Create and Bring to Life "New Happiness."

J. FRONT RETAILING

J. FRONT RETAILING

Integrated Report 2022

GEAR CHANGE

From Defense to Offense

FULL RECOVERY

40.3

Acceleration of business model conversion

Management restructuring

The Group faced an unprecedented crisis of losing sales of as much as ¥370.0 billion due to the COVID-19 pandemic. On the other hand, it gave an opportunity to reaffirm what is really important. Full recovery is our solid intention to return both PL and BS to pre-COVID-19 levels in fiscal 2023. As its symbol, we aim to achieve an operating profit of ¥40.3 billion, above the operating profit of ¥40.2 billion in fiscal 2019. However, its structure must be dramatically different from the past. After two years of the COVID-19 pandemic, we can clearly see what will return and what will not return. Waiting will not return anything. No change, no full recovery. We will step up a gear to change in 2022.

REGROWTH

Investment for the future

As a matter of course, full recovery is not our goal. What we aim for is medium- to long-term enhancement of corporate value through sustainable growth from 2024 onward. To this end, we need to change our portfolio to a highly resilient one that expands the Group's strength. We will try to achieve an operating profit of ¥80.0 billion and an ROE of 10% by 2030, and furthermore, to achieve net zero by 2050 to realize a decarbonized society. In this increasingly uncertain era, it is only "people" that will open the way to the future. We will stick to sustainability management based on the values of our Corporate Credo and create true value through the practice of CSV.

Business portfolio transformation

80.0

Gear Change for Full Recovery and Regrowth

01 VALUES AND VISION

02 VALUE CREATION

03 MANAGEMENT STRATEGY

04 SUSTAINABILITY

05 GOVERNANCE

06 DATA

Editorial policy

J. Front Retailing Group (the "Group") issued this integrated report in order to provide a deeper understanding of what actions it takes to change its business portfolio for sustainable growth of corporate value. The report explains at the beginning the values, vision, value creation process and business model of J. Front Retailing (the "Company") and it contains non-financial information including the Group's involvement in society and the environment through business activities and governance system that helps enhance corporate value in addition to financial information based on specific management strategy. We have referred to the "International Integrated Reporting Framework" established by the International Integrated Reporting Council (IIRC) and the "Guidance for Collaborative Value Creation" established by the Ministry of Economy, Trade and Industry to create this report.

Timeframe

This report mainly reviews the fiscal year 2021 (March 1, 2021 through February 28, 2022) but it also contains the latest information available at the time of issue to the extent possible.

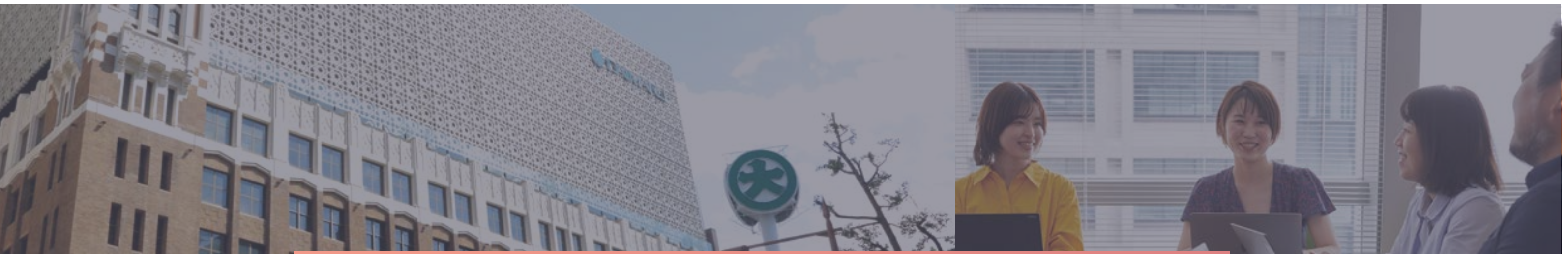
Scope

J. Front Retailing Co., Ltd. and its consolidated subsidiaries

Cautionary statement regarding forward-looking statements

Forward-looking statements in this integrated report represent our assumptions based on information currently available to us and inherently involve potential risks, uncertainties, and other factors. Therefore, actual results may differ materially from the results anticipated herein due to changes in various factors.

Environment Social Governance
Guidance for Collaborative Value Creation



VALUES AND VISION

OUR VALUES

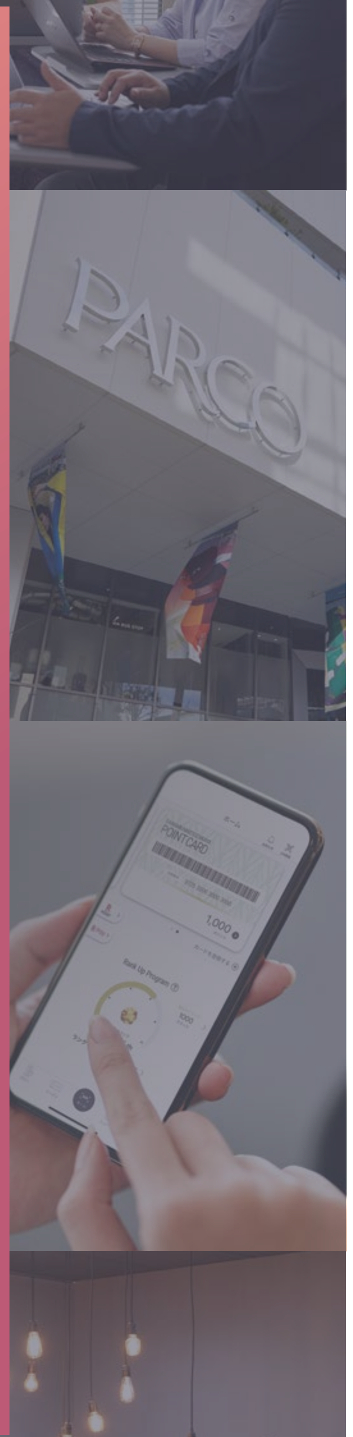
Service before Profit – This phrase is passage from “Of Honor and Disgrace” written by Xunzi, a Chinese thinker in the Zhanguo period, “Those who give priority to service over profit will prosper.” The most important thing is to approach things with sincerity and good faith. “Do not sell any products that are of no benefit to customers.” “Do not rank customers.” “Honesty and loving-kindness come first.” “An unfaithful person is useless regardless of how gifted he/she may be.” Thus Daimaru has told its employees to keep a humble attitude to serve customers. At Matsuzakaya, the spirit of “Abjure All Evil and Practice All Good” has been valued. They can be modernized as “Customer-first principle” and “Contribution to society.” Thinking of stakeholders thoroughly and acting accordingly will lead to business growth.

With increasingly diversified lifestyles, customer needs are seen not just on festive occasions but also widely in daily life. Many restrictions including voluntary ban on leaving home and restrictions on travel were placed due to the recent spread of COVID-19 and people were forced to live with concerns and frustrations they had never experienced before. This is one of symbolic events.

By relieving customers of “concerns” and “frustrations” in daily life so that they can live more conveniently and more comfortably, we hope many customers will be able to spare more time for festive occasions. We think that is the social role we will have to fill, that is to say, the cause.

Another recent big trend is heightened awareness of social contribution as well as a shift to consumption of intangible goods due to diversified means of seeking enjoyment. The Group has to be able to propose something more enjoyable and more exciting in response to such diversification of the means of seeking enjoyment.

We believe “Creating Shared Value (CSV)” to solve social issues through business activities is nothing less than practicing the Group’s Corporate Credo simply and honestly.



Corporate Credo

Service before Profit

Abjure All Evil and Practice All Good

Basic Mission Statement

We aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations.

We aim at developing the Group by contributing to society at large as a fair and reliable corporation.

Group Vision

Create and Bring to Life “New Happiness.”

JFR WAY

Ideas we value
to realize the Vision

Create the Future!
Create amazing and pleasing new things
of which society and consumers are not yet aware.

Try without fear of failure!
Act without fear of result.
And learn from what we tried together.

Introduce new ideas!
Do not look inward
but expand your ideas by contacting people, tangible goods, and intangible goods in the outside world.

Act for yourself!
Do not wait to be told but think and act for yourself.
And carry through to the end with enthusiasm.

Be sensible and honest!
Act according to common sense as a member of society.
Be always honest and sincere.

VALUES AND VISION
History of Changes and Years Ahead

DAIMARU

1717

Shimomura Hikoemon Shokei opened a kimono fabric store "Daimonjiya" in Fushimi, Kyoto (foundation of Daimaru).

History Is a Series of Responses to Changes —

Daimaru and Matsuzakaya that were founded as a kimono fabric store and a kimono fabric and fancy goods wholesale store, respectively.
The long paths of their 300 and 400 years of histories were uneven.
They converted to department store operators 100 years ago after overcoming a number of crises and expanding their stores.
By having consistent values and continuing to respond to the changing times, they embody "sustainability."

Matsuzakaya

1611

Ito Genzaemon Sukemichi opened a kimono fabric and fancy goods wholesale store in Honmachi, Nagoya.

1700s

1726
Opened Osaka store "Matsuya" in Shinsaibashisuji, Osaka and began cash sales at fixed prices (present location of Shinsaibashi store).

1728
Opened Nagoya store at Honmachi 4-chome, Nagoya and used the name "Daimaruya" for the first time (closed in 1910).

1737
Distributed to all stores the hanging scrolls with the store creed of "Service before Profit" on it. Completed the construction of the new Kyoto flagship store in Funaya-cho, Higashinotoin, Kyoto.

1743
Opened Edo store at Odenmacho 3-chome, Edo (closed in 1910).

1757
Built Kiba Villa near Hanei Bridge at Kiba 4-chome, Fukagawa, Edo and set up a shrine of Han-ei Inari in one corner of the property (still present on the premises of Daimaru Core Building).
Edo store achieved the highest sales in Japan as a kimono fabric dealer.

1800s

1837
The Oshio Rebellion broke out. Daimaru escaped burning at the hands of mobs due to its reputation as a philanthropic merchant.

1900s

1907
Established "Kabushiki Goshi Kaisha Daimaru Gofukuten" with a capital of ¥0.5 mn.

1908
Newly built and opened Kobe branch at Motomachi 4-chome, Kobe.

1912

Opened new three-story RC/wooden Kyoto store on Shijodori Street (present location) as a department store.

1913
Revised and registered the trademark.

1920
Established "Kabushiki Kaisha Daimaru Gofukuten" with a capital of ¥12 mn.

1922
First implemented a weekly holiday system in the department store industry.

1927
Opened the first "Dyeing Laboratory & Hygienic Laboratory" (present Consumer End-Use Research Institute) in the department store industry in Osaka store (present Shinsaibashi store).

1928
Changed the company name to "Kabushiki Kaisha Daimaru."

1953
Signed an exclusive contract with Christian Dior. Japan's first partnership with a foreign designer.

1959
Launched private label men's clothing "Trojan."

1961
Achieved the highest sales in the Japanese retail industry (consecutively from H2 1960 to H2 1968).

1964
Signed an exclusive contract with Givenchy.

1983
Umeda store opened in Osaka Terminal Building "Acty Osaka." Adopted a new CI and created a new logo.

1997
Kobe store (hit by the Great Hanshin-Awaji Earthquake in 1995) was restored and made its grand opening.

1999
Fully launched management reform [store-based sales reform and *gaisho* (out-of-store sales) reform]. (Next year, HR reform and back-office reform were launched.)

2003
Sapporo store opened.

1600s

1659
Opened a kimono fabric and fancy goods wholesale store in Chayamachi, Nagoya.

1700s

1736
Changed the trade to a silk and cotton kimono fabric retailer.

1740
Became a kimono fabric purveyor to the Owari Tokugawa clan.

1745
Opened a purchasing office in Muromachi Nishiki-koji, Kyoto.

1768
Acquired Matsuzakaya in Ueno, renamed it "Ito Matsuzakaya" and entered into Edo.

1800s

1805
Opened a cotton wholesale store Kamedana in Odenmacho, Edo.

1868
Ueno store was used as the headquarters of imperial army during the Ueno war.

1875
Acquired a kimono fabric store Ebisuya and entered into Osaka.

1881
Opened Ito Bank (predecessor of former Tokai Bank) in Chayamachi Kado, Nagoya.

1900s

1907
Reorganized Ueno store into "Goshi Kaisha Ito Gofukuten."

1910
Established "Kabushiki Kaisha Ito Gofukuten" with a capital of ¥0.5 mn. Opened a department store in Sakaemachi, Nagoya.

1917
Completed the new main building of Ueno store.

1923
Reopened Osaka store (Nipponbashisuji) (relocated to Tenmabashi in 1966 and closed in 2004).

1924
Ginza store opened

1957
Designated cattleya as a symbol flower.

1972
Nagoya store built a north wing.

1991
Nagoya store built a south wing and opened "Matsuzakaya Museum."

2003
Nagoya store built a new south wing and became the largest department store in Japan.

2006
Established a holding company "Matsuzakaya Holdings Co., Ltd."

VALUES AND VISION

History of Changes and Years Ahead

Changes Are Accelerated through Merger —

Changes in the times are more and more accelerated.
The landscape rapidly changed when the bubble economy burst in the 1900s and there was an urgent need for industry reorganization.
In such a situation, Daimaru and Matsuzakaya Holdings integrated management to expand each other's strength and achieve regrowth.
Furthermore, we converted Parco into a consolidated subsidiary in 2012 to expand our retail wing, and in 2020, converted it into a wholly owned subsidiary.
Now the Group has entered a new stage through cross-industrial mergers.

2007

The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd. integrated management and established J. Front Retailing Co., Ltd.

Phase of business integration and reorganization

2008

Daimaru Credit Service, Inc. was renamed JFR Card Co., Ltd.

Daimaru Design & Engineering Co., Ltd., Daimaru Mokko Co., Ltd., Matsuzakaya Seiko Co.,Ltd. and Refex Japan, Inc. merged into J. Front Design & Construction Co., Ltd.

Dimples' Co., Ltd. absorbed Daimaru Sales Associates Co., Ltd.

Integrated the information systems of The Daimaru, Inc. and Matsuzakaya Co., Ltd.

2009

Restaurant Peacock Co., Ltd. absorbed Shoei Foods Co., Ltd. to form J. Front Foods Co., Ltd.

Matsuzaka Service Co., Ltd. was renamed JFR Service Co., Ltd.

The north wing of Daimaru Shinsaibashi store opened.

JFR Service Co., Ltd. absorbed Daimaru Lease & Service Co., Ltd.

2010

The Daimaru, Inc. and Matsuzakaya Co., Ltd. merged into Daimaru Matsuzakaya Department Stores Co. Ltd.

J. Front Design & Construction Co., Ltd. absorbed DHJ Co., Ltd.

The Daimaru Tomonokai, Inc. absorbed Matsuzakaya Tomonokai Co., Ltd. to form Daimaru Matsuzakaya Tomonokai Co., Ltd.

2011

"Keicho Kosode" from the Matsuzakaya Collection was designated as a national important cultural property.

Daimaru Umeda store reopened with increased floor space.

PARCO

2012

Acquired a 33.2% stake in Parco Co., Ltd. and converted it into an equity method associate.

Reached a basic agreement with Shanghai Xin Nan Dong Project Management Co., Ltd. and Shanghai New World Co., Ltd. to provide technical support and cooperation in opening and operating a new department store in Huangpu District, China.

Jointly established JFR Plaza Inc. with StylingLife Holdings Inc.

Increased a stake in Parco Co. Ltd. to 65% through TOB and converted it into a consolidated subsidiary.

Dimples' Co., Ltd. spun off Daimaru Matsuzakaya Sales Associates Co. Ltd.

Daimaru Tokyo store completed phase 2 of expansion.

2013

Sold all shares of Peacock Store Ltd., which operated a supermarket business, to Aeon Co., Ltd.

Acquired a 70.52% stake in Forest Co., Ltd. and converted it into a consolidated subsidiary.

Phase of building foundations

FY2014–FY2016

Medium-term Business Plan started

2014

Became affiliated with Rakuten R-Point Card service.

Fukuoka PARCO opened a new building.

Invested in Cool Japan Fund.

2015

Increased floor space of the main building of Fukuoka PARCO.

Acquired a 22.6% stake in Senshukai Co., Ltd. and converted it into an equity method associate.

Shanghai New World Daimaru Department Store opened.

Decided to rebuild the main building of Daimaru Shinsaibashi store.

Decided to rebuild Shibuya PARCO.

Invested in Scrum Ventures.

2016

Matsuzakaya Nagoya store completed phase 3 of renovation and made its grand opening.

Sendai PARCO 2 opened.

Phase of changing the business structure

FY2017–FY2021

Medium-term Business Plan started

2017

Voluntarily applied the International Financial Reporting Standards (IFRS).

Transferred the business of JFR Online Co. Ltd.

GINZA SIX opened.

Transitioned to a Company with Three Committees (Nomination, Audit and Remuneration Committees).

Transferred shares of Forest Co., Ltd.

Ueno PARCO_ya opened.

Ueno Frontier Tower opened.

JFR Plaza Inc. was dissolved and liquidated.

2018

Accepted purchase of own shares by Senshukai Co., Ltd.

2019

Kinshicho PARCO opened (Mar).

SAN-A Urasoe West Coast PARCO CITY opened (Jun).

The new main building of Daimaru Shinsaibashi store opened (Sep).

New Shibuya PARCO opened (Nov).

Commenced TOB to convert Parco Co., Ltd. into a wholly owned subsidiary (Dec).

2020

Daimaru Matsuzakaya Department Stores Co. Ltd. absorbed The Shimonoseki Daimaru, Inc. and converted it into a store directly managed by the company (Mar).

Converted Parco Co., Ltd. into a wholly owned subsidiary (Mar).

Canceled the Medium-term Business Plan and began to formulate a new Medium-term Business Plan.

Transferred the Real Estate Business of Daimaru Matsuzakaya Department Stores Co. Ltd. to Parco Co., Ltd. (Sep).

Shinsaibashi PARCO opened in the north wing of Shinsaibashi store (Nov).

Phase of promoting the portfolio transformation

FY2021–FY2023

New Medium-term Business Plan started

2021

Transferred all shares of a consolidated subsidiary J. Front Foods Co., Ltd. (Feb).

The new Medium-term Business Plan started (Mar).

Transferred all shares of a consolidated subsidiary Neuve A Co., Ltd. (Jun).

2022

Partially transferred shares of a consolidated subsidiary Dimples' Co., Ltd.

Direction of the Road Ahead

Create and Bring to Life "New Happiness."

Creating Shared Value Sustainability Management —

The Group has encountered a number of crises over its 300 and 400 years of history. Every time we have faced these situations, we have returned to our Corporate Credo "Service before Profit" and carried out business activities honestly while responding to changes in customers and society quickly. We firmly believe this is what has led us to our current management. Companies cannot develop without coexistence with society. Currently it is essential for the management to paint the vision of what the company should be in the future, which will have a prominent presence in a society, from a longer-term perspective. It is evident that we cannot conduct business activities looking away from issues such as the environment, society and human rights. We think we will be able to obtain a framework for sustainable management for future growth by incorporating the concept of sustainability for the solution of these issues into our corporate strategies and business strategies.

Based on the Corporate Credo and with sustainability at the core of management, we will strive to solve social issues through business activities to achieve both social value and economic value.

Priority Tasks to be Addressed by the Group

7 Materialities (Important Tasks)

- Realization of decarbonized society
- Promotion of circular economy
- Management of the entire supply chain
- Promotion of diversity & inclusion
- Realization of work-life integration
- Realization of customers' healthy/safe/secure life
- Coexistence with local communities

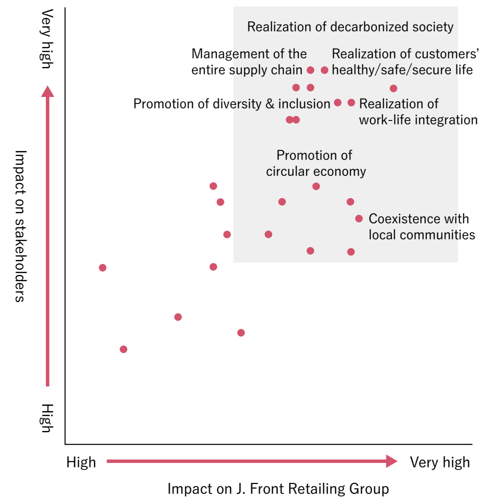
We reviewed materialities to promote sustainability management and realize Well-Being Life, which is the goal of the Group Vision.

As a result of considering environmental issues, changes in the external environment due to COVID-19 and other reasons, the balance between existing materialities, and furthermore, contribution to SDGs, we newly added "promotion of circular economy" and "realization of customers' healthy/safe/secure life."

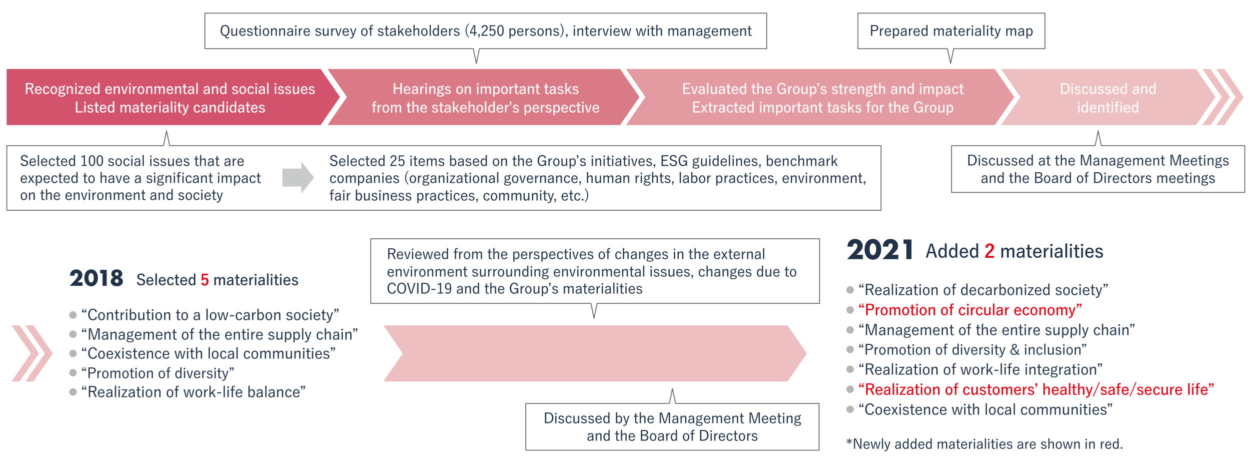
With regard to existing materialities, in response to the growing awareness of decarbonization in Japan and abroad, we revised "contribution to a low-carbon society" to "realization of decarbonized society." In addition, in consideration of the social background, we also revised "promotion of diversity" to "promotion of diversity & inclusion" and "realization of work-life balance" to "realization of work-life integration."

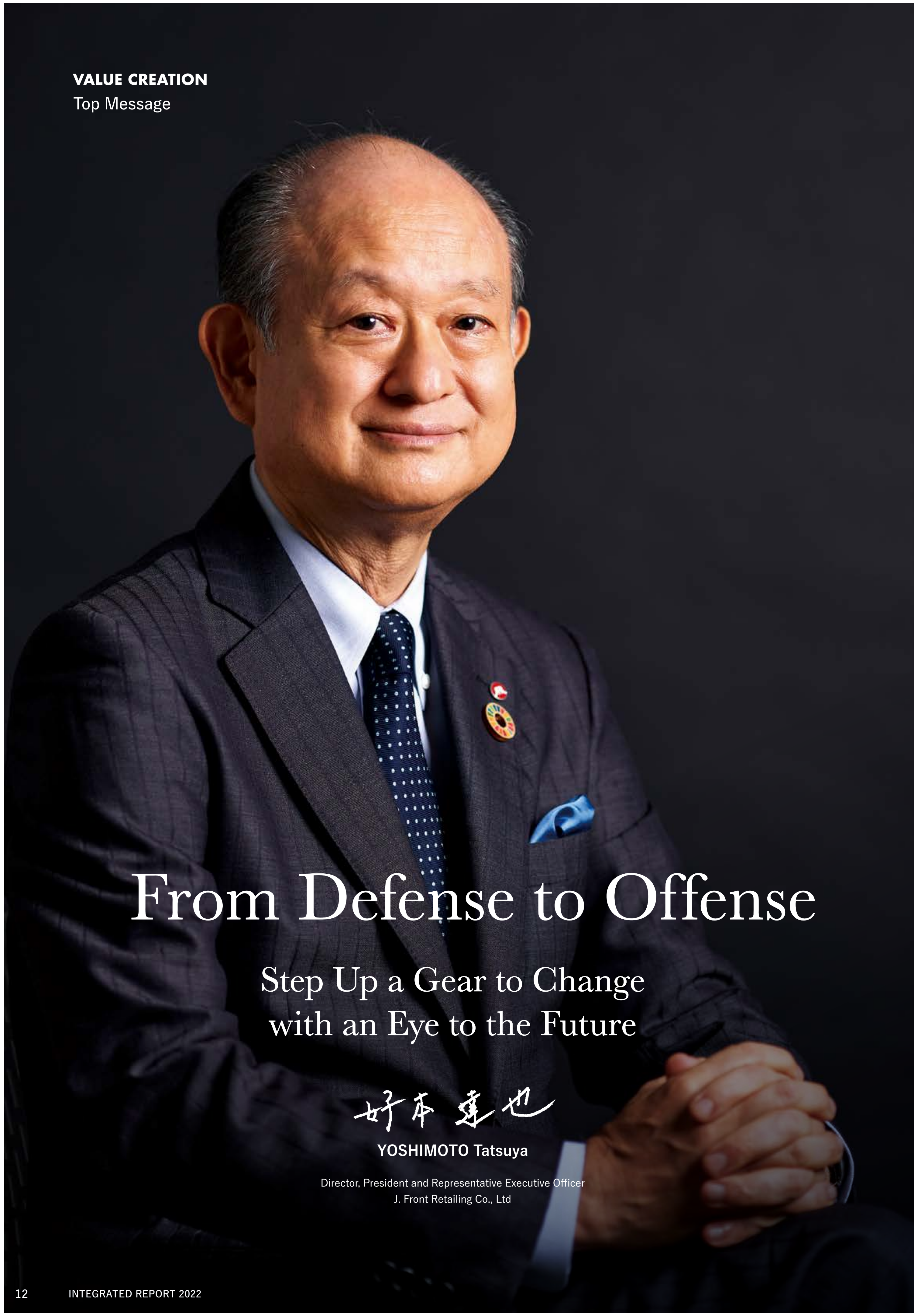
Going forward, by clarifying both risks and opportunities with respect to the seven materialities, we will create business opportunities in each materiality, while responding to risks, and aim to realize social value and economic value simultaneously based on the concept of CSV (Creating Shared Value).

J. Front Retailing Group materiality map



Process for identifying materialities





From Defense to Offense

Step Up a Gear to Change with an Eye to the Future

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YOSHIMOTO Tatsuya

Director, President and Representative Executive Officer
J. Front Retailing Co., Ltd

Conviction obtained from the COVID-19 pandemic

In fiscal 2021, the Group started a new Medium-term Business Plan that aims at full recovery from the COVID-19 crisis and regrowth. In fiscal 2021, which is its first year, we pursued initiatives with a greater focus on "defense" than "offense," including a restraint on investment and acceleration of management restructuring, because the impact of COVID-19 was more prolonged than expected. In the first half of the year, we were requested to suspend business. We faced such a severe situation again. After that, infections spread and settled down alternately and we were forced to press the accelerator a little and brake alternately. We had to conduct economic activities in such an environment.

In the current fiscal year, infections are finally starting to show signs of settling down but remain high. I think we should assume that there is a high possibility of a resurgence of infections. What is expected of us is readiness for change with a view to the era of living with COVID-19, instead of simply waiting for the post-COVID-19 era. On the other hand, new uncertainties about the future such as increasing geopolitical risks and concern about rapid global inflation were added and we cannot be optimistic about our business environment.

Seeing our retail sites, I feel that consumption is further polarized and that customers' values and behavior are greatly changing. I may say that we can clearly see "what will return" and "what will not return." On the other hand, individual financial assets in Japan as a whole exceed ¥2,000 trillion and so-called "COVID-19 savings," the money saved instead of being spent due to the COVID-19 pandemic, total as much as ¥50 trillion. We need to consider how consumption will recover in the future based on the assumption that it will not return by following the same path as in the past. Rapid environmental changes have also greatly changed consumer mind. I think COVID-19 has changed the quality of consumption rather than quantity.

The first year of the medium-term plan is summed up that the year convinced us that we will not return by doing the same as before. I cannot deny that the Group's core Department Store and Shopping Center (SC) businesses lag behind other retail formats. Departure from the business structure overly dependent on the business of physical stores is the major theme of the current Medium-term Business Plan. Our future will not be on the same path as in the past that relies on successful experience. I could be prepared to change my mindset and go forward boldly. In that respect, I think the year has great meaning.

There is no future on the same path as in the past that relies on successful experience. Change our mindset and go forward boldly.

Accelerate for "full recovery"

I think it is extremely important to decide to shift to offense and make sure its timing is right in order to achieve "full recovery," and furthermore, turn it into regrowth premised on living with COVID-19. Where are the seeds for growth? Where will we seek medium- to long-term return? Proper preparation based on clear strategies is essential to build a solid foundation for discontinuous and dramatic growth. We have to make such decisions timely and properly.

In light of the above, I think the current fiscal year, which is the second year of the Medium-term Business Plan, is positioned as a year for "shifting gears." We will change our mindset to offense from a focus on defense to respond to the COVID-19 crisis and turn it into concrete actions and achievements to build a solid business foundation that enables sustainable growth.

First, for full recovery, we will strive to accelerate business model conversion in the core Department Store and SC businesses, which have been particularly hard hit by the COVID-19 pandemic. We will strive to overwhelmingly increase added value that is unique to physical stores and cannot be realized online while merging the real and digital worlds to depart from the vulnerability exposed by COVID-19, that is, the business structure overly dependent on physical stores. To this end, we will aggressively invest in increasing the attractiveness of physical stores and strengthening digitization.

For example, use of app as customer touch points is progressing rapidly. The Department Store positions it as a centerpiece for changing its business model. In fiscal 2021, sales from app users were ¥187.7 billion, increasing to as much as 38.8% of total department store sales. In order to pursue that, it will accelerate its efforts to have its private label card holders sign up for app and acquire new app users. I believe that it is moving forward steadily to change from the business model constrained by time and place. By doing this, I think it will also be able to sophisticate CRM through regression analysis, etc. Also in Parco, use of its smartphone app POCKET PARCO is progressing so that it can provide the most relevant information for each occasion such as before visiting a store, in a store, and after leaving a store. It also provides an incentive to entice customers to shop around in a store. If a customer makes a purchase, data obtained at the time of purchase such as app's QR code payment may be used to recommend him/her to shop around in the store.

Add more value to physical stores

It is only by making physical stores attractive that we can benefit from such advanced digital touch points. The expansion of the luxury floor of the Daimaru Kobe store led to great results and its sales already exceeded the fiscal 2019 level before COVID-19. GINZA SIX, a luxury mall, is undergoing a large-scale renovation in phases from spring last year. And it achieved record sales in December last year though inbound sales, which had represented 30% of total sales, almost disappeared. What particularly stands out recently is brisk spending by young affluent people. We can say high value-added categories including luxury, contemporary art, and high-end watches are moving better than we can imagine. This fiscal year, the Department Store will focus on the expansion and improvement of prime content and steadily develop a foundation for full recovery. And in the second half of next year, we would like to start to convert the Group's largest Matsuzakaya Nagoya store to a hybrid model, which will become a symbol of Real×Digital.

Parco will focus investment on five flagship stores including Ikebukuro and Nagoya and strengthen their ability to attract customers and earning power based on their area characteristics. Parco is also actively working on the development of content and promotion. The creation of entertainment such as theaters and movies is also what Parco is good at. We would like to provide hot experience value that frees audiences' mind withered by COVID-19 to the extent possible with due considerations to safety and security.

At the same time, we will steadily promote management restructuring to strengthen our ability to respond to rapid environmental changes. First, we will tackle workforce restructuring and cost restructuring based on business model conversion and reduce fixed costs by ¥10.0 billion or more in the current Medium-term Business Plan to lower the break-even point. Last fiscal year, we reduced fixed costs by approximately ¥4.3 billion, which is a larger reduction than planned. In addition, we will continue to improve our balance sheet by assessing the Group businesses and selling assets.

Strengthen systems for portfolio transformation

The current core Department Store and Parco will be able to grow reasonably by converting their business models and developing content. However, we need to change the balance of the pre-COVID-19 structure in which the Department Store and Parco account for 80% of total profit in terms of resilience against rapid environmental changes. I think portfolio transformation is required for the Group's dramatic growth for which we aim.

In order to accelerate this initiative, we have newly established three divisions including the Business Portfolio Transformation Promotion Division, the CRE Planning Division, and the Digital Promotion Division in the holding company in March this year to strengthen our promotion system. We would like to actively appoint people from Parco and outside the Group to key positions to bring out unprecedented ideas using diversity and achieve discontinuous growth.

The Developer Business is one of those that have the key to portfolio transformation. The Group operates flagship stores in major cities across Japan and many of them also hold lands. It is no doubt our strength. COVID-19 made some people skeptical about the sustainability of value in urban areas. Actually, however, redevelopment projects in major cities are already recovering momentum. However, physical places are definitely expected to provide more special and premium experience value than ever and I am prepared to act with a sense of crisis that we will lose our existence value unless we can meet such expectation.

If we have our sights set on residence, offices, hotels, etc. in the future while operating commerce such as the Department Store and Parco as our core business, we can create new social value as well as maximizing real estate value to suit the area. We will develop as not a "dot" but an "area." I think it is one of the important directions of contribution that the Group can make in order to coexist with local communities.

In the Payment and Finance Business, operating profit is likely to recover to the level of ¥3.0 billion in the current Medium-term Business Plan due to card renewal in January last year. The purpose of card renewal is to increase the attractiveness of cards by giving new points and expanding perks. The conversion of cards carries a certain degree of defection risk but customer defection could be kept lower than expected. In consideration of these circumstances, the Payment and Finance Business revised up its operating profit goal in the Medium-term Business Plan from the original plan.

However, the Payment and Finance Business aims to grow as a business that contributes to portfolio transformation. Therefore, first of all, its operating profit should exceed the level of ¥5.0 billion early. To this end, it needs to further expand its customer base in collaboration with the Department Store which is recovering customer traffic to physical stores, and at the same time, to expand its finance area through alliance and other means. After such process, we would like to further grow the business as one of the Group's core businesses in the long term.

Take an R&D perspective also in retail

From the holding company's long-term perspective of 10 years and 20 years, I keenly feel that we need to implement initiatives like R&D, which manufacturers do as a matter of course, including the innovation of existing businesses and the development of new businesses in order to strengthen the competitiveness of the Group. We cannot deny that the Group sought investment returns mainly from tangible assets partly because a physical store business is at its core. In the current Medium-term Business Plan, we would like to implement a little

Seriously aim for medium- to long-term growth. Diversity and future-oriented thinking are essential for portfolio transformation.

far-sighted initiative using alliances, M&As, CVCs, and content management funds within the strategic investment limit of ¥10.0 billion.

They will center on customers and sustainability. For example, speaking of the Department Store, *gaisho* provides products and services to affluent people, but from a customer perspective, we cannot deny that it is only a small portion of lifetime value. Obviously, we have an ample chance to increase its share. Given changes in customers' values, the elements of sustainability are very important. Particularly, young people including Millennial Generation and Generation Z have such tendency as revealed by various surveys. I think we need to be aware of this. Considering the desirable shape of the Group, we would like to expand and improve value to be provided to customers.

In terms of innovation, I think we as a holding company should be serious about aggressive digitization. This is why we strengthened our systems by creating the Group Digital Unit. As this area evolves particularly rapidly, on-time efforts are required. An investor said to me, "I feel metaverse has the possibility to innovate retail, which can be called retail 3.0." The Department Store and Parco have already conducted trials and we as a holding company would like to pursue our studies from the Group's perspective.

Look ahead to future value creation

Furthermore, in order to enhance true competitiveness for medium- to long-term value creation, I think we have to seriously invest in human capital.

Particularly important is to build a pool of human resources who assume the next generation management. We will create career development programs (CDPs) for individual employees and give them tough assignments, assign them to projects, and send them for external training to facilitate their growth.

One of its concrete examples is the Group's Desirable Shape for 2030 Project launched in November last year. Concerning the Group's corporate vision for 2030, young employees mainly in their 20s and 30s are currently working to clarify the Group's desirable shape and the value to be provided using their unique ideas.

For example, in order to revitalize young people, I think the holding company should aggressively provide them with opportunities to more actively indicate their intentions instead of taking a passive stance. That is to say, it is important to give them more and more opportunities to study and various experiences. We in the management team would like to continue to provide as many opportunities as possible to exchange frank opinions through interactive dialogue and match our vector with theirs instead of just saying that we cannot understand what young people are thinking these days.

In addition, we will create training systems for reskilling and upskilling. We will develop training programs and examine the effect of training investment while working on "visualizing skills" to respond to expected changes in our business model and portfolio. For example, we cannot imagine even the sales styles of *gaisho*, which is a great strength of the Department Store currently, will remain unchanged 10 years later. New skills are definitely required to change a business model. It is necessary to further improve skills to a level appropriate for strategies in order to dramatically grow the Developer Business and the Payment and Finance Business.

Furthermore, we will strengthen the recruitment of people who have professional careers from the perspective of professional talents. We will increase the share of human resources with diverse experiences and values such as professionals who have experience in other industries. Particularly, I expect that the holding company will increase the share of mid-career employees to 50%. I think what is important in the process of this initiative is inclusion. Even if we have diverse human resources, their abilities will only disperse unless they have the same vectors. It is important to accept each other's individuality, values, and thoughts and unite efforts to create new value.

Innovation is essential to carve out a path to such a complicated era. And it is only "people" that can do it.

To be sustainable

It is also true that the COVID-19 pandemic has reinforced our determination to implement sustainability management. In the first year of the COVID-19 pandemic, the Group's sales of ¥370.0 billion disappeared. What is our existence value? What does it mean to be required by society? I feel such essential questions were presented. We were given an opportunity to rethink about the importance of connecting with customers, employees, business partners, and society. In order to be sustainable, we should remain an entity required by customers and markets over the long term. I think it is the very practice of our Corporate Credo such as Service before Profit and Abjure All Evil and Practice All Good.

The impact of what the Group can do directly on global issues such as climate change and human rights issues may be small. However, I think the Group will be able to make a reasonably great contribution by committing to initiatives involving stakeholders including customers and supply chain. It is not easy, though.

Would like to stick with value creation. Achieving both social value and economic value is the mission imposed on us.

The Group's Scope 1 and 2 CO_2 emissions represent 5% of total emissions and 95% are so-called Scope 3 upstream and downstream emissions in our supply chain. Therefore, we have to collaborate with suppliers. To this end, we held a briefing session for suppliers in April this year and approximately 250 companies attended it. And we shared the importance of collaboration to reduce CO_2 emissions with them.

We received various opinions from suppliers including: "We have to review sales promotion, etc. because CO_2 reduction causes cost increase" and "It is difficult for some smaller businesses to measure CO_2 emissions." Valuing these opinions, we will move forward together with suppliers.

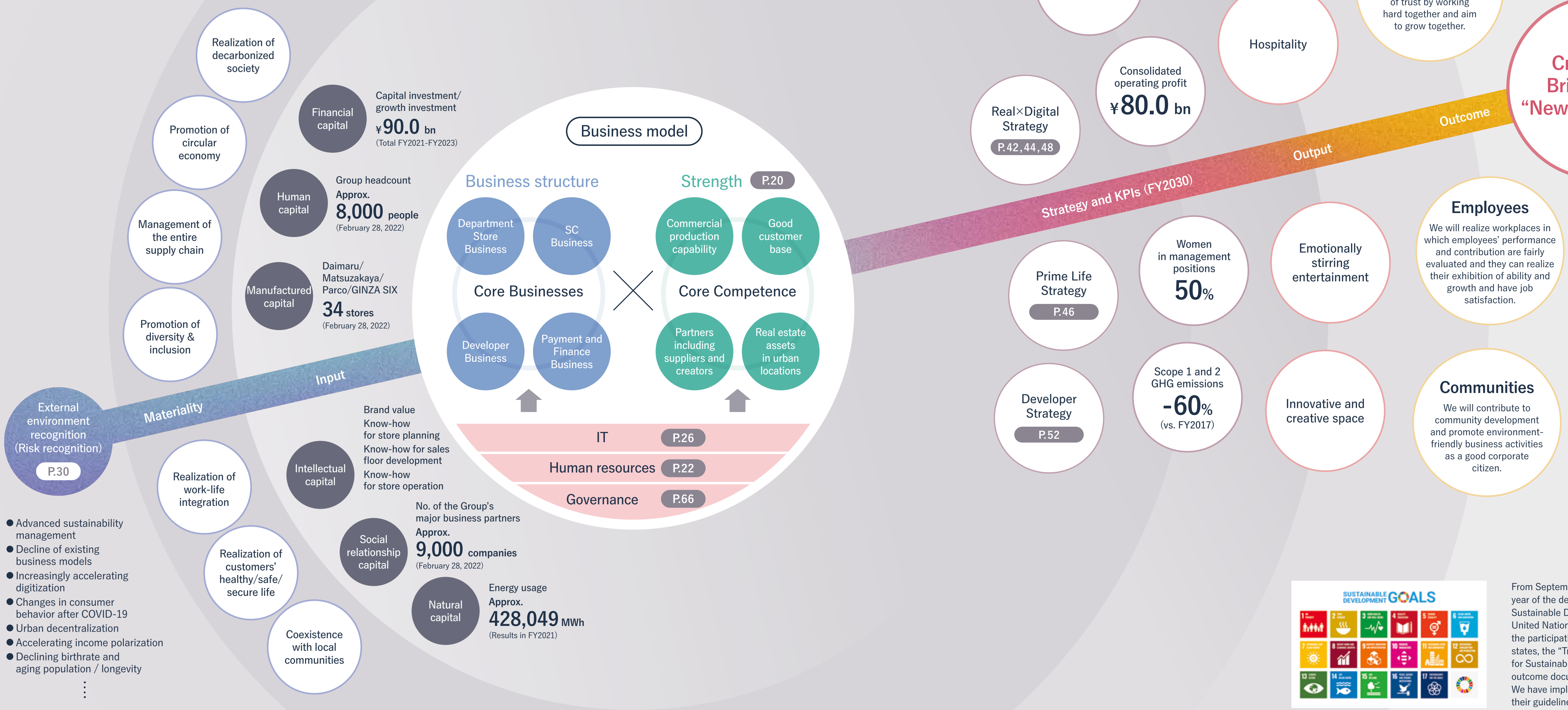
And last year, we assessed 7,415 companies concerning the dissemination of the Principles of Action for Suppliers formulated by the Company and received responses from 3,012 companies. More than 80% of them are aware of or support international human rights frameworks and we could reaffirm their high level of interest. On the other hand, it was only a little more than a half of them that formulated their own human rights policies and guidelines and we would like to continue to encourage suppliers to improve.

