity	–	–	–	–	–	–	70	70
Total changes during period	–	–	(0)	519	290	809	70	879
Balance as of February 28, 2023	31,974	9,474	239,400	68,719	(13,526)	336,043	78	336,121

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

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

Report of Independent Auditors

April 10, 2023

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

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

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

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

Opinion

Pursuant to Paragraph 4, Article 444 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the notes to the consolidated financial statements of J. FRONT RETAILING Co., Ltd. (the "Company") applicable to the fiscal year from March 1, 2022 through February 28, 2023.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the J. Front Retailing Group, which consisted of the Company and consolidated subsidiaries, applicable to the 16th fiscal year from March 1, 2022 through February 28, 2023 in conformity with accounting principles with the omission of a part of the disclosure items required under IFRS as allowed by the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Information

The other information refers to the business report and its supplementary schedules. Management is responsible for preparing and disclosing the other information. In addition, the Audit Committee is responsible for overseeing the Executive Officers' and Directors' performance of duties within the maintenance and operation of the reporting process for the other information.

The scope of our audit opinion on the consolidated financial statements does not include the content of the other information, and we do not express an opinion regarding the other information.

Our responsibility in auditing the consolidated financial statements is to read through the other information, and in the process of reading it, we examine whether there are material differences between the other information and the consolidated financial statements or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other information of material errors besides such material differences.

If we determine there to be material errors in the other information based on the work we have performed, we are required to report those facts.

There are no matters to report regarding the other information.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in conformity with accounting principles with the omission of a part of the disclosure items required under IFRS as allowed by the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements on the going concern basis, and disclosing, as applicable, matters related to going concern in accordance with accounting principles with the omission of a part of the disclosure items required under IFRS as allowed by the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting.

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

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

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation of the consolidated financial statements and the notes thereto are in accordance with accounting principles with the omission of a part of the disclosure items required under IFRS as allowed by the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are

responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

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

Conflicts of Interest

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

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

Report of Independent Auditors

April 10, 2023

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

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

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

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

Opinion

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the notes to the non-consolidated financial statements and the related supplementary schedules of J. FRONT RETAILING Co., Ltd. (the "Company") (the "non-consolidated financial statements, etc.") applicable to the 16th fiscal year from March 1, 2022 through February 28, 2023.

In our opinion, the non-consolidated financial statements, etc. referred to above present fairly, in all material respects, the financial position and results of operations of the Company applicable to the 16th fiscal year from March 1, 2022 through February 28, 2023 in conformity with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements, etc. in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Information

The other information refers to the business report and its supplementary schedules. Management is responsible for preparing and disclosing the other information. In addition, the Audit Committee is responsible for overseeing the Executive Officers' and Directors' performance of duties within the maintenance and operation of the reporting process for the other information.

The scope of our audit opinion on the non-consolidated financial statements, etc. does not include the content of the other information, and we do not express an opinion regarding the other information.

Our responsibility in auditing the non-consolidated financial statements, etc. is to read through the other information, and in the process of reading it, we examine whether there are material differences between the other information and the non-consolidated financial statements, etc. or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other information of material errors besides such material differences.

If we determine there to be material errors in the other information based on the work we have performed, we are required to report those facts.

There are no matters to report regarding the other information.

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

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

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

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

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

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the non-consolidated financial statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the non-consolidated financial statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, etc., whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the non-consolidated financial statements, etc. is not expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.

- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements, etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements, etc. or, if the notes to the non-consolidated financial statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation of the non-consolidated financial statements, etc. and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the non-consolidated financial statements, etc., including the related notes thereto, and whether the non-consolidated financial statements, etc. fairly represent the underlying transactions and accounting events.

We communicate with the Audit Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

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

Conflicts of Interest

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

THE AUDIT REPORT OF AUDIT COMMITTEE MEMBERS (COPY)

Audit Report

The Audit Committee has audited the performance of duties by Directors and Executive Officers of J. FRONT RETAILING Co., Ltd. (the "Company") during the 16th fiscal year from March 1, 2022 through February 28, 2023. We hereby report as follows regarding the method and results of the audit.

1. Method and Content of Audits

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

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

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

(iii) Regular reports were received regarding the results of audits carried out by the internal audit departments based on the initial plan, and information was shared.

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

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

2. Audit Results

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

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

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

(iii) The Audit Committee confirms that decisions by the Board of Directors regarding the Company's internal control systems are fair and adequate, and found no areas that require mention regarding the description of the internal control systems in the Business Report and the performance of duties by Directors and Executive Officers.

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

April 10, 2023

Audit Committee
J. FRONT RETAILING Co., Ltd.

HAKODA Junya (seal)
Chairperson of Audit Committee

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

SATO Rieko (seal)
Audit Committee Member

SEKI Tadayuki (seal)
Audit Committee Member

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

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

16th Annual Shareholders Meeting: Other Matters for Which Information is Provided in Electronic Format (Matters for Which Document Provision is Omitted)

<Basic Policy for Establishment of Internal Control System> in the Business Report
Notes to Consolidated Financial Statements
Notes to Non-consolidated Financial Statements
(From March 1, 2022 to February 28, 2023)

J. FRONT RETAILING Co., Ltd.

<Basic Policy for Establishment of Internal Control System>, Notes to Consolidated Financial Statements, and Notes to Non-consolidated Financial Statements are not provided in the documents delivered to shareholders who requested the delivery of paper-based documents in accordance with relevant laws and regulations and the provisions of Article 16 of the Company's Articles of Incorporation.
The Company provides <Basic Policy for Establishment of Internal Control System>, Notes to Consolidated Financial Statements, and Notes to Non-consolidated Financial Statements to shareholders by means of disclosure through the Internet (on the Company website: https://www.j-front-retailing.com/) and the Annual Shareholders Meeting informational materials website: https://d.sokai.jp/3086/teiji/, and they are a portion of the documents audited by the Audit Committee and Accounting Auditor when they prepare their audit reports.

Systems to Ensure the Appropriateness of Operations <Basic Policy to Build Internal Control System> (revised on May 26, 2022)

This is a basic policy set out by J. FRONT RETAILING Co., Ltd. (hereinafter the “Company”) relating to building an internal control system for lawful and appropriate execution of overall business within the Group (here and hereinafter referring to the corporate group comprising the Company and its subsidiaries). By specifically promoting this policy, the Group aims to sustain its own growth and contribute to increasing corporate value over the medium and long term.

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

I. Group Management System

1) Board of Directors

- The Board of Directors shall perform an oversight function by monitoring the execution of business by Executive Officers and Directors.
- 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, the Group Medium-term Business Plan, overall policy and plan for the Group management, M&As, the Group financing plans, and other individual important matters relating to the Group management. In order to accelerate business decisions and execution, the task of determining matters involving business execution other than the above shall be delegated to execution, with the exception of matters which have a material impact on the Group management.
- Regarding oversight, decision-making, and the like by the Board of Directors, in pursuit of separating supervisory and executive functions and ensuring the effectiveness of discussions by the Board of Directors, independent Outside Directors having no risk of a conflict of interest with the Company’s shareholders shall comprise a majority of the Board of Directors.
- To ensure effectiveness of objective management oversight, internally promoted non-executive Directors who are well informed about internal information shall also be appointed in addition to the Outside Directors.
- To further strengthen the oversight function while conducting smooth operation of the Board of Directors, a non-executive Inside Director shall be selected as the Chairperson of Board of Directors.

2) Management execution framework

- The Company shall clearly separate management oversight and execution and strengthen the Board of Directors’ oversight function while delegating authority for execution to enable swift management decision-making. Meanwhile, execution shall be controlled by having the following framework.
- The Company shall assign the optimal unit for expediting and ensuring the effectiveness of strategy execution as the organization responsible for execution, and its general manager shall be an Executive Officer.

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

3) Internal control promotion framework

- Under the direction of President and Representative Executive Officer, the Company shall put a department and person in charge of internal control to strengthen internal control over execution. The person in charge shall develop and manage the operation of the internal controls regarding the Companies Act and the internal control system regarding the Financial Instruments and Exchange Act at the Company and operating subsidiaries.
- The department in charge of internal control shall coordinate with the Audit Committee, internal audit departments, and each unit and operating subsidiary to share information and remedy any deficiencies that occur in the internal controls.
- With regard to internal controls over financial reporting, internal systems that ensure the reliability of financial reporting in line with the Financial Instruments and Exchange Act and various associated laws and regulations shall be established at the Company and operating subsidiaries.

II. Risk Management System

- The Company shall establish the Risk Management Committee as an advisory body to the President and Representative Executive Officer with regard to risk management. The committee is chaired by the President and Representative Executive Officer and comprises Executive Officers and others.
- The Risk Management Committee incorporates risk management into management decision-making by identifying and evaluating risks, determining which risks should be reflected in strategies, and deliberating over other important matters. Notably, the committee shall report the details of these deliberations to the Board of Directors in a timely manner.
- An officer shall be put in charge of risk management in order to promote the operation of risk management.
  The Company shall also put a department and person in charge of risk management to offer support and guidance in addition to monitoring the risk management of the Company and operating subsidiaries.
- Each operating subsidiary shall designate departments and people in charge of risk management, and provide daily leadership for risk management.
- For hazard risks such as large-scale earthquakes, fires and accidents, crisis management shall be controlled by the "Emergency Response Headquarters" headed by the President and Representative Executive Officer.

III. Legal Compliance System

1) Compliance promotion framework

- The Company shall establish the Compliance Committee as an advisory body to the President and Representative Executive Officer regarding the operation of compliance management. The President and Representative Executive Officer shall be the chairperson, and the members of the committee shall be a corporate lawyer, Executive Officers, and others.
- An officer shall be put in charge of compliance in order to promote the operation of compliance management.
  The Company shall also designate a department and person in charge of compliance to establish, institutionalize, and supervise the operation of compliance systems at the Company and operating subsidiaries.
- Each operating subsidiary shall designate departments and responsible persons in charge of promotion of compliance, and shall carry out daily supervision and direction of business operations that are in accordance with laws and regulations and internal company rules.
- The Compliance Committee shall strengthen collaboration with departments in charge of compliance in operating subsidiaries, continuously oversee the development of the foundations of the compliance system and the status of implementation, and promote compliance with laws, regulations, and corporate ethics in addition to drawing up courses of action to take in response to serious compliance-related violations.
  Notably, the committee shall report the details of these deliberations to the Audit Committee in a timely manner.

2) 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.
- The hotline’s policy shall be to maintain strict confidentiality regarding notifications and reports and shall not disclose the personal information of whistleblowers to a third party without their consent; to be careful to avoid identification of the whistleblower when investigating the facts; and to ensure that whistleblowers are not subjected to disadvantageous treatment in terms of personnel affairs or any other aspect.
- For hotline reports concerning management personnel, the Company shall build a structure whereby the reports are submitted directly to the Audit Committee and subjected to directions from the Audit Committee so as to secure an independent reporting route.