In order for the Group to be sustainable, I think we need to realize CSV management by achieving both social value and economic value, that is to say, to further stick with value creation. AnotherADdress, a fashion subscription business newly launched with a young employee's idea in spring last year, attracts more customers than expected because the sustainable idea behind the business as well as its attractive products draw sympathy. We expect we will be able to monetize it in a few years. I think we need to incorporate more of such perspective in our business activities.

Needless to say, what we should stick with is value creation. We would like to make an investment in not only tangible assets but also intangible assets, particularly an investment in human resources and a strategic investment for the future more aggressively than ever before and turn them into the Group's unique value creation.

J. Front Retailing Value Creation Process

Under the Basic Mission Statement and the Group Vision, J. Front Retailing, together with stakeholders, is committed to creating high quality, fresh, hospitable, and fulfilling life adapted to the changing times.
The business activity of J. Front Retailing is to constantly seek to create rich markets that grow with local communities, which is led by the Department Store and Parco.
It is nothing less than to create, as a public entity of society, new value with which its various stakeholders emphasize.
Circulating the Group's business model and creating new value using the six capitals of J. Front Retailing effectively and efficiently are the process to create the brand value of J. Front Retailing, which will result in the creation of new value with which society emphasizes.
Through this initiative, we will aim to realize CSV management that achieves social value and economic value at the same time, contribute to society at large, and develop the Group.



From September 25 to 27 in 2015, which is a milestone year of the development agenda, the United Nations Sustainable Development Summit was held at the United Nations Headquarters in New York, and with the participation of more than 150 leaders of member states, the "Transforming our world: the 2030 Agenda for Sustainable Development" was adopted as its outcome document.
We have implemented CSR systems using ISO 26000 as their guidelines to create shared value.

Develop, Merge, and Expand Strengths

The Group's strength 1 Commercial Production Capability

Daimaru and Matsuzakaya, which operate in the department store format, have kept their 300 and 400 years of histories responding to the changing times and have embodied sustainable management. They have strived to propose new lifestyles that make customers' lives more fulfilling all through the ages. Above all, they have an advantage in producing a luxury world view, having an overwhelming assortment of cosmetics and other beauty items, and attracting crowd to their depachika (department store basement food floor) that provides a wide variety of food. They also succeeded in developing a luxury mall GINZA SIX by selecting the drastic option "not to operate a department store."

Parco, which operates in the SC format, creates attractive commercial space using its total production capability for commercial facilities. Particularly symbolic is unique Shibuya PARCO, which is positioned as a next generation commercial complex. With a selection of cutting-edge shops in the fields of mode, art, and culture, it serves as a hub for communicating Parco brand. Parco performs all operations from marketing in the areas where it opens new stores and planning to the compilation of shops, the production of environment, the operation of shops, and maintenance. Only in 2019, it opened as many as four stores and its commercial development in an optimal format continues to evolve. In addition, Parco keeps its stores fresh in response to market changes through regular and active renovations.

The Developer Business, which has growth potential, will try to develop new commercial spaces using the uniqueness of the Group that has these two formats and merging their strengths.

The Group's strength 2 Good Customer Base

Daimaru and Matsuzakaya have approximately four million identified customers, including industry-high 1.3 million app users (February 28, 2022). App is positioned as the centerpiece of the Real×Digital Strategy. They have as many as 320,000 *gaisho* customers unique to department stores and mainly composed of affluent people. The recent marked trend of *gaisho* customers is brisk spending by young people in their 20s to 40s. The development of young customers has been one of the Department Store's important long-standing challenges and it is steadily progressing driven by strengthened digitization.

Parco has approximately two million identified customers, which are characterized by many highly discerning customers in their 20s to 30s. In fall this year, IDs in the real world and online will be integrated as PARCO members to further deepen CRM.

Data obtained from these more than six million good customers are the Group's invaluable asset that forms a base for improving its product selection and services. We can say these data are evolving as higher value-added information through app as a digital touch point. Using the Group customer data platform JCDP (updated from former LTS-Hub), we will accumulate and analyze data obtained from customer touch points to provide further advanced value.

The Group's strength 3 Real Estate Assets in Urban Locations

We operate 15 department stores, 18 PARCO stores, and a luxury mall GINZA SIX in major cities across Japan, from Sapporo, Hokkaido in the north to Hakata, Fukuoka in the south. Thus our store allocation is well balanced. Daimaru or Matsuzakaya department store and PARCO store adjoin each other in Nagoya, Ueno in Tokyo, and Shinsaibashi in Osaka and it is easy for the Group to create synergy in these locations. As in Shinsaibashi, Osaka, Daimaru, which was rebuilt and reopened in 2019, and PARCO, which was newly opened in 2020, are operated as one in connected buildings, many customers shop in both stores and they have become a symbol of the Group's synergy creation. By placing disparate things side by side, unprecedented new value was created.

As we own many of our flagship stores in urban areas, and furthermore, we also have a considerable amount of usable real estate around our stores, we think there is enough room to develop as an "area" centering on our existing stores, that is to say, the Group has enough medium- to long-term growth potential.

In order to realize this, we developed a Developer Strategy as one of three key strategies in the current Medium-term Business Plan and newly created a Developer Business segment. The areas that can be expected to particularly develop in the future are the Nagoya area and the Shinsaibashi area in Osaka. Development projects are already underway in these areas. We expect them to achieve steady results in the next Medium-term Business Plan or later.

The Group's strength 4 Partners including Suppliers and Creators

The Group can provide various values to customers only through co-creation with its partners. Currently the Group has approximately as many as 9,000 partners with whom it works to create value.

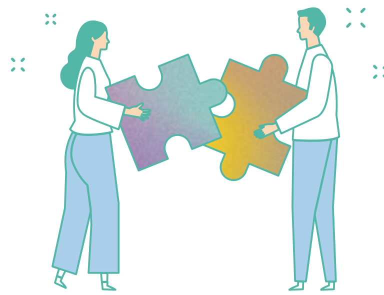
The Department Store found many foreign brands and concluded exclusive agreements with some of them in the past. Though times have changed, it is still discerning. So it has found pure internet players and D2C brands. Daimaru and Matsuzakaya, which have long 300- and 400-year histories, earn the deep trust of suppliers that value brand value. The Future Standard Laboratory, which was established in 2017, contacts with various creators, cultural figures, universities, communities, NPOs, and many companies and promotes "connections with foreign elements" beyond the traditional department store framework.

Parco aspires to grow together with partners based on the principle of equal partnership. It helps develop formats when opening shops and actively attracts customers through advanced branding in promotion. It also puts a lot of effort into the development of new shop formats and "incubation" to support up-and-coming fashion designers and creators and companies with growth potential.

By having Daimaru Matsuzakaya Department Stores and Parco in the same group and transferring their respective partners selected with a discerning eye to each other, we think we can create exclusive synergy that other groups cannot create.


Asia Fashion Collection runway show at New York Fashion Week

MIRAITEIBAN KENKYU-JYO
未来定番研究所



VALUE CREATION
JFR's Intangibles

Investment in Human Capital

Driving Force for Value Creation Leading to the Future

The source of business competitiveness is shifting from hardware to software, so-called "intangible assets." Important management assets that are invisible but fundamental and affect medium- to long-term corporate value other than financial performance are "human capital."

The COVID-19 pandemic accelerated changes and what is happening now is a "game change." It can also be said it is natural that investment targets will shift from tangible assets to intangible assets. And it is important to be aware that intangible assets have a long-term effect. Investment in human capital is the important process to maximize the value of human resources as "capital."

The Group, which implements sustainability management, considers the ability to perform duties, which directly leads to results and contributions, and the ability to create new value as "human resource value" and adopts a personnel system "based on human resource capabilities" with human resource value at its core from 2020. We believe it will lead to sustainable corporate growth and medium- to long-term value creation.

"Human resource capabilities" are the total power of actions that lead to the realization of results, highly specialized knowledge and skills, underlying ability to perform duties, energy and learning to promote changes, and underlying character and spirit.

Needless to say, it is only "people" that will open the way to the future by achieving discontinuous growth instead of remaining on the current path in the highly uncertain environment. Therefore, we will focus on investment in human capital with an eye to the medium to long term.

"Desirable shape" created by young employees

One of its specific examples is the Group's Desirable Shape for 2030 Project, which was launched in November last year. One of triggers to organize this project is dialogue conducted between the Company's management and an investor when the FY2021-FY2023 Medium-term Business Plan was released in April last year.

"The Medium-term Business Plan you released this time shows your long-term direction until 2030. However, how much the opinions of young and middle level employees who will be responsible for the management of each company in the Group are reflected? I am so concerned if only the opinions of the top management and Outside Directors are reflected. I think it is important to reflect the voices of employees who will actually lead the next generation."

In the current Medium-term Business Plan, we set a corporate vision that aims to become "a corporate group producing fulfilling lifestyles and creating unique communities to coexist with local communities." It clearly describes our strategic policy to change portfolio while expanding existing strengths. On the other hand, we cannot deny it lacked the perspectives of future consumers and young employees who will be responsible for the Company in 2030 and the perspective of internal dissemination.

Therefore, the management team took actions to create dynamism using more of young employees. They organized a cross-Group project directly under the President, which is mainly composed of young employees, to formulate a message and an action plan to encourage employees to change their mindset and behavior with future consumers and changes in society as a starting point. It consists of ten diverse members including four men and six women and two Generation Zers.

The second half of fiscal 2021, which is a planning phase, was allotted for research to extract the desirable shape and the project members conducted depth interviews with a total of more than 50 people including real consumers mainly in their 20s and experts inside and outside the Group to collect insights on changes in values and society in the future. Workshops were also held 25 times in total (two hours each).

Based on the hypotheses obtained from this process, the project will develop some concrete plans that allow all the Group's employees to participate and help change their mindset and behavior.

Direct communication between the President and employees

The President provides as many opportunities as possible to have direct communication with not only the management team but also more extensively the Group's employees. As part of this, meetings with the President titled "Catch Ball Meeting!" were held online from late April to early May this year. Motivated employees voluntarily attended the meetings. In the first half of the meeting, the President told in his own words what he expects of employees concerning the Group strategy for fiscal 2022, and in the second half, they had a question and answer session. The President and the Group's employees bounced thoughts off each other as referred to in the title. A total of 1,062 employees attended the meetings and they had unprecedentedly hot communication. It is largely because of work style reform through the promotion of digitization that it could be realized on a larger scale than imagined. We believe such flat and interactive communication regardless of rank will help nurture the will of employees and improve employee engagement.

The Group's Desirable Shape for 2030 Project triggered by dialogue between an investor and the management. Mainly composed of young employees and aims to develop plans that help employees change their mindset and behavior.

Development of leaders

In order to realize the desirable shape for 2030, human resources who will lead this initiative are expected to keep a firm axis even in the unpredictable and greatly changing business environment. The axis is formed by "spontaneous motivation" and "life purpose" based on it. The Company launched a new selective training program "T3* program," in April 2022 to develop human resources who work vigorously to achieve their "life purposes" and lead the transformation of organizations, and then, companies and the entire Group through their jobs as a place for practice.

Seventeen men and women in their mid-30s to early 40s were selected from each company in the Group as the first trainees. In the first half of the program, they intensively studied liberal arts including history, philosophy, religion, natural science, and politics and economics. And in the second half during which they will mainly work in groups, they will be exposed to different perspectives and values of participants from outside the Group and look deep inwardly. Concerning the questions that have no correct answers, how do they perceive, what do they feel, and how do they change behavior? We will continue to develop human resources who can think through themselves and accomplish their tasks with resolution based on their spontaneous motivation. We will increase the number of employees with the same views to ensure the growth of the entire Group.

*T3: Transition To Transformation (Individual mindset changes lead to organizational changes.)

Accelerate the development of "human resource capabilities"

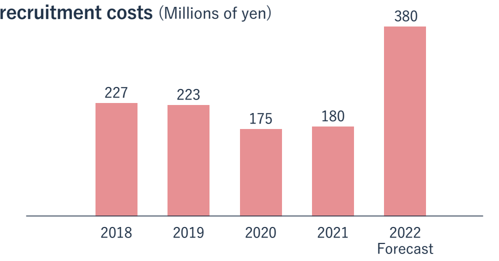
Premised on the idea that people grow through jobs, we will link four actions including recruitment, allocation, evaluation, and development and increase the energy that will become a growth engine to develop human resources. This fiscal year, by doubling the budget for education and recruitment, which was stagnated due to the COVID-19 pandemic, from the previous fiscal year, we will accelerate investment in human resources to build a diverse and autonomous human resource base.

With regard to training programs, while uniform training by rank is provided using video conference systems, etc. to increase attendance and operate efficiently, for selective training such as the JFR Schools that aim to develop the next managerial talents, we introduced recommendations from each division and voluntary participation by trainees as well as traditional selection by human resources division to find new human resources. Particularly, we strive to speed up the appointment of young employees through tough assignments and human resources exchanges.

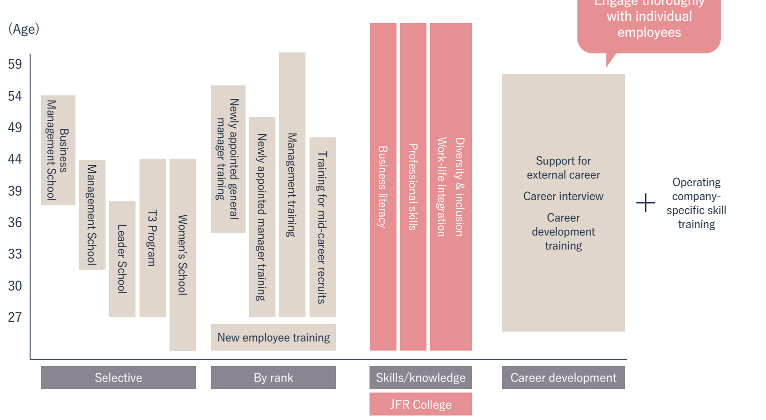
We will consider and implement the measures for recurrent education and reskilling so that existing employees can respond to expected changes in business models and business portfolio.

Furthermore, from the perspective of providing opportunities to meet the intention and willingness to learn independently and achieve results and raising the level of human resource capabilities, we will establish the JFR College that focuses on digital thinking and literacy education to make its attendants acquire versatile and highly applicable skills and knowledge regardless of business area.

JFR education/recruitment costs (Millions of yen)



Human resource development system



Improvement of human resources capabilities through the JFR College

Business literacy	• Conceptual skills • Human skills • Technical skills
Professional skills	• Digital (thought, literacy) • Languages • Professional abilities (legal affairs, financial affairs, personnel affairs, etc.) • Send to external training/seminars • Send to external organizations • Qualification acquisition support (IT Passport, a registered real-estate broker, etc.)
Diversity & inclusion Work-life integration	• Women's empowerment promotion program • LGBT training, ally promotion program • Harassment prevention • Liberal arts • Career design • Life plan

Active recruitment of professional talent

We will establish a closer linkage between the business strategy and the human resources strategy and secure necessary human resources to optimize human resource allocation in order to respond to changes in our business structure.

Specifically, we will actively recruit mid-career professional talents who have professional skills, experiences, and knowledge necessary for new growth areas such as digitization and developer and can be immediately useful. In fiscal 2021, we recruited a total of 103 mid-career workers (49 people in the previous year) throughout the Group, including the holding company, the digital division of the Department Store, and the Payment and Finance Business.

We also continue the Mother Recruitment program for women who left their jobs for child care but aim to advance their career by exercising their ability to the fullest and hired six women in fiscal 2021, including four who joined the Group in fiscal 2022, under this program.

Particularly, the holding company is expected to increase the share of employees recruited from outside to 50%.

Respect for diverse values

We will create innovation and increase productivity by realizing diversity & inclusion and work-life integration. By doing so, we will create value and create new business opportunities.

The Group utilizes human resources on the basis of individual ability, aptitude, willingness, etc. regardless of gender. We are aware that the diversity of human resources is the source of corporate competitiveness and that it is important to create new value by combining different elements through constructive discussions between diverse human resources who respect each other.

In particular, we promote system development and education to create an environment in which women are able to exercise their ability. We have systems in place to support women who are raising children, providing an environment in which they can work continuously, unaffected by changes in their life stages. As for education, we provide training, including training for managers and the JFR Women's School primarily for short-time workers who keep working while raising children. We have a total of three female Directors including one Inside Director and two Outside Directors, making the ratio of female Directors 30%.

The Group is strengthening its support for LGBT people in order to create a work environment in which diverse employees are empowered. As for systems, we newly established the Same-Sex Partnership Rules and a gender change support leave system. We also set up an LGBT Consultation Desk in each operating company, putting in place a system where LGBT employees are able to have consultations anonymously. In addition, we are also actively making efforts to promote understanding of all employees and create a new corporate culture, for example, by providing training for employees in management positions and e-learning courses for all employees and raising awareness through the LGBT site on the company intranet.

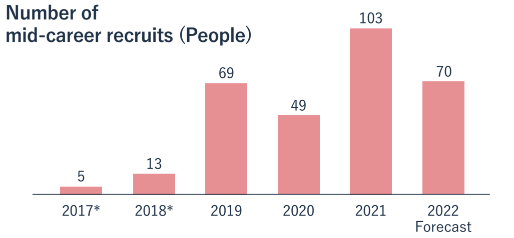
Women's Empowerment Promotion Project

In April 2022, we set up the Women's Empowerment Promotion Project directly under the President and Representative Executive Officer. The members selected from each operating company (men and women mainly in their 20s to 40s) extract the Group's common challenges in promoting women's empowerment and discuss the creation of the environment in which women can exercise their individuality and abilities to the fullest. The project will make recommendations to the President and Representative Executive Officer to lead them to the top commitment.

The Group would like to foster corporate and organizational cultures in which diverse employees are empowered through this project.

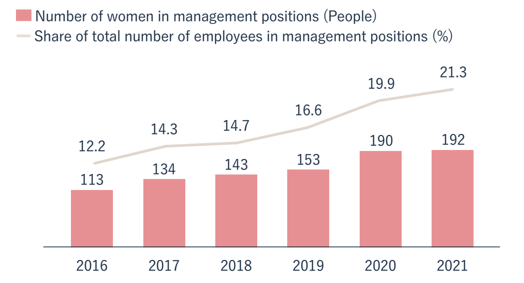
Human resources are the capital whose value will be increased through investment. With this awareness in mind, we will accelerate the review of human resource allocation, which will enable business portfolio transformation.

Number of mid-career recruits (People)



*Numbers for FY2017 and FY2018 are the results of Daimaru Matsuzakaya Department Stores.

Number/share of women in management positions



LGBT initiatives

Same-Sex Partnership Rules	Rules applicable to a "spouse" apply to a same-sex partner
Gender change support leave	Newly established a leave system for hormone treatment, gender reassignment surgery, etc.
LGBT Consultation Desk	Established an LGBT-dedicated consultation desk in each operating company
Training for employees in management positions	Provide LGBT-related training
Training for all employees	Provide LGBT-related e-learning courses
Post on the intranet	Created a website that allows all employees to learn about LGBT at any time

VALUE CREATION
JFR's Intangibles

Forefront of Digital Strategy

HAYASHI Naotaka
Managing Executive Officer
Senior Executive General Manager,
Group Digital Unit

In the Web 3.0 Era, Make Retail a New Experience

Enterprise

Ten years ago, in 2012, when I worked in the Management Planning Division of Parco, the management raised an issue. Parco had been good at communicating information to customers through mass media and it had been Parco's strong area. However, was the way to communicate with customers changing? Immediately we formed a project team of young employees and discussed. A key phrase for such discussion was "smartphone penetration."

As everyone uses a smartphone and connects to the Internet anywhere and anytime for 24 hours a day, we needed to be highly aware of designing the method of communicating with customers through smartphones.

Like responding to this change, particularly the retail industry including Parco had to be aware of omnichannel as a new keyword.

COVID-19 made more apparent such change in customers, which is important for the Group. The physical stores of the Department Store and Parco are the main places in which we deliver value to and communicate with customers and customers shop. However, when we had to suspend business due to the COVID-19 pandemic, they could not serve these functions. Therefore, we needed to address online services directly to communicate with customers and provide them with shopping experiences and services. I think these two years were very challenging for both the Department Store and Parco.

I feel the underlying thinking of responding to the post-digital era or using digital technologies in response to the era of living with COVID-19 are actually common to Parco and the Department Store. In addition to the desire of employees and suppliers in stores, and in Parco stores, sales staff of tenants to provide their products and services to customers, their customer service skills should be expanded also using digital technologies. People are present in the Group's value delivery to customers ahead of digital technologies. We will create value available only here and deliver it to customers. By doing so, customers will welcome us with a smile. Whether we can provide or communicate such situation to customers using digital technologies as well is the basis of the Group's use of digital technologies. And in strategy terms, it is the Real×Digital Strategy.

Shift to customer data-driven management

The enhancement of value of the real world and the advancement of the use of digital tools through the implementation of the Real×Digital Strategy will result in obtaining data on customer behavior. By accumulating these data on JCDP, a platform created by updating former LTS-Hub, we would like to understand and realize the products and services customers potentially want. Data are used to further enhance the value of the real world and the quality of value delivery in real world is improved. The value is delivered to customers not only physically but also digitally and returned as data. I think this circle is the essence of the Real×Digital Strategy.

Data obtained through the touch points of the Department Store, Parco, and JFR Card are centralized on JCDP to understand how customers use the services of the Department Store, Parco, and JFR Card. And by doing so, they can provide better services to customers. In addition, they will be able to find the products and services that the customers who use either services of the Department Store or Parco may like and create the opportunities for them to use the services of both. In terms of the uniqueness of the Group, I would like to more deeply pursue this point.

Both the Department Store and Parco have thought what products and services customers will like, smile, and feel their lives fulfilling. I believe the Group will deliver value that pleases customers more by creating new value and improving it using data obtained from customers.

I am sure that this initiative will also be useful for the Developer Strategy and the Prime Life Strategy as well as the Real×Digital Strategy. All the three strategies will be connected by duly using data obtained through the Real× Digital Strategy and this will become a driving force for each strategy. I think this is the implementation of customer data-driven management.

Challenge to the metaverse field

Currently it is shifting to the Web 3.0 era. In terms of the environment, smartphones are becoming increasingly sophisticated. At some point in the near future, smart glasses will come out as a next generation device and the block chain and cloud AI will be used. In fact, it is predicted that one fourth of the world population will live in the metaverse for one hour a day in 2026.

Daimaru Matsuzakaya Department Stores opened a store in a virtual market and Parco opened a virtual museum. The virtual museum can not only make a physical exhibition virtual but also expand it, that is to say, a world different from the real one can be added to it. I think it is the time to try many and various services. I think it is important how we can provide operating companies with an environment for such trials.

Recently, I participated in an event NFT NYC with people from startups. It was held around Times Square in New York. By holding a smartphone over Times Square, we could see Japanese pop culture filling the space. It was created using their platform. Both the Department Store and Parco are originally a place that many people visit to enjoy unusual experiences. However, the creation of physical extraordinary experiences costs much and it is not sustainable. Holding a smartphone to see something shown virtually in existing physical space may be transitional. When smart glasses prevail, I think customers will expect the commercial space of the Department Store and Parco to become very interesting.

The future commercial space must be both physical and virtual. To this end, I think it is important to address the metaverse field from now. In the metaverse, space is augmented. Therefore, in a sense, it may be said it is a return to reality. What kind of enjoyment can we provide not on a computer or smartphone screen but in space regardless of physical or virtual? Providing new experiences to customers by combining the real world and the virtual world through people or communities. Those that can do this best will attract customers. In this sense, I think the Group has much potential.

The shirt he wears is a limited edition for AKIRA ART OF WALL, an exhibition held at the opening of Shibuya PARCO in 2019. Actually, this event was already related to the metaverse.

Question the “Evolution” of 100-Year-Old Department Store

Meaning of ¥1.2 trillion lost by the department store industry due to COVID-19

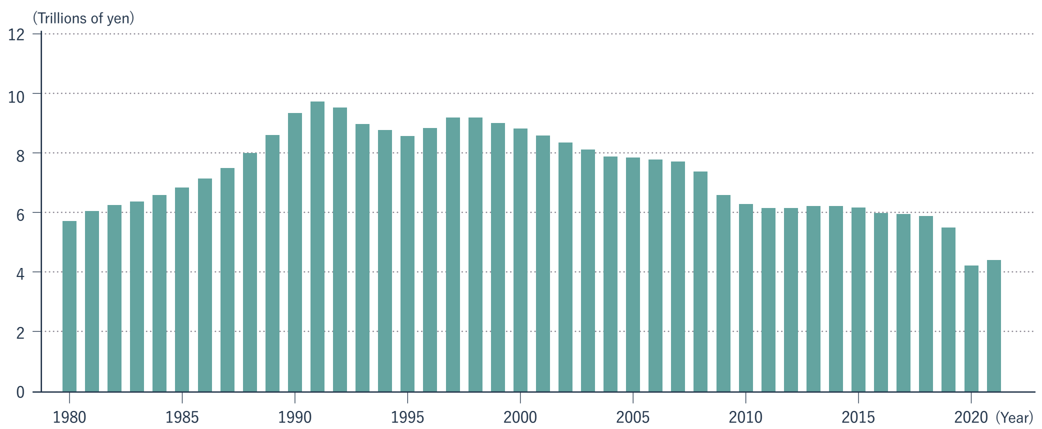
National department store sales continue on a downward trend after peaking at ¥9.7 trillion in 1991. And it is also said that 10-year changes have come all at once with the COVID-19 pandemic and sales of ¥1.2 trillion disappeared in a year in 2020. The shrinkage of department store market is macroscopically attributable to external factors such as the collapse of the middle class due to increasingly declining and polarized population, and furthermore, fiercer competition beyond industry boundaries mainly caused by rapidly growing e-commerce. However, the essential problem is the obsolescence of the business model, which fails to respond to changes in customers and rapid environmental changes. The stagnation of the business model that overly depends on foot traffic or physical stores was revealed due to behavior changes caused by COVID-19, not only a decrease in foot traffic due to stay-at-home advisories but also the advancing shift to online operation in every situation such as spending and business. It can also be said that the very existence value of department store is questioned. Taking this crisis as an “opportunity to change,” we think we have to accelerate the conversion of business model.

COVID-19 greatly changed the quality of consumption rather than its quantity. In the retail industry, particularly the responses of department stores that fall behind in recovery from COVID-19 are questioned.

The business model of Japanese department stores was created approximately 100 years ago by making the Department Store Declaration and changing the way of selling from *zauri*, in which products are not displayed and a clerk brings them from a stockroom at customer’s request, to showcasing. Various products ranging from men’s and women’s clothing to kimono, children’s clothing and toys, furniture and home appliances, and food were sold in large-scale stores, and with their development and prosperity, they expanded their product range. In terms of business structure, department stores mainly purchased products on a no return basis and took inventory risk, which is called *kaitori* in Japanese. But in the 1980s, a new form of transaction without inventory called *shoka shiire* expanded to around 80%. In *shoka shiire*, purchase is recorded when the product is sold to a customer and the product is not recorded as department store inventory. And the focus of the business shifted from merchandising to marketing or brand assortment. At the same time, department stores overly depended on clothing, particularly women’s clothing, against the backdrop of the DC brand boom, instead of carrying a full line of products, which is the origin of the Japanese word *hyakkaten* for a department store (literally, a store selling hundreds of products). It was then that department store sales peaked.

On the other hand, according to the Family Income and Expenditure Survey by the Ministry of Internal Affairs and Communication, the percentage of expenditure on clothing and footwear decreased to 3.1% in 2021, less than half of 7.3% in 1991. However, department stores could hardly get out of past successes that they grew with apparel and continued to allot too much space to women’s clothing. It widened the gap with customers’ tastes and buying behavior. This was further accelerated due to COVID-19 and the content of department stores and the way of providing it, that is to say, the business model became outdated and they are in urgent need of drastic structural changes.

National department store sales



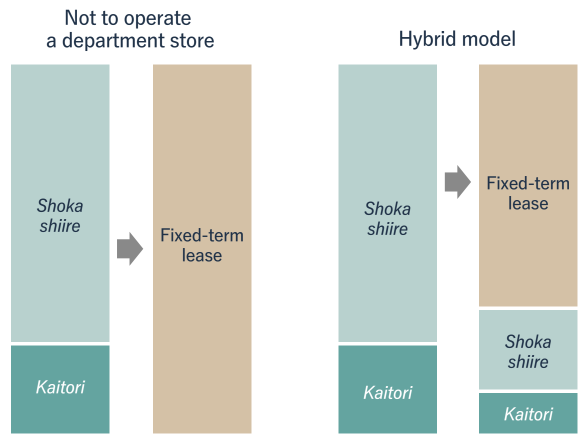
*Source: “National Department Store Sales” by the Japan Department Store Association

Content will evolve with business model conversion

First, we took two directions to build a new department store business model.

One is an option “not to operate a department store.” That is to say, we converted some stores to a 100% real estate business without adopting department store’s traditional transaction formats of *kaitori* and *shoka shiire*. Its typical example is GINZA SIX, a luxury mall which was created in 2017 by developing the two blocks including the former site of the Matsuzakaya Ginza store as one.

The other is to build a “hybrid model” that combines real estate rental with *kaitori* and *shoka shiire* under the “department store brand.” Its typical example of a large-scale flagship store is the new main building of the Daimaru Shinsaibashi store, which opened in 2019. Some undersized stores also attract new crowd through business model conversion. For example, the Daimaru Suma store introduced a library in 2020 and the Matsuzakaya Shizuoka store installed an aquarium in 2022.



The advantage of *shoka shiire* is that we can seek greater return through sales growth. On the other hand, the advantages of fixed-term lease are not only to realize stable revenue and the reduction of operation costs but also to increase the variety of tenants to strengthen the response to service consumption and experience-based consumption, which makes the store look fresher. Furthermore, last year we developed new content named “asumise” based on commission income with the concept of “a store that does not sell.”

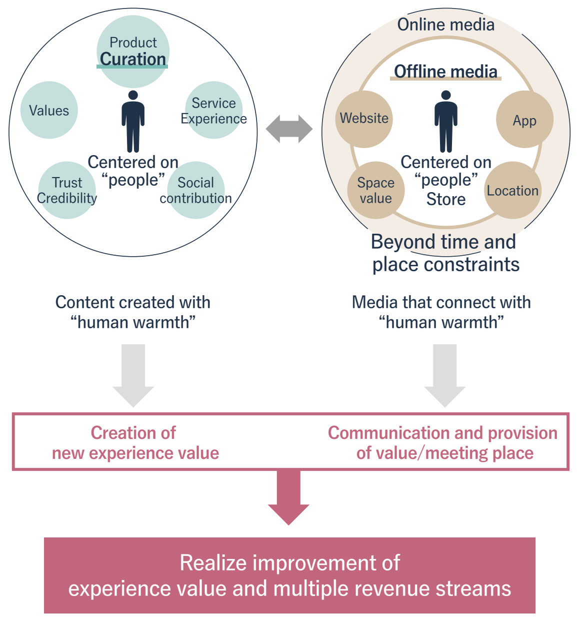
It is important to find the optimal balance for each store considering its customer target, the characteristics of the area and the building form.

Innovation of customer experience through the digitization of touch points

The current COVID-19 pandemic has made it most apparent how much the business centered on physical stores is constrained by “time and place.” It is needless to say that digital response is vital to overcome that.

Its “centerpiece” is “app,” which is a digital touch point with customers. App provides 24/7 connectivity to customers. It will facilitate deeper communication with customers and dramatically improve the accuracy of buying forecast. As a result, CRM will be sophisticated. In 2022, we also launched OMO websites for cosmetics and art, in which the Department Store can make a strong showing.

Our main task is to increase the value we deliver through person-to-person communication, which is our strength. Expanding e-commerce with an omnidirectional full line of items using digital technologies is not the direction we will take. We will expand human power using digital technologies. Its starting point is in physical stores. By creating a world view based on content and our own curation, we will further improve physical stores and merge them with digital technologies. We will try to build our own media centered on people and overcome time and place constraints. And we will provide the content that creates new experience value through the media and develop into media commerce that diversifies revenue streams.



Risk Is the Starting Point of Strategy

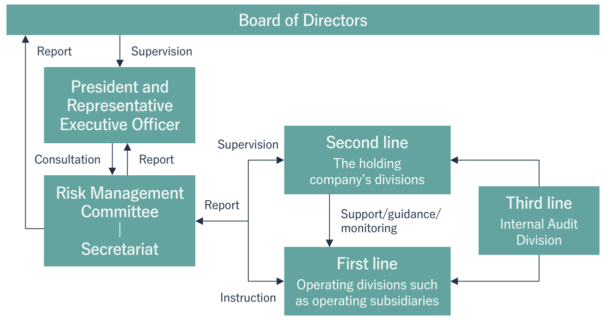
The Group defines risk as “uncertainties that have both positive and negative sides that could have an impact on the achievement of business management goals.” And we position risk management as an “activity that increases corporate value by managing risks by reasonable and optimal methods from a company-wide perspective” to achieve sustainable corporate growth by addressing the positive side and the negative side of risk properly.

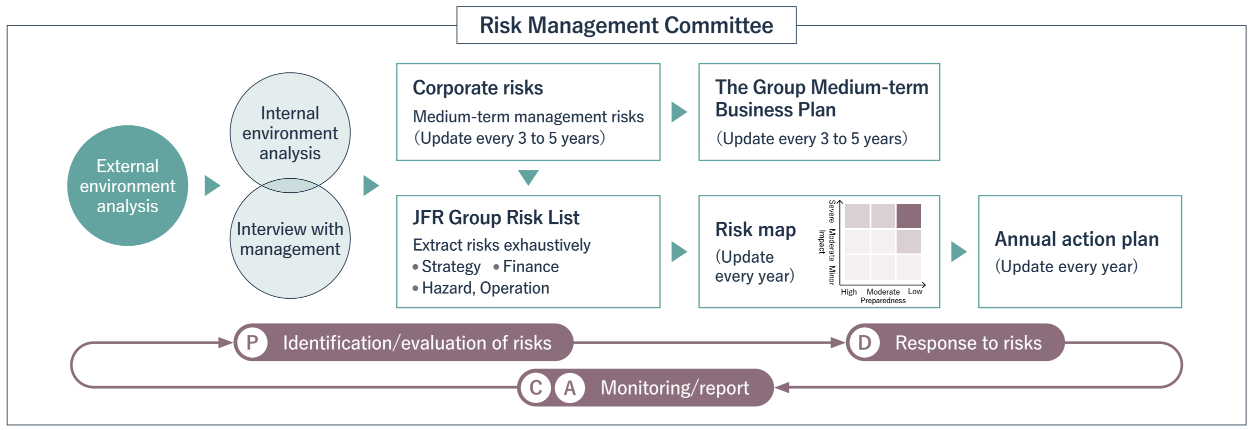
The Risk Management Committee discusses important matters, including risk extraction and evaluation and determination of risks to be reflected in strategies, and utilizes risk management for management decision-making. The committee reports details of its deliberations to the Board of Directors in a timely manner.

The committee has established a secretariat headed by an officer in charge of risk management. The secretariat shares important decisions of the committee with operating subsidiaries and promotes enterprise risk management (ERM). Moreover, we position risk as the starting point of strategy and link risk to strategy so that risk management will enhance corporate value.

In order to effectively perform risk management, we have established three lines as indicated in the diagram below.

Risk management workflow diagram





Top priority risks that have an extremely severe impact

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

“Corporate risks” other than those on the left

	Response to external environment	Response to internal environment (Matters that must be addressed as a company)
Creation of new value, gaining of competitive advantage	**I. Risk associated with development of new market** 5 Urban decentralization (Rebalancing between urban and rural areas) 7 Changes in customers, particularly low birthrate/longevity 6 Accelerated income polarization 8 Uncertainty about non-Japanese market	**II. Risk associated with provision of new customer experience (construction of new business models)** 9 Accelerated reorganization and M&A beyond industry boundaries
Rebuilding of basis for growth and revenue	10 Frequent natural disasters / epidemics 11 Increasing importance of information security **III. Risk associated with improvement of resilience amid major crisis becoming common**	12 Increasing importance of financing management 14 Work styles in the new normal era, progress of HR/organizational reforms 13 Need for cost structure that can respond to environmental changes **IV. Risk associated with improvement of resilience via drastic reorganization/restructuring**

- Strategy risk
- Hazard risk
- Finance risk

List of the Group “corporate risks”

Category	No.	Item	Impact	Outlook*	Negative side	Positive side	Measures
Strategy risk	1	Advanced sustainability management	Very severe	↑	• Defection of stakeholders, decline in ratings / brand power	• Sustainable growth, increase in the Group’s presence	• Clarifying value creation story that creates both social value and economic value at the same time • Realizing Well-Being Life of stakeholders
Strategy risk	2	Decline of existing business models	Very severe	↑	• Decreased vitality of the entire Group due to weak performance of large-scale store retail business	• Regrowth by radical change of business model of large-scale store retail business	• Digitizing customer touch points ~Delivering added value like stores and increasing accuracy of marketing • Reviewing role of store ~Providing experience, encounter, place for connection with people
Strategy risk	3	Response to increasingly accelerated digitization	Very severe	↑	• Sluggish growth of the entire Group • Declining competitiveness due to delay in using technologies	• Changing business models using digital technologies • Streamlining of operations, going paperless	• Changing business models by maximizing customer experience value, etc. • Building business models in new markets such as metaverse • Standardizing and streamlining operation systems
Strategy risk	4	Changes in consumer behavior after COVID-19	Very severe	↑	• Customer defection due to failure to meet customer needs	• New market creation	• Analyzing changes in consumer behavior • Creating new markets such as sustainable products/services
Strategy risk	5	Urban decentralization (Rebalancing between urban and rural areas)	Severe	↗	• Decline in conventional urban commercial facilities’ ability to attract customers	• Business in response to urban decentralization	• Planning strategy concerning real estate development and real estate holdings of the entire Group • Coexisting with local areas, promoting attractive urban development through proposal of diverse urban lifestyles and complex redevelopment
Strategy risk	6	Accelerated income polarization	Severe	↗	• Sales decrease due to shrinkage of mass market	• Stimulating new middle-class demand • Developing new affluent markets	• Rightsizing and segmentalizing mass market products/services • Deeply cultivating affluent markets both physically and digitally
Strategy risk	7	Changes in customers, particularly low birthrate / longevity	Severe	↗	• Shrinkage of domestic markets	• Expansion of senior markets	• Focusing on high quality children’s wear and education business • Increasing shopping convenience for senior customers and strengthening categories that are of strong interest to them such as wellness
Strategy risk	8	Uncertainty about non-Japanese market	Severe	→	• Prolonged stagnation in inbound sales	• Gradual recovery of inbound sales • Acquisition of foreign demand through EC and live commerce	• Preparing promotion measures in anticipation of inbound market recovery • Strengthening EC and live commerce
Strategy risk	9	Accelerated reorganization and M&A beyond industry boundaries	Severe	↗	• Hostile takeover of the Group	• Business portfolio transformation • Corporate growth using M&A	• Screening existing businesses, optimizing management resource allocation • Studying and exploring new businesses and promoting development of and growing business of operating subsidiaries that implement these new businesses
Strategy risk	14	Work styles in new normal era, progress of HR/organizational reforms	Severe	↗	• Talent drain, losing the war for talent • Decrease in employee motivation	• Increasing employee engagement and organization’s power • Promoting business strategy, creating innovation	• Strengthening human capital based on “human resource capabilities” • Implementing measures that increase flexibility of work style • Reorganization that respects diversity • Developing young human resources through various opportunities
Hazard risk	10	Frequent natural disasters / epidemics	Very severe	↗	• Damage to the lives of customers and employees • Business continuity crisis	• Stable operation of business	• Strengthening preparation for new infections by analyzing response to COVID-19 • Formulating multiple scenarios and analyzing impact on business • Continuously conducting practical BCP training • Reviewing business plans properly and timely
Hazard risk	11	Increasing importance of information security	Severe	↗	• Personal information breach, legal actions / claim for damages, loss of social credibility • Delay/stagnation of operations	• Stable running of operations and systems • Streamlining of operations, promotion of remote working	• Implementing new security measures that improve prevention/detection of incidents • Reviewing the Group security guidelines and improving employee literacy through training, etc.
Finance risk	12	Increasing importance of financing management	Severe	→	• Funding cost remaining high	• Reduction of funding cost • Support for promoting growth strategy	• Rightsizing cash on hand and interest-bearing liabilities • Diversifying financing methods such as sustainability bond
Finance risk	13	Need for cost structure that can respond to environmental changes	Very severe	↗	• Decline in profitability • Reduction of investment	• Business portfolio transformation • Strengthening business base	• Cost reduction by business model reform, office reorganization, review of workforce composition, etc. • Promoting optimization of business portfolio

*Risk changes during the term of the Medium-term Business Plan that were forecast considering the impact on the Group, measures, etc.
▭: Top priority risks that have an extremely severe impact

From "Full Recovery" to "Regrowth"

Medium-term Business Plan (FY2021-FY2023)

Review of the previous Medium-term Business Plan (FY2017-FY2021)

The previous Medium-term Business Plan, which started in fiscal 2017, was positioned as the phase of changing the structure to change our business portfolio and we made steady progress in expanding business domain, converting the business models of existing businesses, and furthermore, strengthening ESG initiatives.