IV. Internal Audit Structure

- The Company shall establish an independent internal audit department under the direction of the President and Representative Executive Officer. In accordance with internal audit rules and under the direction of the President and Representative Executive Officer, the internal audit department shall audit the operations of the Company and operating subsidiaries or have them 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.
- The persons responsible for the internal audit departments, while providing directions, guidance and assistance to the internal audit departments of the operating subsidiaries, provide a report to the President and Representative Executive Officer of the status of internal control functions through a third-party evaluation of the audit plans and audit results of the operating subsidiaries.
- To further enhance corporate governance by strengthening auditing functions, the Company shall clarify links between the President and Representative Executive Officer, the Audit Committee and the internal audit department. Specifically, the Company shall adopt a system in which reports are submitted to both the President and Representative Executive Officer and the Audit Committee. When the reports are made, the audit report and the improvement report shall be made together to realize swift measures.

- Appointments and transfers of persons responsible for the internal audit departments shall be subject to advance approval by the Audit Committee, and when such persons are evaluated, the Audit Committee states an opinion to the execution of such evaluation.

V. Structure of the Audit Committee

- The Audit Committee shall audit the legality and suitability of the execution of duties by the Executive Officers and Directors.
- The committee shall comprise independent Outside Directors and full-time non-executive directors, and in pursuit of transparency and objectivity, the Chairperson shall be selected from among the independent Outside Directors.
- The Audit Committee Secretariat has been established as an organization in charge of assistance for the Audit Committee's duties.
- Regarding the organization of the Audit Committee Secretariat, the appointment and reassignment of secretariat staff members, and performance evaluations of the manager of the secretariat, the Audit Committee's advance approval is required to ensure independence.
- The Audit Committee shall have periodic meetings with the President and Representative Executive Officer to share information.
  Moreover, the Company's Executive Officers and Directors may be asked to attend Audit Committee meetings to provide reports and opinions as necessary.
- The Audit Committee shall regularly coordinate with the internal audit department to share information. Moreover, the Accounting Auditor, outside experts and others may be asked to attend Audit Committee meetings to provide reports and opinions as necessary.
- The Audit Committee members shall report to the Audit Committee on the status of audits of the following matters:
  - Matters resolved by or reported to the Board of Directors
  - Matters identified by the Audit Committee as issues
  - Status and results of internal audits conducted (audit report, improvement report, etc.)
- The Audit Committee members shall attend the Group Management Meeting and other meetings, inspect important documents associated with the execution of duties, such as approval circulars, and request explanations from officers and employees of operating subsidiaries as necessary.
- Operating subsidiaries shall submit the necessary audit reports and perform other duties if requested to do so by the Audit Committee.
- The Audit Committee shall have periodic meetings and the like with the audit & supervisory board members of operating subsidiaries to enhance and strengthen the auditing of the entire Group.
- Personnel appointments and transfers for audit & supervisory board members of operating subsidiaries shall require approval from the Audit Committee, and the audit & supervisory board members of operating subsidiaries concurrently serve as members in the Audit Committee Secretariat.
- The Audit Committee may claim expenses deemed necessary for performing the duties from the Company, and the Company shall bear them.

VI. System for Storage and Management of Information

1) Confidential information management

- Regarding documents relating to the execution of duties by Executive Officers and Directors and minutes and related documents (including electromagnetic records, in both cases) regarding meetings chaired by Executive Officers and Directors, in accordance with laws, 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.

2) Information security management

- The Senior Executive General Manager of the Systems Department shall control information security management of the Company based on the Information Security Policy and 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.

Notes to Consolidated Financial Statements

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

1. Reporting standards for the preparation of consolidated financial statements

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

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

2. Matters concerning the scope of consolidation

Consolidated subsidiaries 22 companies

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

The Company established the corporate venture fund JFR MIRAI CREATORS Fund on September 12, 2022; it is included in the scope of consolidation. Additionally, the Company acquired 50.8% of the shares of XENOZ CO., Ltd. on December 1, 2022; they are included in the scope of consolidation.

3. Matters concerning the application of the equity method

Equity method associates 9 companies

Major equity method associates include StylingLife Holdings Inc. On December 26, 2022, the Company established Shinsaibashi Kaihatsu Tokutei Mokuteki Kaisha through a joint investment; it is included in the scope of the equity method.

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

4. Matters concerning the fiscal year of consolidated subsidiaries

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

5. Matters concerning accounting policies

(1) Foreign currency transactions

1) Foreign currency transactions

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

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

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

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

2) Financial statements of foreign subsidiaries, etc.

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

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

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

1) Financial instruments

(i) Non-derivative financial assets

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

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

(a) Financial assets measured at amortized cost

With regard to investments in debt instruments, when the contractual cash flows consist of principal and interest paid on specified dates, and the Group holds such investments based on a business model whose objective is to hold the instrument to collect contractual cash flows, the debt instruments are measured at amortized cost. Transaction cost directly attributable to acquisition of financial assets measured at amortized cost is included in the amount of initial measurement. After the initial recognition, amortization cost is measured using the effective interest method, and impairment losses are deducted where necessary. Interest revenue, foreign exchange gains and losses and impairment losses on financial assets measured at amortized cost are recognized in profit or loss.

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

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

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

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

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

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

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

(d) Impairment of financial assets

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

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

(e) Derecognition of financial assets

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

(ii) Non-derivative financial liabilities

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

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

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

(iii) Presentation of financial assets and liabilities

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

(iv) Derivatives and hedge accounting

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

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

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

To apply cash flow hedges to forecast transactions, the possibility that the forecast transaction occurs must be very high.

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

(a) Cash flow hedges

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

(b) Fair value hedges

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

(v) Cash and cash equivalents

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

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

(i) Inventories

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

(ii) Assets held for sale

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

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

An asset held for sale is measured at the lower of its carrying amount and fair value less cost to sell.

After property, plant and equipment, intangible assets and investment property have been classified under "assets held for sale," depreciation or amortization will not be applied to these assets.

3) Property, plant and equipment

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

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

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

- Buildings and structures 2 to 60 years
- Machinery and vehicles 2 to 20 years
- Furniture and fixtures 2 to 20 years

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

4) Goodwill

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

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

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

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

5) Intangible assets

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

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

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

- Software 5 years

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

6) Right-of-use assets

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

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

7) Lease liabilities

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

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

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

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

8) Investment property

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

Investment property is measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment losses. (See “3) Property, plant and equipment” for method of depreciation and useful life.)

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

9) Impairment of non-financial assets

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

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

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

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

An impairment loss is recognized as profit or loss, if the carrying amount of an asset or cash-generating unit exceeds the recoverable amount. The impairment loss recognized in association with a cash-generating unit is first allocated to reduce the carrying amount of goodwill allocated to this unit, and then the carrying amounts of other assets in the cash-generating unit are reduced on a pro rata basis.

Impairment losses related to goodwill are not reversed. With regard to other assets, for previously recognized impairment losses, the Group assesses whether there is any indication that the loss has decreased or been extinguished at the end of each reporting period. An impairment loss is reversed when there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed up to the carrying amount that would have been determined had no impairment loss been recognized, net of necessary depreciation and amortization.

(3) Accounting policy for significant provisions

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

Asset retirement obligations

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

Provision for loss on business liquidation

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

(4) Revenue recognition

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

The Group, under a holding company structure, develops businesses such as the SC Business, the Developer Business, and the Payment and Finance Business, with the Department Store Business at its core. The Department Store Business carries out the sale of clothing, general goods, household goods, food products and others. With regard to these sales of goods, since it is determined that performance obligation is satisfied at the time of delivery of goods when customers gain control of such goods, the Group mainly recognizes revenue at the time of delivery of such goods. Furthermore, revenue is measured at the amount of consideration promised in contracts between customers, less any discounts, rebates and sales returns, etc.

1) Revenue recognition by business segment

(i) Department Store Business

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

(ii) SC Business

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

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

With regard to the sale of accessories, general goods and others, since it is usually determined that performance obligation is satisfied at the time when goods are delivered to customers, revenue is recognized at the time of delivery of such goods. Payments for goods are received at the time of delivery of the goods, which is the time when performance obligation is satisfied.

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

(iii) Developer Business

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

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

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

(iv) Payment and Finance Business

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

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

(v) Other

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

2) Interest revenue

Interest revenue is recognized using the effective interest method.

3) Dividends

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

4) Gross and net presentation of revenue

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

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

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

(5) Government grants

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

(6) Income tax

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

1) Current taxes

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

2) Deferred taxes

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

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

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from initial recognition of assets and liabilities from transactions that are not business combinations and affect neither accounting income nor taxable income
- Taxable temporary differences associated with investments in subsidiaries and associates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

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

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

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

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

(7) Employee benefits

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

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

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

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

Remeasurements of net defined benefit liability or asset are recognized as other comprehensive income and immediately transferred from other components of equity to retained earnings.

Remeasurements consist of actuarial gains and losses on defined benefit obligation, return on plan assets (excluding the amount of interest revenue on plan assets) and others.

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

Costs for defined contribution benefits are recognized as expenses in the period in which the employees provide services.

(8) Share-based payment

To ensure steady execution of the Medium-term Business Plan for realizing the Group Vision, the Company has adopted a stock-based remuneration system for officers utilizing a trust (officer remuneration BIP trust). The officer remuneration BIP trust is a system of granting the Company's shares to officers (in this system, in certain cases, the Company's shares are converted into cash within the trust and cash in the amount equivalent to their conversion value is paid) in accordance with the officers' level of achievement of the Medium-term Business Plan, etc. The value of the service received is measured by the fair value of the Company's shares on the grant date. This value is expensed over the vesting period from the grant date, and a corresponding amount is recognized as an increase in equity.

(9) Earnings per share

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

(10) Treasury shares

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

(11) Borrowing costs

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

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

(12) Application of the consolidated taxation system

The Company and some consolidated subsidiaries apply the consolidated taxation system.

Notes to accounting estimates

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

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

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

The recoverable amount is usually determined by the value in use. Factors for estimating the value in use include future cash flows generated from the use of the asset, future cash flows generated by its final disposal, and discount rates.

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, 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.

Although it is also difficult to forecast changes in consumption and other developments impacted by changes in social and economic circumstances, some assumptions are incorporated into forecasts of personal spending trend in Japan.

The growth rate after the business plan is determined by referencing long-term growth rates for the relevant markets. These estimates are based on management's best estimates, but may differ from actual results due to effects of changes in uncertain future economic conditions.

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

	Department Store Business	SC Business
Impairment losses	¥3,887 million	¥2,006 million
Property, plant and equipment	¥233,491 million	¥231,961 million
Right-of-use assets	¥69,211 million	¥54,000 million
Intangible assets	¥4,308 million	¥1,355 million
Investment property	¥111,087 million	¥3,120 million

2. Recoverability of deferred tax assets

The Group recognizes deferred tax assets to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized as a result of scheduling.

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

The major assumptions in the Group's business plan are forecast revenue factoring in the effects of business plans based on market growth rates predicated on forecast trends for personal spending in Japan, projected recovery in inbound tourism demand, and the like in the Department Store Business, SC Business, and Payment and Finance Business segments, as well as forecast revenue factoring in new development projects in the business plans of the Developer Business segment and forecast operating profit taking into consideration the effects of cost reductions achieved through business structure reforms in each segment.