However, our business environment has changed drastically due to COVID-19, which started to spread in early 2020. Therefore, we decided to suspend the Medium-term Business Plan a year earlier (fiscal 2020) though it was only half done.

Major achievements

Conversion of Parco into a wholly owned subsidiary	Converted a consolidated subsidiary Parco into a wholly owned subsidiary through TOB (March 2020). Strengthened systems to further enhance corporate value of the Group by seeking synergy.
Growth of Real Estate Business	Expanded the Real Estate Business by opening GINZA SIX (April 2017) and Ueno Frontier Tower (November 2017). Built a new business base to change business portfolio.
Innovation of Department Store / Parco	Opened the Daimaru Shinsaibashi store with a hybrid business model that combines the transaction by buying and fixed-term lease (September 2019). Opened Shibuya PARCO as a symbol of next generation commercial facilities (November 2019).
Strengthening of defensive IT	Formulated the Group IT governance. Strengthened security by introducing cloud systems and created an environment that enables remote working.
Strengthening of governance system	Transitioned from a Company with an Audit & Supervisory Board to a Company with Three Committees (Nomination, Audit, and Remuneration Committees) (May 2017). Implemented the reform of the Board of Directors by separating oversight from execution, increasing the number of Outside Directors, etc.

Major challenges left

Obsolescence of business model	The performance of the Department Store and Parco declined rapidly due to the COVID-19 pandemic. Obsolescence of their business models that overly depended on physical stores was accelerated. There is an urgent need to respond to aggressive digitization.
Lack of resilience in business portfolio	The vulnerability of earnings structure with more than 80% of earnings coming from the Department Store and SC got revealed all at once due to rapid environmental changes. Need to revise resource allocation to correct overdependence on the Department Store and SC.
Weak promotion framework, lack of professional talent	Cannot deny the weakness of organizational promotion framework and the lack of professional talent. Urgently need to strengthen professional talent in digital and real estate (Developer) areas.
Resolution of sustainability issues	Inevitably need to address climate change and human rights issues at the supply chain level. COVID-19 further increased the importance of safety and security. Essential to strengthen initiatives from a CSV perspective.

Linkage between the previous Medium-term Business Plan and the current Medium-term Business Plan

Major strategies in the previous Medium-term Business Plan		Positioning in the current Medium-term Business Plan	
(1) Multi Service Retailer Strategy	[Development of new businesses] Development of new businesses in the service areas that relieve the frustration and concern of consumers	(1) Developer Strategy (2) Real×Digital Strategy (3) Prime Life Strategy Develop new businesses with 3 strategies	[HD] Develop investment projects and alliance partners of a certain size or larger [Operating companies] Develop new businesses in the areas around existing businesses
	[Growth of 3 key businesses] • JFR Card • J. Front Design & Construction • Dimples'	Review the positioning of 3 key businesses • JFR Card: Strive to contribute to each strategy and achieve independent growth • J. Front Design & Construction: Positioned as Developer segment and strive to grow in conjunction with PSS • Dimples': Liquidated the business with the Department Store Business → Partially transferred shares of Dimples' (February 2022)	
(2) Urban Dominant Strategy	[Large-scale development PJ] Development of GINZA SIX/Ueno FT/ Shibuya/Shinsaibashi [Real estate development] Expansion of real estate rental business [Coexistence with area]	(1) Strengthening of development as Developer Strategy	[Large-scale development PJ/real estate development] Promote large-scale complex redevelopment. Develop the Group's unique zones in Shinsaibashi/Nagoya/Fukuoka in each of which a department store and Parco adjoin each other [linked to three strategies (1) to (3)] [Coexistence with area] Inherit the concept. Deliver value to consumers, improve environmental performance
(3) ICT Strategy in response to the IoT era	1. Strengthening of EC 2. Development of LTS-Hub 3. Creation of organization to use ICT	(2) Real×Digital Strategy Digital shift	[Operating companies] • Strengthen OMO of customer touch points [HD] • Realize full use of LTS-Hub → Update the platform as JCDP • Continue to strengthen IT governance
(4) Innovation of existing businesses	[Department Store Business innovation] Making stores attractive, reform of rural and suburban stores [Parco Business innovation] Store portfolio transformation	(2) Real×Digital Strategy Making content attractive	[Operating companies] • Continue efforts to make stores attractive. Invest in flagship stores, promote renovation, find and co-create content

Overview of FY2021-FY2023 Medium-term Business Plan

We position this Medium-term Business Plan as the period for achieving "full recovery" from the COVID-19 pandemic by returning our financial figures to fiscal 2019 levels in its final fiscal year 2023 and for getting back on track for "regrowth" from fiscal 2024 onward.

The spread of infection still greatly affects society and economic activities, and also during the term of the current Medium-term Business Plan, it is expected to continue to have a direct impact on each business for the time being.

In this situation, in order to achieve early earnings recovery, we will address the renovation of flagship stores and digital investment in one of the key strategies, the Real×Digital Strategy, and we will focus on the strengthening of customer base based on department store *gaisho* in the Prime Life Strategy. And in the Developer Strategy, we will increase investment allocation up front during the term of the current plan as a medium- to long-term growth driver.

At the same time, we will implement "management restructuring" as important measures for full recovery and reduce fixed costs and interest-bearing liabilities.

Key performance indicator targets

	FY2023	
Capital profitability	ROE 7%	ROIC 5%
Business growth	Operating profit ¥40.3 bn	Business profit ¥44.0 bn
Financial health	Interest-bearing liabilities*1 ¥260.0 bn	Net D/E 0.6 times
Sustainability	GHG emissions*2 -40%	Share of women in management positions 26%

*1 Lease liabilities are excluded.
*2 Scope 1 and 2 emissions compared to FY2017

Long-term mega trends	
Entire world	• Environmental/food problems • Natural disasters/epidemics becoming common • Realization of sustainable society • Technology progress (AI, 6G, IoT, etc.) • Increasing urbanization • Increasing globalization • Widening income gap (income polarization)
Japan specific	• Accelerated depopulation/aging • Lack of labor force population • Rebuilding of social security system • Renewal of urban infrastructure/transition to a smart city • Maturing consumption

Short-term outlook for changes (mainly impact of COVID-19)	
Politics/ economy	• Concern about prolongation of economic stagnation • Increasing demand for focus on sustainability • Accelerated technology evolution • Changes in urbanization (possibility of decentralization) • Paradigm shift in work style
Society/ individual	• Increasing awareness of sustainability • Shift to open areas with sparse population, return to rural areas and nature • Expansion of virtual communication • Increasing importance of human connection

We will continue to live with COVID-19 for the time being and earnings including inbound sales will not return to the 2019 level until FY2023 or later

Important changes in the external environment

Steady urban commercial areas	Merger of digital and real	Polarization of income/ consumption

MANAGEMENT STRATEGY

Review of the Previous Medium-term Business Plan and the Current Medium-term Business Plan

Overall composition of the current Medium-term Business Plan

	1. Real×Digital Strategy	2. Prime Life Strategy	3. Developer Strategy
3 strategies for earnings recovery and regrowth	• Department Store: Making stores attractive and transition to media commerce with a focus on genuineness/essence • Parco: Rebuilding store brand value and seeking digital SC platform • Creation/development of new content from a CSV perspective	• Development of new solution services that realize high quality customer experience • Evolution of online *gaisho* communication • Evolution of CRM strategy at the Group level	• Mixed use not limited to commercial use • Launching a circular investment scheme • Entry into semi-urban areas

Promotion of strategies across the Group by committees for regrowth

Digital Strategy Committee / Prime Life Strategy Committee / Developer Strategy Committee

Important measures for full recovery	Management restructuring	• Cost reduction through business model reform	• Narrowing down of a business base	
Management base function strategy	Finance strategy	• Capital policy	• Tax policy	• Renewal of business management
	Human resource strategy	• Completion of the Group workforce restructuring	• Realization of diversity and work-life balance	• Human resource management for regrowth
	IT strategy (defensive IT)	• Rebuilding of core systems	• Strengthening of the Group IT talent system	

Three strategies

The Group's strengths are "commercial production capability," "good customer base," "partners including suppliers and creators" and "real estate assets in major cities." Considering these strengths and medium- to long-term environmental changes, we have decided to focus our initiatives for growth on "three key strategies" in the current Medium-term Business Plan.

1. Real×Digital Strategy

- We will convert physical stores into spaces not only for making purchases, but also for encountering attractive products and services, and enjoying high quality customer experiences.
- With use of digital technologies based on stores, we will transform the business model into one that provides new experience value beyond time and space.
- We will sophisticate customer data analysis and the use of digital tools for individual sales staff, *gaisho* staff, and buyers to deepen the relationships with customers.
- In addition to sales revenue, we will diversify revenue streams, such as real estate-related revenue and commission revenue through the use of digital technologies.

2. Prime Life Strategy

- We will further strengthen our proposals for customers who value culture and art and enjoy fulfilling, sustainable lifestyles.
- We will enhance our content by utilizing the Group's entertainment and art, as well as developing new products and services that provide premium experiences through alliances with other companies.
- We will promote the acquisition of customers beyond department store *gaisho*, such as the new rich in Japan and affluent people in Asia, for example, through alliances with other companies.
- Using digital technologies to sophisticate our customer management, we will maximize the lifetime value of good customers by capturing insight into our diversifying customers to strengthen our proposal capabilities.
- We will expand our pool of loyal customers by offering new payment methods and developing high added value financial services through customer life planning.

3. Developer Strategy

- We will maximize the value of the Group's real estate assets. In complex redevelopment and so forth, we will rightsize the Department Store and PARCO and make use of relaxed building volume restrictions. We will increase the share of non-commercial applications to increase profitability.
- In the development of large-scale complexes in key areas, we will contribute to attracting crowds to the areas by making them attractive in a way that respects local individuality in terms of history and the environment to increase consumer mindshare.
- We will diversify revenue streams by acquiring and developing new real estate, organizing private placement funds, and engaging in asset management. In addition, we will expand our development area to include semi-urban areas.

Management restructuring

- We will reduce fixed costs by ¥10.0 billion compared with fiscal 2019 and lower our breakeven point through organization/workforce restructuring and cost restructuring.
- We will increase efficiency by narrowing down the Group businesses based on the future and growth potential of each business and identifying idle and low-yield assets.

The Group human resource strategy

<Human resource management for regrowth>

- To secure human resources that will carry out the key strategies, we will strengthen employee skills development and the recruitment of professional talent from outside the Group, while working to establish frameworks and systems that enable their maximum utilization throughout the Group.

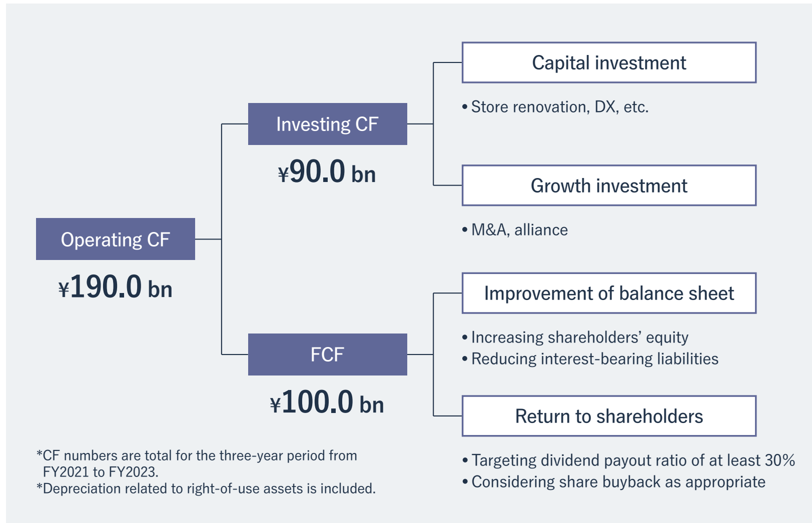
<Promotion of diversity & inclusion, realization of work-life integration>

- We will conduct various measures based on materialities, such as assignment and development aimed at women's empowerment, work style reforms, employment of people with disabilities, and LGBT-related initiatives, to enable individual employees to demonstrate their individuality and abilities to the fullest.

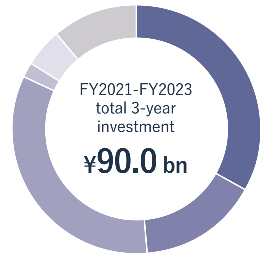
Policy on alliances, M&As, and wing expansion

- We will aggressively engage in alliances with other companies and business acquisitions to create new businesses and expand our capabilities, which will contribute to expanding the scale and accelerating the speed of our three key strategies.

Cash flow allocation



Capital investment plan breakdown by segment

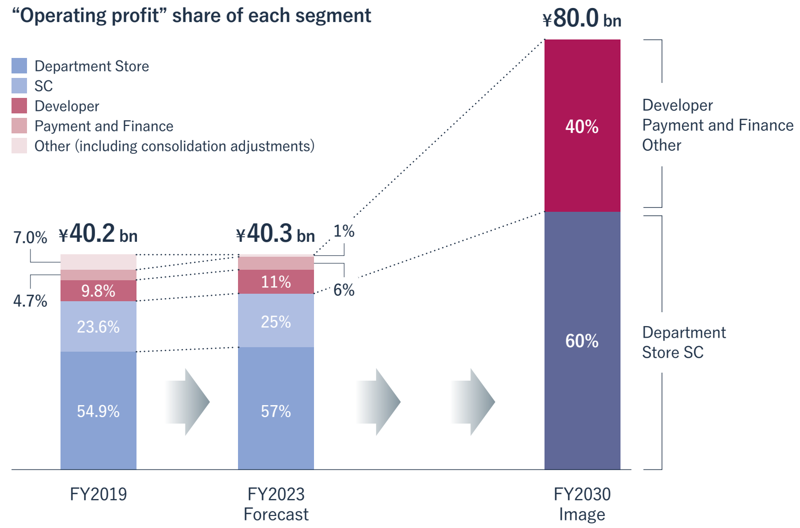


Department Store Business	¥30.0 bn
SC Business	¥14.0 bn
Developer Business	¥30.0 bn
Payment and Finance Business	¥1.5 bn
Other	¥4.5 bn
Growth investment	¥10.0 bn

Portfolio reform

The share of retail business including the Department Store and Parco is expected to remain 80% or more when we achieve full recovery in fiscal 2023. However, we will reduce the share to around 60% in fiscal 2030. On the other hand, we would like to increase the share of other businesses including the Developer, the Payment and Finance, and new businesses to around 40%. Through these initiatives, we will change our portfolio to a highly resilient one.

"Operating profit" share of each segment



Promote Capital Cost-Conscious ROIC Management

Exceeding capital cost is a must

We promote capital cost (WACC)-conscious management, and in the current Medium-term Business Plan, we aim to achieve consolidated operating profit of ¥40.3 billion, ROE of 7% and ROIC of 5% in fiscal 2023, which is the final year of the plan. The cost of capital refers to the level of return expected on the company by the funders that invest in it, including financial institutions, investors, and shareholders. From the perspective of fund management, it is investment return, and from the perspective of the company that receives funding, it should be recognized as the cost of financing.

We recognize that the level of the cost of shareholders' equity (shareholders expected return) is around 6% to 7% in the medium to long term. We set the target of ROE above the cost of shareholders' equity to meet the expectations of shareholders. Specifically, our target ROE for fiscal 2030 is 10%, and as its milestone, we plan to achieve 7% in fiscal 2023.

The cost of capital is affected by market interest rate trends and the company's total interest-bearing liabilities and market capitalization. We recognize the level of our capital cost is around 4% to 4.5% in the medium term. Therefore, we also set the target level of ROIC, which we adopted as a management indicator of capital profitability beginning from the current Medium-term Business Plan, for fiscal 2023 to be 5%, which is above the cost of capital.

ROIC target

- Introduced ROIC by business as KPI to realize growth accompanied by revenue
- Set ROIC by business above WACC by business

	FY2023 ROIC target		WACC	FY2030 ROIC target
Department Store	6%		5%	6–7%
SC	5%		4.5%	5–6%
Developer	4%	≧	4%	4–5%
Payment and Finance	3%		3%	3–5%
New business	10%		WACC of new business (around 8–10%)	10%
Consolidated	5%		4–4.5%	5% or more

*ROIC = Business profit after tax ÷ Invested capital: Interest-bearing liabilities excluding lease liabilities + Shareholders' equity

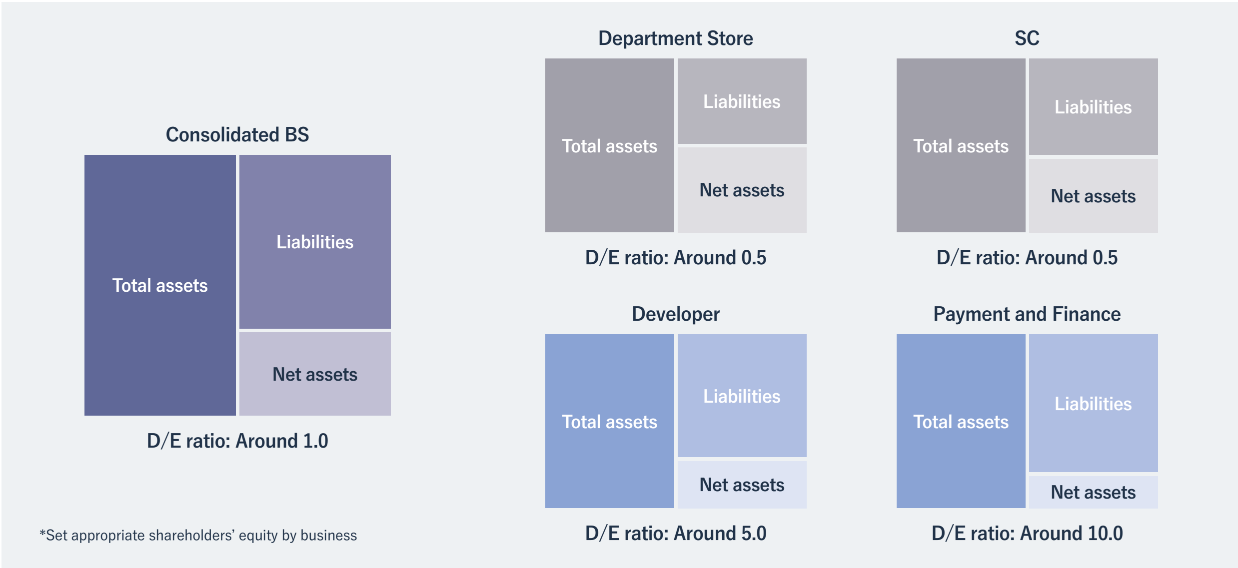
Introduced ROIC by business

Funds invested in businesses include funds procured from financial institutions and others as well as shareholders' equity. It is important to manage our businesses from the perspective of how efficiently we will use these funds. The theme of our business portfolio transformation is shift to the Developer Business and the Payment and Finance Business and its point is the use of interest-bearing liabilities. Therefore, we introduced ROIC by business segment to implement management with a focus on the profitability of "invested capital," which is the total of shareholders' equity and interest-bearing liabilities, as well as the growth potential and profitability of businesses.

Each operating company focused on ROA to use their assets efficiently in the past, but by introducing ROIC, they will evolve their business management. Another point is that an ROIC tree will break down the connection between the improvement of business profit ratio and the efforts of employees into easy-to-understand indicators. And the holding company will focus the investment of management resources on the core businesses, implement the withdrawal and sale of non-core businesses, and add new businesses to increase capital profitability (increase the ROIC spread) and thereby maximize corporate value. We think the dissemination of the importance of capital profitability in the Group will result in the achievement of business portfolio transformation and the improvement of ROE.

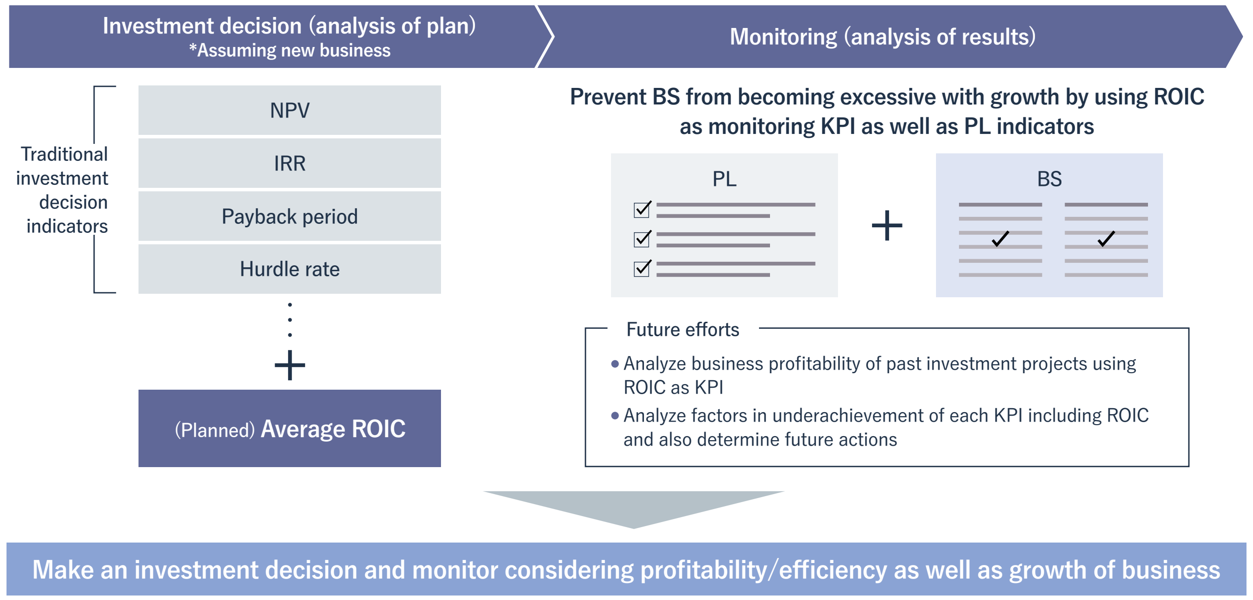
Illustrated BS by business (FY2030)

- Estimated future BS by business that reflects business characteristics
- Developer and Payment and Finance control interest-bearing liabilities with D/E ratio



Sophistication of investment management

- Ensure that planned ROIC is above WACC when making an investment decision
- Manage ROIC as well as PL figures when monitoring



Use the Market Hypothesis for Change

SAWADA Taro

President and Representative Director
Daimaru Matsuzakaya
Department Stores Co. Ltd.

Digitization of touch points

Department stores are pressed to change. I think one of the important themes for this purpose is the digitization of customer touch points centering on app. Before COVID-19, we can say we had customer touch points almost only in physical stores. However, by digitizing touch points, we certainly started to see positive results during the past one year.

By digitizing touch points, we can obtain data on online customer behavior such as, for example, how many minutes or seconds customers view our owned media and whether they click links.

We did not have such an approach in the past. We did not know whether customers read our letters. We had only customer purchase data obtained when customers visit our stores and buy products. By digitizing touch points, the precision of the data we can obtain will dramatically improve. We can obtain pre-purchase data and predict potential customer needs such as what tangible/intangible goods a customer is likely to be interested in.

I think online players are doing this as a matter of course. However, through the digital shift of our touch points, it came in sight at last.

I think this is something revolutionary. We conducted CRM using only POS data for 20 and some years. It may have helped develop customers but did not help deeply cultivate markets. It is not only the level that it is good to connect with customers 24/7. I think we will have to make more use of them.

Dramatically advanced *gaisho* activities

The digitization of touch points has produced an effect in the closed website for *gaisho* customers "connaissligne." Though we have already known the potential of connaissligne, it is far beyond our imagination. For example, even if we find very valuable products in a market, they may be available in only limited quantities. However, currently, when we find valuable content, we can post it on connaissligne promptly. People who want it can order it. If the number of orders exceeds the limited number available, we will sell it by lot. Such sales activities, which took several weeks in an analog way, are completed in about one whole day and night using this process.

We aim to grow *gaisho* sales to the level of ¥200.0 billion in the near future. To this end, we did not begin with discussing what organization structure we will create but we are carefully building based on the market ideas of "to whom," "what," and "how" we will sell. Customer statuses are classified into eight, and *gaisho* customers into two, from customer data. We set a goal for each category such as luxury and art. Touch points include human ones including physical stores and *gaisho* staff and online ones.

I think our job is "matching between value and customers," that is to say, to offer valuable content to organized customers. Its platforms or channels include physical stores, *gaisho*, and online.

Content first

When online channels are in place and customer database has evolved, it is content that makes a difference. I feel we can work well if we have absolutely outstanding procurement or development capability in the industry.

Currently I think we are establishing an advantage particularly in the world of "art." Its sales level is still around ¥10.0 billion. However, as it is obvious that its market will further expand, we would like to gain top share while we can. Contemporary art is sometimes critically said to be like a bubble. However, the more mature the country is, the bigger cultural investment and markets become. So I am not so much concerned about it.

This year, we launched an OMO website ARToVILLA. And recently, we held an industry's first event D-art, ART in collaboration with Art Fair Tokyo. We also sold art works displayed in Parco's exhibition to Daimaru and Matsuzakaya's *gaisho* customers.

In terms of recruitment, I realize our unique art initiatives are one of the motivations for applying for our company. If we do something remarkably interesting, we can attract people. If excellent people get together, we can do something more interesting and attract more people. And customers get involved. I feel such a positive cycle is being created.

The Department Store can still leverage its strength in some categories. For art, it has an ability to develop products and it also has new media ARToVILLA and customers are being properly organized. ARToVILLA was launched by a young employee in his mid-30s and he says he would like to pursue scalability. I think a professional team is being created centering on content.

Embody the market hypothesis in Nagoya

Currently I feel strongly that we need to face markets more squarely and create a hypothesis properly. Now is the time for all stores and the entire company to more confront markets considering what will happen to them and also their regional characteristics.

The "mass market" and the "middle class" are often discussed as similar things. However, I think they are a little different. If we focus on the areas in which department stores have an advantage, the share of premium categories such as luxury will increase. In fact, the middle-class customers also buy them. Hokkaido fair, basement food floors called depachika, and cosmetics gain strong popularity among them. In these areas, young customers are also increasing. The problem is that it was revealed that the middle-class women stopped buying clothing in department stores. All the middle-class customers do not say there is nothing to buy in department stores.

It is obvious that the women's clothing market is segmentalized. If our company has some fashion connoisseurs and we can communicate our thoughts to suppliers and take the lead in inviting rare brands, I think currently struggling women's clothing is quite likely to gain momentum in proper dimensions. I actually feel a hypothesis for our desirable shape is created by facing market changes seriously.

In the Matsuzakaya Nagoya store project, we will conduct a large-scale renovation of its multiple floors based on the hypothesis. Starting with the Nagoya store, I think we will be able to give a concrete shape to what we think fashion is like. Luxury zones are planned to open successively, starting in late 2023. And in 2024 and beyond, we will finally begin to do what we did not do because we did not know their markets to give a concrete shape to our thought. By making three touch points including physical stores, *gaisho*, and online perform well, we would like to create new department stores that lead to a better future.

Spearhead the Group's Innovative Movement

MAKIYAMA Kozo

Representative Director, President
and Executive Officer
Parco Co., Ltd.

Parco's DNA is "innovation"

When we opened Shibuya PARCO, we invited Nintendo TOKYO as a physical shop. It is the first shop directly managed by Nintendo in Japan. This was realized because our staff enthusiastically communicated to Nintendo the meaning of opening this shop. Parco's ideas obtained deep support, which led to product development in collaboration with tenants in Shibuya PARCO.

Also with regard to a collaboration event held in Shibuya PARCO in November 2021 to celebrate the 50th anniversary of Cup Noodles, I think our staff made a great contribution by properly communicating Parco's activities and building a relationship with the company. I felt Nissin Food Products Co., Ltd. is close to Parco in terms of innovative ideas. I was impressed by their seriousness about researching and developing the products that respond to health consciousness. I think Nissin Food Products could get to where it is now because it has continued to innovate.

I think our corporate tradition is built upon a series of innovations because the thoughts of the employees who have Parco's DNA are consistent. I would like them to win the hearts of our business partners using Parco's DNA while they work for Parco. I would like to work with all at Parco to pursue the results that create genuine articles with stories.

Digital technologies to keep the real world alive

Parco holds a digital art contest NEW VIEW as one of the uses of digital technologies. People who won excellence prizes there have grown so that their works are sold at amazingly high prices. I think Parco's uniqueness in digital terms is in focusing on the incubation of artists and creators. In Shibuya PARCO, which is our image core, a cross-border order for the only product of its kind available only there is becoming commonplace. The use of digital technologies not to activate EC but to deliver products to people who should experience them here and now or crave for them is progressing.

A bigger point than that is that our primary focus in our digital strategy is to create factors to inevitably entice customers to visit physical stores. For example, we are creating a new business scheme that pop-up boutiques of luxury brands operate using digital technologies while we affiliate with them through EC sales. We are also working to make Shibuya PARCO a so-called "sacred place" as a location business.

I think the Real×Digital Strategy to be addressed by the J. Front Retailing Group is how we will use physical stores from the perspective of going beyond time and space rather than how we will promote EC business.

Furthermore, more and more people will enjoy being served. I think not a few people realized how much fulfilling talking with others, wavering, and selecting a product are. They must have thought anew that they wanted to buy from that person or that they wanted to talk with that person. Going forward, couple consumption will emerge. I call it "human consumption." I think digital technologies to activate "human consumption" are most integral to the Real×Digital Strategy.

To become a unique developer

In September 2020, we took over the real estate business from Daimaru Matsuzakaya Department Stores and we have worked with the members from the Department Store to give a concrete shape to the Shinsaibashi project (tentative name) and the Nagoya Nishiki 3-chome District 25 project (tentative name). For both, leasing is going well. And the exterior design of the buildings, the establishment of good relationships with respective local communities, and negotiations with the government are progressing at an accelerated pace. The J. Front Retailing Group has mainly operated department stores and shopping centers. I am excited about what commercial facilities will be created inspired by the combination of the specialty shop business and the department store business. We anticipate complexes will dominate in the future and I would like to strongly demonstrate that we will be able to apply the sense and design of the operator of commercial buildings to the entire complex building.

We also entered a residence business. I think we will be able to create something a little different from the past. For example, for the project in Nagoya, Parco's design team oversees the common space of the residence. Co-working space and a lounge will also be created. Parco's employees who live away from home or live in condominiums think co-working space will be useful when they are with their families in this era because they can work away from their families in the same building. We suggested this idea to our business partners and they accepted it.

At present our development projects are smooth sailing and our ideas are increasingly expanding. As a developer, the Group can do something other companies cannot do. The time is coming to specifically demonstrate it. So I do hope you will look forward to it.

Value creation leading to Well-Being Life

Though our story has changed a little due to prolonged COVID-19, my current awareness is that Parco's achievement of the medium-term plan is coming in sight unless the status of COVID-19 gets worse.

Parco's role in following the Group Vision "Create and Bring to Life 'New Happiness'" is to spearhead the Group, to give rise to movements including trials, which lead to it, and to become a source of new culture so that the next generation will enjoy and feel enriched by creating new culture. I think it is an important factor that leads to the Group's sustainability management.

Parco exudes an image of entertainment as well as shopping center. Their common point is production capabilities. Parco's strength is incubation. In the entertainment business, we grow minor artists to major ones, and in the shopping center business, we corporatize individuals and support them until they become major companies. Such incubation is Parco's strength. As we can provide stages in which employees pursue job satisfaction, we will create a team to develop them so that they can implement their own innovative value creation there.

As Parco has valued staying close to art, rare works can be distributed to the Department Store through Parco. We would like to newly deal in NFTs in addition to conventional works. They are not special for the Generation Z. Therefore, I would like to learn from our young employees to do this.

It can be said that the current phase provides a great opportunity for Parco. Parco is expected to provide not the conveniences of life but something that "enriches people's lives." In the current era, I think spiritual richness, that is to say, Well-Being Life is the greatest happiness. I believe Parco's creation of culture and incubation of various people through entertainment will lead to Well-Being.

Rebuild the Value of the Real World

GINZA SIX

Identify markets

Lifestyles and consumption styles have rapidly changed due to the COVID-19 pandemic and the markets that will not return and the markets with growth potential are becoming fairly apparent. In this situation, we focus investment on key categories that are expected to produce results early and certainly on physical sales floors.

We understand that customer needs for department stores are changing in response to changes in life and consumption trends such as low birthrate and longevity, consumption polarization, and widespread remote working.

On the other hand, prime categories such as luxury brands, art, and watches continue to grow steadily even amid the COVID-19 pandemic. Their sales already exceeded the fiscal 2019 levels before COVID-19 partly due to increased purchase by young affluent customers.

In December 2021, GINZA SIX, which is symbolic as Japan's first luxury mall, recorded the highest sales since opening. Duty-free sales accounted for 30% before COVID-19, but currently, purchase by young affluent people boosts sales.

Sales floor portfolio conversion

In response to this situation, the Department Store is trying to change its sales floor portfolio to focus on key categories, and this year, we will accelerate this initiative at once.

In the Daimaru Kobe store, sales recovery is progressing earlier than other stores and sales of the entire store already exceeded the fiscal 2019 level. The causes behind its strong performance include the selection of luxury brands that can respond to customer needs as well as its solid customer base including *gaisho* customers. In March 2022, we opened the West Japan flagship store of Louis Vuitton near the store to further improve its range of products. The boutique will attract customers from a wide area with the flagship's distinctive attractivity to help activate the entire store.

The Matsuzakaya Nagoya store conducted a large-scale renovation of its watch and jewelry department on the 5th floor of the north wing for the first time in 14 years and the new watch and jewelry department GENTA the Watch with doubled floor space will make its grand opening in fall 2022. The floor space of Rolex shop tripled and thus its merchandise mix was dramatically improved. We aim to make it the "Japan's number one watch department" by strengthening online services and installing a repair factory with an entertainment element.

GENTA the Watch, Matsuzakaya Nagoya store

Department store that does not sell

We have reviewed the functions expected of physical stores and worked to diversify their sales floor models. In the showrooming space for D2C brands "asumise," which opened in the Daimaru Tokyo store in October last year using the strength of the Department Store that has physical stores, customers can hold up and look at the D2C brand products sold directly through EC sites and hear stories about the products and brands from the staff members of Daimaru Matsuzakaya Department Stores (= ambassadors) who are knowledgeable about the product backgrounds. Based on the concept of a place that creates new possibilities from the "cycle of encounter," products are shown for a limited time and replaced successively. We will seek the ways of alliance and aim to operate it in multiple locations in the future.

asumise, Daimaru Tokyo store

New models to activate rural stores

In response to rapid changes in the external environment, rural stores have worked to change their merchandise categories and business models at a faster pace than urban stores. As consumption beyond time and space became possible due to the progress of digitization, rural stores had to work early to create motivation to visit them.

The Matsuzakaya Shizuoka store introduced SMART AQUARiUM SHIZUOKA in April 2022 as a new trial. We carefully and repeatedly consider what is necessary for a department store to contribute to the local community for the future and aimed to create the core content in front of the station by not only selling products but also creating space that delivers experience value. The Shizuoka store already renovated 55% of the total sales floor area including this initiative. It realized a drastic category conversion by reducing the apparel floor area to rightsize it while strengthening luxury items, cosmetics, and food.

SMART AQUARiUM SHIZUOKA, Matsuzakaya Shizuoka store

Review of terminal stores

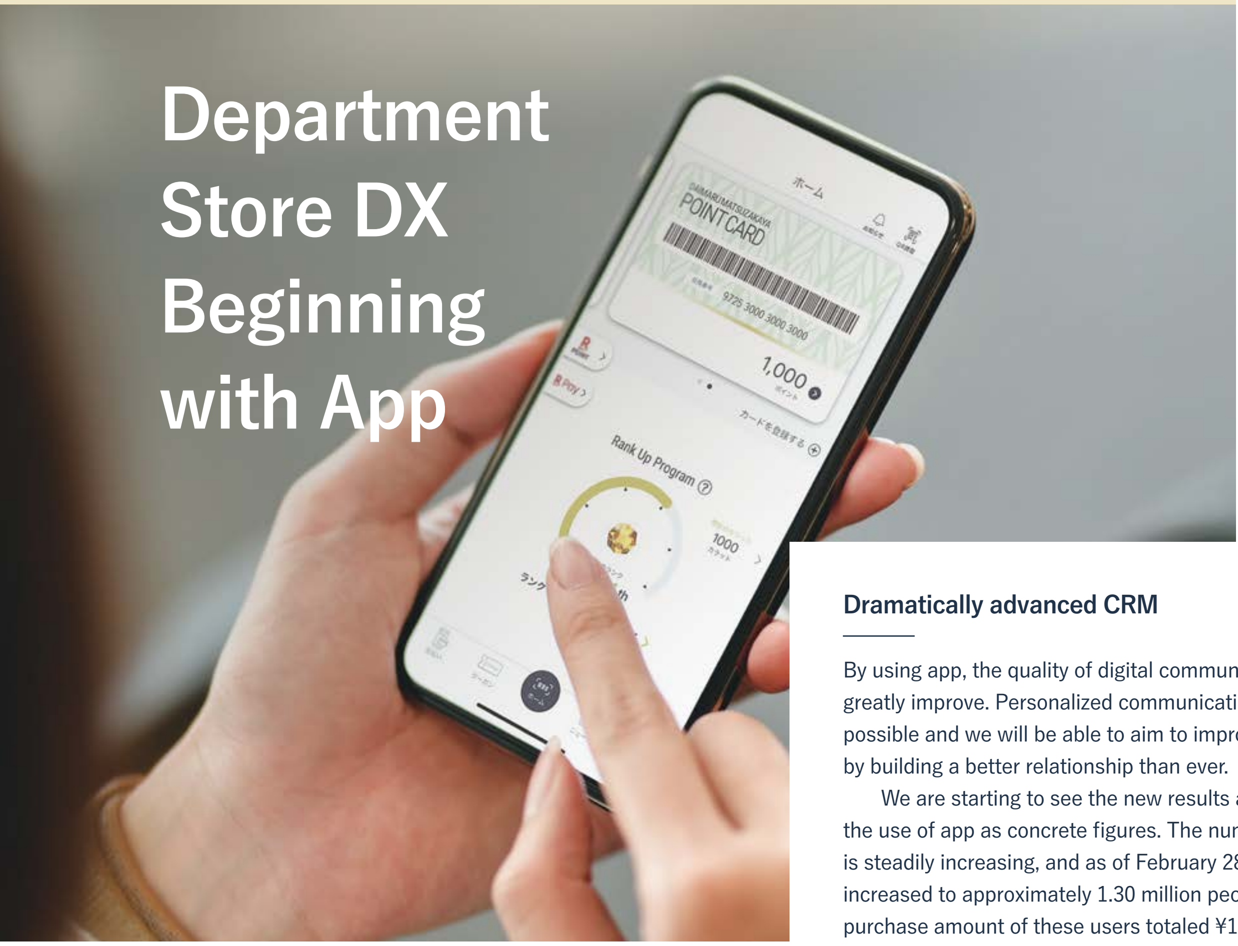
The Daimaru Tokyo store and the Daimaru Umeda store are located in front of the Tokyo Station and the Osaka Station, which are two biggest terminals, respectively, and they have been buoyed by a lot of traffic. On the other hand, the two stores were most affected by COVID-19 such as a significant decrease in interregional travel for the past two years.

Therefore, they fell behind other stores, but currently, they are recovering rapidly. The large-scale development of the areas around both the Tokyo and Osaka stores is steadily progressing. And in the medium to long term, the population around the stores is expected to increase and we can have enough hope for their regrowth. Amid environmental changes such as remote working that has become widespread due to COVID-19, we need to consider new existence value of the stores.

In fiscal 2022, both the Daimaru Tokyo and Umeda stores will invest in renovation to improve the offering of high-end watches. And at the end of 2022, Nintendo OSAKA, an official shop directly managed by Nintendo Co., Ltd., will open in the Daimaru Umeda store. It is Japan's second shop following Nintendo TOKYO in Shibuya PARCO. Using the location characteristic of the terminal stores that can attract customers from a wide area, we will strive to provide attractive content that entices a wide range of customers in Japan and abroad to visit them.

The environment around each store is rapidly changing. While valuing the history of each store, we will sincerely face customers and continue to respond to changes to make the stores more attractive.

Department Store DX Beginning with App



App is the centerpiece of digital strategy

Post-digital world – The smartphone penetration in Japan has already exceeded 90% and customer touch points are increasingly shifting to digital ones. We think online and offline are no longer separate from each other and will be further merged centering on customer experience. It can be said that the use of smartphones is essential to expand customer touch points and further deepen communication.

To this end, Daimaru Matsuzakaya Department Stores issued "Daimaru Matsuzakaya app," which is a service that responds to the ICT era, and strives to further improve customer satisfaction and sophisticate customer services using digital technologies. Its major functions include the "electronic membership card function" that allows users to earn and use points like physical cards, the "upgrading function" that provides different services according to users' visit to stores and purchase, the "alert function" that timely provides information on good deals, and the "store information function" that allows users to check the events, topics, floor guides, etc. of their favorite stores any time.

Dramatically advanced CRM

By using app, the quality of digital communication will greatly improve. Personalized communication will become possible and we will be able to aim to improve lifetime value by building a better relationship than ever.

We are starting to see the new results achieved from the use of app as concrete figures. The number of app users is steadily increasing, and as of February 28, 2022, it increased to approximately 1.30 million people. The purchase amount of these users totaled ¥187.7 billion in fiscal 2021. The share of sales from app users of the total department store sales increased to 38.8%. Our analysis revealed that average spend per private label card user increased by 15.3% after becoming an app user.

The use of the purchase prediction model using app data is progressing gradually and there are many cases in which it led to the purchase of high-end watches and luxury items by potential customers in our stores across Japan. It was also equipped with single sign-on.

We will further improve the accuracy of the use of data to sophisticate CRM as well as deepening the linkage with our private label cards to strengthen and expand our customer base.

Major indicator	FY2021 results	YoY
App user sales	¥187.7 bn	+¥3.76 bn
Share of the total department store sales	38.8%	+5.8 points
Number of app users	1.30 million people	+0.44 million people
Average spend per private label card user after becoming an app user*	+15.3%	

*Extracted the card users who signed up for app in H1 FY2021 and compared their sales between before (Sep 2020 to Jan 2021) and after (Sep 2021 to Jan 2022) becoming app users

Two unique OMO websites were launched

In the current situation in which people are expected to keep their distance from others and their lifestyles are changing, Daimaru Matsuzakaya Department Stores strives to create new experience value by realizing OMO that centers on physical stores and merges them with digital technologies. We will overcome time and place constraints and expand "human" power, which is the strength of the Department Store, using digital technologies.

DEPACO

In March 2022, our department store cosmetics information media DEPACO, which had already been popular, was renewed as "media commerce" that operates cosmetics information media and an online store. It was reborn as an attractive website that combines the functions of physical stores, e-commerce, and owned media. Though it is e-commerce, customers can consult and receive good service from its staff like in physical stores. It is media commerce like a physical cosmetics counter.

The editors of DEPACO and the beauty advisers of cosmetics brands deliver approximately 100 or more original articles and information on department store cosmetics every month. Its lineup ranges from popular brands in e-commerce to the brands not available in physical stores. In response to the needs to "consult across brands," online counseling by DEPACO's dedicated beauty advisers in the categories including skin care and makeup using the strength of the Department Store is becoming available in phases, starting with the item groups that are high in demand.

ARToVILLA

The art market in Japan exceeded ¥250.0 billion and department stores are its second largest sales channel behind art dealers (approximately 20% in 2019). Particularly, the contemporary art market is expanding and contemporary art is popular among young collectors in particular. This trend is expected to continue in the future. In this situation, ARToVILLA, our first art media that communicates the appeal of art and buying art, was launched in January 2022.

ARToVILLA is a project in collaboration with people from #DOORS who opened the doors of art in their individual ways of living and are active in cultural occasions. Its concept is that people who create art and people who receive art work together to increase the perspectives of enjoying art. It provides content that lowers the hurdles to owning art online and in physical stores and delivers experience until owning art. People who "view" art are increasing but still a few people "buy (own)" art. Given this current situation, we would like to normalize buying art using unique approaches linked to daily life and make a fulfilling life with art possible for all.

Subscription is growing

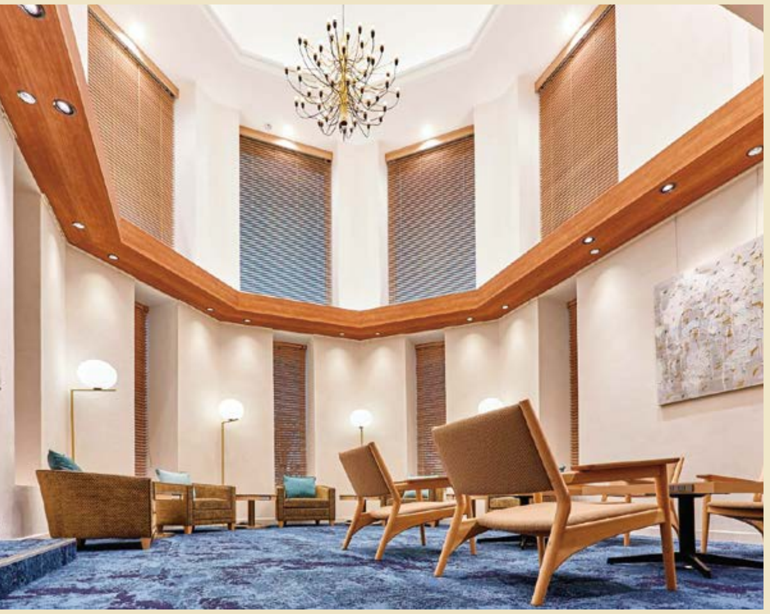
AnotherADdress, a fashion subscription business which we newly entered in March 2021, has gained popularity from more customers than expected and performs well.

It is a service to respect the intrinsic value of fashion and sustainable initiatives and aim to shift to a socially and environmentally sustainable business model based on the belief that clothes are not disposable. We would like to create fashion subscription experiences with a sophisticated brand lineup and the freedom for customers to choose what they want to wear now and build a new market which is not present in existing businesses.

Department store operators and other retailers have grown with the trends around the fashion industry such as mass production and mass consumption. However, environmental issues behind them including mass disposal have a very great impact on society and the earth. We think it is the Group's great responsibility to face these issues seriously and change the whole business model to a more sustainable one.

Currently it handles ladies' fashion but we would like to expand the subscription market in the future with a view to "lateral expansion" using this business as a platform.

High Quality Content and Service



D's LOUNGE, Daimaru Kobe store

Affluent market is expanding

Recently, with share prices rising due to monetary easing, net financial asset holdings in Japan go on increasing. Not only the asset holdings of existing affluent people are increasing but more and more households including entrepreneurs in their 20s to 40s are becoming affluent partly due to an increase in the value of their asset holdings. The upper class including young dual-income households that manage their financial assets is also expanding.

These affluent young people have preferences and values different from existing affluent people for contemporary art, etc. They are also well versed in information collection and communication using digital technologies. With this in the backdrop, the number of customers who spend much money other than *gaisho* customers is increasing.

In response to the expansion and diversification of affluent market, mainly the Department Store is promoting the Prime Life Strategy, which significantly expands the traditional framework of *gaisho*, and steadily accumulating results.

Develop new good customers

The first pillar of the strategy is to expand and deepen our customer base using digital technologies. Currently the number of *gaisho* customers is approximately 320,000 people and we strive to further increase the numbers of accounts and customers by implementing an online sign-up system since fiscal 2021 and encouraging the customers of our alliance partners to sign up. It has become possible to approach the customers who are highly motivated to buy by offering rare content through contemporary art-specific open media ARToVILLA and others and the content drives the development of new customers. Through these initiatives, average spend per customer of newly acquired accounts in the first year exceeds ¥1.40 million.

We are also fostering customers centering on the Department Store app. It has become possible to learn from data on the use of app that sales from the customers who spend ¥1 million or more a year other than *gaisho* customers are increasing. We encourage these customers who spend much to sign up for *gaisho* accounts to provide better services. By activating communication through customer sign-ups for app, we have in place a system that smoothly helps provide information to customers timely and increase their purchase amount.

Expansion and improvement of prime content

The second pillar of the strategy is to improve valuable content, which motivates customers to buy. As for luxury items and high-end watches, which are our key categories, we focus investment on flagship stores to expand sales floors and introduce new brands. With respect to art, we are working to create the Group synergy by holding large-scale events such as D-art,ART, an art fair touring around department stores across Japan, introducing Parco's art events, and actively conduct presale. Furthermore, we expand the offering of content not limited to department store products such as condominiums and premium cars through alliance with companies outside the Group.

D-art,ART (ASAOKA Sakiko, Takeda Art)

"Matching" between customers and content

The third pillar of the strategy is the initiatives to connect customers with content offline and online. We installed customer lounges in flagship stores to create special hospitable space. Customers not only relax there but also as galleries, artists visit them and a tasting of rare western liquor is held. Thus, we provide the customers who use them with special opportunities to further strengthen the connection between customers and stores/content. The building of relationships online is steadily progressing through digitization. Our closed website for *gaisho* customers "connaissligne" plays an important role as a customer touch point with rich content that meets the demand for intangible goods such as VIP seats to enjoy festivals as well as rare products such as luxury items.

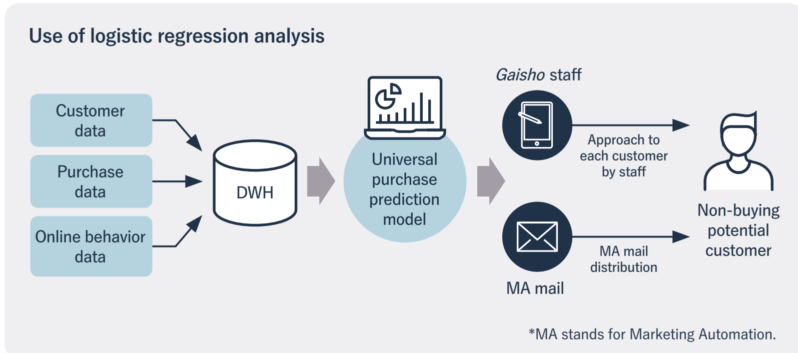
Closed website for *gaisho* customers "connaissligne"

Progress of the use of data

Amid the diversification of the needs and buying characteristics of *gaisho* customers against the backdrop of an increasing number of affluent young people, we are working to build a *gaisho* organization that provides optimal information and services. We strive to improve the system group staff who conduct sales activities by emails and phone calls, mainly transferring customers to stores and attending customers in stores, as well as the dedicated staff who conduct finely tuned sales activities on a one-to-one basis. The full use of the system increased more than fivefold the number of accounts that can be managed by one staff compared to dedicated staff.

Dramatically advanced use of data also greatly contributes to improving sales activities. We create prediction models based on the online behavior data obtained from app, websites, and email viewing. In addition, by combining them with information on approach to each customer by *gaisho* staff, we will make a list of non-buying potential customers. We already identified categories such as high-end jewelry and it leads to highly efficient sales in flagship stores.

It is existing store staff who are experienced in sales and customer service that support the improvement of the *gaisho* organization. By reskilling them concerning the transaction of high-priced and rare products and attending customers, we are expanding new stages for them.



Polish Up Physical Stores through “Production by Parco”

Real×Digital Strategy of SC Business

The greatest focus of Parco (SC Business) in “making stores/content attractive,” which is the axis of the Real×Digital Strategy, is on creating the irresistible value that makes even people who are used to using online services including e-commerce “want to visit physical stores right now.”

Shibuya PARCO reopened in November 2019 after being rebuilt and Shinsaibashi PARCO opened on the site of the former north wing of the Daimaru Shinsaibashi store in November 2020 by changing its business format to PARCO. Though both stores started full operation or opened amid the COVID-19 pandemic, they perform steadily even in the circumstances of living with COVID-19. Given this situation, it can also be said that they do not realize their inherent potential yet and further development in the future is expected.

(Upper) PARCO OUTDOOR PARK, Shibuya PARCO
(Lower) Welpa Shinsaibashi, Shinsaibashi PARCO

Potential of Shibuya PARCO / Shinsaibashi PARCO

In Shibuya PARCO, unique limited-time shops and exhibitions have achieved success. In 2022, it actively opened unique limited-time shops including “Jiyu na Sebiro (literally free suit jackets)” jointly organized by United Arrows, Comme des Garçons, and New Balance. When an exhibition Mickey Mouse Now and Future was held, its pop-up truck toured around PARCO and Daimaru stores throughout Japan to contribute to “making content attractive” at the Group level.

In addition, in September 2019, capturing the growth of the outdoor market with changes in lifestyles, about a half of the 5th floor of Shibuya PARCO was renewed as PARCO OUTDOOR PARK. With a wide selection of items that can be used outdoors and in towns, it proposes urban outdoor styles that travel between streets and fields.

By continuing to evolve as one and only commercial space, it will enhance the ability to communicate Parco brand.

Shinsaibashi PARCO is connected to its adjacent Daimaru Shinsaibashi store with access ways and they create synergy as unified commercial facilities. According to our buying data analysis, more customers buy in both stores than expected. Cards and points can be used or earned in both Parco and Daimaru/Matsuzakaya stores and joint events are held. And Parco finds and produces attractive content and proposes it to Daimaru/Matsuzakaya *gaisho* customers.

In order to make stores/content attractive, Parco entered a new business of developing and operating medical malls, and in November 2021, it opened the first site of a medical mall Welpa, which seamlessly provides healthcare, products, and services, on the 10th floor of Shinsaibashi PARCO. Its seven tenants including a gynecological clinic and a femtech shop, and a lounge and a gallery provide a wide variety of products and services that are useful for daily self-care, ranging from healthcare to food.

We will develop new markets in the Shinsaibashi area to contribute to attracting crowds to and revitalizing the area while creating the Group synergy.

Limited-time shop “Jiyu na Sebiro,” Shibuya PARCO

Renew mainly major stores in fiscal 2022

In fiscal 2022, we are working on large-scale renovation in response to changing times in major stores including Ikebukuro PARCO and Nagoya PARCO.

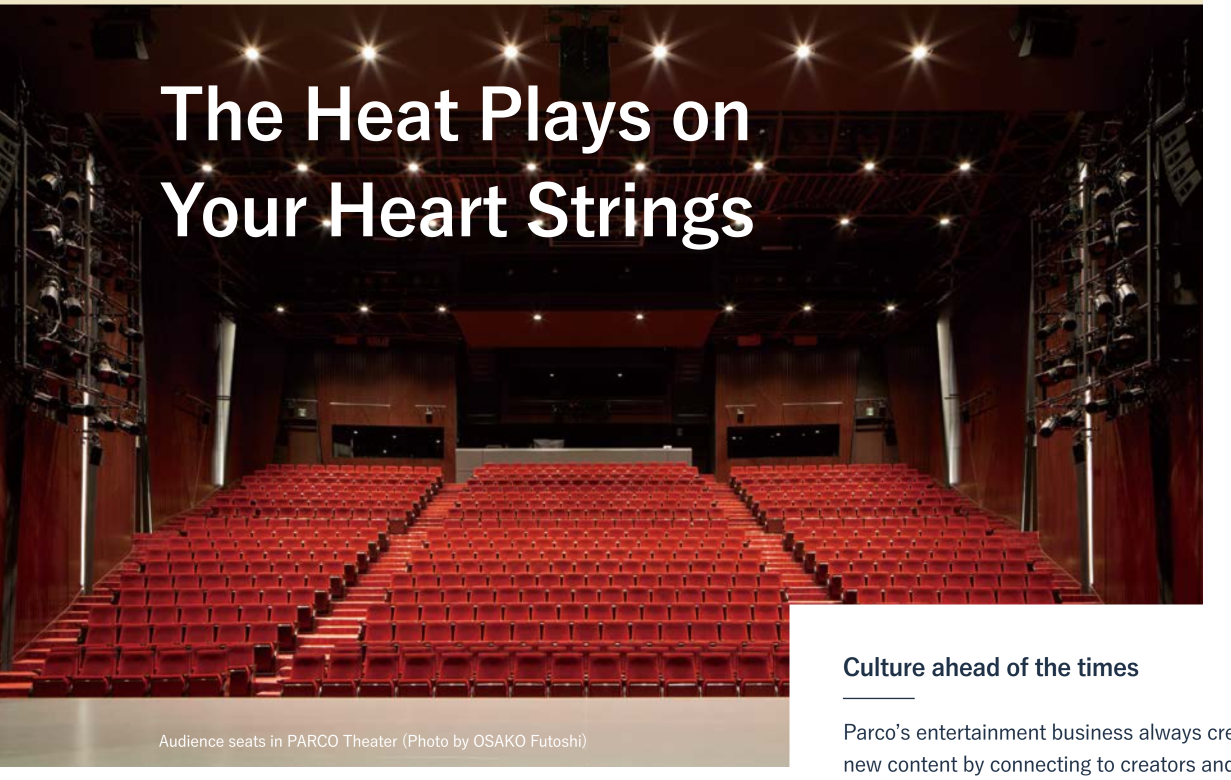
In Ikebukuro PARCO, we introduced new shops with the themes of “athleisure,” “skincare / inner beauty,” “food,” and “culture” and completed renewal in April 2022. We strengthened genderless and ageless offerings by renovating the entire ground floor for the first time in about 16 years and renewing the lower floors of the main building on which mainly ladies fashion items had been provided for a long time. At the same time, shops in the game and animation culture fields were introduced on the 5th floor of the main building to contribute to making the area more attractive and attracting new crowds to the area.

In Nagoya PARCO, we conducted large-scale renovation of 13,000 square meter area, which is approximately one third of the total floor area, in the three buildings including the west building, the east building, and the south building by May 2022. First, the west building was upgraded to provide high quality products and space focused on fashion, culture, and beauty. The east building evolved into an entertainment-specific building and new zones for events and live performance were newly created to attract crowds. And in the south building, we are working to provide unique floor layout and item selection by operating a grouping store of a leading apparel company Baycrew’s on four floors. We will strive to further polish up our physical stores to make them a “place in which customers can encounter attractive products and services and gain high quality experience.”

CASETiFY STUDiO on the 1st floor of the main building of Ikebukuro PARCO

MEDICOM TOY PLUS NAGOYA on the 1st floor of the west building of Nagoya PARCO

The Heat Plays on Your Heart Strings



Audience seats in PARCO Theater (Photo by OSAKO Futoshi)

Greater role of entertainment

Parco that operates the entertainment business in the Group has actively introduced new cultural offerings in the fields of theater, music, and art since its establishment. Entertainment is one of the important factors that amplify the value of the real world. For example, it can be said that a sense of resonating between players and audience in performing arts is powerful in only the real world.

In this business, we produce varied, highly appealing content in the fields of theater, music, movies, and publishing. We also produce multimedia across field boundaries by creating DVD and book versions of the content and organizing collaborations to offer entertainment with real emotion and discovery. These initiatives not only attract customers to and promote sales in each PARCO store but also contribute to branding and differentiation at the Group level.

Culture ahead of the times

Parco's entertainment business always creates and provides new content by connecting to creators and artists on our own sites such as PARCO Theater and CLUB QUATTRO and bringing together industry's information there. Recently, we have worked on the projects linked across genres including movies, publishing, and exhibitions and selling art works to the customers of Daimaru/Matsuzakaya in the Group to expand value offerings.

Furthermore, by incorporating digital technologies, we strive to communicate information on trends and create added value. The theater division streams each performance for a price and its digest for free on social media. The music division streams original content such as talk programs featuring artists. Thus, we provide experience beyond boundaries between online and offline.

We think Parco's strength is the ability to find materials with potential, combine them with optimal infrastructure, and edit and produce unique projects. Going forward, we will further improve this strength and aim to enhance exclusive experience value while staying ahead of changing times.

Entertainment business site

Theater
1 site (Shibuya)

Music
5 sites (Shibuya/Nagoya/Hiroshima/Umeda)

Movies
2 sites (Shibuya)

Gallery/café
Gallery 7 sites (Shibuya/Ikebukuro/Nagoya/Shinsaibashi/Hiroshima/Fukuoka)
Café 4 sites (Shibuya/Ikebukuro/Nagoya/Shinsaibashi)
Other: Tour around PARCO stores, etc.

THEATER

Musical drama "Neptune" staged at PARCO Theater

"Neptune" is a musical drama written by TERAYAMA Shuji before he co-founded the Tenjo Sajiki theater troupe in 1963. It had never been staged until it was performed at PARCO Theater. Terayama had strong ties with PARCO, writing plays such as "The Miraculous Mandarin" (1977) and "Bluebeard's Castle" (1979) for PARCO Theater and staging them there. In recent years as well, the theater has put on numerous Terayama plays produced by PARCO. "Neptune" featured popular producer and actors, which received great publicity. MANABE Takashi directed it and won the Best Director award at the 29th Yomiuri Theater Awards, which honored outstanding plays and people involved in the theater in 2021.

Performance photo by OKA Chisato

"Neptune," a musical drama staged from December 6 to December 30, 2021 at PARCO Theater
Written by: TERAYAMA Shuji Directed by: MANABE Takashi Music/music direction: SHIMA Ryohei (the dresscodes) Cast: YAMADA Yuki, MATSUYUKI Yasuko, SHIMIZU Kurumi, IHARA Rikka, OTANI Ryosuke, NAKAO Mie, Yusuke Santamaria, et al.
After its run ended at PARCO Theater, the play was put on in Osaka, Toyama, Miyagi, Aomori, and Nagoya.

GALLERY

Held an art poster fair PARCO PRINT CENTER

An art market event entitled PARCO PRINT CENTER was held on the 1st underground floor of Shibuya PARCO in February 2022 to produce and sell art posters. PARCO curated a select group of 14 artists working in various mediums. With the excitement of being able to print on the spot, participants explored possibilities in expressive art prints, from layout and design to paper and printing. Along with sales of numbered, limited-edition posters enclosed in specially made white boxes, the event included ART BOOK MARCHÉ, music, and talks.

CAFE

Opened collaboration café Minion Café in Singapore

Parco (Singapore) Pte Ltd provided the concept and know-how to a local café operator to operate Minion Café in Singapore for approximately two months from October 2021. It provided new dishes specially created for the local palate and original goods available in only Singapore as well as the original dishes of Minion Summer Café, which were popular in PARCO stores in Japan (Ikebukuro, Shinsaibashi, and Nagoya) to show the fun of "character café."

Provide personal fulfillment to customers

We were deprived of normal life due to the COVID-19 pandemic and experienced unspeakable anxiety and inconvenience. Therefore, it can also be said that consumption and experience that provide excitement to daily life are expected more than ever in today's society. Parco has worked to propose fulfilling lifestyles by introducing culture and it fits the current situation. Only because we are in the Group that has continued to look at the "present" and the "future" while catering to customers, we would like to enrich customers' lives by introducing culture to help create Well-Being Life.

Grow with Local Communities by Creating New Value

Rendering of "(tentative name) Nishiki 3-chome District 25 project"

Have the key to portfolio transformation

The Developer Business in the Group consists of the real estate rental business that develops properties and the design and construction contracting business that undertakes interior construction work in commercial facilities, hotels, etc. It is promoting a business strategy in domestic real estate development with the aim of being an "urban lifestyle developer" that delivers diverse proposals for urban living and helps create highly attractive urban districts. We are also taking on the challenge of redeveloping large-scale complexes in the Group's strategic priority areas including the Sakae area in Nagoya and the Shinsaibashi area in Osaka in which the Group's department stores and Parco stores are located as the cores of the areas, tackling diverse applications not limited to retail, and using development mechanisms like fund and asset management business schemes to create new formats and categories.

For the growth of the Group in the future, the Developer Business will promote large-scale complex development in the prime locations in which the Group's stores are located and also develop diverse applications including non-commercial ones such as residence, hotels, and hotels as well as its strong commercial ones.

In order to strongly promote them, the CRE Planning Division was created in the holding company. It will strive to maximize the value of real estate holdings by developing CRE strategies concerning the real estate development and real estate holdings of the entire Group and strengthening collaboration with Parco's real estate-related division. Thereby we will promote the CRE strategy by reviewing property portfolio, develop plans concerning the acquisition, disposal, and sale of the real estate held by each company in the Group, and build and promote new property development schemes to realize the developer strategy. At the same time, it will play a role in leading the Developer Strategy Committee.

For the dramatic growth of the Group for fiscal 2024 and beyond, the Developer Business was positioned as one of the key businesses and ¥30.0 billion investment will be made in it during the term of the current Medium-term Business Plan. Parco and the CRE Planning Division will work together to promote the strategy.

ZERO GATE

ZERO GATE is a format that specifically focuses on low- and medium-rise commercial complexes in prime locations with one or a small number of tenants. Going forward, it will utilize these prime locations to introduce a high-rise category linked to diverse sectors not limited to retail and to create new business schemes that draw on high visibility levels and DX technologies. Parco has long produced urban lifestyles based on various themes like fashion and culture, and the name ZERO GATE signals Parco's desire to return to a "zero point," a "new beginning," to propose new value through the "gate," the "entrance," to the district at large.

BINO

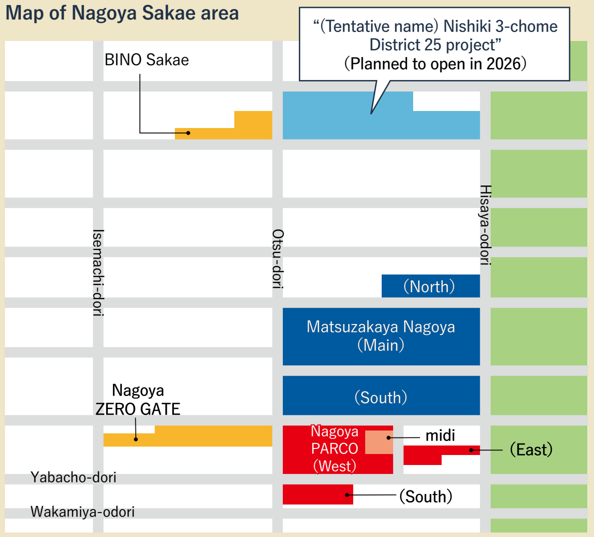
BINO consists of low- and medium-rise commercial facilities transferred to Parco from Daimaru Matsuzakaya Department Stores Co. Ltd. in September 2020. Its main focus is on "beauty and health" and it aims to provide support for beauty "from inside and outside." The name BINO is an acronym of the phrase "Beauty Inside aNd Out."

Began the construction of "(tentative name) Nishiki 3-chome District 25 project" with opening scheduled for 2026

Five companies including Mitsubishi Estate Co., Ltd., Parco Co., Ltd., Japan Post Real Estate Co., Ltd., Meiji Yasuda Life Insurance Company, and The Chunichi Shimbun Newspaper Publishing Co., Ltd. held a groundbreaking ceremony for the construction of the "(tentative name) Nishiki 3-chome District 25 project" at Nishiki 3-chome, Naka-ku, Nagoya in June 13, 2022 and began the construction in July 1, 2022. With the concept of "a domestic and overseas center for creating cultural and exchange value as a new landmark of Nagoya," it aims to strengthen the urban function of the Sakae area. The construction is planned to be completed in March 2026 and its opening is scheduled for around summer 2026.

The five companies will attract more crowds to its surrounding area by promoting multitiered urban function development of the Sakae area such as the invitation of a luxury hotel, which will contribute to the improvement of urban brand power promoted by Aichi Prefecture and Nagoya City, and contribute to strengthening global competitiveness of Nagoya City in the two core areas including the Nagoya Station area.

Map of Nagoya Sakae area



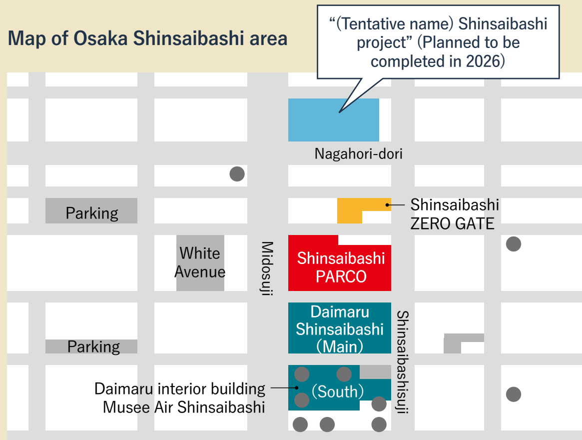
Announced "(tentative name) Shinsaibashi project" with completion scheduled for 2026

The "(tentative name) Shinsaibashi project" is promoted by four companies including Hulic Co., Ltd., Takenaka Corporation, JR West Real Estate & Development Company, and Parco Co., Ltd. It is located in a highly visible place at the intersection of Midosuji, which is the main street of Osaka, and Nagahori-dori in Shinsaibashi.

By rebuilding Shinsaibashi Plaza Building and Shinsaibashi Fuji Building, which have long helped attract crowds to the Shinsaibashi area, we will develop a complex with stores, a hotel, and offices as a new landmark.

We are planning to invite luxury brands to open (two- to three-floor) duplex boutiques on its lower floors facing the streets of Midosuiji and Nagahori-dori. By merging diverse applications including stores, a hotel, and offices, we aim to attract more crowds to and further revitalize its surrounding area.

Map of Osaka Shinsaibashi area



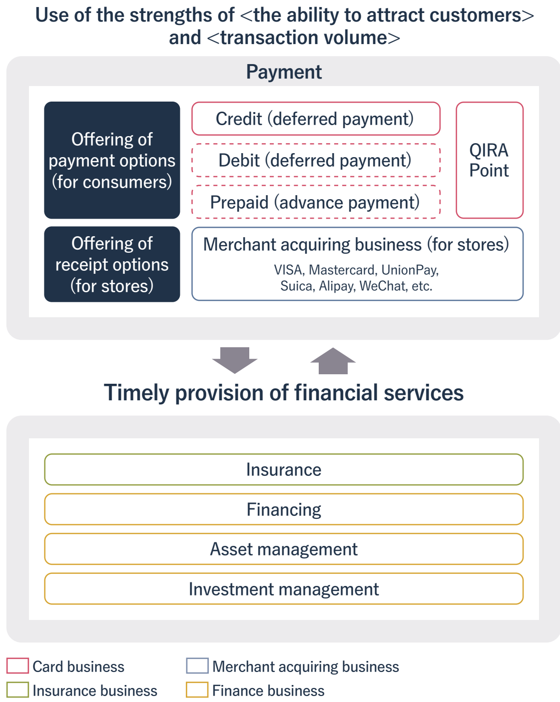
Condominium development projects are also in progress

With respect to the development of real estate applications not limited to commercial ones, in April 2022, we entered the residence business and announced the plans to develop condominiums for lease and sale in Nagoya, Yokohama, and other cities.

Expand Financial Service Offerings Centering on Payment

Environment around the Payment and Finance Business

The environment around the Payment and Finance Business is rapidly changing due to the COVID-19 pandemic, such as changes in consumption behavior, expansion of e-commerce, the progress of cashless payments, advanced communication through smartphones (app), and the emergence of new technology players. In this situation, in the Medium-term Business Plan, the Group aims to increase customers in local areas under the Developer Strategy, increase customer touch points under the Real×Digital Strategy, and acquire new affluent customers under the Prime Life Strategy. We believe we will be able to greatly grow the Payment and Finance Business by building relations with customers through payment and provide financial services using customer data.



Issued new cards

In January 2021, Daimaru Matsuzakaya Card was completely renewed. We introduced a new point program QIRA Point in addition to existing Daimaru and Matsuzakaya points. It allows the cardholders to earn points not only in Daimaru and Matsuzakaya stores but also through all credit card payments and to exchange earned points for various affiliated points, products, and special experiences as well as Daimaru and Matsuzakaya points. We also changed their design and adopted a portrait style for the first time in the industry. They are also equipped with Visa's touch payment function to improve customer convenience.

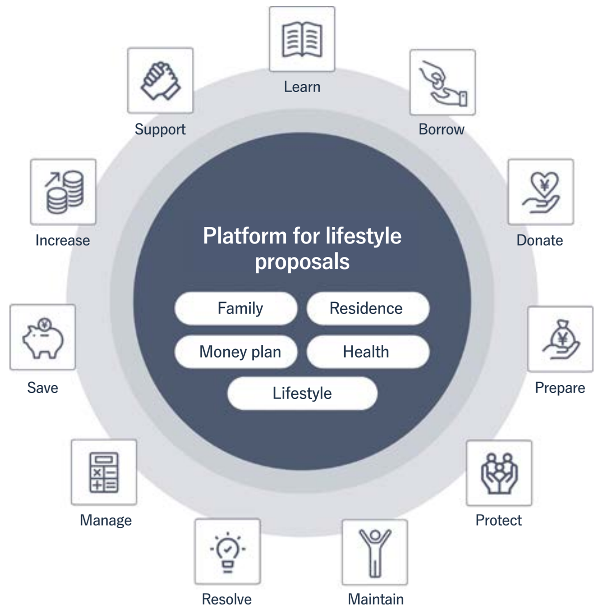
The share of the customers aged 49 or under whom we target increased by 3.5 points. Transaction volume per account also increased by 5.4% compared to fiscal 2019 before COVID-19 (fiscal 2021 basis). Going forward, we will strive to increase utilization rate and transaction volume by raising awareness, understanding, and value of QIRA Point.

Promotion of merchant acquiring business

JFR Card concluded license agreements with VISA and Mastercard in July 2019 and started to provide merchant acquiring services in February 2021. Currently, we are working to bring together the merchant acquiring services of the Group's facilities including Daimaru Matsuzakaya Department Stores, PARCO, and GINZA SIX. We are also actively working to acquire merchants outside the Group in the areas in which the Group's stores operate. For merchants, we will deliver value such as sales increase, the acquisition of new customers, and the transfer of the Group's customers. For customers, we will gain recognition as the provider of the "best payment and financial services in the area." By doing so, we will aim to build an economic zone that connects the Group's customers and merchants in the area.

Expansion of finance business

We will provide various financial services using payment data by building relations with customers centering on payment. Particularly, we will focus on financing and insurance, which have a high affinity for the Group's customers and business models and are highly profitable.



We will meet customer needs for health and money at various life stages including school attendance, employment, marriage, child raising, and second life in the era of 100-year life and support them. In addition to improving convenience through the revolving and installment payment options of Daimaru Matsuzakaya Card, we entered into a business alliance with Orix Credit Corporation in February 2021 to launch QIRA Loan -BRIGHT LIFE-, and in August 2021, we entered into a business alliance with Famitra Inc. to serve as an agency for its family trust services. Going forward, we will work to provide new financial services that support asset building for the future.

With respect to insurance, commission income is steadily increasing due to the integration of insurance agency business in the Group. Going forward, we will aim to increase revenue by developing new corporate clients while strengthening approach to *gaisho* customers and the holders of Daimaru Matsuzakaya Card.

QIRA LOAN
-BRIGHT LIFE-

For medium-term growth

The Payment and Finance Business recovered operating profit to ¥1.9 billion in fiscal 2021 and sees a prospect of increasing operating profit to the level of ¥3.0 billion in the current Medium-term Business Plan. Going forward, we will build a system that can greatly contribute to the growth and revenue of the Group by strengthening the Group's customer base, expanding our merchant network mainly in the Group's key areas, and developing and expanding financial services using data.

Sustainability

Amid increasingly uncertainty about the future due to aggravated global environmental problems such as global warming and ocean pollution, human rights issues in supply chains, prolonged COVID-19, and increasing geopolitical risks, social structure and consumption behavior are greatly changing. In these circumstances, companies are expected to implement sustainability management that solves social issues and achieves business growth at the same time. The Group will promote sustainability management and realize Well-Being Life for all its stakeholders, such as customers, employees, and suppliers, through CSV (Creating Shared Value) initiatives.

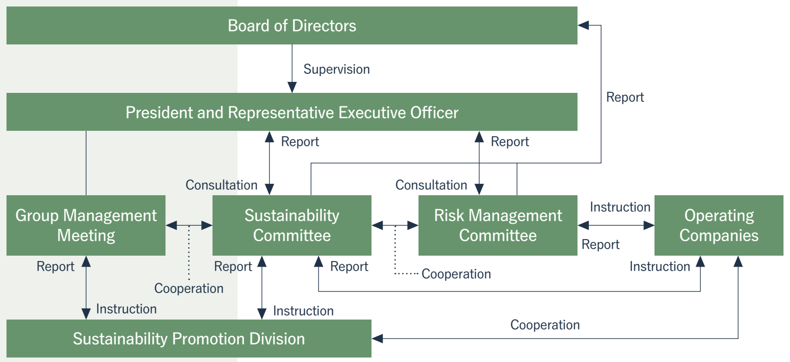
Realization of Well-Being Life

The Group articulated its intention to realize Well-Being Life for its stakeholders in the Medium-term Business Plan launched in fiscal 2021.

The Group thinks of Well-Being Life as "both mentally and physically fulfilling life" that realizes spiritual wealth (intellectual and cultural wealth), physical wealth and social wealth as well as conventional material wealth and economic wealth and wealth for the environment surrounding them. While valuing the places in which we communicate with stakeholders, we are striving to realize Well-Being Life.

Sustainability promotion system

The Group discusses and makes decisions on specific initiative policies related to social issues including the environment and human rights in the Group Management Meeting, which is the highest decision-making body in business execution. The matters discussed and decided in the Group Management Meeting are shared with all operating companies in the Sustainability Committee, which is an advisory body to the President and Representative Executive Officer and the committee monitors the progress of the action plans formulated by each company. In addition, the Board of Directors receives the reports on the content of discussions and decisions made in the Group Management Meeting and the Sustainability Committee meetings and discusses and oversees them.



Major agenda items in the Sustainability Committee meetings

FY2021

April
- Efforts made with suppliers to reduce Scope 3 emissions
- Overview of supplier assessment (including human rights) in FY2021
- Revision to the Sustainability Policy
- Progress of the entire Group in FY2020

Sep.
- Lecture by an external instructor "Importance of ESG information disclosure"
- Implementation of supplier assessment (including human rights)
- Progress of the entire Group in H1 FY2021

FY2022

April
- Lecture by an external instructor "ESG/sustainability management"
- Action plan for FY2022
- How to advance the Women's Empowerment Promotion Project
- Explanation about the results of supplier assessment (including human rights) in FY2021
- Progress of the entire Group in FY2021

May
- Lecture by an external instructor "Diversity as a management strategy"

Linkage with the Officer Remuneration Policy

The Group revised its Officer Remuneration Policy when formulating the Medium-term Business Plan launched in April 2021 and established the following two items as non-financial indicators for determining performance-linked remuneration.

(1) 40% reduction in Scope 1 and 2 GHG emissions (compared to fiscal 2017)
(2) 26% increase in the share of women in management positions (Both (1) and (2) are at the end of fiscal 2023)

These items are also linked to materiality KPIs for 2023 to clarify the responsibility of the management team.