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

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

Deferred tax assets	¥3,137 million

3. Retirement benefit

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

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

Retirement benefit liability	¥16,754 million

4. Determination and revision of lease periods

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

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

Lease liabilities in the consolidated financial statements are as follows:

Lease liabilities	¥164,825 million

Notes on consolidated statement of financial position

1. Allowance for doubtful accounts directly deducted from assets

(1) Trade and other receivables	¥106 million
(2) Other financial assets	¥3,600 million

2. Total amount of accumulated depreciation

(1) Property, plant and equipment	¥333,133 million
(2) Right-of-use assets	¥136,806 million
(3) Investment property	¥32,066 million

3. Change in the reason for owning investment property

The reason for owning some investment property in the Developer Business was changed from leasing to selling; accordingly, ¥1,827 million of land and ¥2,476 million of construction in progress were transferred to inventories.

4. Assets pledged as collateral and secured liabilities

(1) Assets pledged as collateral

Other financial assets	¥197 million
Other	¥146 million
Total	¥343 million

(2) Secured liabilities

Trade and other payables	¥215 million
Total	¥215 million

5. Contingent liabilities

Guarantee of financing for employee housing and others	¥0 million
Total	¥0 million

Notes on consolidated statement of profit or loss

1. Other operating income

Gain on sales of non-current assets (Note)	¥790 million
Other subsidies	¥904 million
Other	¥2,846 million
Total	¥4,540 million

(Note) Mainly a gain on sales due to the sale of real estate holdings in the Developer Business.

2. Other operating expenses

Loss on disposals of non-current assets	¥2,102 million
Impairment losses (Note 1)	¥4,905 million
Loss on liquidation of business (Note 2)	¥1,893 million
Other	¥1,434 million
Total	¥10,336 million

(Note 1) As a breakdown of the ¥4,905 million in impairment losses in the current fiscal year, ¥3,887 million was recorded for the Department Store Business and ¥1,011 million was recorded for SC Business.
With regard to the Department Store Business, principally because of decreased profitability of Daimaru Matsuzakaya Department Stores Co. Ltd.'s Daimaru Umeda and Daimaru Shimonoseki stores, the carrying amount of right-of-use assets, etc. was reduced to the recoverable amount and the reduction of ¥3,840 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 4.3% to 4.5%, which was based on the WACC at the time of measurement, taking into account the future profitability and other factors.
In the SC Business, an impairment loss of ¥1,011 million was 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 Shizuoka 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 3.7%, which was based on the WACC at the time of measurement, taking into account the future profitability and other factors.

(Note 2) Expenses associated with the closure of Parco CO., LTD's Matsumoto PARCO scheduled to conclude operations in end of February 2025.

Notes on consolidated statement of changes in equity

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

Common shares 270,565,764 shares

2. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 12, 2022	Common shares	3,964	15.00	February 28, 2022	May 6, 2022
Board of Directors meeting held on October 11, 2022	Common shares	3,964	15.00	August 31, 2022	November 11, 2022

(Note 1) 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.

(Note 2) Total amount of dividends resolved at the Board of Directors meeting held on October 11, 2022 includes ¥34 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

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

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 11, 2023	Common shares	Retained earnings	4,228	16.00	February 28, 2023	May 2, 2023

(Note) Total amount of dividends resolved at the Board of Directors meeting held on April 11, 2023 includes ¥36 million of dividends paid on the Company’s shares held by the officer remuneration BIP trust.

Notes on financial instruments

1. Matters concerning conditions of financial instruments

Financial risk management policy

In the process of conducting business activities, the Group is exposed to financial risks (credit risk, liquidity risk, foreign exchange risk, interest rate risk); the Group conducts risk management to mitigate these financial risks.

The Group also uses derivative transactions to hedge against foreign exchange and interest rate risks with a policy of avoiding speculative transactions.

(1) Credit risk management

Credit risk refers to the risk of financial losses to the Group when customers default on their contractual obligations.

To handle this risk, all Group companies carry out due date management and balance management by customer and seek early identification and mitigation of collectability concerns.

The Group’s receivables are dispersed across a broad range of industries and customers throughout the region.

Notably, the Group does not have credit risk that is over concentrated with a single customer or group to which customers belong.

The maximum exposure associated with the credit risk of financial assets is the carrying amount after deducting impairment losses shown on consolidated financial statements. This exposure associated with credit risk does not include any properties held as collateral or other forms of credit enhancement.

The Group sets out an allowance for doubtful accounts after considering whether the initially recognized credit risk will increase significantly. Specifically, when there is no significant increase in the credit risk since initial recognition, expected credit losses for 12 months are measured as allowance for doubtful accounts.

On the other hand, when there is a significant increase in credit risk since initial recognition, expected credit losses for the entire life of the financial assets are measured as allowance for doubtful accounts. Whether credit risk is significantly increased or not is determined based on the changes in default risk. Regardless of the above, regarding trade receivables, lease receivables, and others that do not include major financial factors, expected credit losses for the entire life of the financial assets are measured as allowance for doubtful accounts.

In the course of measuring these expected credit losses, reasonable, verifiable information available as of the end of the period is used with regard to the results of doubtful accounts from past fiscal years, delays and payments, and the financial circumstances of creditors in addition to past phenomena, present circumstances, and projections of future economic circumstances. Expected credit losses from financial assets for which the credit risk has not increased significantly and trade receivables and other receivables that do not include major financial factors have essentially identical credit risk profiles and are thus grouped together for evaluation based on past credit losses.