List of long-term targets for 7 materialities

Materiality	Risk and opportunity	Metrics	FY2030 target (For some items, FY2050 target)	FY2023 target	FY2021 results and major efforts
Environment Realization of decarbonized society	**Risk** • Loss of growth opportunities due to a delay in response to market changes such as increased demand for environmental products • Increase in procurement cost due to increase in use of renewable energy-sourced electricity • Reputation damage due to a delay in response to environmental issues and diversification of consumption behavior **Opportunity** • Regrowth by radical change of retail business model • Expansion of new growth opportunities through new entry into circular businesses • Expansion in earnings due to response to increasing customer demand for environmental products and services	Scope 1 and 2 GHG emissions	◎ FY2050 net zero • 60% reduction (vs. FY2017)	• 40% reduction (vs. FY2017)	• 36.7% reduction in Scope 1 and 2 emissions (vs. FY2017) • Renewable energy rate 20.3% (renewable energy usage 62,156 MWh)
		Renewable energy rate in total electricity used in business activities	• 60%	• 40%	
		Energy creation	• Expansion of onsite generation and consumption of renewable energy in collaboration with new power companies	• Introduction of onsite generation of renewable energy in collaboration with new power companies	
Environment Promotion of circular economy		Waste disposal volume (including food)	• 50% reduction (vs. FY2019)	• 15% reduction (vs. FY2019)	• 11.9% reduction in waste disposal volume (vs. FY2019) • Weight of items collected via ECOFF for recycling: 1,101 t in total • Launch of fashion subscription business AnotherADdress (Daimaru Matsuzakaya Department Stores)
		Total weight of items collected via ECOFF for recycling	• 3,000 t in total	• 1,500 t in total	
		Recycling and reuse	• Expansion of recycling and remanufacturing of used products in collaboration with suppliers and customers	• Realization of recycling and remanufacturing of used products in collaboration with suppliers and customers	
		Businesses including sharing, subscription, and upcycling	• Increase in the share of businesses including sharing and upcycling in collaboration with suppliers	• Entry into businesses including sharing and upcycling in collaboration with suppliers	
Environment Society Management of the entire supply chain	**Risk** • Destabilization of product and service procurement • Reputation damage due to failure to respond to social issues such as human rights violation **Opportunity** • Stable procurement of products and services • Strengthening of business resilience by creating strong supply chain	Scope 3 GHG emissions	◎ FY2050 net zero • Aim for 40% reduction (vs. FY2017)	• 10% reduction (vs. FY2017)	• 17.3% reduction in Scope 3 emissions (vs. FY2017) • Assessment: Response rate 40.6%, dissemination rate 60% • Explanatory meeting for suppliers (Daimaru Matsuzakaya Department Stores) (April 2022) • Sharing of JFR Principles of Action for Suppliers (Parco) • Human rights assessment • Identification of human rights risks for FY2022
		Dissemination of JFR Principles of Action for Suppliers	• Assessment response rate 95%, dissemination rate 100%	• Assessment response rate 80%, dissemination rate 25%	
		Business activities in which human rights are respected	• Establishment of business activities in which human rights of suppliers and employees are respected	• Expansion of human rights due diligence initiatives • Employee human rights education rate 100%	
Society Promotion of diversity & inclusion	**Risk** • Declining competitiveness of organization, outflow of talented human resources, loss of competitiveness in attracting human resources • Decrease in employee motivation • Sluggish growth due to organizational structure remaining unchanged **Opportunity** • Improvement of productivity of organization, acquisition of talented human resources • Increase in employee engagement and organizational capability • Promotion of business strategy, enhancement of corporate value through creation of innovation	Share of women in management positions	• Aim for 50%, equal to female labor share	• 26%	• Share of women in management positions 21.3% • Employment rate of disabled people 2.66% (June 2021) • Questionnaire on unconscious bias (for employees) • Diversity training (for employees in management positions) • Creation of Same-Sex Partnership Rules, gender change support leave, and LGBT Consultation Desk • E-learning on LGBT (for employees) • Questionnaire on harassment (for employees)
		Extension of retirement	• Aim for retirement at 70	• Introduction of retirement at 65 in more operating companies	
		Employment rate of disabled people	• 3.0%	• 2.6%	
		Creation of diversity corporate culture	• Realization of business growth using diverse abilities stemming from diversity & inclusion • Provision of sales floors, products, and services tailored to diverse customers	• Employee dissemination of diversity & inclusion 100% • Provision of sales floors, products, and services tailored to diverse customers including LGBTs	
Society Realization of work-life integration		Turnover rate due to childcare and nursing care	• 0%	• Less than 1.0%	• Turnover rate due to childcare and nursing care 1.4% • Paternity leave usage rate 43.6% • Expansion of workplace options as expansion of teleworking system (Employees in JFR head office can work in places other than home.) • Expansion of side job (JFR head office, Parco) • Introduction of Internal Collaboration (20% Rule) system (Parco) • Formulation of J. Front Retailing Health Declaration
		Paternity leave usage rate	• 100% regardless of gender	• 100%	
		Work style	• Increasing productivity by the organization that allows employees to work anytime, anywhere	• Establishment of systems and evaluation to create an organization that allows employees to work anytime, anywhere	
		Employee satisfaction	• 80%	• 60%	
Society Realization of customers' healthy/safe/secure life	**Risk** • Defection of customers due to failure to meet consumer needs • Loss of sales opportunities such as suspended store operations due to frequent natural disasters and epidemics **Opportunity** • New market creation • Development of products and services that meet changes in consumer values • Acquisition of ethical consumption-conscious customers	Ethical consumption	• Expansion of ethical consumption in overall lifestyle	• Starting to strengthen offering of products certified concerning food safety and environment protection	• Sale of certified products • Invitation of shops that deal in wellness and ethical products • Ethical events • Opening of healthcare wellness mall Welpa (Shinsaibashi PARCO) • Opening of showrooming space "asumise" (Daimaru Tokyo store) • Virtualization of events and gift centers • Formulation of JFR New Infectious Disease Response Manual
		Mental and physical health	• Provision of excitement to daily life and creating new customer experience by expanding entertainment and wellness businesses	• Expansion of the field of entertainment business including traditional culture, art, and culture • Launch of wellness business	
		Rate of customer awareness and empathy of sustainability activities	• 80%	• 30%	
		BCP, disaster prevention, epidemic prevention	• Creation of highly resilient stores by adopting the latest technologies to prevent disasters and epidemics and provision of comfortable space with consideration for health	• Sophistication of BCP and strengthening of epidemic prevention measures • Strengthening of contactless customer touch points through communication using digital technologies	
Society Coexistence with local communities	**Risk** • Decline in conventional urban commercial facilities' ability to attract customers **Opportunity** • Business in response to urban decentralization	Community development	• Making the area more attractive leveraging local uniqueness including culture and history, developing in a way that contributes to drawing crowds to the area • Shift to CSV in stores (making stores sustainable) throughout the Group		• Initiative for coexistence with local communities Think LOCAL (Daimaru Matsuzakaya Department Stores), crowdfunding BOOSTER (Parco) • Industry-academia partnership agreements to revitalize local communities • Opening of city library (Daimaru Suma store)
		Collaboration with local communities	• Promotion of local revitalization in collaboration with governments, educational institutions, NGOs, and NPOs • Promotion of local revitalization by finding and providing locality content such as local production for local consumption (*chisan-chisho*)		

Environmental Initiatives

Recently escalating global warming causes large-scale climate change and human beings including ourselves in the current generation as well as the future generation are put at risk. In this situation, the Group recognizes that the risks and opportunities associated with climate change will exert a huge influence on its business strategy. With the "realization of decarbonized society" and the "promotion of circular economy" identified as our materialities, we strive to reduce environmental risk and capture new business opportunities.

Transition to net zero*1 by fiscal 2050

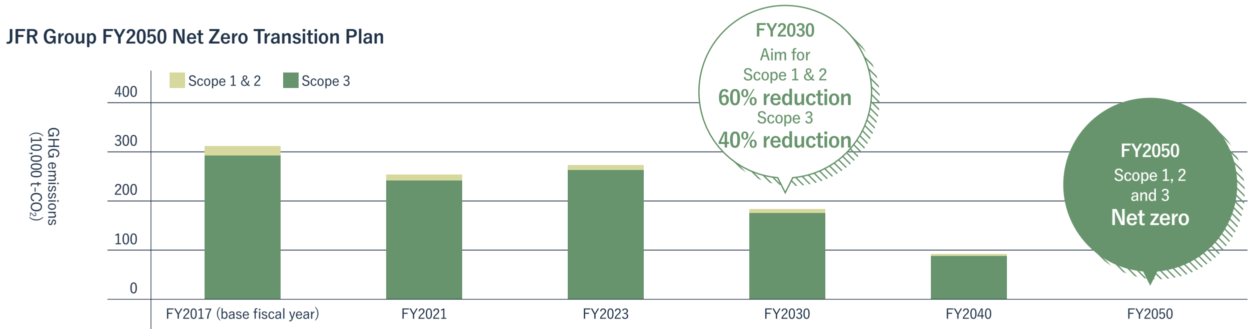
The Intergovernmental Panel on Climate Change (IPCC) provided a scientific indicator in its "1.5°C special report" in 2018, which stated that it is necessary to reach net zero emissions by around 2050 in order to achieve the 1.5° C target. Meanwhile, in 2021 the Science Based Targets initiative (SBTi)*2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

In 2021, the Group lifted its target for reducing Scope 1 and 2 GHG emissions from the previous 40% reduction to a 60% reduction (compared with the SBT base year, fiscal 2017) and it was approved again as the "1.5°C target" that is the new standard set by the SBTi.

Furthermore, based on the Corporate Net-Zero Standard set by the SBTi, we formulated the JFR Group FY2050 Net Zero Transition Plan to achieve FY2050 Net Zero within the range of Scope 1, 2, and 3 GHG emissions. From short-, medium- and long-term perspectives, in our business strategy, we will formulate appropriate strategies to avoid negative risks, while for positive opportunities, we will aim to capture new growth opportunities by responding proactively to market changes and other means.

*1 Deducting the amount of carbon absorbed by tree planting and forest management, etc., and the amount removed by GHG recovery and sequestration under ground from GHG emissions so that the total is virtually zero.
*2 Global initiative established for the purpose of promoting the achievement of science-based GHG emissions reduction targets to limit the temperature increase to below 2˚C compared to pre-industrial levels.

JFR Group FY2050 Net Zero Transition Plan



Phase	Results (FY2017 to FY2020)		Short term (to FY2023)	Medium term (to FY2030)	Long term (to FY2050)
Results forecasts and reduction targets for GHG emissions (compared to FY2017)	Scope 1 & 2 FY2017 194,154 t-CO_2	Scope 1 & 2 FY2021 36.7% reduction	Scope 1 & 2 FY2030 60% reduction		Scope 1 & 2 FY2050 Net zero
	Scope 3 FY2017 2,927,320 t-CO_2	Scope 3 FY2021 17.3% reduction	Scope 3 FY2030 Aim for 40% reduction		Scope 3 FY2050 Net zero

Priority measures

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

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

Scope 3 reduction through cooperation with our suppliers and by promoting a circular economy
- Scope 3 (Categories 1, 4, 5 and 9) reduction through the advancement of the existing 3 Rs in cooperation with our suppliers and customers
- Scope 3 (Category 1) reduction through cooperation with our suppliers
- Scope 3 (Category 5) reduction by reducing amount of waste disposal of and improving recycling rate

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

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

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

Reduction in Scope 1 and 2 emissions by use of renewable energy

The Group is working to switch to renewable energy and LED lighting and electrify corporate fleet in stores and head offices to reduce Scope 1 and 2 emissions. Particularly, we believe a switch to renewable energy in stores will result in not only emission reduction but also the improvement of the store's environmental value, which will attract environment-conscious customers and suppliers.

Thanks to our effort to switch to renewable energy, renewable energy rate is 20.3% at the end of February 2022. Going forward, we will consider energy creation measures such as the onsite consumption of renewable energy and strive to strengthen resilience by diversifying energy sources.

FY2021 the Group Scope 1 and 2 emissions targets and results

		FY2021	vs. FY2020	vs. FY2017 (vs. SBT base year)
		Emissions (t-CO_2)	Change (%)	Change (%)
Target	Total Scope 1 and 2	126,822	−4.0	−34.7
Results	Total Scope 1 and 2	122,812*	−7.0	−36.7

*Received third-party assurance from LRQA Limited

Reduction in Scope 3 emissions in collaboration with suppliers

The Group's Scope 3 emissions represent approximately 95% of the emissions from the entire supply chain. Given the characteristics of the Group with retail at its core, we think it is important to work to reduce Scope 3 emissions not by the Group alone but in collaboration with our suppliers.

Daimaru Matsuzakaya Department Stores that emits approximately 86% of the Group's total Scope 3 emissions held an explanatory meeting in April 2022 (attended by 300 people from 253 companies). We showed the Group's determination by sharing Daimaru Matsuzakaya Department Stores' initiatives to realize a decarbonized society and explained that it is essential to collaborate with suppliers and that visualizing emissions in each company will be the first step.

Going forward, we will contribute to realizing a decarbonized society by the entire supply chain by considering and implementing concrete measures to reduce Scope 3 emissions in collaboration with suppliers to achieve net zero by fiscal 2050.

FY2021 the Group Scope 3 emissions results

		FY2021	vs. FY2020	vs. FY2017 (vs. SBT base year)
		Emissions (t-CO_2)	Change (%)	Change (%)
Results	Total Scope 3	2,420,492*	+19.1	−17.3

*Received third-party assurance from LRQA Limited

Resources recycling and the development of circular business models

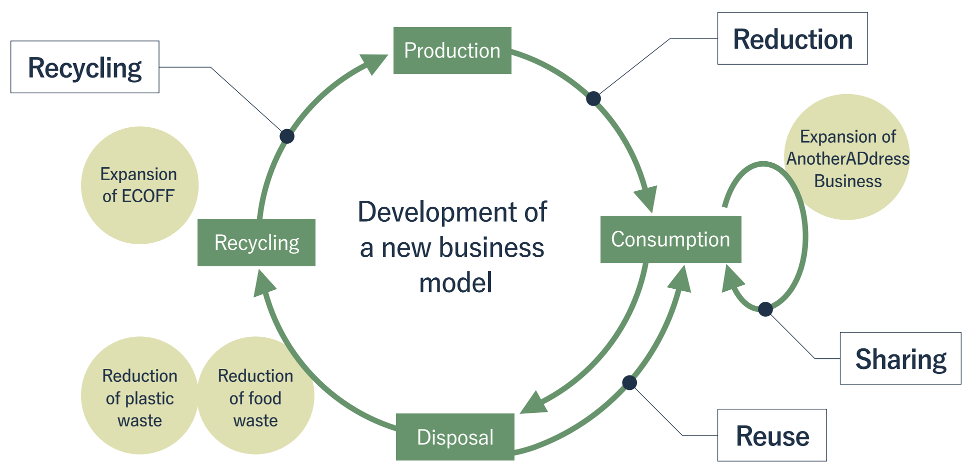
In the current situation in which the mass production and mass disposal of products pose a serious social problem, there is an increasing importance of a circular economy, which maximizes the efficiency of use of natural resources and products and minimizes waste generation and the Group is evolving its initiatives.

Daimaru Matsuzakaya Department Stores has implemented 3 Rs* such as ECOFF, an initiative of collecting disused clothing, shoes and bags from customers and recycling and reusing them as new materials or products and has gained support from stakeholders. In addition, it launched a subscription-based fashion rental service AnotherADdress in 2021 as a sustainable initiative.

Going forward, we will evolve and expand 3 Rs centering on "resources recycling initiatives" and the "development of circular business models" to reduce environmental burdens and capture new business opportunities at the same time.

*The 3 Rs stand for Reduce, Reuse and Recycle.

Diagram of the circular economy the Group aims for



Response to Climate Change and Information Disclosure in Line with TCFD Recommendations

The Group expressed support for the TCFD recommendations in fiscal 2019. We use the TCFD recommendations as guidelines for verifying the appropriateness of the Group's response to climate change. We disclose information effectively in accordance with the four recommended items of "governance," "risk management," "strategy," and "metrics and targets."

Governance over environmental issues

In order to promote sustainability management in all the Group companies in a cross-sectional manner, the Group Management Meeting, which is the highest decision-making body in business execution, discusses and decides regarding specific initiatives and measures associated with environmental issues. At a semiannual meeting of the Sustainability Committee, we share policies and other matters on our response to environmental issues discussed and decided by the Group Management Meeting, and draw up execution plans concerning the Group's environmental issues as well as monitoring progress in their implementation.

Meanwhile, the Board of Directors discusses and supervises the Group's policies on response to environmental issues, policy execution plans and the like, acting on reports over discussions and decisions at the Group Management Meeting and the Sustainability Committee.

The President and Representative Executive Officer chairs the Group Management Meeting as well as the Risk Management Committee and the Sustainability Committee, both advisory panels under his direct control. He thus bears final responsibility for management judgments associated with environmental issues. Details of matters discussed and decided by the Group Management Meeting and the Sustainability Committee are eventually reported to the Board of Directors.

Risk management

The Group, positioning risk as a starting point for strategy, defines it as "uncertainty that affects the achievement of business management goals and has both a positive side and a negative side." We believe that a company will grow in a sustainable way by properly addressing risk.

The Risk Management Committee, which is an advisory body directly under the President and Representative Executive Officer, identifies and assesses risks based on external environment analysis and narrows them down to the risks that need to be preferentially addressed. The Group shares risk recognition and reflects it in the Group's strategies.

Strategy

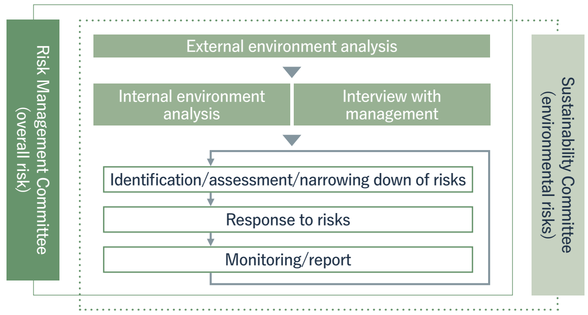
The Group considers it important to examine climate-related risks and opportunities at the appropriate milestone occasions because of their potential impact on its business activities over the long term. Accordingly, the Group has positioned the implementation term of the Medium-term Business Plan up to FY2023 as the short term, the period up to FY2030, by which we aim to achieve SBTs, as the medium term, and the period to FY2050, by which we aim to achieve SBTi net zero targets, as the long term.

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

In the scenario analysis, we referenced multiple existing scenarios announced by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), then considered two world scenarios: the below 1.5˚C/2˚C scenario that envisages the goal of the Paris Agreement to limit the increase in the global average temperature to well below 2˚C and pursue efforts to limit it to 1.5°C compared to pre-industrial levels; and the 4˚C scenario that envisages the GHG emissions on the present basis.

As for climate-related risks and opportunities, the Group formulates its strategies and responds to them by back casting them with an eye to fiscal 2050, by which we will realize net zero.

Risk management process



Existing scenarios referred to

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

Climate change risks and opportunities of particular importance to the Group and their financial impacts

↑ : The impact on the Group's business and finance is expected to be very large.
↗ : The impact on the Group's business and finance is expected to be slightly large.
→ : The impact on the Group's business and finance is expected to be negligible.

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

(Grounds for estimation of quantitative financial impacts expected in FY2030)
*1 Estimated by multiplying the Group's Scope 1 and 2 GHG emissions in FY2030 by the carbon tax price per tonne of CO_2
*2 Estimated by multiplying the Group's electricity usage in FY2030 by the additional price of renewable energy-sourced electricity per kWh compared to ordinary electricity charges
*3 Estimated by multiplying the amount of sales losses due to suspension of operations during past natural disasters by the frequency of floods
*4 Estimated by multiplying the Group's real estate revenue and profits in FY2030 by percentage changes in new actual rent of buildings with environmental certification

For the FY2050 Net Zero Transition Plan, see page 58.

Metrics and targets

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

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

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

Metrics	Target year	Details of targets
GHG emissions	2050	Net zero emissions of Scope 1, 2, and 3 emissions
	2030	60% reduction of Scope 1 and 2 emissions (vs. FY2017)*1 40% reduction of Scope 3 emissions (vs. FY2017)*1
Renewable energy rate in total electricity used in business activities	2050	Renewable energy rate in total electricity used in business activities: 100%*2
	2030	Renewable energy rate in total electricity used in business activities: 60%

*1 Approved by SBTi
*2 Joined RE100 in 2020

For Scope 1, 2, and 3 emissions results in fiscal 2021, see page 59.

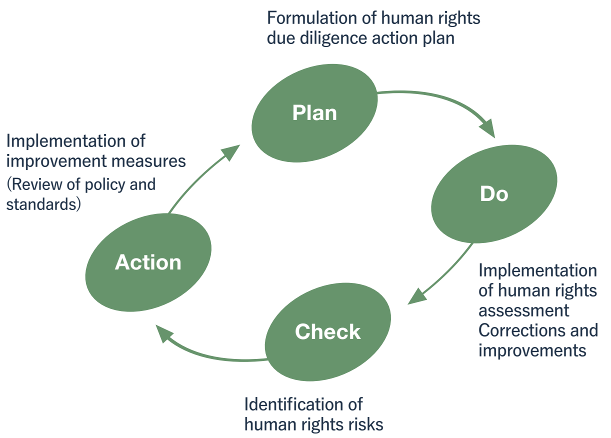
Social Initiatives

The environment around companies is changing, as seen in prolonged COVID-19 and human rights issues in supply chains. Social structure and consumption behavior have greatly changed due to its impact and it also has a great impact on corporate business activities. The Group aims to create a sustainable supply chain by sharing its views of sustainability with suppliers and fulfilling social responsibilities with suppliers. And we will work with suppliers to create a work environment in which the human rights of the people working in the supply chain will be protected and they will be able to continue to work in good health.

Human rights due diligence

There is increasing concern about human rights issues in Japan and abroad, such as forced labor and discrimination in supply chains and companies are expected to conduct business activities that respect human rights.

The Group follows the PDCA cycle of human rights due diligence in accordance with the Guiding Principles on Business and Human Rights established by the United Nations and basing all its business activities on respect for human rights. By doing so, we will realize the business activities that respect the human rights of consumers, suppliers, and employees and contribute to realizing Well-Being Life for stakeholders.



Human rights assessment

From October to December 2021, we assessed 7,415 suppliers to see the dissemination status of the JFR Principles of Action for Suppliers. As for human rights, we checked their efforts in accordance with the “human rights policy” included in the Principles of Action.

We received responses from 3,012 suppliers, and as a result, they were found to generally comply with the human rights policy and we saw no human rights risks to which we should pay close attention in this assessment.

On the other hand, as some suppliers had not yet in place human rights policies or guidelines, we will share the importance of human rights efforts through dialogue to encourage them to make improvements.

Identification of human rights efforts

In 2022, the Group identified anticipated human rights risks considering its business characteristics. And as subjects for considering their impacts on human rights, we identified “employees,” “suppliers (primary suppliers),” and “consumers (customers).”

References

- International human rights guidelines for business including the United Nations Guiding Principles on Business and Human Rights and the Japanese Government Action Plan on Business and Human Rights
- The JFR Group Risk List created by exhaustively extracting the Group’s risks
- The “results of the supplier assessment” conducted in fiscal 2021
- The “results of harassment questionnaire” given to all employees in the Group

We will focus on identified human rights risks, and at the same time, considering constantly changing environment around human rights, we will review human rights risks periodically and continuously.

Human rights risks

	FY2022
Employees	• All forms of discrimination and harassment • Excessive and unreasonable working hours • Occupational health and safety • Health deterioration caused by an increase in telework due to COVID-19 • Leakage of personal information and privacy violation
Suppliers (Primary suppliers)	• Forced labor and child labor • Restrictions on freedom of association and collective bargaining • Lack or non-payment of wages • Excessive and unreasonable working hours • All forms of discrimination and harassment • Rights of foreign labor • Occupational health and safety • Unfair dismissal of non-regular workers caused by a decrease in demand due to COVID-19 • Indirect involvement in human rights risks in supply chains due to geopolitical disputes, etc.
Consumers (Customers)	• Lack of safety in products and services due to insufficient quality checks and illegal inspections • Accidents caused by improper use of products • Health damages caused by alcohol, processed food, etc. • Personal information leakage and privacy violation

Prevention and remedy of human rights risks

In order to prevent and remedy human rights risks, for employees, the Group disseminates the Principles of Action and provides human rights education. For suppliers, we disseminate the Principles of Action for Suppliers and engage in dialogue continuously for improvement. For consumers (customers), we have customer consultation desks and Consumer Product End-Use Research Institute, which conducts tests and provides consulting services concerning product quality. We will also strive to provide accurate and easy-to-understand information.

Initiatives for employees to respect their human rights

In 2020, the Group adopted a Declaration on the Elimination of Harassment to eliminate and prevent harassment, which it considers as one of human rights risks. The Harassment Prevention Committee and the Harassment Consultation Desk are in place to take prompt action at the time of occurrence and prevent a recurrence. In addition, we have a whistleblowing system* that enables all officers and employees of the Group and all people working in the Group (including part-time workers and temporary staff from suppliers) to directly notify the Compliance Committee of any compliance-related problems and ask for correction.

*The number of reports to the JFR Group Compliance Hotline in fiscal 2021: 46

Assessment concerning the JFR Principles of Action for Suppliers

From October to December 2021, we assessed the suppliers who have supported the JFR Principles of Action for Suppliers for the first time to see the status of understanding of and compliance with the Principles of Action.

<**Overview**>

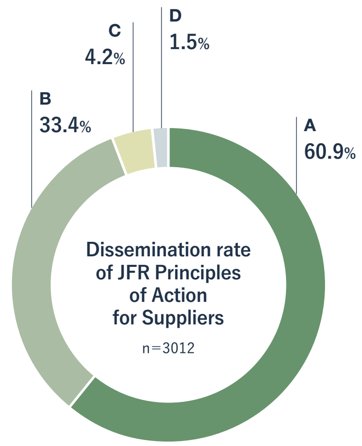
Companies that conducted the assessment:
Head office of J. Front Retailing, Daimaru Matsuzakaya Department Stores, 7 associated companies
Scope:
7,415 suppliers (primary suppliers) with whom the JFR Principles of Action for Suppliers are shared
Assessment criteria

- Suppliers who answered “Yes” to 80% or more of total questions (16 or more out of 19 questions) are deemed to comply with the Principles of Action.
- Suppliers who answered “Yes” to less than 30% of total questions (5 questions or less) are candidates for dialogue, which is the next step.

<**Assessment results**>

The response rate was 40.6% with 3,012 companies responding. Approximately 60% of the suppliers answered “yes” to 80% or more of total questions, which is a measure of the degree to which the Principles of Action have permeated, and we deem that the Principles of Action are being disseminated.

And the percentage of the suppliers with whom we would engage in dialogue was only 1.5%.



No. of questions answered “Yes” out of 19 questions	No. of suppliers who answered
A: 16 or more (80% or more)	1,833
B: 10 or more	1,008
C: 6 or more	126
D: Less than 6	45

<**Action after assessment**>

When some problems are found in disseminating the Principles of Action, the Group provides a venue for dialogue with relevant suppliers as necessary. We will share the results of assessment with suppliers and make them understand our view of supply chain management and the importance of complying with the Principles of Action through dialogue while grasping the situation of suppliers and encouraging them to make improvements.

Going forward, the Group will strive to make suppliers understand and support the importance of complying with the Principles of Action and respecting human rights. We will work to further disseminate the Principles of Action by holding explanatory meetings for suppliers and other means to create a sustainable supply chain.

To Realize Well-Being Life for Customers

The Group thinks of Well-Being Life as both mentally and physically, socially and environmentally fulfilling life as well as material and economic wealth. We are working with suppliers to create new customer experience and bustling communities centering on our stores using our commercial production capability and real estate assets to realize Well-Being Life for customers.

Provision of excitement to daily life and creation of customer experience

The Entertainment Department of Parco is working with partners including suppliers that have excellent content and unique creators to provide excitement to customers' daily lives and exciting new customer experience through attractive art, culture, and entertainment.

For the Entertainment Department of Parco, see page 50.

Collaboration with local communities and creation of bustling communities

The Group is working with local communities and partners to create new collaboration with local communities and draw crowds to them through the development of local areas centering on its stores and their revitalization by *chisan-chisho* to realize Well-Being Life for stakeholders.

We are also working with local business operators to revitalize local communities by merging with online centering on the areas in which our stores are located.

For community development, see page 52.

Creation of store environment that is strong in disaster and epidemic prevention and reassures customers

The Group is working in an organized way to thoroughly prevent infection by verifying the measures we have taken so far and compiling the JFR New Infectious Disease Response Manual. The stores of Daimaru Matsuzakaya Department Stores and Parco periodically provide disaster training and BCP training and take safety and security measures, such as creating an environment that does not have the three Cs and strengthening air conditioning in buildings, to prevent the COVID-19 infection.

Daimaru Matsuzakaya Department Stores

Project for coexistence with local communities Think LOCAL

Think LOCAL is a project to consider local problems and support the area. The company operates the Best of Japan Delivered to Your Door from Local Food Mart, which sold recommended delicacies online mainly from the areas in which its stores are located. While the company strengthens online sales, each of its stores strives to coexist with a local community.

Hakata Daimaru

Kyushu Tankentai

Under the Kyushu Tankentai (literally Kyushu expedition team) project, the department store employees visit cities in Kyushu and cooperate with the government in collecting information on, finding, and offering a broad introduction of excellent food, crafts, culture-based experience, which are not yet widely known, to promote *chisan-chisho* and revitalize Kyushu as a whole. The Kyushu Tankentai visited 89 cities by June 2022 and was certified as an information communication ambassador by each city.

Parco

Crowdfunding BOOSTER

Parco is evolving its initiatives for local revitalization using crowdfunding BOOSTER, which is jointly operated by Parco and Campfire, Inc. The Shizuoka MIRUI Project that helps businesses in Shizuoka try something new and solve problems was launched through collaboration between Shizuoka PARCO, the Matsuzakaya Shizuoka store, Shizuoka Shimbun, and Shizuoka Broadcasting System. And in 2021, the Mikke! KYOTO project that helps sell new products and communicate the appeal of Kyoto by displaying them in the store was launched through collaboration between the Daimaru Kyoto store and The Kyoto Shinkin Bank.

Daimaru Suma store

Public library Kobe City Myodani Library


photo/Takeshi asano

The Daimaru Suma store invited Kobe City Myodani Library in March 2021 when the store was renewed. It is the first public library in a department store in Japan. A lot of wood from Rokkosan is used for benches in the library. We created a relaxation space in which local people get together while enjoying shopping in the department store.

Acquisition of third-party assurance

The fiscal 2021 data shown on the right have received independent third-party assurance from LRQA Limited to ensure reliability.

Environment	Energy usage	428,049 MWh	Waste disposal volume	26,637 t
	Renewable energy usage	62,156 MWh	Waste recycling volume	12,845 t
	Scope 1 emissions	14,004 t-CO_2	Waste generation volume	13,792 t
	Scope 2 emissions	108,808 t-CO_2	Food waste disposal volume	4,211 t
	Scope 3 emissions	2,420,492 t-CO_2	Food waste recycling volume	1,678 t
	Water usage	2,449,396 m^3	Food waste generation volume	2,533 t
Society	Share of women in management positions	21.3%	Share of women returning to work after taking childcare leave	95.3%
	Employment rate of disabled people	2.66%	Paternity leave usage rate	43.6%
	No. of employees taking childcare leave	88 people	No. of occupational fatalities	0 people

Sustainability bond (9th unsecured bond) reporting

The Company issued sustainability bonds of ¥15.0 billion to contribute to resolving both environmental and social issues through business activities.

Project category	Output	Outcome	Impact	Use and amount of funds
Realization of decarbonized society				
Green building	● Overview of eligible projects Construction of the main building of Daimaru Shinsaibashi store (FY2019) ● Construction of Shibuya PARCO (FY2019)	● Status of building certification/confirmation (timing / certification level) Main building of Daimaru Shinsaibashi store: Osaka City building environmental plan system, ranked A (FY2019) Shibuya PARCO: Tokyo building environmental plan system, graded 3rd (2021)	Leading a decarbonized society and creating a global environment for future generations	Amount already allocated ¥6,000 million
Renewable energy	● Purchased renewable energy-sourced electricity: 62,156 MWh	● Share of renewable energy-sourced electricity in total electricity consumption: 20.3% (up 10.3% YoY)		Amount already allocated ¥300 million Amount allocated in FY2021 ¥1,053 million
Green procurement	● No. of leased EVs: 13 in FY2021 (145 in total, 39% in total)	● Reduction in CO_2 emissions by electrifying corporate fleet: Approximately 393 t-CO_2 a year (Calculated by comparing with the emissions of the same type of gasoline vehicles)		Amount already allocated ¥90 million Amount allocated in FY2021 ¥80 million
Energy efficiency	● No. of LEDs installed for replacement: Approximately 1,600 in FY2021 (224,600 in total)	● Reduction in CO_2 emissions by switching to LED lighting: Approximately 11,230 t-CO_2 a year		Amount already allocated ¥590 million Amount allocated in FY2021 ¥249 million
Coexistence with local communities				
Socioeconomic improvement and empowerment (Community)	● No. of tenants operating around Daimaru Kobe store in the Former Foreign Settlement in Kobe: 54	● Initiatives to revitalize communities ・Local revitalization project by producers in Hyogo, H LABO ・Sale of local Banshu textile masks ・Kobe Market to introduce and sell attractive products in local areas such as Hyogo and Kobe ● Customer traffic to Daimaru Kobe store: 7,636,000 people	Together with local people, creating prosperous future-oriented communities in which people gather, centering on our stores	Amount already allocated ¥2,000 million Amount allocated in FY2021 ¥1,137 million
Promotion of diversity & inclusion				
Socioeconomic improvement and empowerment (Women/disabled people)	● No. of times of holding JFR Women's School (Not held due to COVID-19 in FY2021) ● Cost for Mother Recruitment ¥2,894,000 in FY2021	● Status of appointment of women to management positions (consolidated) Share of women in management positions in FY2021: 21.3% ● No. of the participants of JFR Women's School (annual) (Not held due to COVID-19 in FY2021) ● No. of people employed through Mother Recruitment (annual): 1 in FY2021	Realizing a highly diverse society in which everyone recognizes each other's diversity and flexibly demonstrates his/her individuality	Amount already allocated ¥20 million Amount allocated in FY2021 ¥3 million

<Status of asset allocation> Amount of issue: ¥15,000 million; amount already allocated: ¥9,000 million; amount allocated in FY2021: ¥2,522 million; total amount allocated: ¥11,522 million; amount not yet allocated: ¥3,478 million

External recognition

Selected as the constituent of MSCI Japan Empowering Women Index (WIN)* for five consecutive years 2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)	Selected as the constituent of FTSE Blossom Japan Sector Relative Index	Included in A List in 2021 CDP climate change survey for the second consecutive year	Selected as the constituent of SNAM Sustainability Index
Selected as FY2021 Nadeshiko Brand	Recognized as White 500 in Large Enterprise Category under 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program	Received "gold" rating in PRIDE Index 2021	Awarded IR Grand Prix 2021

*The inclusion of J. Front Retailing Co., Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks or Index names herein do not constitute a sponsorship, endorsement, or promotion of J. Front Retailing Co., Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Corporate Governance

J. Front Retailing, which is a holding company, ensures the transparency, soundness, and legal compliance of the management of the entire Group, acting as the central focus of governance for the Group, to realize the Group Mission Statement. We strive to build trusting relationships with stakeholders (customers, shareholders, business partners, employees, and local communities) by means including strengthening of information disclosure. And indicating the overall direction that the Group management is to take and building and developing internal control systems, and strengthening corporate governance by overseeing the operational status of such systems are placed at the top of the management agenda.

We have adopted a "Company with Three Committees (Nomination, Audit and Remuneration Committees)" system to further strengthen corporate governance by:

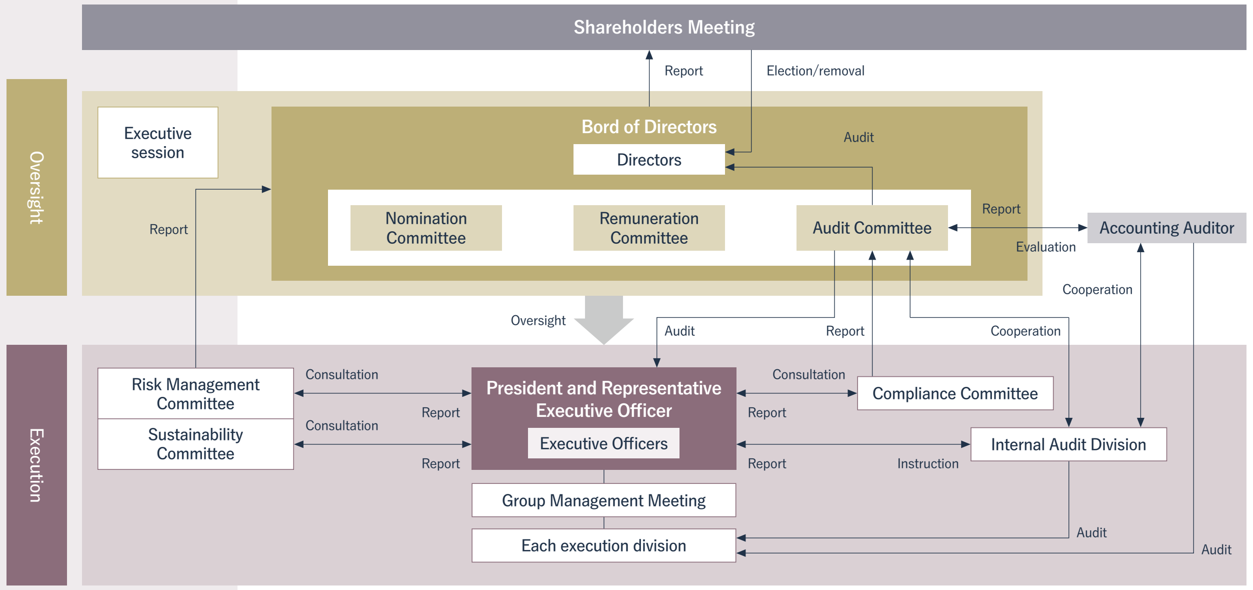
(i) Strengthening the management oversight function by separating oversight from execution;
(ii) Clarifying authorities and responsibilities in business execution and promoting flexible management;
(iii) Improving the transparency and objectivity of management; and
(iv) Building a globally applicable governance system.

With the aim of further strengthening the oversight function by separating it from business execution, we amended the Articles of Incorporation to reduce the number of Directors from "15 or fewer" to "11 or fewer" to optimize the number of Directors at the Annual Shareholders Meeting held in May 2022.

Overview of corporate governance system

We are a holding company, and in order to speed up management decisions and clarify management responsibilities, the authority for execution of business operations of operating subsidiaries is delegated to respective operating subsidiaries except for matters that affect the Group's management.

Corporate governance system diagram



Our roles and responsibilities as a holding company are as follows:

- To plan, formulate, and penetrate the Group Vision, the Group Medium-term Business Plan, and the Group Management Policy for the fiscal year and to track the progress and results thereof;
- To set the business domains of the Group;
- Business portfolio management (optimal allocation of management resources);
- To generate synergies between businesses;
- To establish the Group-wide risk management system;
- Organization design and operation of the entire Group;
- Human resource management of the entire Group;
- Management of shareholders;
- To establish corporate governance practices for the entire Group;
- To makes decisions on important matters of business execution relating to the management of the Group; and
- To provide advice and approval for management policy and management strategy of respective operating subsidiaries and to oversee and evaluate the progress thereof.

We have also established six supervisory units (the Management Strategy Unit, the Group Digital Strategy Unit, the Group System Unit, the Financial Strategy Unit, the Human Resources Strategy Unit, and the Administration Unit) as our management organizations. We clarify the roles, responsibilities, and authorities of each unit to strengthen supervisory functions and enhance the internal control system of the Group as a whole.

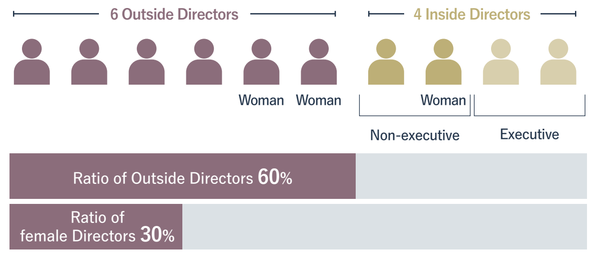
Board of Directors

(1) Roles and responsibilities of the Board of Directors

Directors are appointed and entrusted by our shareholders to manage the Company and therefore owe fiduciary responsibility and accountability to the shareholders. Keeping this in mind and aiming to realize the Group Vision, the Board of Directors performs the following roles and responsibilities:

- To indicate the overall direction that the 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;
- To appropriately make decisions in terms of overall policy and plans pertaining to the Group management based on the direction noted above and to oversee the progress and results of the plans;
- To develop an environment conducive to encouraging offense-oriented management geared to achieving discontinuous growth;
- To take steps to build and develop internal control systems of the Group overall and to oversee the operational status of such systems;
- To oversee conflicts of interest between related parties; and
- Based on summary reports furnished by the Nomination Committee, to oversee the progress of the President and Representative Executive Officer succession planning, personnel assignment plans pertaining to managerial talent, and Executive Officer training, about which the Nomination Committee was consulted.

(2) Composition of the Board of Directors



In selecting candidates for Director, the Board of Directors shall consist of personnel with experience and knowledge necessary to appropriately oversee the promotion of sustainability management (execution of business strategies aimed at resolving the seven materialities) in order for the Board of Directors to effectively fulfill its roles and responsibilities. In selecting candidates for Outside Director, the Company selects persons who maintain a high degree of independence in light of the independence criteria established by the Company, and from the point of view of Board diversity, who have experience as managers not only in the retail industry that is the core business of the Group but in non-retail industries, or who have expertise in legal

History of the Company's corporate governance

and other fields, a marketing perspective, and extensive experience related to finance and accounting. With regard to candidates for non-executive Inside Director, the Company selects persons who have wide-ranging practical experience within the Group and knowledge in fields such as oversight. As for a candidate for Director who concurrently serves as Executive Officer, the Company has selected a person responsible for its financial division whose high level of knowledge will facilitate the execution of the strategic finance policies demanded by shareholders and investors, as well as by the President and Representative Executive Officer.

(3) Major matters discussed at the Board meetings and efforts to solve issues

In fiscal 2021, in consideration of the status of COVID-19 and the first year of FY2021 to FY2023 Medium-term Business Plan, the Board of Directors placed the following items on the agenda and discussed them.

We worked to solve issues by managing progress using the issue tracking sheets of the Board of Directors and the Audit Committee and holding meetings with the Chairperson of Board of Directors and the chairpersons of three statutory committees.

Skill matrix (Skills expected of Directors)

Name	Management strategies	Finance	Marketing	Human resource & organization development	Legal affairs & compliance	IT & digital	E: Environment	S: Society	G: Governance
YAMAMOTO Ryoichi	○		○				○		○
HAMADA Kazuko				○				○	○
YAGO Natsunosuke	○						○		○
HAKODA Junya	○	○							○
UCHIDA Akira	○	○							○
SATO Rieko					○	○		○	○
SEKI Tadayuki		○			○			○	
KOIDE Hiroko	○		○	○					
YOSHIMOTO Tatsuya	○		○				○		○
WAKABAYASHI Hayato	○	○		○					

Management strategies	The Company appoints Directors who have management experience as well as knowledge and experience related to management strategies, such as making strategy proposals that lead to the increase of corporate value and formulating methods to identify issues for the formulation of the Medium-term Business Plan.
Finance	The Company appoints Directors who have extensive knowledge and experience related to finance and accounting and knowledge and experience in the field of finance, such as increasing corporate value through the establishment of a strong financial base and making capital cost-conscious finance strategy proposals.
Marketing	The Company appoints Directors who have a wealth of knowledge and experience in activities that bring about customer satisfaction and continual improvement in corporate value through discovering customer problems, creating products and services to solve those problems, communicating information, and offering added value.
Human resource & organization development	The Company appoints Directors who have knowledge and experience that lead to improvement of corporate value over the medium to long term through bringing out the maximum value of human resources and organization development, including the promotion of diversity.
Legal affairs & compliance	Recognizing that legal and appropriate execution of corporate management is the basis for sustainable improvement of corporate value, the Company appoints Directors who have high-level and expert knowledge in corporate legal affairs and knowledge and experience in promoting compliance management.
IT & digital	The Company appoints Directors capable of grasping the latest trends in IT and providing, from the customer perspective, supervision of ICT application assistance and new business development for the purpose of realizing the promotion of the digital transformation of existing businesses.
E: Environment	The Company appoints Directors capable of providing appropriate supervision of specific action plans, regular reviews and the status of initiatives for continual improvement regarding environmental plans including the setting of medium- to long-term targets for solving environmental problems through business activities.
S: Society	The Company appoints Directors capable of providing appropriate supervision of initiatives for coexistence with local communities and initiatives concerning respect for human rights and consideration for working environments in business activities.
G: Governance	Recognizing the establishment of appropriate governance systems is the basis for sustainable improvement of corporate value, the Company appoints Directors who have knowledge and experience in corporate governance aimed at improving the effectiveness of the supervisory function of the Board of Directors.

Activities of Outside Directors

Name	Advice, statements, etc. at the Board of Directors and others
YAGO Natsunosuke	He has contributed to improving the effectiveness of the Board of Directors by providing advice and oversight on the overall management strategy of the holding company, including the importance of the will and leadership of the Group's top management, what the Developer Business should aspire to be, and drastic measures such as restructuring leading to a review of its business foundation. He chairs the Nomination Committee and serves on the Remuneration Committee.
HAKODA Junya	He has contributed to improving the effectiveness of the Board of Directors by providing advice and oversight on the importance of indicators, such as ROIC as the goal of the Medium-term Business Plan and cash flows at the time of business infrastructure review and segment review, and the creation of a road map for monitoring digital strategies from a comprehensive perspective. He chairs the Audit Committee.
UCHIDA Akira	He has contributed to improving the effectiveness of the Board of Directors by providing advice and oversight on appropriately conveying information to stakeholders, strengthening collaboration as a holding company in the Group, the need for new businesses when reviewing business portfolios, etc. He chairs the Remuneration Committee and serves on the Nomination Committee.
SATO Rieko	She has contributed to improving the effectiveness of the Board of Directors by providing advice and oversight from legal perspectives on strengthening measures as a holding company in the Medium-term Business Plan, the need for measures to increase the speed of digital strategies, formulating concrete proposals in line with the Group Management Policy for the fiscal year, and on other proposed agenda items. She serves on the Audit Committee.
SEKI Tadayuki	He has contributed to improving the effectiveness of the Board of Directors by providing advice and oversight on the importance of capital cost-conscious finance strategies, the need for an adequate variation in business portfolio in M&A, etc. He serves on the Audit Committee.
KOIDE Hiroko	She has contributed to improving the effectiveness of the Board of Directors by providing advice and oversight on making measures more concrete for the Medium-term Business Plan, etc. as a holding company, the importance of a marketing-oriented way of thinking, such as identifying targets and needs, analyzing the factors and providing measures in cases when there are gaps between the targets and the actual results, etc. She serves on the Nomination Committee and the Remuneration Committee.

Major agenda items

- Actions to take considering the status of COVID-19
- Important managerial risks
- Review of strategies for the promotion of the Medium-term Business Plan
- Payment and Finance Business in the Medium-term Business Plan
- Progress of initiatives for three strategies in the Medium-term Business Plan (Developer, Prime Life, and Real×Digital)
- ESG initiatives in the Medium-term Business Plan
- The Group Management Policy for FY2022
- Amendment of the Corporate Governance Guidelines
- Revision of the Corporate Governance Report
- Results of evaluation of the effectiveness of the Board of Directors
- Amendment of the Basic Policy to Build Internal Control System
- Validation of rationale for cross-shareholdings
- Matters related to financial results
- Sale of shares of Dimples' Co., Ltd.

Nomination Committee, Audit Committee, and Remuneration Committee

Nomination Committee

Committee Chair
Outside Director
Inside Director

The Nomination Committee determines the content of proposals on the nomination and dismissal of Directors submitted to shareholders meetings and reports to the Board of Directors regarding the nomination and dismissal of Executive Officers, as well as the chairpersons and members of three statutory committees, and other matters in response to a consultation by the Board of Directors.

Major agenda items

- Confirmation of the skill matrix
- Election of 12 candidates for Director of the Company
- Nomination of candidates for Executive Officer and Representative Executive Officer and appointment of Advisors to be proposed to the Board of Directors
- Nomination of candidates for the Chairperson of Board of Directors and the chairperson and members of each committee to be proposed to the Board of Directors
- Executive appointment for Daimaru Matsuzakaya Department Stores Co. Ltd. and Parco Co., Ltd. and their subsidiaries
- Management structure of each company in the Group
- Formulation of the succession plan for President
- Criteria for reappointment of Executive Officers
- Reappointment of the President and Representative Executive Officer and Executive Officers
- Actions taken for issues in evaluation of the effectiveness of the Board of Directors
- How the Nomination Committee of J. Front Retailing Co., Ltd. should be involved in appointment of the presidents of major operating companies

Audit Committee

Committee Chair
Outside Director
Inside Director

The Audit Committee effectively audits whether Executive Officers and Directors execute their duties efficiently in compliance with the laws and the Articles of Incorporation and in accordance with the Basic Mission Statement of the Company and the Group Vision and makes necessary advice and recommendations. It also conducts audits on the construction and operation of internal control and prepares audit reports. To ensure the reliability of accounting information, the Audit Committee also oversees the Accounting Auditor and determines the content of proposals on the nomination and dismissal of such Auditor to be submitted for discussion at shareholders meetings.

Major agenda items

- Report of Internal Audit Division on audit plan
- Report on the structure of audit & supervisory board members of the Group companies
- Report on the operation of the Basic Policy to Build Internal Control System and the results of evaluation of internal control over financial reporting
- Report of Accounting Auditor on audit results, audit report
- Reappointment of Accounting Auditor
- Audit report of audit & supervisory board members of the Group companies, audit findings of the Audit Committee
- Report on management letters of Accounting Auditor
- Audit policy and audit plan of the Audit Committee, appointment of Audit Committee members appointed by the Audit Committee and specified Audit Committee members
- Report of Accounting Auditor on audit plan, approval for Accounting Auditor's remuneration
- Report on Accounting Auditor's review
- Audit report of Internal Audit Division
- Report of the Compliance Committee, report of the Risk Management Committee
- Criteria for evaluating Accounting Auditor
- Operation of the organizational audit system

Remuneration Committee

Committee Chair
Outside Director
Inside Director

The Remuneration Committee determines the policy on deciding details of the remuneration of individual Directors and Executive Officers of the Company and officers of the Group's major operating subsidiaries (directors, executive officers, and audit & supervisory board members) and details of the remuneration of individual Directors and Executive Officers of the Company.

Major agenda items

- Results of the performance assessment sheet, total amount of officer bonuses, amount of individual officer bonuses, individual remuneration amount
- Review of the Officer Remuneration Policy, revisions of the officer remuneration system
- The performance-linked coefficient and the number of points provided for a stock-based remuneration system for officers (short-term performance share)
- Revision of the Officer Remuneration Policy and establishment of the officer remuneration rules
- Review of the rules of the Remuneration Committee
- Review of the trust agreement for trust-type stock-based remuneration (overview), review of the share granting rules related to the stock-based remuneration system (overview)
- Disclosure documents on the introduction of a new stock-based remuneration system, disclosure documents on disposal of treasury shares by means of third-party allotment in connection with the introduction of a new stock-based remuneration system
- Grading results of mission grades and verification of the process
- Verification of the level and composition of officer remuneration using external data
- Revisions of the officer remuneration system of the Group's major subsidiaries
- Mission grades and individual remuneration amount

FY2021 (March 2021 to February 2022)

	Board of Directors	Nomination Committee	Audit Committee	Remuneration Committee
Number of meetings	15	16	20	11
Attendance	100%	100%	100%	100%
Average duration per meeting	2 hours 24 minutes	1 hour 10 minutes	1 hour 25 minutes	39 minutes

Executive session

Executive sessions are exclusive meetings of independent Outside Directors for free exchange of opinions and sharing of information. Participants debate on matters that require the attention of supervisors, such as issues in the Board meeting or problems to be addressed in order to improve the effectiveness of the Board of Directors (Lead director is Ms. SATO Rieko, an independent Outside Director). At the request of the lead director, the President and Representative Executive Officer and the Chairperson of Board of Directors also participate in discussions.

Succession planning

[Selection of the President and Representative Executive Officer]
Selection of the President and Representative Executive Officer is a critical aspect of strategic decision-making, and accordingly the Company regards drawing up and implementation of succession plans as matters of particular importance in terms of management strategy.

The Company ensures clarity, transparency, and objectivity in the process of selecting successor candidates through repeated deliberations conducted by the Nomination Committee, which consists of three independent Outside Directors and the Chairperson of Board of Directors, who is a non-executive Director elected from inside the Company.

The Board of Directors focuses on realizing the Basic Mission Statement and the Group Vision, selects the President and Representative Executive Officer, and plays a supervisory role based on proposals received from the Nomination Committee.

[Dismissal of the President and Representative Executive Officer]
A proposal for dismissal of the President and Representative Executive Officer is discussed and determined by the Board of Directors after being discussed and resolved by the Nomination Committee based on the goals set, expected and actual results (e.g. annual performance and strategy execution status), and the status of performance of duties achieved by successor candidates who are selected under the succession plan resolved by the Nomination Committee.

[Qualities required of successors]
For the President and Representative Executive Officer of the Group and people who assume the management of the Group, the Company clearly defines the necessary values, capabilities, and behavioral traits in the form of qualities required of a corporate officer under the "Desirable qualities required of JFR Group managerial talent" and the "Discernible capabilities required of JFR President and Representative Executive Officer" in accordance with the Basic Mission Statement and the Group Vision.

Desirable qualities required of JFR Group managerial talent	
Strategic mindset	Reform-oriented leadership
Tenacity to achieve results	Organization development strengths
Human resource development strengths	

Discernible capabilities required of JFR President and Representative Executive Officer	
Capacity to conceive a business vision	Capacity to communicate a vision
Persistence and capacity to achieve results	Moral character and charisma

The Nomination Committee will have discussions on succession planning in a planned and consistent manner in view of changes in environments and situations surrounding the Company, the progress of strategies formulated, etc. Election and dismissal of Executive Officers are deliberated by the Nomination Committee and its proposals are deliberated and determined by the Board of Directors, as in the case of the President and Representative Officer.

Evaluation of the effectiveness of the Board of Directors

The Company's evaluation of the effectiveness of the Board of Directors by a third-party organization has been conducted annually since 2015.

In the seventh evaluation of the effectiveness of the Board of Directors, conducted between June and October 2021, it was reported that the function of the Board of Directors has been strengthened since 2015 through the efforts such as the organizational structure change, an increase in the ratio of Outside Directors, reinforcement of agenda setting, and enforcement of deliberations and that many of the issues for fiscal 2020 were improved. On the other hand, it was evaluated that, of the issues for fiscal 2020, "redefining the roles of the Board of Directors" still remains unsolved. At the same time, issues were recognized and the actions to be taken were confirmed as shown on page 70.

FY2020

Issue
- Redefining the roles of the Board of Directors
- Intensifying discussions on medium- to long-term strategies
- Reviewing the composition of the Board of Directors
- Strengthening the Plan and Check functions of the Board of Directors
- Strengthening the functions of the Nomination Committee

Evaluation
- Most of the issues were improved.
- Redefining the roles of the Board of Directors remains an issue.

FY2021

Issue
- Clarifying the roles of the holding company and its Board of Directors
- Concentration on strategic important proposals and discussions in the Board meetings
- Reviewing the composition of the Board of Directors
- Further strengthening the functions of the Board of Directors Secretariat

Action to be taken
- We will articulate the holding company's roles in the FY2022 Management Policy and strengthen the function of planning to facilitate strategy implementation.
- The holding company's Board of Directors will strengthen the monitoring function for the progress of the Medium-term Business Plan and PMI.
- A majority of members of the Board of Directors shall be independent Outside Directors to ensure even greater effectiveness with respect to its discussion.
- The Board of Directors Office will strive to strengthen communication with the management team and to set proposals based on management issues more than before.
- The Board of Directors Office will do follow-ups so that the execution can sufficiently enhance consideration of and response to the issues raised by the Board of Directors.

【Items evaluated】
About 40 items including:
○ The Board of Directors' contribution to the entire Group;
○ Composition of the Board of Directors;
○ Operational status;
○ Content of deliberations; and
○ Effectiveness of activities of the Nomination, Remuneration, and Audit Committees

【Evaluation methodology】
○ Advance questionnaire for Directors
○ "Individual interviews" conducted by a third-party organization based on the advance questionnaire (about one hour)
○ Direct observation of deliberations by attending the meetings of the Board of Directors and the committees
○ Inspection of discussion materials for the Board of Directors, etc.
↓
Deliberated by the Board of Directors based on the report made by collating and analyzing the above

Officer remuneration system

In April 2017, we formulated and announced an Officer Remuneration Policy, which includes a stock-based remuneration system for officers in order to steadily implement the Medium-term Business Plan toward realizing the Group Vision. Upon formulating the new Medium-term Business Plan, we reviewed the content and revised it in April 2021.

In conjunction with the revision of the policy, the scope of stock-based remuneration has been expanded to include the Executive Officers of Parco and the Representative Directors of JFR Card and J. Front Design & Construction as well as the Directors and Executive Officers of the Company and the Directors and Executive Officers of Daimaru Matsuzakaya Department Stores, a major subsidiary of the Company.

Beginning in fiscal 2020, the Company discloses the amount of each officer's remuneration (including the amount received as remuneration, etc. for an officer of a major consolidated subsidiary, if any) in the Annual Securities Reports regardless of whether or not his/her total consolidated remuneration, etc. exceeds ¥100 million.

(1) Basic policy on officer remuneration

Our officer remuneration system is based on the following basic policy, aiming to realize and promote sustainability management (pay for purpose). Furthermore, the same basic policy shall apply to the Directors and Executive Officers of Daimaru Matsuzakaya Department Stores and Parco, which are major subsidiaries in the Group, and the Representative Directors of JFR Card and J. Front Design & Construction.
- To contribute to the sustainable growth of the Group and the medium- to long-term improvement of corporate value and be consistent with our corporate culture;
- A compensation system that encourages professional managers to carry out their roles (missions) based on the management strategy;
- Remuneration levels that enable the Company to secure and retain human resources who have the "desirable managerial talent qualities" required by the Company;
- To increase awareness of profits shared with shareholders and awareness of shareholder-focused management; and
- Enhanced transparency and objectivity in the remuneration decision process.

(2) Process for determining remuneration

In order to ensure the appropriateness of the level and amount of remuneration and the transparency of the decision-making process, the specific remuneration amount is decided by resolution of the Remuneration Committee, which consists of independent Outside Directors and the Chairperson of Board of Directors who does not execute business and is chaired by an independent Outside Director. Revisions to the officer remuneration system will be implemented in accordance with the period of the Medium-term Business Plan. However, the level of basic remuneration will be reviewed if a drastic change in the external environment, etc. requires a significant revision during the Medium-term Business Plan period.

[Forfeiture of remuneration] (clawback and malus)
Regarding Executive Officers' bonuses and stock-based remuneration, in the event that a resolution is passed by the Board of Directors regarding the post-revision of financial results due to serious accounting errors or improprieties, in the event that there has been a serious breach of the appointment contract, etc. between the Company and an officer, or in the event that an officer has voluntarily retired for his/her own reasons during his/her term of office against the will of the Company, the Company may request the forfeiture of the right to pay or grant remuneration or the refund of remuneration that has already been paid or granted to the officer.

(3) Remuneration composition for Executive Officers and non-executive Directors

The remuneration for Executive Officers consists of (a) "basic remuneration" (monetary remuneration) in accordance with the mission grade, (b) "bonus" (monetary remuneration) based on the individual evaluation, etc. for each fiscal year, and (c) "performance share (performance-linked stock-based remuneration)" (trust-type stock-based remuneration) linked to the achievement rate of consolidated performance, etc. as set forth in the Medium-term Business Plan. The remuneration for non-executive Directors consists of only fixed remuneration: (a) "basic remuneration" (monetary remuneration) based on job responsibilities and (d) "restricted stock" (trust-type stock-based remuneration) that is not linked to performance as a stock-based remuneration system.

Executive Officers

Remuneration, etc. for Executive Officers
- Basic remuneration
- Bonuses
- Performance shares

Proportion of remuneration by type for Executive Officers of each rank

[President]

Basic remuneration 38.5%	Bonuses 23.0%	Performance shares 38.5%
Monetary remuneration 61.5%		Stock-based remuneration 38.5%
Fixed remuneration 38.5%	Performance-linked remuneration 38.5%	

[Executive Officers excluding President]

Basic remuneration 45.4%	Bonuses 27.3%	Performance shares 27.3%
Monetary remuneration 72.7%		Stock-based remuneration 27.3%
Fixed remuneration 45.4%	Performance-linked remuneration 54.6%	

Note: The above figure represents the case of a bonus for a standard ranking where the performance achievement rate for stock-based remuneration is 100%.
Note: The Directors and Executive Officers of Daimaru Matsuzakaya Department Stores and Parco and the Representative Directors of JFR Card and J. Front Design & Construction shall have the same remuneration composition as "Executive Officers excluding President" in the above figure.

(a) Basic remuneration (monetary remuneration)
Basic remuneration is positioned as fixed remuneration and is determined by mission grade for Executive Officers and by the table for non-executive Directors in accordance with the size (weight) of each officer's responsibilities.

(b) Bonuses (monetary remuneration)
The bonus paid to Executive Officers is performance-linked remuneration that encourages them to achieve the goals for each fiscal year, which are milestones in the Medium-term Business Plan. The performance-linked remuneration is evaluated using the "fiscal year's financial indicators," serving as quantitative evaluation, and the "fiscal year's non-financial indicators," which include qualitative evaluation.

(c) Performance share (performance-linked stock-based remuneration)
The Company issues its shares to Executive Officers in conjunction with the consolidated performance achievement rate set forth in the Medium-term Business Plan in order to achieve sustainable growth of the Group and increase corporate value over the medium to long term.
Sixty percent of the total performance-linked stock-based remuneration is to be issued in a single issuance at the end of the Medium-term Business Plan and the remaining 40% is to be issued annually in order to promote management from the shareholders' perspective.

(d) Restricted stock (non-performance-linked stock-based remuneration)
In order for non-executive Directors to strengthen our aggressive and defensive governance from a different standpoint from executives as the representatives of stakeholders and to engage in management from a medium- to long-term perspective, we have adopted a restricted stock system in which our shares are issued in a manner that is not linked to performance, and the shares are issued upon their retirement from office.

Target values and evaluation weights for performance-linked stock-based remuneration

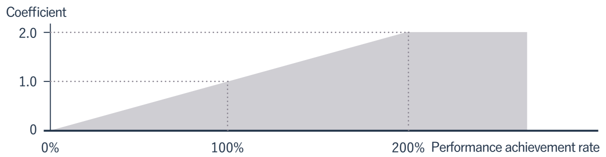
KPI			Target value for medium to long term	Evaluation weight
Profitability	(i)	Operating profit	40.3 billion (FY2023)	40%
Efficiency	(ii)	ROE	7% (at the end of FY2023)	40%
Non-financial	(iii)	GHG (Scope 1 and 2) emissions reduction	-40% (vs. FY2017)	10%
	(iv)	Raising the share of women in management positions	26% (at the end of FY2023)	10%

Note: KPI stands for Key Performance Indicator.
Note: For the short term, only (i) consolidated operating profit is adopted. The initial forecasts for the fiscal year announced in the Consolidated Financial Results every April (IFRS basis) are used for the relevant target value. The target value for FY2022 is ¥21.0 billion.

Method to calculate a performance-linked coefficient

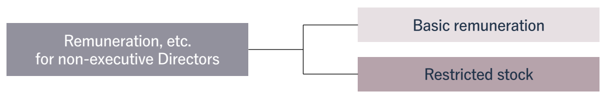
Performance achievement rate	Performance-linked coefficient
200% or more	2
0% or more but less than 200%	Actual results ÷ Target
Less than 0%	0

Illustrative graph of changes in a performance-linked coefficient



Note: When performance achievement rate is 0, the performance-linked coefficient is 0 (0%), and when performance achievement rate is 200% or more, the performance-linked coefficient is 2.0 (200%).

Non-executive Directors



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, our basic policy is to procure funds through interest-bearing liabilities by taking into account the ability to generate free cash flow and the balance of the interest-bearing liabilities and we aim to achieve an optimal structure of debt to equity in a manner cognizant of our funding efficiency and cost of capital. A "business strategy" where higher sales are accompanied by profits and a "financial strategy (encompassing the capital policy)" that increases the profitability of invested capital are essential elements with respect to improving free cash flows and ROE. In addition, we believe it is important to maximize operating profit and sustainably improve operating margin by strengthening our core businesses and concentrating management resources on initiatives such as business field expansion and active development of new businesses.

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

Shareholder return policy

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

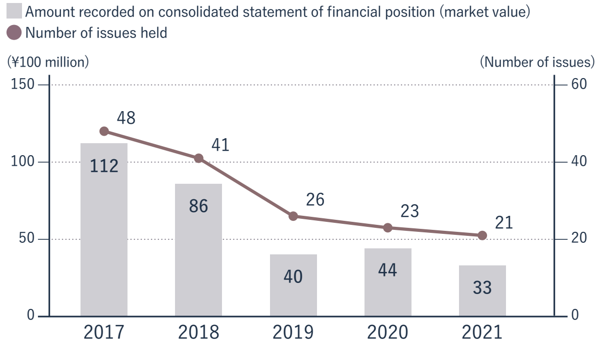
Cross-shareholdings

(1) Holding policy

In principle, the Group will not newly acquire cross-shareholdings (cross-shareholdings are holdings of listed shares other than those of subsidiaries and associates which are not held for pure investment purposes). However, this does not apply to shares where it has been recognized that they are necessary for the promotion of the Group's business strategies and that the holding of such shares will contribute to the increase of corporate value in the medium to long term through the validation of rationale for holding them. For example, in the case where we were requested to hold shares for the purpose of local revitalization, from the perspectives of initiatives for "coexistence with local communities," which is one of our materialities for the promotion of sustainability management, we would consider holding such shares upon sufficient examination of the suitability of holding them by the executive team and might hold them. Among the shares already held by the Company, for listed shares (including retirement benefit trust shares) for which there is judged to be no rationale for holding upon validation, we will negotiate with corporate customers and business partners and appropriately reduce them upon reaching a consensus regarding sale method, period, etc.

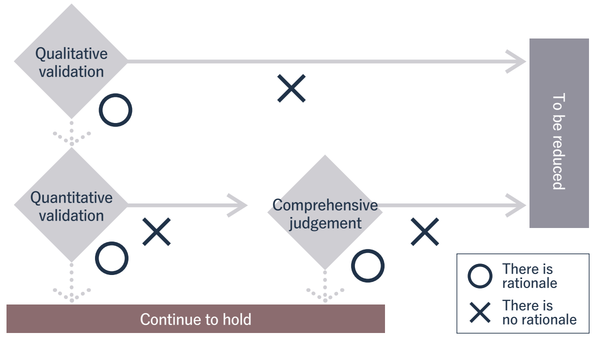
For unlisted shares, the executive team discussed whether or not to continue holding them with a view to selling and reducing holdings. Since fiscal 2021, we have confirmed the suitability of holding all shares in the same way as listed shares from both qualitative and quantitative perspectives and strengthened our efforts to reduce holdings.

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



(2) Validation of rationale for holding

Every year, the Board of Directors validates the rationale for holding individual issues from both quantitative and qualitative perspectives. The qualitative perspective relates to business strategies such as maintaining harmonious and favorable business relationships with corporate customers and business partners and securing supply chains. The quantitative perspective relates to whether revenue from holding shares, including related trading profits and dividends, exceeds capital costs, etc.



(3) Policy on exercising voting rights

We determine whether to exercise our voting rights considering both whether such exercise will contribute to the sustainable growth and the medium- to long-term enhancement of corporate value of the company whose shares we hold and whether such exercise will contribute to the sustainable growth and the medium- to long-term enhancement of corporate value of the Group. Particularly, in regard to proposals that we consider to be of high priority with respect to strengthening corporate governance, such as proposals relating to the corporate governance system (selection of officers), proposals relating to shareholder return (appropriation of surplus), and proposals that have an impact on shareholder value (introduction of takeover defense measures), we will establish policies upon which to base judgment of our exercise of voting rights, and acting as the Group as a whole, we will respond to them in line with such policies. We will engage in dialogue with companies whose shares we hold if necessary.

Improvement of shareholders meetings

To have a constructive dialogue with our shareholders, we send out the Notice of Convocation of Shareholders Meeting early (at least three weeks prior to the day of the meeting) and post the content of the Notice of Convocation on the websites of the financial instruments exchanges and the Company as soon as practically possible prior to the date of sending the Notice of Convocation. This will provide enough time for shareholders to consider as to the exercise of their voting rights. The Notice of Convocation of the

Major dialogue activities with investors in FY2021

Dialogue opportunity	No. of times	Remarks
Financial results presentations for institutional investors and analysts (Q2, Q4)	2	Video conferences and conference calls. Videos are available in both Japanese and English on demand on the Company's website. The summaries of their Q&A sessions are also available in both Japanese and English.
Earnings calls for institutional investors and analysts (Q1, Q3)	2	Conference calls. The summaries of their Q&A sessions are also available in both Japanese and English.
Small meetings for institutional investors and analysts	12	Video conferences and conference calls.
Outside Directors small meeting for institutional investors	1	Video conference.
ESG presentation for institutional investors and analysts	1	Video conference. Outside Director also gave a presentation. Videos are available in both Japanese and English on demand on the Company's website. The summary of its Q&A session is also available in both Japanese and English.
Overseas IR	23	Video conferences.
Conferences for institutional investors organized by securities companies	15	Video conferences.
Meetings for individual institutional investors	120	Mainly conference calls and video conferences.

15th Shareholders Meeting was disclosed on the websites of the financial instruments exchanges and the Company four weeks prior to the day of the meeting, before sending the Notice of Convocation in written form. For the convenience of shareholders, including domestic and international institutional investors, in exercising their voting rights, we have introduced an online voting system and used an electronic voting platform. Furthermore, we have the Notice of Convocation of Shareholders Meeting translated into English and disclose the translation on our website and the electronic voting platform so that international shareholders will be able to properly exercise their voting rights.

In fiscal 2021, we further encouraged online voting in order to minimize the risk of the spread of COVID-19 infection which may occur if shareholders visit the venue of the Shareholders Meeting in person. We also livestreamed the sections of the Shareholders Meeting of explaining about "progress and results" and "issues to be addressed" as well as its Q&A session for shareholders who could not come to the meeting.

Disclosure and IR activities

Based on the Basic Mission Statement that we aim at developing the Group by contributing to society at large as a fair and reliable corporation, we seek to maintain and advance trustworthy relationships with shareholders, investors, and other stakeholders. To this end, we disclose important information relevant to the Company in an accurate, clear, fair, timely, and appropriate manner in order to raise management transparency and deepen understanding of the Company. This is what we aim for in carrying forward IR activities. We disclose any important information of the Company which is subject to the Timely Disclosure Rules via the Tokyo Stock Exchange's TDnet (Timely Disclosure network) and make its content available on our website, etc. as soon as possible.

For any information which is not subject to the Timely Disclosure Rules but which we think will help deepen understanding of the Company, we try to make such information widely known by posting it on our website, publicizing Integrated Reports, and by other means. We disclose information timely and appropriately by using TDnet, EDINET, Sustainability Reports, and our website according to the nature of information to be disclosed. To ensure the fairness of information disclosure, we prepare English translations and disclose them for: the Notice of Convocation of Shareholders Meeting, Integrated Reports, Annual Securities Reports, timely disclosure information, financial results information, Sustainability Reports, and our website.

We disclose on our website as soon as possible presentation videos, materials, and Q&A summary texts for financial results presentations, business strategy presentations, ESG presentations, etc. and Q&A summary texts for earnings calls, both in Japanese and English. In addition to the provision of information through timely disclosure, our website, and others, we organize a range of briefings and meetings and respond to inquiries from shareholders and investors on a daily basis, seeking to enhance communication with them.

Opinions and requests from shareholders and investors are shared widely among the Company and relevant companies in the Group and used for reference in corporate management toward increasing corporate value.

External recognition for IR activities

The Company was awarded the IR Grand Prix at the 2021 IR Award (organized by the Japan Investor Relations Association). It was the first time that we received the Grand Prix.

Risk management

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

The Company has established the Risk Management Committee as an advisory body to the President and Representative Executive Officer. The committee discusses important matters, including risk identification and evaluation and determination of risks to be reflected in strategies, and utilizes risk management for management decision-making.

The committee also reports details of its deliberations to the Board of Directors in a timely manner.

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

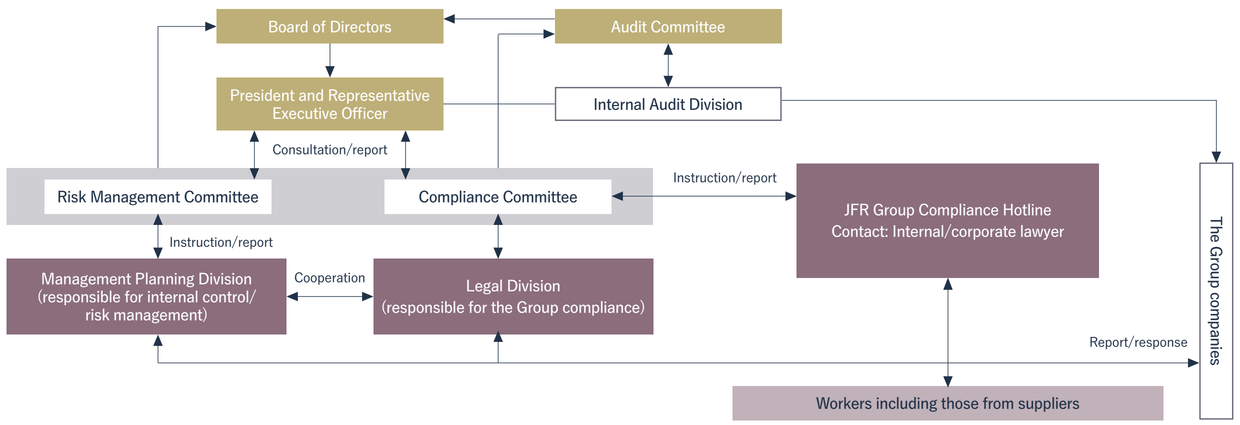
(i) First line: Business execution divisions such as operating subsidiaries. These divisions identify risks and take the necessary measures on their own.

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

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

While identifying "corporate risks" (see page 30), which are used as starting points for the FY2021 to FY2023 Group Medium-term Business Plan, the risks for the fiscal year identified from "corporate risks" are summarized in the JFR Group Risk List.

Risk management and compliance system diagram



Compliance

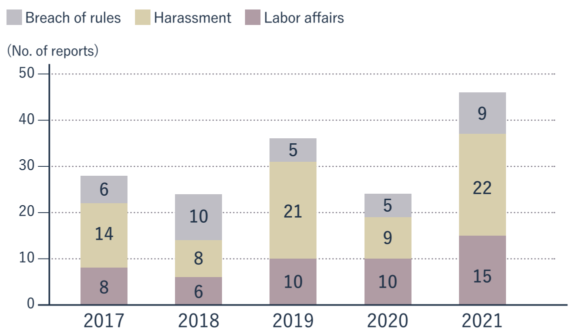
We have a Compliance Committee (whose members include a corporate lawyer) to ensure proper handling of issues on the Group's compliance management. The committee is chaired by the President and Representative Executive Officer. Working closely with the divisions in charge of promotion of compliance, the committee builds the foundation of the compliance structure and oversees the status of operation on a continuous basis, and promotes compliance with laws, the corporate ethics, and other rules. In case of any material breach of compliance rules, the committee sets a policy on how to respond to such breach.

Any and all matters discussed by the committee are reported to the Audit Committee on a regular and timely basis.

JFR Group Compliance Hotline

We have a whistleblowing system that enables all officers and employees of the Group and all individuals working for the Group (including part-time workers and temporary staff from suppliers) to notify the Compliance Committee directly of any compliance issues and seek corrective action. We have points of contact for whistleblowers both inside and outside (a corporate lawyer) the Company. Regarding this whistleblowing system, the Group's internal company rules include rigorous provisions ensuring the protection of the whistleblower's privacy and prohibiting disadvantageous treatment of the whistleblower.

Types of reports



JFR Group Risk List

Strategy risk	1	Japanese security environment deteriorated due to tension between US and China
	2	Combination of COVID-19 measures and economic normalization
	3	Emergence of financial crisis and collapse of asset bubble
	4	Transformation of existing businesses using technologies
	5	Sophistication of marketing with use of data
	6	Advancement of cashless payment
	7	Streamlining of operations through digitization
	8	Demand for corporate value enhancement by realizing CSV
	9	Communication and dissemination of the Basic Mission Statement and the Group Vision
	10	Progress in corporate governance reform
	11	Response to environmental issues such as climate change
	12	Response to social issues such as human rights violation
	13	Paradigm shift in work style and organizational structure
	14	Acceleration of open innovation
	15	Acquisition, development, deployment, and use of strategically-fit expert talent
	16	Engagement with investors through IR/SR activities
	17	Effectiveness of public relations activities
Finance risk	18	Increase in ROIC and study on optimal capital structure
	19	Fraud or error in financial statements, delay in timely disclosure
	20	Asset impairment and response to tax effect accounting
	21	Response to tax reforms and new accounting standards
Hazard risk	22	Normalization of natural disasters, buildings hit by disasters, breakdown of infrastructure
	23	Increasing severity and shortening of spread of epidemics
	24	Accidents or equipment failure such as fire and electric leakage
	25	Food poisoning, injury, and accident (as either offender or victim)
	26	Substandard safety management of buildings and equipment
	27	System failure and unauthorized access through cyberattack
	28	Troubles with system managed by third party
	29	Shortfall and delay in Business Continuity Management (BCM)
	30	Non-compliance with reporting lines and inadequate public relations management when important matters happen
Operation risk	31	Lack of proper labor management such as employee health management (including non-Japanese and disabled employees)
	32	Aggravated operation of retirement benefits and pension systems
	33	Connection with antisocial forces
	34	Transactions and operations in non-compliance with laws and regulations such as the Subcontract Act and the Anti-Monopoly Act
	35	Fraudulent or illegal acts by executives and employees Flaw in compliance system, including deterioration of ethics
	36	Improper handling of personal information, leakage of confidential information
	37	Leakage of insider information
	38	Inadequate management of the quality of products and services and procurement costs
	39	Inadequate outsourcing management
	40	Shortcomings in contract management
	41	Bankruptcy and default of supplier and customer

Further Deepen Discussions for Value Creation over the Medium to Long Term

Independent Outside Director
SEKI Tadayuki
Chairperson of Audit Committee

Independent Outside Director
KOIDE Hiroko
Nomination Committee Member
Remuneration Committee Member

Governance of the Company

Seki: The Company transitioned to a Company with Three Committees (Nomination, Audit, and Remuneration Committees) in 2017. Making various improvement efforts every year after that, they raised the ratio of Outside Directors to more than 50% this fiscal year. Such efforts to improve the organizational structure and meet formal requirements are important. Essentially, however, I think it is much more important in terms of governance whether the Board of Directors actually functions or the three committees of the Company with Three Committees (Nomination, Audit, and Remuneration Committees) function.

Koide: As for governance, I think how strongly and seriously the top management is committed to it will make a difference. In general terms, as the Board members have different notions, I think it is quite difficult to close the gap between them. In the Company, however, I feel the leadership of the top management makes all follow the same track.

Seki: I serve on the Audit Committee. The Company holds the Audit Committee Member meetings as well as the Audit Committee meetings. In the Audit Committee Member meetings, we more freely discuss current issues as well as auditing execution of duties of the President and Representative Executive Officers and other Executive Officers and the presidents of operating companies. We hold more than 30 meetings a year, including the Audit Committee meetings and the Audit Committee Member meetings. I think there are few companies that take such long time. The Audit Committee is also working closely with the audit & supervisory board members and internal audit divisions of subsidiaries and thus the Group as a whole has a solid system. I feel anew that they have a high level of governance awareness.

Koide: I serve on the Nomination Committee and the Remuneration Committee. Both meet at least once a month, 12 times a year, and more if necessary, though not so frequently as the Audit Committee. I feel the members' intention to not formally but really improve substance from discussions in the committee meetings.

With respect to outcome, for example, the top priority issue of the Nomination Committee is the management succession planning and the process from a medium- to long-term perspective has already started. With the help of external professionals, we are evaluating managerial talent and interviewing candidates in various forms to understand their personality and way of thinking. By doing so, we are advancing it.

As for the Remuneration Committee, I think it has taken some shape by revising the Officer Remuneration Policy when the Medium-term Business Plan was launched last year. And we are discussing to further improve its effectiveness by reviewing it toward the next medium-term plan. I think it has been said for the past year that our great challenge is to integrate Parco in a real sense. In reorganization including personnel merger, we should also overhaul our remuneration system. I feel we can have such fulfilling discussions by exchanging frank views.

Seki: As for governance, the top management's stance would be important. I feel the top management is thinking about how they will use Outside Directors in the right way. In short, they are not just a token or a form. I think it is the biggest point.

Koide: I hear there are actually some companies whose board members feel like being asked not to say too much in the Board meetings. The Company's Board of Directors discusses with a positive desire to contribute to enhancing corporate value. I think governance in that sense functions in a very healthy form. Of course, when looking at details, there are various issues that should be or are being addressed. However, I think their way of creating systems and stance to strengthen governance are excellent.

Effectiveness of the Board of Directors

Seki: Every year an external evaluation organization evaluates the effectiveness of the Board of Directors. I recognize that effectiveness evaluation is the process in which all Inside and Outside Directors exchange opinions and share each other's issue identification. Major issues raised last year are the "clarification of the roles of the holding company" and the "clarification of the roles of the Board of Directors." I think both Outside Directors and Inside Directors' stance to resolve issues through repeated open discussions and its process are very important and beneficial.

I think effective evaluation is a tool essential to the process in which Inside Directors and Outside Directors do not just say their opinions one-sidedly but repeatedly discuss so that they can rely on each other to resolve issues. Also concerning response to evaluation results, we can clearly see that the executive side is very seriously trying to act based on the results. Annual effective evaluation seems to help improve the effectiveness of the Board of Directors.

Koide: I think major issues identified by all Outside Directors are the failure to compartmentalize between the holding company and operating companies and the failure to integrate Parco. However, I think it was excellent to change the organization with great courage this fiscal year. I think it caused various frictions to so greatly change the systems and appoint many people from Parco to the holding company. However, we can see a form of organization that leads to success. This seems doable but can hardly be done.

Recently, I have had more opportunities to talk with people who were transferred to the holding company from Parco. They are changing to having a company-wide perspective instead of Parco's perspective. I hear some of them say that they began to see a lot of things to do. It is wonderful for them to realize they have a different perspective while using their past experience. I think it is a big achievement that the holding company changed its organization and could show it in a visible manner. I think it was very good because based on effectiveness evaluation, the opinions of all Directors were reflected and

I would like to expect for the recent organizational change conducted with great courage as a holding company

It is difficult to develop the currently expected creativity unless it is an organization with diversity

implemented after sharing common awareness of issues.

Seki: I very much expect them to embody the primary role of the holding company here.

Koide: In the recent organizational reform, some young employees assumed higher positions. So I think it was also good in terms of age diversity. There are many companies that are stuck in a seniority system. Given this situation in Japan, I think it was meaningful that quite young employees took the top positions of divisions.

Seki: The Company should not stick to conventional business models in this rapidly changing society. In order to change it, it should be a company in which young people and women are more empowered. This is because more than half of the customers of the Department Store and Parco are women.

Koide: In a sense, the Board of Directors can increase the number of female members by inviting some from outside. However, we cannot say the Company really utilizes women unless the female employees are promoted from inside. In this aspect, I still feel incompleteness. Though there may be a certain number of women in middle management positions, I am very concerned about the fact that Executive Officers are all men.

Seki: Creativity is very much expected of the current Company, which is working to change itself. I think it is difficult to develop such creativity unless the Company is an organization with diversity.

Koide: Development will be limited if all think the same thing. As diversity also means that different values collide with each other, it is not so easy, and in fact, it is accompanied by pain. They need to think it is all right to collide with each other. They cannot utilize diversity if they think it is troublesome to disagree with each other. It is important that all of them are willing and prepared to duly accept it.

Seki: You mean inclusion, right?

Koide: Exactly. There is no sense of increasing the number of women and foreign people simply for form's sake without including diverse people. If people with various mindsets, at various ages, and with various backgrounds such as a Japanese individual who grew up overseas attend a meeting and many of them give ideas I would never come up with, I think new ideas will be triggered by collision between them.