Expected credit losses from financial assets for which the credit risk has increased significantly and credit-impaired financial assets are evaluated individually while factoring in past credit losses, expected recoverable amounts, and the like.

Accounts are considered delinquent when debtors fail to pay within 90 days of the deadline.

When the Group conducts a credit investigation and deems that all or part of a financial asset is unrecoverable and should be written off, the carrying amount of the credit-impaired financial asset is directly written off.

(2) Liquidity risk management

Liquidity risk refers to the risk that the Group is unable to fulfill its payment obligations of financial liabilities when they are due.

The Group manages liquidity risk with methods such as preparing monthly cash flow management plans at all companies, and secures sufficient liquidity on hand through commitment line contracts and overdraft contracts with its main financing banks.

(3) Foreign exchange risk management

Although the Group conducts transactions in foreign currency and is exposed to foreign exchange risk between foreign currencies and Japanese yen, its impact on profit before tax is minor.

(4) Interest rate risk management

The Group is exposed to various forms of interest rate risk in the context of its business activities; interest rate fluctuations have an especially outsized impact on borrowing costs.

The Group uses interest rate swaps and other means to hedge against interest rate risk.

2. Matters concerning fair values of financial instruments

Carrying amount, fair values as of February 28, 2023, and their differences are as follows.

(Millions of yen)

	Carrying amount (*)	Fair value (*)	Difference
Assets			
(1) Cash and cash equivalents	39,874	39,874	–
(2) Trade and other receivables	129,121	129,121	–
(3) Derivatives	6	6	–
(4) Other financial assets	90,542	91,394	851
Liabilities			
(5) Trade and other payables	[133,835]	[133,835]	–
(6) Other financial liabilities	[65,265]	[65,265]	–
(7) Borrowings	[169,310]	[168,026]	(1,283)
(8) Bonds payable	[79,813]	[78,812]	(1,001)

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

(Note) Method for measuring fair values

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

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

(3) Derivatives (assets)

Derivatives are measured, as financial assets measured at fair value through profit or loss, based on prices presented by financial institutions.

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

The fair value of listed stocks is measured based on market prices at the last date of a fiscal year. The fair value of unlisted stocks is measured by discounted future cash flows, valuation model based on revenue and net assets, comparable company analysis method or the like.

Other financial assets or other financial liabilities measured at amortized cost mainly consist of lease and guarantee deposits paid or lease and guarantee deposits received, and their fair value is measured at present value calculated by discounting future cash flows at the current market interest rates or the like.

(7) Borrowings, (8) bonds payable

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

3. Matters concerning breakdowns for each level of financial instrument fair value, etc.

(1) Financial instruments measured at fair value

Regarding financial instruments measured at fair value, fair value measurements are classified into levels 1 through 3 commensurate with the observability and significance of the underlying inputs.

Level 1: Market price of the same assets or liabilities in an active market

Level 2: Fair value (of non-Level-1 financial instruments) calculated by directly or indirectly using observable prices

Level 3: Fair value calculated from evaluation techniques including unobservable inputs

The fair value of financial instruments measured using fair value is as follows.

Transitions between the levels in the fair value hierarchy are recognized on each reporting date. Notably, there were no transitions between Levels 1, 2, or 3 in the fair value hierarchy during the current fiscal year.

	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	–	6	–	6
Financial assets measured at fair value through other comprehensive income				
Other financial assets	2,916	–	22,314	25,231
Total	2,916	6	22,314	25,237
Liabilities:				

Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	–	–	–	–
Total	–	–	–	–

(2) Fair value hierarchy for assets and liabilities for which fair value has been disclosed, but were not measured at fair value

The fair value of financial instruments measured at the amortization cost is as follows.

Notably, the following table does not include financial instruments measured at fair value or financial instruments for which the carrying amount and fair value are very similar.

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at amortized cost				
Other financial assets (non-current)	–	4,359	50,972	55,332
Total	–	4,359	50,972	55,332
Liabilities:				
Financial liabilities measured at amortized cost				
Borrowings	–	168,026	–	168,026
Bonds payable	–	78,812	–	78,812
Other financial liabilities (non-current)	–	–	35,290	35,290
Total	–	246,838	35,290	282,129

Notes on investment property

1. Matters concerning status of investment property

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

2. Matters concerning fair values of investment property

(Millions of yen)

Consolidated statement of financial position amount	Fair value at the end of the current fiscal year
187,247	261,146

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

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

Notes on revenue recognition

1. Revenue disaggregation information

The Group reports four business segments: the Department Store Business, the SC Business, the Developer Business, and the Payment and Finance Business. These reportable segments are subject to regular consideration by the Board of Directors to determine how to allocate management resources and evaluate performance. The relationship between disaggregated revenue and the segments is as follows.

(Millions of yen)

Segment		Revenue
	Daimaru Osaka Shinsaibashi store	23,979
	Osaka Umeda store	16,101
	Tokyo store	18,223
	Kyoto store	17,147
	Kobe store	25,330
	Sapporo store	17,652
	Matsuzakaya Nagoya store	35,382
	Ueno store	8,551
	Other stores	53,385
	Removal of revenue from between segments	(459)
Department Store Business		215,295
	PARCO	54,299
	Other	62
	Removal of revenue from between segments	(1,053)
SC Business		53,308
	PARCO	7,061
	PARCO SPACE SYSTEMS	18,751
	J. Front Design & Construction	28,142
	Other	714
	Removal of revenue from between segments	(12,372)
Developer Business		42,297
	Payment and Finance Business	12,889
	Removal of revenue from between segments	(5,304)
Payment and Finance Business		7,585
	Other	55,922
	Removal of revenue from between segments	(14,728)
Other		41,193
Total		359,679

	Revenue from contracts with customers	300,164
	Revenue from other sources	59,514
Revenue		359,679

(Note) The Department Store Business, the SC Business, and the Developer Business categories include lease revenue in accordance with IFRS 16. The Payment and Finance Business category includes interest revenue in accordance with IFRS 9. Notably, lease revenue and interest revenue are included in “Revenue from other sources.” The “Other” category comprises non-reportable business segments such as the wholesale business, the parking business, and the leasing business.