When I worked for a company in the United States, I directly felt that cross-border diversity activates discussion. It may be difficult to expect such breadth in Japan. However, also in this sense, I feel it will be difficult for the Company to grow for the future unless it really intentionally employs different types of people.

The role of the holding company is to create the future. They may also have to think of age diversity such as appointing more young people.

Progress of the medium-term plan

Seki: I understand well that the Company steadily addresses the plan centered on three strategies including the Real× Digital Strategy, the Prime Life Strategy, and the Developer Strategy in spite of the tough situation of COVID-19. However, what is more important is to change the business portfolio. Specifically, the Company wants to decrease the revenue share of the Department Store Business and the SC Business to around 60% by 2030 from 80% and increase that of the Developer Business, the Payment and Finance Business, and Other to 40%. Despite this, honestly, I cannot see enough that they gear up for it.

The Developer Business explained its due medium-term strategy but the Payment and Finance Business has not shown its future to us yet. Furthermore, I wonder whether having only these two businesses is enough. We discussed the expansion of the Group's wing several times in the past, but concerning new businesses, I am afraid there are extremely few proposals made.

Koide: The main focus of the current medium-term plan is to return to the profit level before COVID-19. Though the Company absolutely needs to achieve it, I think the medium-term plan they should really think of is rather what to do after that.

When someone mentioned the business portfolio transformation last year, there was a saying that they would study it in the next medium-term plan. I think it is very dangerous. If they start to consider a strategy for change after finishing the three-year medium plan, it will take another three years before they can implement it. Recovery may be possible if they work hard in the scope of the current business model, but beyond that, it is evident that the Company will not grow unless they do something that was not done in the past, including new businesses.

We cannot yet see what the Company wants to be five or ten years after. The Company name contains the word "retailing." But I think there are many ideas and they should clarify it: whether they will continue to operate only a retail business, innovate the retail business, expand into different businesses, develop local areas, or also undertake manufacturing.

Seki: As for the business portfolio transformation, I think the Company has limitations with only current four business segments. I feel it is difficult to dramatically grow though it may maintain a certain level of growth. We have discussed but specific measures such as increasing new businesses have not been presented.

In my former position, I had the opposite experience. Proposals were made one after another so that I had to ask them not to invest any more. Compared to it, the Company is quite quiet.

The newly established Business Portfolio Transformation Promotion Division is not expected to just switch the business portfolio because the word "transformation" is used in its name. As the name shows, I would like them to make revolutionary proposals.

In that sense, the Company should have more outside contacts. They do not necessarily have to find new buds and conduct M&A, but how about studying new initiatives with partners? Particularly, it is important for corporate divisions to coordinate internally but they should not struggle to do that. I think their important roles are to have outside connections and keep their antenna high.

Koide: Simply by receiving referrals to various people from the network of Outside Directors and visiting them, they will be able to meet a considerable number of people. At first, I think it will be good to meet ten people of the type whom they have never met. After meeting ten people, they will be referred to other people and the network will increasingly expand. We will not grudge cooperation. So I hope they will utilize Outside Directors.

What we as Outside Directors focus on

Seki: Formerly I served as CFO for about six years and also was responsible for IR. During my former tenure, I was trained by institutional investors in Japan and overseas and sell-side and buy-side analysts. They always have a shareholder's perspective, which means thinking of what to do to improve the company, that is, to enhance corporate value. They gave honest opinions from the perspective of not damaging the value of the company. When I was told what I did not want to hear during dialogue, I always fed it back to the management meetings and the board meetings. Such experience is still ingrained in myself. When considering various proposals given from the executive side, I try to see things from the perspective of what the capital market thinks of this. I think I as an Outside Director act on this.

Koide: As you said, the perspective of stakeholders such as shareholders and investors is important. I think another key role is to repeatedly ask with a fresh eye in a sense whether matters taken for granted in the company are really OK. In terms of my expertise, the perspective of customers/consumers who are valued stakeholders is also important. I do not yet know what the Company will be like ten years after. But as it is a company with retail at its core, it cannot do business without a consumer perspective.

In thinking of the future of the Department Store and Parco or new businesses, returning to young generation's thoughts about tangible and intangible goods and buying behavior, I think we need to continue to think of what will be demanded and what value we will be able to provide. I think it will be good if I can provide advice from the consumer perspective so that logic on the company's side and the store's side will not take too much priority.

Management (as of May 26, 2022)

*The numbers of the Company's shares held by Directors are as of February 28, 2022.

Directors

YAMAMOTO Ryoichi

Number of the Company's shares held: 98,016
Number of other shares as stock-based remuneration not yet granted: 10,037

Chairperson of Board of Directors | Nomination Committee Member | Remuneration Committee Member

Apr. 1973	Joined The Daimaru, Inc.
May 2003	President and COO and General Manager of Department Store Operations of Group Headquarters of the same company
Sep. 2007	Director and in charge of Sales Reform and Out-of-Store Sales Reform of J. Front Retailing Co., Ltd.
	Executive General Manager of Department Store Operations Headquarters and Executive General Manager of Planning Office for New Umeda Store of Head Office of The Daimaru, Inc.
	Director of Matsuzakaya Co., Ltd.
Mar. 2008	Executive General Manager of Sales Headquarters of Head Office of The Daimaru, Inc.
Mar. 2010	President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
Sep. 2012	President and Representative Director of the same company and President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd.
Apr. 2013	President and Representative Director of J. Front Retailing Co., Ltd.
May 2017	Director, President and Representative Executive Officer of the same company
May 2020	Director and Chairperson of Board of Directors of the same company (present)
Jun. 2021	Outside Director of Daido Steel Co., Ltd. (present)
	Outside Director of Noritake Co., Limited (present)

HAMADA Kazuko

Number of the Company's shares held: 266

Audit Committee Member

Apr. 1985	Joined Parco Co., Ltd.
Sep. 2000	General Manager of Marketing Department of Sales Management Division of the same company
Mar. 2002	Deputy General Manager of Kichijoji PARCO of the same company
Mar. 2005	General Manager of Kichijoji PARCO of the same company
Mar. 2007	General Manager of Shintokorozawa PARCO of the same company
Mar. 2010	Executive Officer (Personnel) of the same company
Mar 2013	Executive Officer (Administration and Personnel) of the same company
Mar. 2015	Executive Officer (Group Audit Office) of the same company
May 2020	Auditor of the same company
May 2021	Director of J. Front Retailing Co., Ltd. (present)

YAGO Natsunosuke

Outside Director
Number of the Company's shares held: 4,557
Number of other shares as stock-based remuneration not yet granted: 1,933

Chairperson of Nomination Committee | Remuneration Committee Member

【Reasons for appointment】He has been involved in top-level company management for many years and he has abundant experience in strengthening financial bases and in compliance management as well as highly specialized knowledge of internal control and corporate governance. Accordingly, the Company expects him to apply them to the management of the Group.

Apr. 1977	Joined Ebara Corporation
Jun. 2002	Executive Officer of the same company
Apr. 2004	Senior Executive Officer and Group Executive of Precision Machinery Group of the same company, 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.
Jun. 2004	Director of Ebara Corporation
Apr. 2005	Director of the same company and Chairman of Ebara Precision Machinery Taiwan Inc.
Jun. 2005	Director of Ebara Corporation
	President of Precision Machinery Company and General Manager of Fujisawa Operation
Apr. 2006	Director and Managing Executive Officer of Ebara Corporation
	President of Precision Machinery Company
Apr. 2007	President and Representative Director of Ebara Corporation
May 2007	President and Representative Director and General Manager of Internal Control Promotion Department of the same company
Jul. 2009	President and Representative Director and General Manager of Internal Control Department of the same company
Apr. 2013	Chairman and Director of the same company
Oct. 2017	Representative Director of The Ebara Hatakeyama Memorial Foundation (present)
Mar. 2019	Retired from the office of Chairman and Director of Ebara Corporation
Jun. 2019	Outside Director of Subaru Corporation (present)
May 2020	Outside Director of J. Front Retailing Co., Ltd. (present)
May 2021	Director of Parco Co., Ltd.

SEKI Tadayuki

Outside Director
Number of the Company's shares held: 2,160
Number of other shares as stock-based remuneration not yet granted: 1,933

Audit Committee Member

【Reasons for appointment】He was involved in international business management and risk management at a general trading company for many years, and as CFO, he has both abundant experience and highly specialized knowledge in relation to finance and accounting. He also has wide-ranging insights derived from roles as Outside Director and Audit & Supervisory Board Member at multiple companies, including Parco Co., Ltd. and the Company expects him to apply them to the management of the Group.

Apr. 1973	Joined Itochu Corporation
Jun. 1998	General Manager of Finance Division of Itochu International Inc. (Stationed in New York)
Jun. 2004	Executive Officer and CFO of Food Company of Itochu Corporation
Apr. 2007	Managing Executive Officer and General Manager of Finance Division of the same company
Jun. 2009	Representative Director, Managing Director, Chief Officer for Finance, Accounting, Risk Management and CFO of the same company
Apr. 2010	Representative Director and Senior Managing Executive Officer of the same company
May 2011	Representative Director, Senior Managing Executive Officer and CFO of the same company
Apr. 2013	Representative Director, Executive Vice President and CFO of the same company
Apr. 2014	Representative Director, Executive Vice President, Executive Advisory Officer, CFO and CAO of the same company
Apr. 2015	Adviser of the same company
May 2016	External Director of Parco Co., Ltd.
Jun. 2016	Outside Director of Nippon Valqua Industries, Ltd. (present Valqua, Ltd.) (present)
Apr. 2017	Advisory Member of Itochu Corporation (present)
Jun. 2017	Outside Director of JSR Corporation (present)
Jul. 2017	Outside Statutory Auditor of Asahi Mutual Life Insurance Company (present)
May 2020	Outside Director of J. Front Retailing Co., Ltd. (present)
	Director of Parco Co., Ltd.
May 2022	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)

KOIDE Hiroko

Outside Director
Number of the Company's shares held: 885

Nomination Committee Member | Remuneration Committee Member

【Reasons for appointment】She served as an officer at foreign companies for many years, also engaged in corporate management as the head of marketing at the head office of a U.S. company, and therefore has abundant experience in global management and knowledge based on her extensive experience in the marketing field. She also has wide-ranging insight as an outside director of multiple listed companies. Accordingly, the Company expects her to apply them to the appropriate supervision of the management of the Group.

Sep. 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.)
Apr. 2001	Director of the same company
Apr. 2006	General Manager of Marketing Management Division of Masterfoods Ltd. (present Mars Japan Limited)
Apr. 2008	Chief Operating Officer of the same company
Nov. 2010	President and Representative Director of Parfums Christian Dior Japon K.K.
Jan. 2013	Outside Director of Kirin Co., Ltd.
Apr. 2013	Senior Vice President of Global Marketing of Newell Rubbermaid Incorporated (U.S.) (present Newell Brands Incorporated)
Jun. 2016	Outside Director of Mitsubishi Electric Corporation (present)
Apr. 2018	Director of Vicela Japan Co., Ltd.
Jun. 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)

HAKODA Junya

Outside Director
Number of the Company's shares held: 886

Chairperson of Audit Committee

【Reasons for appointment】He was involved in accounting audits, management consulting, and internal audits of auditing firms, etc. as a certified public accountant for many years and therefore has a high level of expertise in corporate governance and management auditing as well as corporate auditing. Accordingly, the Company expects him to apply them to the appropriate supervision of the management of the Group.

Apr. 1974	Joined Mitsubishi Rayon Co., Ltd. (present Mitsubishi Chemical Corporation)
Nov. 1980	Joined Pricewaterhouse CPA Office (Reorganized as Aoyama Audit Corporation in June 1983)
Apr. 1984	Registered as certified public accountant
Apr. 2000	Partner of ChuoAoyama Audit Corporation/ PricewaterhouseCoopers
Aug. 2006	Representative of Arata Audit Corporation/Partner of PricewaterhouseCoopers
Apr. 2008	Eminent Professor of Graduate School of Keio University (internal audit theory)
Sep. 2009	Member of the Agreement Monitoring Committee of the Japan External Trade Organization
Sep. 2010	Director of Japan Internal Control Research Association
Dec. 2014	Outside Corporate Auditor of Schroder Investment Management (Japan) Limited (present)
Mar. 2015	Director of Institute of Corporate Governance, Japan (present)
Jun. 2015	Outside Corporate Auditor of Yamaha Corporation
Jun. 2015	Outside Director of Aeon Financial Service Co., Ltd.
Jun. 2017	Outside Director and Chairperson of the Audit Committee of Yamaha Corporation
Sep. 2019	Member of the Ethics Committee of the Japanese Institute of Certified Public Accountants (present)
May 2021	Outside Director of J. Front Retailing Co., Ltd. (present)
Aug. 2021	Chairperson of the Committee on Training and Research for Outside Officers, Japanese Institute of Certified Public Accountants (present)

UCHIDA Akira

Outside Director
Number of the Company's shares held: 4,292
Number of other shares as stock-based remuneration not yet granted: 3,866

Chairperson of Remuneration Committee | Nomination Committee Member

【Reasons for appointment】He has broad experience as the person responsible for management planning, IR and finance and accounting divisions. In addition, he possesses a high level of expertise in the fields of corporate governance and ESG management and the Company expects him to apply them to the management of the Group.

Apr. 1975	Joined Toray Industries, Inc.
Jun. 1996	Executive Vice President of Toray Industries (America), Inc.
Jun. 2000	General Manager on Special Assignment of Corporate Strategic Planning Division 1, General Manager on Special Assignment of Corporate Communications Department of Toray Industries, Inc.
Jun. 2004	Counsellor of Corporate Strategic Planning Division and Counsellor of Investor Relations Department of the same company
Jun. 2005	Member of the Board, General Manager of Finance and Controller's Division of the same company
	President of Toray Holding (USA), Inc.
Jun. 2009	Senior Vice President (Member of the Board), General Manager of Finance and Controller's Division of Toray Industries, Inc.
	President of Toray Holding (USA), Inc.
Jun. 2012	Senior Vice President (Member of the Board) in charge of CSR; General Manager of General Administration and Legal Division, Investor Relations Department, Corporate Communications Department and
	Advertising Department; and General Manager of Tokyo Head Office of Toray Industries, Inc.
Jun. 2016	Adviser of the same company
Mar. 2019	Retired from the office of Adviser of the same company
May 2019	Outside Director of J. Front Retailing Co., Ltd. (present)
Jun. 2019	Outside Director of Yokogawa Electric Corporation (present)
May 2020	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)
May 2022	Director of Parco Co., Ltd. (present)

SATO Rieko

Outside Director
Number of the Company's shares held: 2,483
Number of other shares as stock-based remuneration not yet granted: 5,799

Audit Committee Member

【Reasons for appointment】She has abundant experience as an outside director and outside audit & supervisory board member at other companies, in addition to having made a career in handling many cases with in-depth and specialized knowledge as an attorney at law specializing in corporate legal affairs and the Company expects her to apply them to the management of the Group.

Apr. 1984	Registered as attorney at law
Aug. 1989	Shearman & Sterling LLP
Jul. 1998	Partner of Ishii Law Office (present)
Jun. 2004	External Audit & Supervisory Board Member of Ajinomoto Co., Inc.
Jun. 2012	Outside Corporate Auditor of NTT Data Corporation
Jun. 2015	Outside Director of The Dai-ichi Life Insurance Company, Limited
Oct. 2016	Outside Director of Dai-ichi Life Holdings, Inc. (Audit & Supervisory Committee Member) (present)
May 2018	Outside Director of J. Front Retailing Co., Ltd. (present)
May 2019	Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
Jun. 2020	Outside Director of NTT Data Corporation (Audit and Supervisory Committee member)
	Outside Audit & Supervisory Board Member of Mitsubishi Corporation (present)

YOSHIMOTO Tatsuya

Number of the Company's shares held: 81,742

President and Representative Executive Officer

Apr. 1979	Joined The Daimaru, Inc.
Mar. 2000	Senior Manager of Preparatory Office for Opening Sapporo Store of Planning Office for Sapporo Store of Head Office of the same company
Jan. 2008	General Manager of Tokyo Store of the same company
May 2008	Corporate Officer and General Manager of Tokyo Store of the same company
Jan. 2010	Corporate Officer, General Manager of Sales Planning Promotion Division and General Manager of Marketing Planning Promotion Division of Department Stores Coordination Division of J. Front Retailing Co., Ltd.
Mar. 2010	Corporate Officer and Senior General Manager of Management Planning Division of Daimaru Matsuzakaya Department Stores Co. Ltd.
May 2012	Director and Corporate Officer of the same company
Apr. 2013	President and Representative Director of the same company 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 of the same company
May 2020	President and Representative Executive Officer of the same company (present)

WAKABAYASHI Hayato

Number of the Company's shares held:13,339

Managing Executive Officer

Apr. 1985	Joined Matsushita Electric Industrial Co., Ltd. (present Panasonic Corporation)
Apr. 1998	President of Panasonic Financial Center Malaysia Co., Ltd.
Apr. 2007	Director and Chief Executive Officer of Matsushita Electric (China) Finance Limited
Feb. 2009	Finance Planning Team Leader (Manager) of Headquarters Finance & IR Group of Panasonic Corporation
Jul. 2013	General Manager of Finance & IR Group of Corporate Strategy Division and Finance Planning Team Leader (Director) of the same company
May 2015	Joined J. Front Retailing Co., Ltd.
	In charge of Finance Policy of Administration Unit of the same company
Sep. 2015	Executive Officer and in charge of Financial Strategy and Policy of Administration Unit of the same company
Mar. 2016	Senior Executive General Manager of Financial Strategy Unit (present) and in charge of Finance Policy of the same company
May 2016	Director of the same company (present)
Mar. 2017	In charge of Financing and Finance Policy of the same company
May 2017	Managing Executive Officer of the same company (present)
May 2018	Senior General Manager of Financing and Finance Policy Division of the same company
May 2020	Director of Parco Co., Ltd. (present)

Executive Officers

YOSHIMOTO Tatsuya
President and Representative Executive Officer

WAKABAYASHI Hayato
Managing Executive Officer
Senior Executive General Manager of Financial Strategy Unit
Director of Parco Co., Ltd.

ONO Keiichi
Managing Executive Officer
Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management
Director of Parco Co., Ltd.

HAYASHI Naotaka
Managing Executive Officer
Senior Executive General Manager of Group Digital Unit

NAKAYAMA Takashi
Managing Executive Officer
Senior Executive General Manager of Group System Unit
Director of Daimaru Matsuzakaya Department Stores Co. Ltd.

MATSUDA Hirokazu
Managing Executive Officer
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.

KAWASE Kenji
Executive Officer
Senior General Manager of Management Planning Division, Business Portfolio Transformation Promotion Division, and Group Communications Promotion Division of Management Strategy Unit

HIRAI Yuji
Executive Officer
Senior General Manager of CRE Planning Division of Management Strategy Unit
Executive Officer of Parco Co., Ltd.

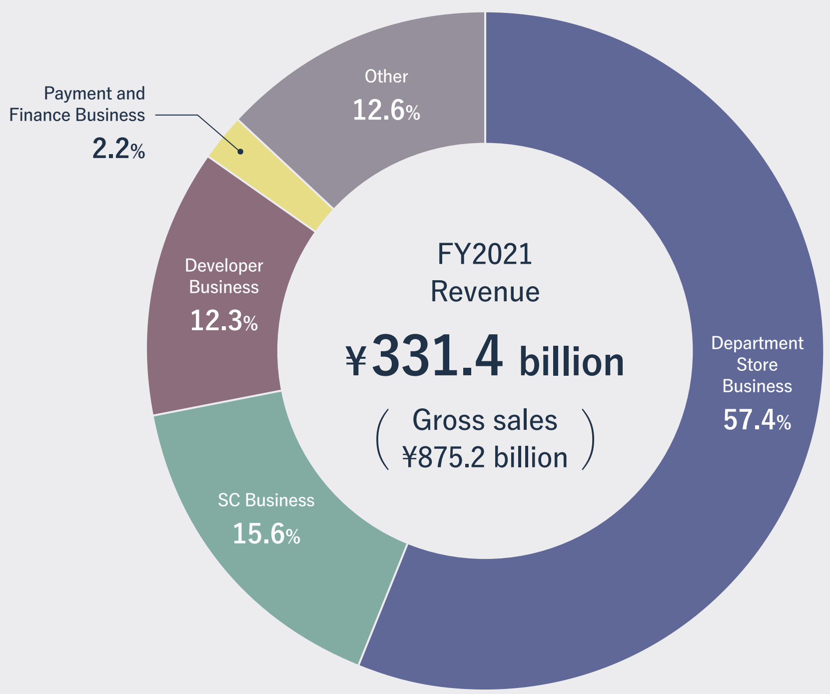
YAMAZAKI Shiro
Executive Officer
Senior General Manager of System Planning Division of Group System Unit

NOGUCHI Hideki
Executive Officer
Senior General Manager of Accounting and Tax Affairs Division of Financial Strategy Unit

UMEBAYASHI Akira
Executive Officer
Senior General Manager of Group Human Resources Policy Division, Group Human Resources Development Division, and Group Welfare Division of Human Resources Strategy Unit

At a Glance

Revenue Structure of the Group



Department Store Business

Operates 15 department stores under the names of Daimaru and Matsuzakaya in major cities throughout Japan and a luxury mall GINZA SIX.

SC Business

Operates 18 shopping complexes PARCO in major cities throughout Japan. Also operates the entertainment business that produces movies, theaters, etc.

Developer Business

Includes the development of leasehold properties and the building and interior work business. Large-scale development projects are in progress in the Nagoya Sakae area and the Osaka Shinsaibashi area.

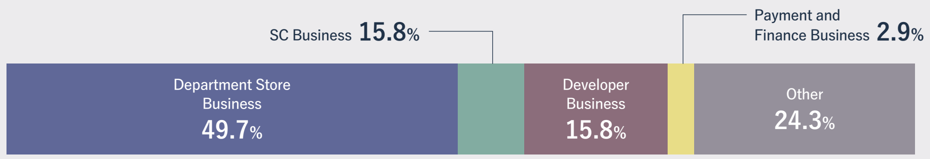
Payment and Finance Business

Issues Daimaru Matsuzakaya Card, Daimaru Matsuzakaya Otokuisama Gold Card, etc. Recently, also handles financial products such as insurance.

Other

Composed of a wholesaler Daimaru Kogyo and the Group's shared service companies.

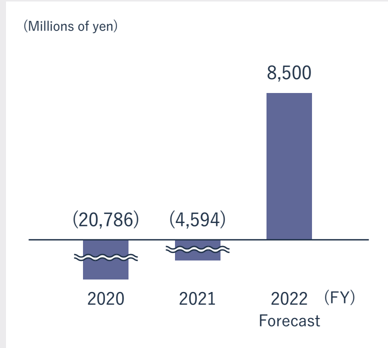
Breakdown of employees by segment



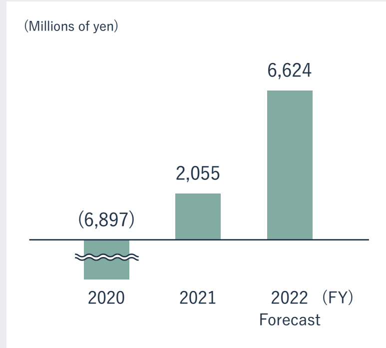
*At the end of February 2022. Includes regular employees, dedicated employees, and fixed-term employees.

Changes in and Forecasts of Segment Operating Profit

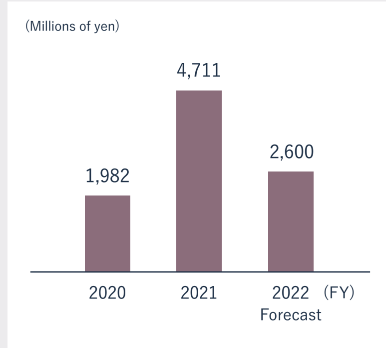
Department Store Business



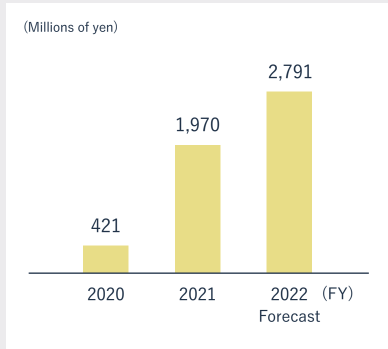
SC Business



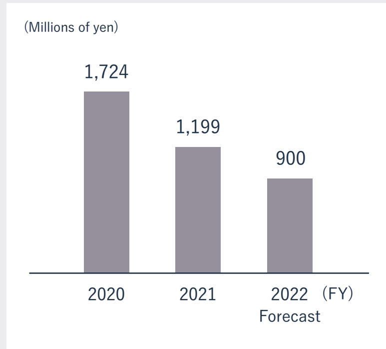
Developer Business



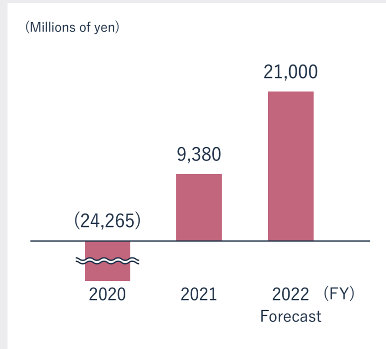
Payment and Finance Business



Other

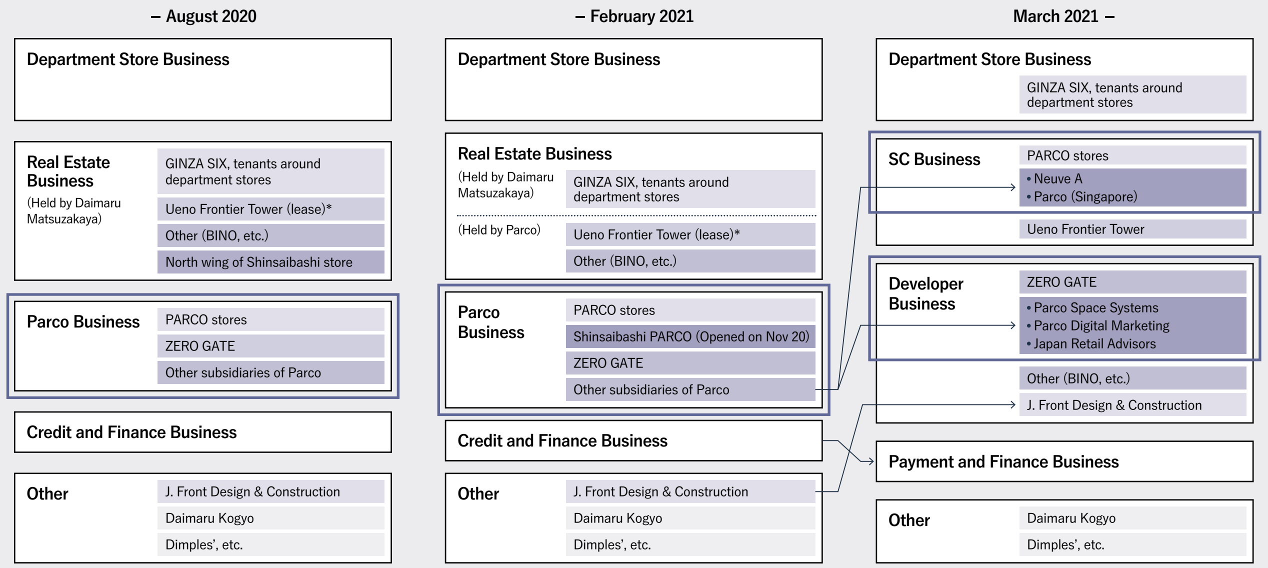


Consolidated total



Changes in reportable segments

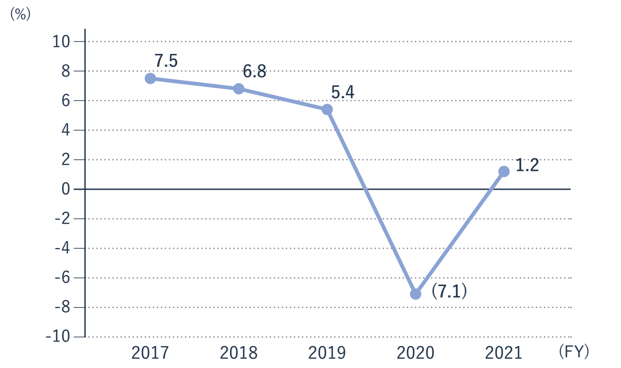
In March 2021, the Company partially changed its reportable segments. In the above graphs, figures for fiscal 2020 were retroactively adjusted because Daimaru Matsuzakaya Sales Associates was merged into Daimaru Matsuzakaya Department Stores.



* "Ueno Frontier Tower (lease)" up to February 2021 includes real estate lease revenue from Parco Co., Ltd. on PARCO_ya Ueno.
* ▭ shows the scope of the former Parco Business.

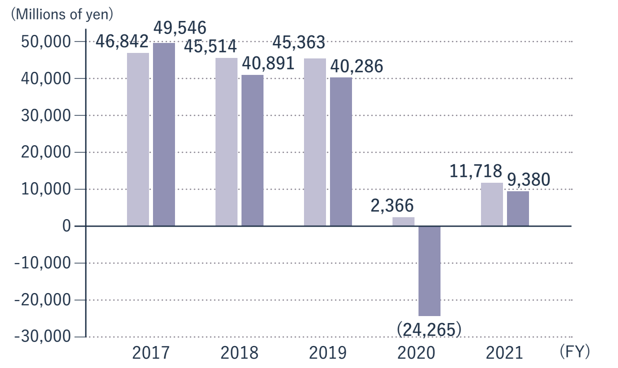
Financial/Non-financial Highlights

ROE

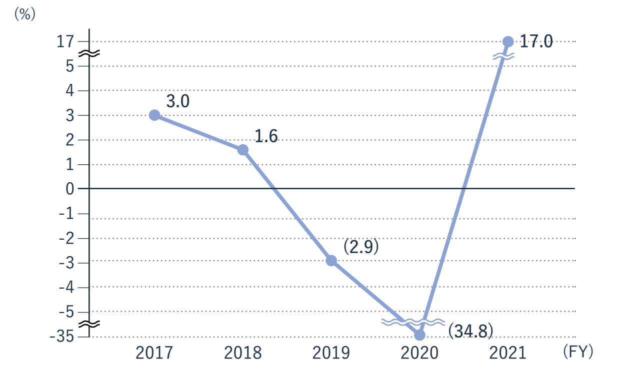


Consolidated business profit (loss)/ IFRS operating profit (loss)

Business profit (loss)* ■ IFRS operating profit (loss)

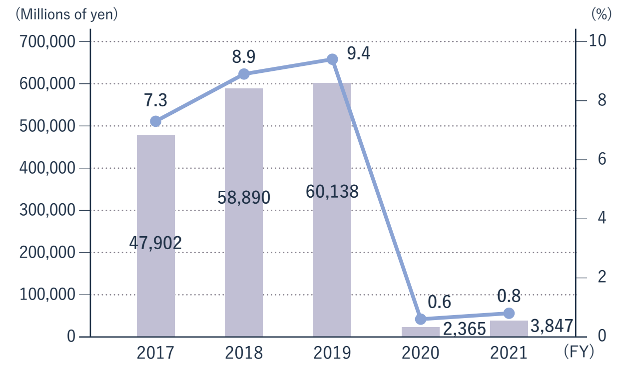


Daimaru Matsuzakaya Department Stores comparable store sales (YoY %)

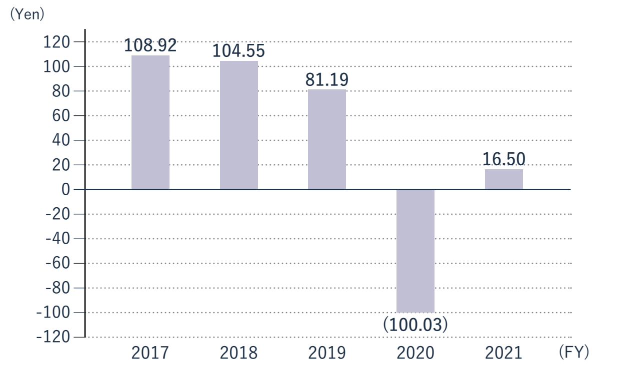


Daimaru Matsuzakaya Department Stores tax-free sales and share

Daimaru Matsuzakaya Department Stores tax-free sales ● Share

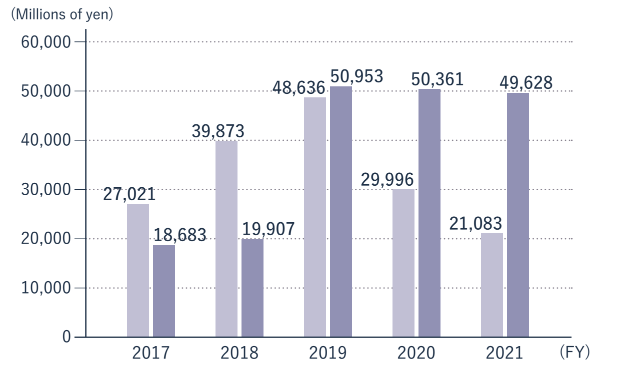


EPS

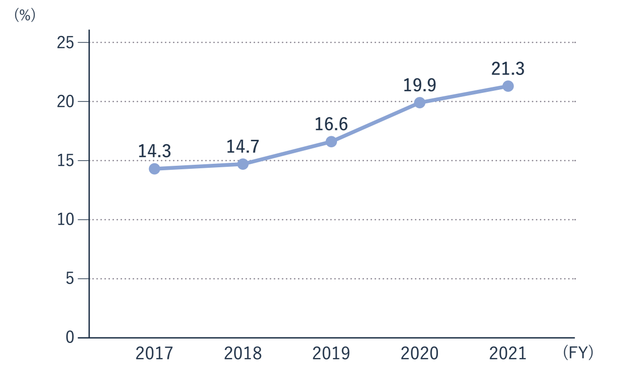


Capital expenditures/ Depreciation (including the amount included in cost)

Capital expenditures ■ Depreciation (including the amount included in cost)

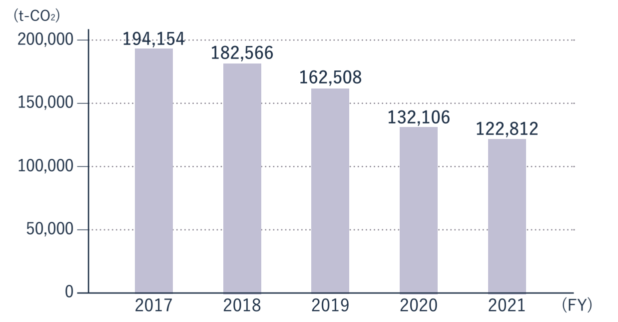


Share of women in management positions (consolidated)



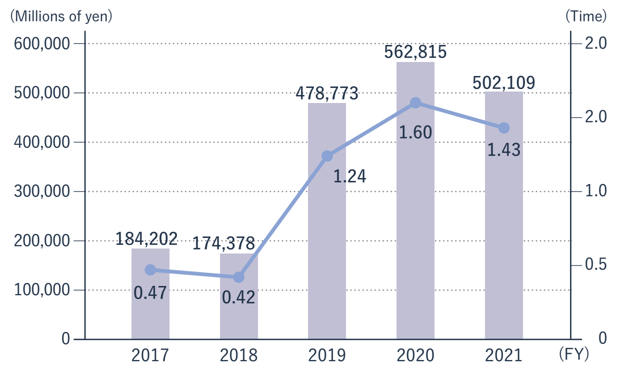
[Scope 1 and 2] GHG emissions (consolidated)

*Data have been compiled and disclosed on a consolidated basis since FY2017. They have received an independent assurance statement from LRQA Limited.

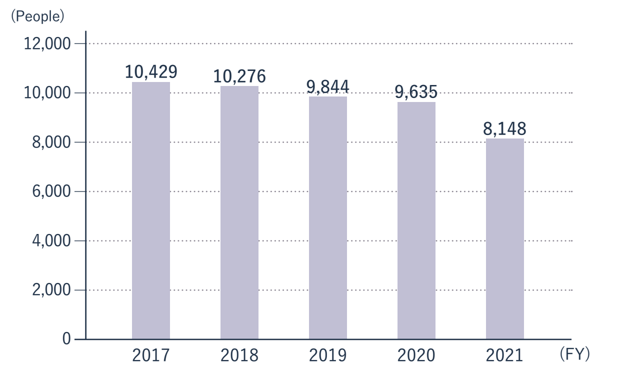


Interest-bearing liabilities and D/E ratio

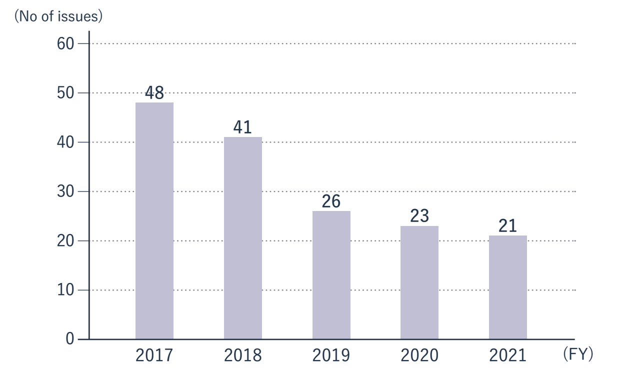
Interest-bearing liabilities ● D/E ratio



Consolidated number of employees

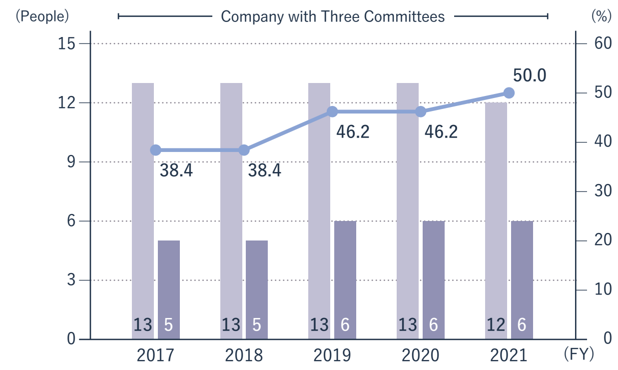


Year-end number of issues of cross-shareholdings



Number of Directors/ Outside Directors and ratio of Outside Directors

Number of Directors ■ Number of Outside Directors ● Ratio of Outside Directors



*The Company has adopted the International Financial Reporting Standards (IFRS) since FY2017.
*The Company has adopted IFRS 16 since FY2019. Accordingly, operating leases are recognized as right-of-use assets and lease liabilities, which caused significant changes in capital expenditures, depreciation, interest-bearing liabilities, etc.
*The Urawa store closed on July 31, 2017.

*The Yamashina store closed on March 31, 2019.
*The Shimonoseki store was placed under the direct management of Daimaru Matsuzakaya Department Stores Co. Ltd. in March 2020. (The Shimonoseki Daimaru, Inc. was merged into Daimaru Matsuzakaya Department Stores Co. Ltd.)
*The Toyota store closed on September 30, 2021.