2. Foundational information for understanding revenue

See “5. Matters concerning accounting policies (4) Revenue recognition” under “Notes on important matters forming the basis of preparation of consolidated financial statements, etc.”

3. Information for understanding revenue amounts in the current and subsequent fiscal years

(1) Contract balances

The Group's contract balances are as follows.

(Millions of yen)

	Balance at the beginning of the current fiscal year	Balance at the end of the current fiscal year
Receivables from contracts with customers	85,715	94,129
Contract assets	3,193	6,832
Contract liabilities	39,739	39,988

(Notes) 1 Receivables from contracts with customers

Receivables from contracts with customers mainly comprises receivables generated from the use of credit cards issued by the Group; the amount includes amounts collected for third parties as agent transactions. The payback period for these receivables is typically one to two months.

2 Contract assets

Contract assets are assets involving rights over customers that arise when the Group is to receive payments from customers in line with the series of performance, recognized mainly in relation to outsourcing agreements. The Group recognizes contract assets for completed work in advance, and transfers them to trade receivables when issuing invoices after customers' receipt and inspection.

Contract assets are included in trade and other receivables in the consolidated statement of financial position.

3 Contract liabilities

Contract liabilities are liabilities involving consideration received in advance of performance pursuant to contracts, and are transferred to revenue when the Group performs work pursuant to contracts.

Contract liabilities are included in other current liabilities in the consolidated statement of financial position.

Of contract liabilities from the previous fiscal year, ¥17,851 million was recognized as revenue in the current fiscal year.

The increase in contract assets in the current fiscal year is mainly due to the increase in accounts receivable.

Regarding wholly or partially satisfied performance obligations from past years, amounts recognized as revenue have not occurred in the previous or current fiscal year.

(2) Transaction prices allocated to residual performance obligations

Regarding transaction prices allocated to residual performance obligations, the Group recognizes revenue commensurate with progress toward the completion of work, actual usage of gift certificates and points, and performance of services of annual membership fees. Total transaction prices allocated to residual performance obligations and expected timing of revenue recognition thereof are as follows.

(Millions of yen)

	Balance at the beginning of the current fiscal year	Balance at the end of the current fiscal year
Within one year	30,103	39,886
1–2 years	11,419	11,376
More than 2 years	9,207	7,666
Total	50,729	58,929

Notes on per share information

1. Equity attributable to owners of parent per share: ¥1,370.43
2. Basic earnings per share: ¥54.32

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

Notes to Non-consolidated Financial Statements

Notes on matters concerning important accounting policies

1. Basis and method of valuation of assets

(1) Basis and method of valuation of securities

Shares of subsidiaries and associates	Stated at cost using the moving-average method
Available-for-sale securities	
Securities with available market prices	
	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 market prices	
	Stated at cost using the moving-average method

(2) Basis and method of valuation of derivatives

Derivatives	Stated at fair value

(3) Basis and method of valuation of inventories

Supplies	Stated at cost using the FIFO method (the book value is written down based on the decreased profitability)

2. Depreciation method of non-current assets

Property, plant and equipment (excluding leased assets)	
	Straight-line method
Intangible assets (excluding leased assets)	Straight-line method Internal use software is amortized using the straight-line method over the internally expected useful life (5 years).
Leased assets	
Leased assets in finance leases that do not transfer ownership	
	Straight-line method with zero residual value assuming the lease periods as useful lives

3. Accounting method for deferred assets

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

4. Accounting policy for provisions

Allowance for doubtful accounts	To prepare for losses from bad debt, an estimated uncollectible amount is provided.
Provision for bonuses	To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.
Provision for bonuses for directors and other officers	To prepare for the payment of bonuses to corporate officers, the amount expected to be paid is provided.
Provision for officer remuneration BIP trust	To prepare for the granting of the Company's shares through an officer remuneration BIP trust, the amount equivalent to the value of shares in proportion to the number of points awarded to officers in accordance with the Stock Benefit Rules is provided.

5. Revenue and expense recognition

Revenue from contracts with customers of the Company—a holding company—is mainly dividend income and consulting fee income from subsidiaries. Revenue from consulting fee income is recognized at the average value over the contract period because the obligation to provide consulting to subsidiaries on management, planning, and the like is satisfied on a recurring basis. Dividend income is recognized as of the effective date.

6. Hedge accounting method

Hedge accounting method	Exceptional treatment is applied to interest rate swaps that satisfy the requirements for exceptional treatment.
Hedging instruments and hedged items	
Hedging instruments	Interest rate swaps
Hedged items	Borrowings and interest expenses on borrowings
Hedging policy	Based on the risk management policy, hedging is undertaken to hedge interest rate fluctuation risk.
Method for assessing the hedge effectiveness	At the end of each fiscal year, hedge effectiveness with respect to the hedged items and hedging instruments is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate, and duration are identical between the assets or liabilities of hedged items and hedging instruments.

7. Application of the consolidated taxation system

The Company began applying the consolidated taxation system for the current fiscal year.

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 provision of tax laws prior to revision.

Notes to changes in accounting policies

1. Application of the Accounting Standard for Revenue Recognition

The Company began applying the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and the like at the beginning of the current fiscal year and recognizes revenue at amounts expected in exchange for promised goods and services when control of the goods and services is transferred to customers.

Regarding the application of the Accounting Standard for Revenue Recognition and the like, in accordance with the transitional handling set out in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition, retained earnings at the beginning of the current fiscal year are adjusted to reflect the amount of the cumulative impact of applying the new accounting policy retroactively before the start of the current fiscal year, and the new accounting policy is applied to the balance at the beginning of the current fiscal year.

Notably, there is no impact on non-consolidated financial statements.

2. Application of the Accounting Standard for Fair Value Measurement

The Company began applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and the like at the beginning of the current fiscal year, and in accordance with the transitional handling set out in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the new accounting set out in the Accounting Standard for Fair Value Measurement and the like will continue to be applied into the future. Notably, there is no impact on non-consolidated financial statements.

Notes on changes in presentation

1. Changes in presentation of accounts receivable

Regarding the presentation of accounts receivable, in the past, accounts receivable were included under “Other” on non-consolidated balance sheets (¥2,152 million in the previous fiscal year); however, as the significance of accounts receivable has increased, starting in the current fiscal year, it is presented as its own line item (¥4,939 million in the current fiscal year).

Notes to accounting estimates

1. Recoverability of deferred tax assets

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

Deferred tax assets	¥472 million

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

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

Notes on non-consolidated balance sheet

1. Short-term monetary liabilities to subsidiaries and associates
¥2,250 million
2. Short-term monetary receivables from subsidiaries and associates
¥2,699 million
3. Accumulated depreciation of property, plant and equipment
¥29 million

Notes on non-consolidated statement of income

1. Transaction with subsidiaries and associates

Operating transaction	
Operating revenue	¥15,238 million
General and administrative expense	¥889 million
Non-operating transactions	
Interest income	¥670 million
Interest expenses	¥2 million

Notes on non-consolidated statement of changes in equity

1. Class and total number of shares issued as of the end of the current fiscal year
Common shares 270,565,764 shares
2. Class and number of treasury shares as of the end of the current fiscal year
Common shares 8,564,836 shares

Notes on tax effect accounting

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

Deferred tax assets	
Unused tax losses	¥707 million
Allowance for doubtful accounts for subsidiaries and associates	¥275 million
Provision for officer remuneration BIP trust	¥119 million
Loss on impairment of non-current assets	¥112 million
Loss on valuation of shares of subsidiaries and associates	¥61 million
Provision for bonuses	¥59 million
Accrued enterprise tax	¥35 million
Accrued expenses	¥30 million
Asset retirement obligations	¥23 million
Revised carrying amount of investment	¥16 million
Excess of deferred asset depreciation	¥14 million
Accrued insurance expenses	¥8 million
Other	¥10 million
Sub total deferred tax assets	¥1,475 million
Valuation allowance for unused tax losses for taxation	¥(376) million
Valuation allowance for total of deductible temporary differences, etc.	¥(546) million
Sub total valuation allowance	¥(922) million
Total deferred tax assets	¥552 million
Deferred tax liabilities	
Valuation difference on available-for-sale securities	¥(34) million
Asset retirement obligations	¥(20) million
Uncollected income tax refund	¥(14) million
Other	¥(10) million
Total deferred tax liabilities	¥(80) million
Net amount of deferred tax assets	¥472 million

Notes on revenue recognition

1. Foundational information for understanding revenue from contracts with customers

Foundational information for understanding revenue is as explained in “5. Revenue and expense recognition” under “Notes on matters concerning important accounting policies.”

Notes on transactions with related parties

Subsidiaries, etc.

(Millions of yen)

Type	Company name	Ownership ratio of voting rights	Relationship	Nature of transactions	Transaction amount (Note 5)	Account item	Balance at the end of the fiscal year
Subsidiary	Daimaru Matsuzakaya Department Stores Co. Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Receipt of consulting fee income (Note 1)	3,756	–	–
				Lending of funds	–	Short-term loans receivable	10,000
				Collection of funds	–	Long-term loans receivable	15,000
				Receipt of interests (Note 2)	87	–	–
Subsidiary	PARCO CO., LTD.	Holding Directly 100%	Interlocking of officers Business advisory	Lending of funds	7,000	Short-term loans receivable	25,000
				Collection of funds	22,000	Long-term loans receivable	65,500
				Receipt of interests (Note 2)	455	–	–
Subsidiary	JFR Service Co. Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending and collection of funds (Note 3)	26,846	Short-term loans receivable	39,560
				Receipt of interests (Note 2)	88	–	–
Subsidiary	JFR Card Co., Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending of funds	10,000	Short-term loans receivable	–
				Collection of funds	40,000	Long-term loans receivable	–
				Receipt of interests (Note 2)	37	–	–
Subsidiary	Angel Park Co., Ltd.	Holding Directly 0.38% Indirectly 49.88%	Interlocking of officers Business advisory	Deposits of funds	2,000	Deposits	2,000
				Repayment of deposits	1,500		
				Payment of interests (Note 2)	2	–	–
Subsidiary	JFR Information Center Co., Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Requests for computation services (Note 4)	855	–	–

Transaction conditions and policy for deciding transaction conditions

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

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

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

(Note 4) The Company will reasonably determine with reference to market prices whether to request this company mainly in relation to computation services.

(Note 5) Transaction amounts do not include consumption taxes.

Notes on per share information

1. Net assets per share:	¥1,282.90
2. Basic earnings per share:	¥32.25