10-Year Data (Financial/Non-financial)

Millions of yen (except where otherwise indicated)

	JGAAP					IFRS					
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Financial data											
Net sales/Gross sales	1,092,756	1,146,319	1,149,529	1,163,564	1,108,512	1,134,342	1,138,981	1,125,153	1,133,654	766,297	875,281
–/Revenue	—	—	—	—	—	452,505	469,915	459,840	480,621	319,079	331,484
Gross profit	245,615	244,130	243,739	245,532	234,785	212,567	212,935	212,396	206,953	134,368	147,842
SGA	214,757	202,313	201,572	197,494	190,205	167,668	166,688	166,882	161,590	132,001	136,123
Business profit	—	—	—	—	—	44,898	46,842	45,514	45,363	2,366	11,718
Operating profit (loss)	30,857	41,816	42,167	48,038	44,580	41,727	49,546	40,891	40,286	(24,265)	9,380
Ordinary profit (loss)/Profit (loss) before tax	32,202	40,502	40,480	47,910	44,425	42,608	48,271	42,126	37,161	(28,672)	6,190
Profit (loss)/Profit (loss) attributable to owners of parent	12,183	31,568	19,967	26,313	26,950	27,052	28,486	27,358	21,251	(26,193)	4,321
Total assets	1,009,165	998,730	1,018,495	1,019,146	1,050,109	1,005,069	1,022,348	1,029,573	1,240,308	1,263,722	1,192,907
Equity/Equity attributable to owners of parent	341,318	370,173	375,886	383,699	406,336	368,571	395,519	412,700	387,188	352,171	350,368
Interest-bearing liabilities	213,085	187,950	168,458	180,922	187,799	205,952	184,202	174,378	478,773	562,815	502,109
Cash flows from operating activities	26,025	37,532	44,650	36,799	36,239	33,764	57,079	34,870	73,358	56,471	49,866
Cash flows from investing activities	(73,977)	(8,858)	(16,272)	(39,741)	(30,353)	(27,952)	(19,030)	(26,836)	(49,559)	(20,870)	(5,289)
Cash flows from financing activities	58,275	(32,027)	(27,587)	(1,041)	(2,189)	(2,097)	(31,048)	(21,274)	(14,829)	58,727	44,577
Capital expenditures	19,038	52,758	24,277	37,110	44,999	44,999	27,021	39,873	48,636	29,996	21,083
Depreciation	16,482	17,698	17,963	18,345	17,189	17,284	18,683	19,907	50,953	50,361	49,628
Per share information [Yen]*1											
Earnings (loss) per share (EPS)/Basic earnings (loss) per share	46.11	119.55	75.66	100.42	103.04	103.43	108.92	104.55	81.19	(100.03)	16.50
Book value per share (BPS)/Equity attributable to owners of parent per share	1,292.36	1,402.53	1,424.28	1,467.05	1,553.60	1,409.20	1,511.91	1,576.68	1,479.07	1,344.90	1,337.29
Dividend per share	18.00	22.00	25.00	27.00	28.00	28.00	35.00	35.00	36.00	27.00	29.00
Financial indicators [%]											
Ratio of gross profit to net sales/Ratio of gross profit to revenue	22.48	21.30	21.20	21.10	21.18	46.98	45.31	46.19	43.06	42.11	44.60
Ratio of gross profit to net sales/Ratio of gross profit to revenue	19.7	17.6	17.5	17.0	17.2	37.1	35.5	36.3	33.6	41.4	41.1
Ratio of operating profit to net sales/Ratio of operating profit to revenue	2.8	3.6	3.7	4.1	4.0	9.2	10.5	8.9	8.4	(7.6)	2.8
Return on equity (ROE)/Return on equity attributable to owners of parent (ROE)	3.6	8.9	5.4	6.9	6.8	7.6	7.5	6.8	5.4	(7.1)	1.2
Return on assets (ROA)/Return on assets (ROA)	3.5	4.2	4.2	4.7	4.3	4.2	4.9	4.0	3.2	(1.9)	0.8
Return on investment (ROI)/Return on investment (ROI)	6.5	7.3	7.3	8.6	7.7	7.6	8.4	7.2	4.5	(3.2)	1.2
Equity ratio/Ratio of equity attributable to owners of parent	33.8	37.1	36.9	37.6	38.7	36.7	38.7	40.1	31.2	27.9	29.4
Dividend payout ratio	39.0	18.4	33.1	26.9	27.2	27.1	32.1	33.5	44.3	—	175.7
Non-financial indicators											
Number of employees (consolidated) [People]	14,838	11,561	11,149	11,023	10,732	—	10,429	10,276	9,844	9,635	8,148
Share of female employees (consolidated) [%]	—	—	—	—	—	—	57.2	56.8	57.0	56.3	55.6
Share of women in management positions (consolidated) [%]*3	—	—	11.1	10.4	12.2	—	14.3	14.7	16.6	19.9	21.3
Employee turnover rate (consolidated) [%]*4	—	—	—	—	—	—	3.6	3.3	3.9	1.9	10.5
Paternity leave usage rate (consolidated) [%]*3, 5	—	—	—	—	—	—	—	—	—	18.8	43.6
Employment rate of disabled people (consolidated) [%]*3	—	—	—	—	—	—	—	—	2.21	2.21	2.66
Department store sales floor area (directly managed stores) [m²]	569,137	543,785	529,460	498,460	498,460	—	495,331	495,331	489,023	512,935	494,715
Parco sales floor area [m²]	442,600	442,600	451,000	456,000	409,000	—	389,000	401,000	435,800	461,000	462,000
Customer traffic (Daimaru Matsuzakaya) [1,000 people]	246,764	237,647	220,411	207,512	197,250	—	200,966	202,066	194,879	101,336	119,883
Average spend per customer (Daimaru Matsuzakaya) [Yen]	3,838	4,107	4,215	4,414	4,420	—	4,676	4,841	4,979	4,737	5,003
Number of private label cards issued (Daimaru Matsuzakaya) [1,000 cards]	4,580	4,659	4,595	4,217	4,062	—	4,029	3,939	4,017	3,629	3,753
Number of users of private label cards (Parco) [1,000 people]	1,614	1,643	1,754	1,885	1,990	—	2,031	2,018	1,939	1,771	1,612
GHG emissions (consolidated) [t-CO_2] 【Scope 1, 2】*6	—	—	—	—	—	—	194,154	182,566	162,508	132,106	122,812
GHG emissions (consolidated) [t-CO_2] 【Scope 3】*6, 7	—	—	—	—	—	—	2,927,320	3,123,238	3,782,555	2,470,411*8	2,420,492
Energy usage (consolidated) [MWh] 【Scope 1, 2】*3	—	—	—	—	—	—	475,513	468,366	466,214	403,973	428,049
Renewable energy usage (consolidated) [MWh]*3	—	—	—	—	—	—	—	—	13,046	29,647	62,156
Water usage (consolidated) [m³]*6	—	—	—	—	—	—	—	—	—	2,065,467	2,449,396
Waste generation (consolidated) [t]*6	—	—	—	—	—	—	—	—	—	21,694	26,637
Packaging material usage (Daimaru Matsuzakaya) [t]*8	2,669	2,978	2,682	2,553	2,412	—	2,370	2,236	2,030	1,075	1,315

*1 The Company's common shares were consolidated at the ratio of one share for every two shares as of September 1, 2014. Per share information has been calculated as if this consolidation of shares was conducted at the beginning of FY2011.
*2 Manager and above positions
*3 Figures for FY2021 received third-party assurance from LRQA Limited.
*4 Number of retired employees during the fiscal year/Number of employees at the beginning of the fiscal year ×100 (%)
The number of retired employees above excludes the employees who retired because of retirement age, expiration of contract, transfer and becoming officers.
*5 Number of male employees who took childcare leave during the fiscal year/Number of male employees whose children were born during the fiscal year × 100 (%)
*6 Received third-party assurance from LRQA Limited.
*7 Recalculated Category 9 emissions for the SBT base year (FY2017) in accordance with the GHG Protocol in 2021 and received approval from SBTi again.
*8 Revised the method for calculating Category 1 emissions and received third-party assurance again.

*IFRS 16 has been applied since FY2019.

Financial Position and Operating Results

Overview of operating results

In the fiscal year under review (fiscal year ended February 28, 2022), the Japanese economy encountered ongoing instability, which was partly attributable to a situation where the worldwide spread of COVID-19 persisting since last year significantly affected social and economic activities in Japan and overseas, and also attributable to rapidly mounting geopolitical risks in the latter half of the fiscal year.

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

The Company has embarked on the FY2021 to FY2023 Medium-term Business Plan, which positions sustainability at the core of management and sets its sights on the corporate vision for 2030, amid the unprecedented crises of the COVID-19 pandemic. Under the Medium-term Business Plan, (1) we aim to achieve “full recovery” in terms of ensuring that our performance indicators return to the levels of fiscal 2019 prior to the COVID-19 pandemic and (2) we have positioned the period covered by the plan to be one of poising ourselves for “regrowth” beginning in fiscal 2024.

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

As a result, revenue was ¥331,484 million, up 3.9% year on year.

Business profit was ¥11,718 million, up 395.1% year on year, as a result of efforts throughout the fiscal year that involved curbing investment and reducing expenses.

Operating profit was ¥9,380 million (operating loss of ¥24,265 million in the previous fiscal year) largely due to recording of gain on sale of shares of subsidiaries, gain on sale of fixed assets, and restructuring expenses.

Profit before tax was ¥6,190 million (loss before tax of ¥28,672 million in the previous fiscal year) and profit attributable to owners of parent was ¥4,321 million (loss attributable to owners of parent of ¥26,193 million in the previous fiscal year).

Business results by segment

<**Department Store Business**>

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

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

To increase the attractiveness of stores, we enhanced key categories and constructed lounges for our loyal customers mainly in our flagship stores. We also renewed and reopened the Daimaru Suma store in March and the Matsuzakaya Takatsuki store in July so that they would become integral to their respective communities. In addition, at the Daimaru Tokyo store we sought development of new content that entailed opening “asumise,” a showrooming space for direct-to-consumer brands. We ceased operations of the Matsuzakaya Toyota store in September.

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

As a result of the above, along with a rebound from suspension of store operations, among other factors, revenue was ¥190,739 million, up 9.7% year on year. Though operating loss was recorded at ¥4,594 million partly due to recording of restructuring expenses, it improved compared to the previous fiscal year (operating loss of ¥20,785 million).

<**SC Business**>

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

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

As a new business in the area of wellness, we entered into a new business of developing and operating medical malls and opened the first site of a new-concept medical wellness mall Welpa in Shinsaibashi PARCO in November.

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

<**Developer Business**>

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

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

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

<**Payment and Finance Business**>

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

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

As a result of the above, revenue was ¥11,037 million, up 22.2% year on year primarily due to recovery in transaction volume handled by the Department Store and increased annual fee income associated with updating cards. Meanwhile, operating profit was ¥1,970 million, up 367.8% year on year.

<**Other**>

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

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

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

Financial position

Total assets as of February 28, 2022 was ¥1,192,907 million, down ¥70,815 million compared with February 28, 2021. Meanwhile, total liabilities was ¥830,787 million, a decrease of ¥68,591 million compared with February 28, 2021. Interest-bearing liabilities (including lease liabilities) was ¥502,109 million, down ¥60,706 million compared with February 28, 2021, as a result of the Company having taken steps to optimize cash and deposits on hand secured to provide for effects of the spread of the COVID-19 pandemic and having proceeded with repayment. Total equity was ¥362,120 million, a decrease of ¥2,223 million compared with February 28, 2021.

Cash flows

The balance of “cash and cash equivalents” as of February 28, 2022 was ¥93,278 million, down ¥35,647 million compared with February 28, 2021.

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

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

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

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

Basic profit distribution policy and dividends

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, our basic policy is to procure funds through interest-bearing liabilities by taking into account the ability to generate free cash flow and the balance of the interest-bearing liabilities and we aim to achieve an optimal structure of debt to equity in a manner cognizant of our funding efficiency and cost of capital.

Regarding dividends, the Company has decided to pay an annual dividend of ¥29 per share (¥27 in the previous fiscal year), up ¥2 compared to the previous fiscal year. In view of the balance of the interim dividend and year-end dividend, we have decided to pay an interim dividend of ¥14 per share, up ¥5 from the previous fiscal year (¥9 in the previous fiscal year) and a year-end dividend of ¥15 per share, down ¥3 from the previous fiscal year.

Consolidated Statement of Financial Position

J. Front Retailing Co., Ltd. and its consolidated subsidiaries
As of February 29, 2020, February 28, 2021 and February 28, 2022

(Millions of yen)

	FY2020	FY2021	FY2022
Assets			
Current assets			
Cash and cash equivalents	34,633	128,925	93,278
Trade and other receivables	144,244	113,414	112,262
Other financial assets	5,095	5,841	11,929
Inventories	19,169	20,684	12,459
Other current assets	5,281	4,739	4,954
Total current assets	208,424	273,605	234,884
Non-current assets			
Property, plant and equipment	473,167	493,644	480,380
Right-of-use assets	179,632	157,819	140,470
Goodwill	523	523	523
Investment property	219,354	188,879	189,688
Intangible assets	5,662	5,752	7,289
Investments accounted for using equity method	37,439	37,815	38,761
Other financial assets	91,379	86,870	79,977
Deferred tax assets	9,988	6,751	8,209
Other non-current assets	14,734	12,061	12,721
Total non-current assets	1,031,883	990,116	958,022
Total assets	1,240,308	1,263,722	1,192,907
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	108,400	145,151	108,152
Trade and other payables	144,020	121,937	116,107
Lease liabilities	29,493	29,799	28,554
Other financial liabilities	30,199	30,211	29,915
Income taxes payable	4,349	1,957	4,485
Provisions	999	914	954
Other current liabilities	56,427	59,953	59,243
Total current liabilities	373,889	389,926	347,413
Non-current liabilities			
Bonds and borrowings	149,876	214,779	209,562
Lease liabilities	191,003	173,085	155,839
Other financial liabilities	41,087	39,237	36,741
Retirement benefit liability	20,175	19,781	19,416
Provisions	4,909	10,534	9,553
Deferred tax liabilities	58,829	51,301	51,697
Other non-current liabilities	855	731	563
Total non-current liabilities	466,737	509,451	483,373
Total liabilities	840,627	899,378	830,787
Equity			
Share capital	31,974	31,974	31,974
Capital surplus	189,340	188,542	188,894
Treasury shares	(14,974)	(14,830)	(14,780)
Other components of equity	11,641	9,578	9,574
Retained earnings	169,206	136,906	134,705
Total equity attributable to owners of parent	387,188	352,171	350,368
Non-controlling interests	12,493	12,171	11,751
Total equity	399,681	364,343	362,120
Total liabilities and equity	1,240,308	1,263,722	1,192,907

Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

J. Front Retailing Co., Ltd. and its consolidated subsidiaries
Consolidated financial years ended February 28, 2021 and February 28, 2022

(Millions of yen)

Consolidated Statement of Profit or Loss	FY2021	FY2022
Revenue	319,079	331,484
Cost of sales	(184,711)	(183,642)
Gross profit	134,368	147,842
SGA	(132,001)	(136,123)
Other operating income	5,711	11,068
Other operating expenses	(32,343)	(13,406)
Operating profit (loss)	(24,265)	9,380
Finance income	962	1,335
Finance costs	(6,086)	(5,890)
Share of profit (loss) of investments accounted for using equity method	717	1,364
Profit (loss) before tax	(28,672)	6,190
Income tax expenses	2,251	(2,225)
Profit (loss)	(26,421)	3,964
Profit (loss) attributable to:		
Owners of parent	(26,193)	4,321
Non-controlling interests	(227)	(356)
Profit (loss)	(26,421)	3,964
Earnings (loss) per share		
Basic earnings (loss) per share (Yen)	(100.03)	16.50
Diluted earnings (loss) per share (Yen)	(100.03)	16.50

Consolidated Statement of Comprehensive Income	FY2021	FY2022
Profit (loss)	(26,421)	3,964
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(2,106)	(52)
Remeasurements of defined benefit plans	1,107	1,632
Share of other comprehensive income of investments accounted for using equity method	(94)	136
Total of items that will not be reclassified to profit or loss	(1,093)	1,716
Items that may be reclassified to profit or loss		
Cash flow hedges	13	(13)
Exchange differences on translation of foreign operations	(26)	151
Share of other comprehensive income of investments accounted for using equity method	3	(0)
Total of items that may be reclassified to profit or loss	(9)	136
Other comprehensive income, net of tax	(1,102)	1,853
Comprehensive income	(27,523)	5,818
Comprehensive income attributable to:		
Owners of parent	(27,296)	6,173
Non-controlling interests	(226)	(355)
Comprehensive income	(27,523)	5,818

Consolidated Statement of Changes in Equity

J. Front Retailing Co., Ltd. and its consolidated subsidiaries
Consolidated financial years ended February 28, 2021 and February 28, 2022

(Millions of yen)

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

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

Consolidated Statement of Cash Flows

J. Front Retailing Co., Ltd. and its consolidated subsidiaries
Consolidated financial years ended February 28, 2021 and February 28, 2022

(Millions of yen)

	FY2021	FY2022
Cash flows from operating activities		
Profit (loss) before tax	(28,672)	6,190
Depreciation and amortization	50,361	49,629
Impairment losses	14,122	1,136
Finance income	(962)	(1,335)
Finance costs	6,086	5,890
Share of loss (profit) of investments accounted for using equity method	(717)	(1,364)
Loss (gain) on sale of fixed assets	0	(2,666)
Loss on disposal of fixed assets	1,260	1,726
Gain on sale of shares of subsidiaries	—	(3,951)
Loss on sale of shares of subsidiaries	—	1,818
Decrease (increase) in inventories	(1,522)	5,904
Decrease (increase) in trade and other receivables	26,608	(536)
Increase (decrease) in trade and other payables	(12,720)	(4,159)
Increase (decrease) in retirement benefit liability	(267)	(365)
Decrease (increase) in retirement benefit asset	2,988	(407)
Other	5,666	228
Subtotal	62,232	57,737
Interest received	110	130
Dividends received	232	208
Interest paid	(6,028)	(5,808)
Income taxes paid	(6,251)	(4,548)
Income taxes refund	6,176	2,147
Net cash provided by (used in) operating activities	56,471	49,866
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,729)	(5,820)
Proceeds from sale of property, plant and equipment	7	492
Purchase of investment property	(3,813)	(2,601)
Proceeds from sale of investment property	—	2,887
Purchase of investment securities	(1,401)	(2,760)
Proceeds from sale of investment securities	1,480	2,503
Proceeds from sale of shares of subsidiaries resulting in changes in scope of consolidation	91	3,479
Other	(2,505)	(3,469)
Net cash provided by (used in) investing activities	(20,870)	(5,289)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(13,000)	—
Net increase (decrease) in commercial papers	66,001	(54,998)
Proceeds from long-term borrowings	82,000	—
Repayments of long-term borrowings	(23,400)	(17,150)
Proceeds from issuance of bonds	—	29,867
Redemption of bonds	(10,000)	—
Repayments of lease liabilities	(29,254)	(29,674)
Purchase of treasury shares	(3)	(32)
Dividends paid	(7,056)	(8,348)
Dividends paid to non-controlling interests	(94)	(64)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(6,471)	—
Other	6	8
Net cash provided by (used in) financing activities	58,727	(80,392)
Net increase (decrease) in cash and cash equivalents	94,328	(35,815)
Cash and cash equivalents at beginning of period	34,633	128,925
Effect of exchange rate changes on cash and cash equivalents	(37)	168
Cash and cash equivalents at end of period	128,925	93,278

Group Companies (As of June 30, 2022)

Department Store Business

Daimaru Matsuzakaya Department Stores Co. Ltd.

Location: 18-11, Kiba 2-chome, Koto-ku, Tokyo 135-0042
Capital: ¥10,000 million Investment ratio: 100%
http://www.daimaru-matsuzakaya.com

Daimaru Osaka Shinsaibashi Store
Location: 7-1, Shinsaibashisuji 1-chome, Chuo-ku, Osaka 542-8501
Phone: +81-6-6271-1231 Opened (Present location): November 1726

Daimaru Osaka Umeda Store
Location: 1-1, Umeda 3-chome, Kita-ku, Osaka 530-8202
Phone: +81-6-6343-1231 Opened: April 1983

Daimaru Tokyo Store
Location: 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6701
Phone: +81-3-3212-8011 Opened: October 1954

Daimaru Kyoto Store
Location: 79, Tachiuri Nishimachi, Shijo-dori Takakura Nishi-iru, Shimogyo-ku, Kyoto 600-8511
Phone: +81-75-211-8111 Opened (Present location): October 1912

Daimaru Kobe Store
Location: 40, Akashimachi, Chuo-ku, Kobe, Hyogo 650-0037
Phone: +81-78-331-8121 Opened (Present location): April 1927

Daimaru Sapporo Store
Location: 7, Nishi 4-chome, Kita 5-jo, Chuo-ku, Sapporo, Hokkaido 060-0005
Phone: +81-11-828-1111 Opened: March 2003

Matsuzakaya Nagoya Store
Location: 16-1, Sakae 3-chome, Naka-ku, Nagoya, Aichi 460-8430
Phone: +81-52-251-1111 Opened: March 1910

Matsuzakaya Ueno Store
Location: 29-5, Ueno 3-chome, Taito-ku, Tokyo 110-8503
Phone: +81-3-3832-1111 Opened: April 1768

Daimaru Suma Store
Location: 2-4, Nakaochiai 2-chome, Suma-ku, Kobe, Hyogo 654-0154
Phone: +81-78-791-3111 Opened: March 1980

Daimaru Ashiya Store
Location: 1-31, Funato-cho, Ashiya, Hyogo 659-0093
Phone: +81-797-34-2111 Opened: October 1980

Daimaru Shimonoseki Store
Location: 4-10, Takezaki-cho 4-chome, Shimonoseki, Yamaguchi 750-0025
Phone: +81-83-232-1111

*The Shimonoseki Daimaru, Inc. was merged into Daimaru Matsuzakaya Department Stores Co. Ltd. and renamed Daimaru Shimonoseki Store on March 1, 2020.

Matsuzakaya Shizuoka Store
Location: 10-2, Miyuki-cho, Aoi-ku, Shizuoka 420-8560
Phone: +81-54-254-1111 Opened: November 1932

Matsuzakaya Takatsuki Store
Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone: +81-72-682-1111 Opened: November 1979

Corporate Sales Division
Location: 6th Fl., Kuromon Annex, Matsuzakaya Ueno Store, 18-6, Ueno 3-chome, Taito-ku, Tokyo 110-0005
Phone: +81-3-5846-1431

The Hakata Daimaru, Inc.

Location: 4-1, Tenjin 1-chome, Chuo-ku, Fukuoka 810-8717
Phone: +81-92-712-8181 Capital: ¥3,037 million Investment ratio: 69.9%
http://www.daimaru.co.jp/fukuoka/index.html

Kochi Daimaru Co., Ltd.

Location: 6-1, Obiyamachi 1-chome, Kochi 780-8566
Phone: +81-88-822-5111 Capital: ¥300 million Investment ratio: 100%
http://www.kochi-daimaru.co.jp/

SC Business

Parco Co., Ltd. (Shopping center business)

Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
Capital: ¥34,367 million Investment ratio: 100%

Parco (Singapore) Pte Ltd (Shopping center business)

Location: 10 Anson Road #09-05/06 International Plaza Singapore 079903
Capital: S$4.5 million Investment ratio: 100%

Developer Business

Parco Co., Ltd. (Developer business)

Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
Capital: ¥34,367 million Investment ratio: 100%

Parco Space Systems Co., Ltd.
(Space engineering and management business)

Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
Capital: ¥490 million Investment ratio: 100%

Parco Digital Marketing Co., Ltd. (Internet-related business)

Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
Capital: ¥10 million Investment ratio: 100%

J. Front Design & Construction Co., Ltd.
(Design and construction contracting)

Location: 16th & 17th Fls., Harumi Island Triton Square Office Tower W Bldg., 8-8, Harumi 1-chome, Chuo-ku, Tokyo 104-0053
Location: 2nd Fl., Nomura Fudosan Osaka Bldg., 8-15, Azuchimachi 1-chome, Chuo-ku, Osaka 541-0052
Capital: ¥100 million Investment ratio: 100%
http://www.jfdc.co.jp/

Payment and Finance Business

JFR Card Co., Ltd. (Credit and finance business)

Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Location: 9th Fl., Nihon Seimei Nihonbashi Bldg., 13-12, Nihonbashi 2-chome, Chuo-ku, Tokyo 103-0027
Capital: ¥100 million Investment ratio: 100%
http://www.jfr-card.co.jp/

Other

Daimaru Kogyo, Ltd. (Wholesale business)

Location: Yushutsu Seni Kaikan, 4-9, Bingomachi 3-chome, Chuo-ku, Osaka 541-0051
Capital: ¥1,800 million Investment ratio: 100%
http://www.daimarukogyo.co.jp/

Daimaru Kogyo International Trading (Shanghai) Co., Ltd.
(Wholesale business)

Location: 6th Fl., Heng Seng Bank Tower, 1000 Lujiazui Ring Rd., Pudong New Area, Shanghai, China
Capital: U.S.$2 million Investment ratio: 100%

Daimaru Kogyo (Thailand) Co., Ltd.
(Wholesale business)

Location: Unit 1902, 19th Fl., Sathorn Square Office Building, 98 North Sathorn, Kwaeng Silom, Khet Bangrak, Bangkok 10500, Thailand
Capital: THB202 million Investment ratio: 100%

Taiwan Daimaru Kogyo, Ltd.
(Wholesale business)

Location: Room 709, No. 142, Sec. 3, Ming Chuan East Road, Taipei 10542, Taiwan, R.O.C.
Capital: NT$60 million Investment ratio: 100%

Consumer Product End-Use Research Institute Co., Ltd.
(Merchandise test and quality control)

Location: 20th & 21st Fls., Edobori Center Bldg., 1-1, Edobori 2-chome, Nishi-ku, Osaka 550-0002
Location: 2nd Fl., Matsuzakaya Kuromon Annex, 18-6, Ueno 3-chome, Taito-ku, Tokyo 110-0005
Location: 10th Fl., Matsuzakaya Park Place, 2-36, Sakae 5-chome, Naka-ku, Nagoya, Aichi 460-0008
Capital: ¥100 million Investment ratio: 100%
http://www.shoukaken.jp/

Angel Park Co., Ltd. (Parking)

Location: 16-10, Sakae 3-chome, Naka-ku, Nagoya, Aichi 460-0008
Capital: ¥400 million Investment ratio: 50.2%
http://www.angelpark.co.jp/

JFR Service Co., Ltd.

(Commissioned back-office service/leasing/parking management)
Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Capital: ¥100 million Investment ratio: 100%

JFR Information Center Co., Ltd. (Information service)

Location: 3-24, Osaka 1-chome, Tennoji-ku, Osaka 543-0062
Capital: ¥10 million Investment ratio: 100%
http://www.jfr-ic.jp/

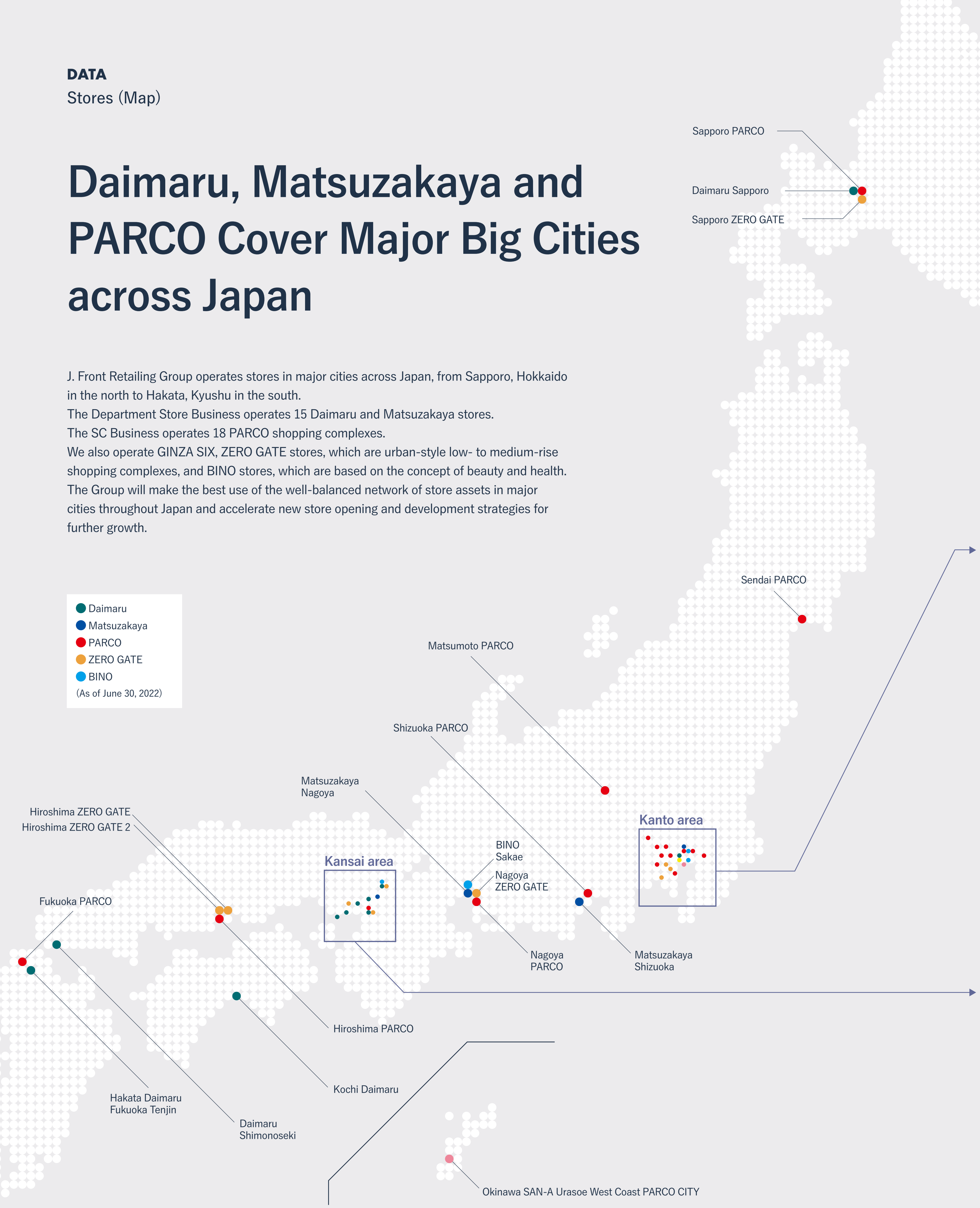
Daimaru Matsuzakaya Tomonokai Co., Ltd.
(Specified prepaid transaction service)

Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Capital: ¥100 million Investment ratio: 100%
http://www.dmtomonokai.co.jp/

DATA
Stores (Map)

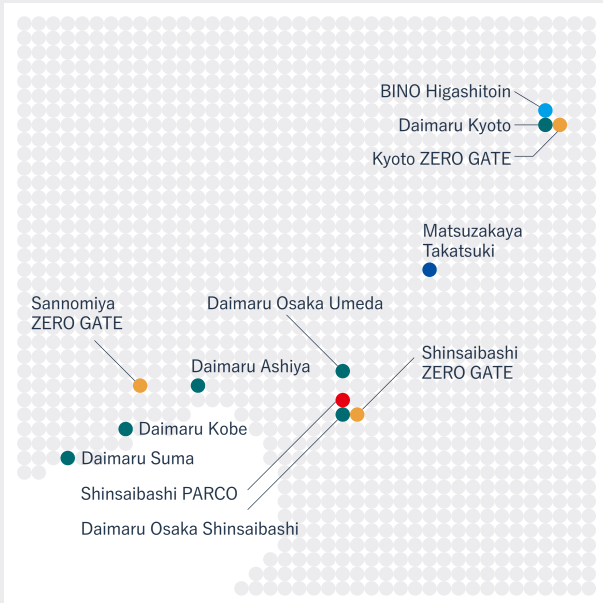
Daimaru, Matsuzakaya and PARCO Cover Major Big Cities across Japan

J. Front Retailing Group operates stores in major cities across Japan, from Sapporo, Hokkaido in the north to Hakata, Kyushu in the south.
The Department Store Business operates 15 Daimaru and Matsuzakaya stores.
The SC Business operates 18 PARCO shopping complexes.
We also operate GINZA SIX, ZERO GATE stores, which are urban-style low- to medium-rise shopping complexes, and BINO stores, which are based on the concept of beauty and health.
The Group will make the best use of the well-balanced network of store assets in major cities throughout Japan and accelerate new store opening and development strategies for further growth.



Kanto area

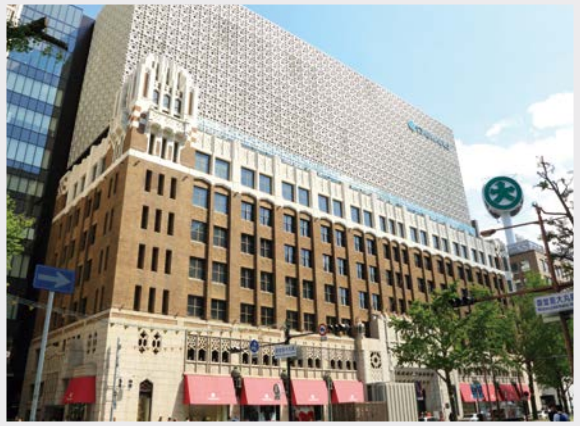
Kansai area




GINZA SIX (Opened in April 2017)

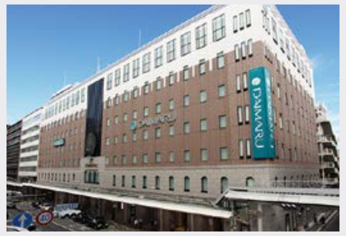
Shinsaibashi PARCO (Opened in November 2020)

Shibuya PARCO (Opened in November 2019)


Main building of Daimaru Osaka Shinsaibashi (Opened in September 2019)

Daimaru and Matsuzakaya Stores (As of June 30, 2022)


Daimaru Osaka Shinsaibashi (Floor space: 46,490m²)


Daimaru Kyoto (Floor space: 50,830m²)


Daimaru Suma (Floor space: 13,076m²)


Daimaru Shimonoseki (Floor space: 23,912m²)


Daimaru Ashiya (Floor space: 3,395m²)


Kochi Daimaru (Floor space: 16,068m²)


Daimaru Osaka Umeda (Floor space: 64,000m²)


Daimaru Kobe (Floor space: 50,656m²)


Hakata Daimaru Fukuoka Tenjin
(Floor space: 44,192m²)


Daimaru Tokyo (Floor space: 46,000m²)


Daimaru Sapporo (Floor space: 45,000m²)


Matsuzakaya Nagoya (Floor space: 86,758m²)


Matsuzakaya Takatsuki (Floor space: 17,387m²)


Matsuzakaya Ueno (Floor space: 21,759m²)


Matsuzakaya Shizuoka (Floor space: 25,452m²)


GINZA SIX (Floor space: 47,000m²)

Overseas Office and Company

Paris Representative Office
21 rue Auber, 75009 Paris, France
Phone : +33-1-4574-2151

Daimaru Matsuzakaya Department Stores (Shanghai) Consulting Co., Ltd.
Huaxin Haixin Building 13F Rm-15A1, 666 Fuzhou Rd, Shanghai 200001, China
Phone : +86-21-6248-1538

PARCO Stores (As of June 30, 2022)

PARCO urban complexes


Sapporo PARCO
3-3, Minami 1-jo Nishi, Chuo-ku, Sapporo, Hokkaido
B2F-8F
Opened: August 24, 1975


Sendai PARCO
1-2-3, Chuo, Aoba-ku, Sendai, Miyagi
Main Building: B1F-9F
Opened: August 23, 2008
Sendai PARCO 2: 1F-9F 3-7-5, Chuo, Aoba-ku, Sendai, Miyagi
Opened: July 1, 2016


Urawa PARCO
11-1, Higashitakasago-cho, Urawa-ku, Saitama
B1F-7F
Opened: October 10, 2007


Ikebukuro PARCO
1-28-2, Minami-Ikebukuro, Toshima-ku, Tokyo
Main Building: B2F-8F
Opened: November 23, 1969
P'PARCO: B2F-8F
Opened: March 10, 1994


PARCO_ya Ueno
3-24-6, Ueno, Taito-ku, Tokyo
1F-6F
Opened: November 4, 2017
Ueno Frontier Tower B1F, 7F-10F


Kichijoji PARCO
1-5-1, Kichijojihoncho, Musashino, Tokyo
B2F-8F
Opened: September 21, 1980


Shibuya PARCO
15-1, Udagawa-cho, Shibuya-ku, Tokyo
B1F-10F
Opened: August 8, 1973
Reopened: November 22, 2019


Kinshicho PARCO
4-27-14, Kotobashi, Sumida-ku, Tokyo
B1F-7F
Opened: March 16, 2019


Chofu PARCO
1-38-1, Kojima-cho, Chofu, Tokyo
B1F-10F
Opened: May 25, 1989


Shizuoka PARCO
6-7, Koyamachi, Aoi-ku, Shizuoka
B1F-8F
Opened: March 15, 2007


Nagoya PARCO
3-29-1, Sakae, Naka-ku, Nagoya, Aichi
West Building: B1F-11F
East Building: B1F-8F
Opened: June 29, 1989
South Building: B1F-10F
Opened: November 6, 1998
PARCO midi: 1F-3F
Opened: March 27, 2015


Hiroshima PARCO
10-1, Hondori, Naka-ku, Hiroshima
Main Building: B1F-10F
Opened: April 9, 1994
New Building: B1F-9F
Opened: September 21, 2001


Fukuoka PARCO
2-11-1, Tenjin, Chuo-ku, Fukuoka
Main Building: B1F-8F
Opened: March 19, 2010
New Building: B2F-6F
Opened: November 13, 2014


Shinsaibashi PARCO
1-8-3, Shinsaibashisuji, Chuo-ku, Osaka
B2F-14F
Opened: November 20, 2020

PARCO community complexes


Tsudanuma PARCO
2-18-1, Maebaranishi, Funabashi, Chiba
Building A: B1F-6F
Building B: B1F-6F
Opened: July 1, 1977


Shintokorozawa PARCO
1-2-1, Midori-cho, Tokorozawa, Saitama
PARCO: B1F-5F
Let's: B1F-4F
Opened: June 23,1983


Hibarigaoka PARCO
1-1-1, Hibarigaoka, Nishitokyo, Tokyo
B1F-5F
Opened: October 8, 1993


Matsumoto PARCO
1-10-30, Chuo, Matsumoto, Nagano
B1F-6F
Opened: August 23, 1984

ZERO GATE

Sapporo ZERO GATE
3-15-1, Minami 2-jo Nishi, Chuo-ku, Sapporo, Hokkaido
B2F, 1F-4F
Opened: February 26, 2016

Shibuya ZERO GATE
16-9, Udagawa-cho, Shibuya-ku, Tokyo
B1F-4F
Opened: April 16, 2011

Harajuku ZERO GATE
4-31-12, Jingumae, Shibuya-ku, Tokyo
1F-4F
Opened: March 17, 2018

Nagoya ZERO GATE
3-28-11, Sakae, Nagoya, Aichi
1F-3F
Opened: October 10, 2014

Kyoto ZERO GATE
83-1, Tachiuri Nakanocho, Shijo-dori Takakura Higashi-iru, Shimogyo-ku, Kyoto
B2F-7F
Opened: November 4, 2017

Shinsaibashi ZERO GATE
1-9-1, Shinsaibashisuji, Chuo-ku, Osaka
B2F-4F
Opened: April 13, 2013

Hiroshima ZERO GATE
2-7, Shintenchi, Naka-ku, Hiroshima
1F-3F
Opened: October 10, 2013

Hiroshima ZERO GATE 2
9-4, Hondori, Naka-ku, Hiroshima
1F-3F
Opened: September 10, 2016

Sannomiya ZERO GATE
2-11-3, Sannomiya-cho Chuo-ku, Kobe, Hyogo
1F-4F
Opened: September 14, 2018

Kawasaki ZERO GATE
1-1, Ogawa-cho, Kawasaki-ku, Kawasaki, Kanagawa
1F-2F
Opened: August 8, 2019

Other stores

Pedi Shiodome
1-9-1, Higashishinbashi, Minato-ku, Tokyo
B2F-B1F, 2F
Opened: February 16, 2005

SAN-A Urasoe West Coast PARCO CITY
3-1-1, Irijima, Urasoe, Okinawa
Commercial floors: 1F-3F
Opened: June 27, 2019

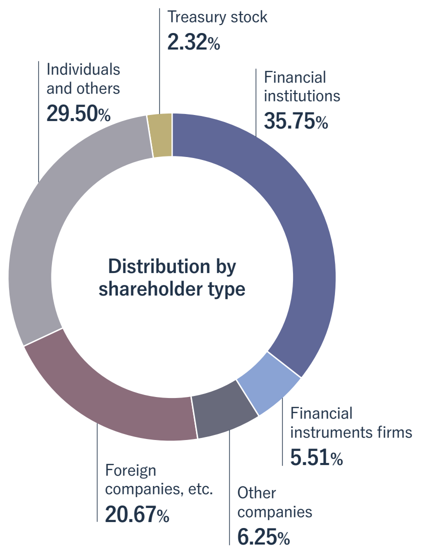
Overseas Japanese restaurant zone

itadakimasu by PARCO
100AM Mall 100 Tras Street, Singapore 079027
Opened: December 1, 2016

Share Information/ Corporate Information (As of February 28, 2022)

Status of shares

Number of shares authorized	1,000,000,000 shares
Number of shares issued	270,565,764 shares
Stock code	3086
Stock exchange listings	Tokyo and Nagoya
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation
Number of shareholders	155,375



Name of shareholder	Number of shares held (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	43,781	16.56
Custody Bank of Japan, Ltd. (Trust Account)	15,163	5.73
Nippon Life Insurance Company	9,828	3.71
J. Front Retailing Kyoei Supplier Shareholding Association	6,344	2.40
DAIWA CM SINGAPORE LTD–NOMINEE ROBERT LUKE COLLICK	5,439	2.05
The Dai-ichi Mutual Life Insurance Company	5,158	1.95
BNYM AS AGT/CLTS NONTREATY JASDEC	4,308	1.62
JP MORGAN CHASE BANK 385781	3,207	1.21
SMBC TRUST BANK LTD. (SUMITOMO MITSUI BANKING CORPORATION RETIREMENT BENEFIT TRUST ACCOUNT)	3,204	1.21
JP Morgan Securities Japan Co., Ltd.	2,909	1.10

*Shareholding ratio is calculated by deducting treasury stock (6,264,000 shares). The said treasury stock does not include the Company's shares held by the BIP Trust.

Distribution by shareholder type	Number of shareholders (People)	Number of shares (1,000 shares)	Ratio (%)
Government and local public entities	—	—	—
Financial institutions	57	96,725	35.75
Financial instruments firms	44	14,912	5.51
Other companies	1,026	16,920	6.25
Foreign companies, etc.	492	55,934	20.67
Individuals and others	153,755	79,808	29.50
Treasury stock	1	6,264	2.32

Corporate profile

Company name	J. Front Retailing Co., Ltd.
Main store	10-1, Ginza 6-chome, Chuo-ku, Tokyo
Office	Shinagawa Season Terrace, 2-70, Konan 1-chome, Minato-ku, Tokyo (Relocated on August 29, 2022)
Established	September 3, 2007
Capital	¥31,974 million
The Group's business lines	Department store operation; retail; restaurants; wholesale; import and export; design, supervision and contracting of construction works; direct marketing; credit cards; labor dispatch service; merchandise inspection and consulting; and others
Number of employees (consolidated)	5,589 (as of February 28, 2022) Note: In addition to the above, there are 2,559 dedicated employees and fixed-term employees.
URL	https://www.j-front-retailing.com/english/

Create and Bring to Life
"New Happiness."

J. FRONT RETAILING

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