J. FRONT RETAILING

Integrated Report 2023

TURNING POINT

Connect to Renewed Growth.

Create and Bring to Life "New Happiness."

J. FRONT RETAILING

Full-fledged

Connect Knowledge.

The Post-COVID-19 era is finally in full swing and a new normal has arrived.
We feel that people are moving and that cities are coming back to life at an accelerated pace.
On the other hand, the uncertainties of the times, such as fears of new pandemics and heightened geopolitical risks, continue, making it an urgent task to enhance our resilience and ability to respond to changes in the environment.
As the economy moves toward further maturity, what is required is deepening and exploration.
We are determined to achieve serious transformation through innovation that connects diverse knowledge.

Connect to Next.

Our role and raison d'etre is to provide value to society.
We believe that this means creating added value for our customers, collaborating with local communities, and taking into account our environmental impact.
Putting into practice the corporate credo of "Service before Profit" and "Abjure All Evil and Practice All Good" is exactly creating shared value, and the very essence of sustainability.
This is the basis of our company's 300- or 400-year history.
We will be ourselves, honest, and innovative.
We will show a clearer path to renewed growth.

Renewed

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Environment
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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 2022 (March 1, 2022 through February 28, 2023) 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.

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 – Tradition (Foundation ⇒ Birth of Department Store)

History of Overcoming 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."

Daimaru

1717
Shimomura Hikoemon Shokei opened a kimono fabric store "Daimonjiya" in Fushimi, Kyoto. (Foundation of Daimaru)

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)

1787
Edo store achieved the highest sales in Japan as a kimono fabric dealer.

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

Japanese traditional puppet show *bunraku* "Osaka Hanjoki"

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 reinforced 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 reform).
(Next year, HR reform and back-office reform were launched.)

2003
Sapporo store opened.

2007
Integrated management with Matsuzakaya Holdings Co., Ltd.
Established a holding company J. Front Retailing Co., Ltd.

2009
The north wing of Daimaru Shinsaibashi store opened.

2010
Merged with Matsuzakaya Co., Ltd. and Daimaru Matsuzakaya Department Stores Co. Ltd. was founded.

2011
Daimaru Umeda store reopened with increased floor space.

The north wing of Daimaru Shinsaibashi store opened

1800s **1900s** **2000s**

1611
Ito Ranmaru Sukemichi opened a kimono fabric and fancy goods wholesale store in Honmachi, Nagoya.

Matsuzakaya

Exterior of Ueno store in 1772

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

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.

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.

Opened a department store

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."

Nagoya store built a new south wing

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

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

2007
Integrated management with The Daimaru, Inc.
Established a holding company J. Front Retailing Co., Ltd.

2010
Merged with The Daimaru, Inc. and Daimaru Matsuzakaya Department Stores Co. Ltd. was founded.

2011
"Keicho Kosode" from the Matsuzakaya Collection was designated as a national important cultural property.

Values and Vision

History – Innovation (Reorganization ⇒ Portfolio Transformation)

Future Created by Heterogeneity

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 and converted it into a wholly owned subsidiary in 2020 to expand our retail wing.
The full-scale fusion of disparate cultures is just beginning.

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Established J. Front Retailing Co., Ltd. in Sep 2007

2007

Phase of business integration and reorganization

2007

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

Daimaru Tokyo store completed phase 1 of relocation and expansion.

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.

Daimaru Umeda store reopened with increased floor space in Mar 2011

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.

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.

Established JFR PLAZA Inc. through joint investment with StylingLife Holdings Inc.

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

PARCO

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

2014

FY2014-FY2016 Medium-term Business Plan started.

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.

Daimaru Kyoto Store Gion Machiya opened in Nov 2016

GENTA was created in the north wing of Matsuzakaya Nagoya store in 2016

Phase of changing the business structure

FY2017 → FY2021 Medium-term Business Plan

2017

FY2017-FY2021 Medium-term Business Plan started.

Voluntarily adopted 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.

GINZA SIX opened in Apr 2017

The main building of Daimaru Shinsaibashi store made its grand opening in Sep 2019

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 directly managed store. (Mar)

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

Suspended the current 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 Medium-term Business Plan

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 Neuve A Co., Ltd. (Jun)

Daimaru Matsuzakaya Department Stores Co. Ltd. absorbed Daimaru Matsuzakaya Sales Associates Co. Ltd. (Sep)

2022

Partially transferred shares of Dimples' Co., Ltd. (Feb)

Established a CVC fund JFR MIRAI CREATORS Fund jointly with Ignition Point Venture Partners Inc. (Oct)

Acquired a 50.8% stake in XENOZ Co., Ltd. and converted it into a subsidiary. (Nov)

2023

Established J. Front City Development Co., Ltd. (Mar)

Invested in Financie, Inc. (Apr)

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 "Abjure All Evil and Practice All Good" 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.

Direction of the Road Ahead

Create and Bring to Life "New Happiness."

Corporate Credo
Service before Profit
Abjure All Evil and Practice All Good

Group Vision
Create and Bring to Life "New Happiness."

Sustainability Policy
With People, with Local Communities, with Environment

Corporate vision and value delivery
Produce fulfilling lifestyles and create unique communities to coexist with local communities

Management strategy / business strategy

Integrate corporate strategy / business strategy with sustainability management

Practice CSV (Creating Shared Value) using the Group's strengths

Propose Well-Being Life as the goal of the Group Vision through new value creation

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

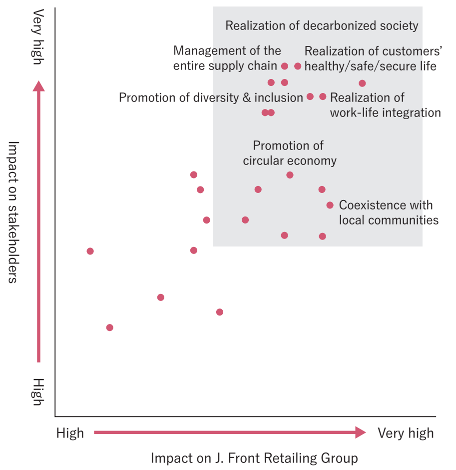
We have identified materialities to promote sustainability management and realize Well-Being Life, which is the goal of the Group Vision.

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

Questionnaire survey of stakeholders (4,250 persons), interview with management

Prepared materiality map

Recognized environmental and social issues
Listed materiality candidates → Hearings on important tasks from the stakeholder's perspective → Evaluated the Group's strengths and impact
Extracted important tasks for the Group → Discussed and identified

Selected 100 social issues that are expected to have a significant impact on the environment and society → Selected 25 items based on the Group's initiatives, ESG guidelines, benchmark companies (organizational governance, human rights, labor practices, environment, fair business practices, community, etc.)

Discussed by the Management Meeting and the Board of Directors

2018 Selected 5 materialities

- "Contribution to a low-carbon society"
- "Management of the entire supply chain"
- "Coexistence with local communities"
- "Promotion of diversity"
- "Realization of work-life balance"

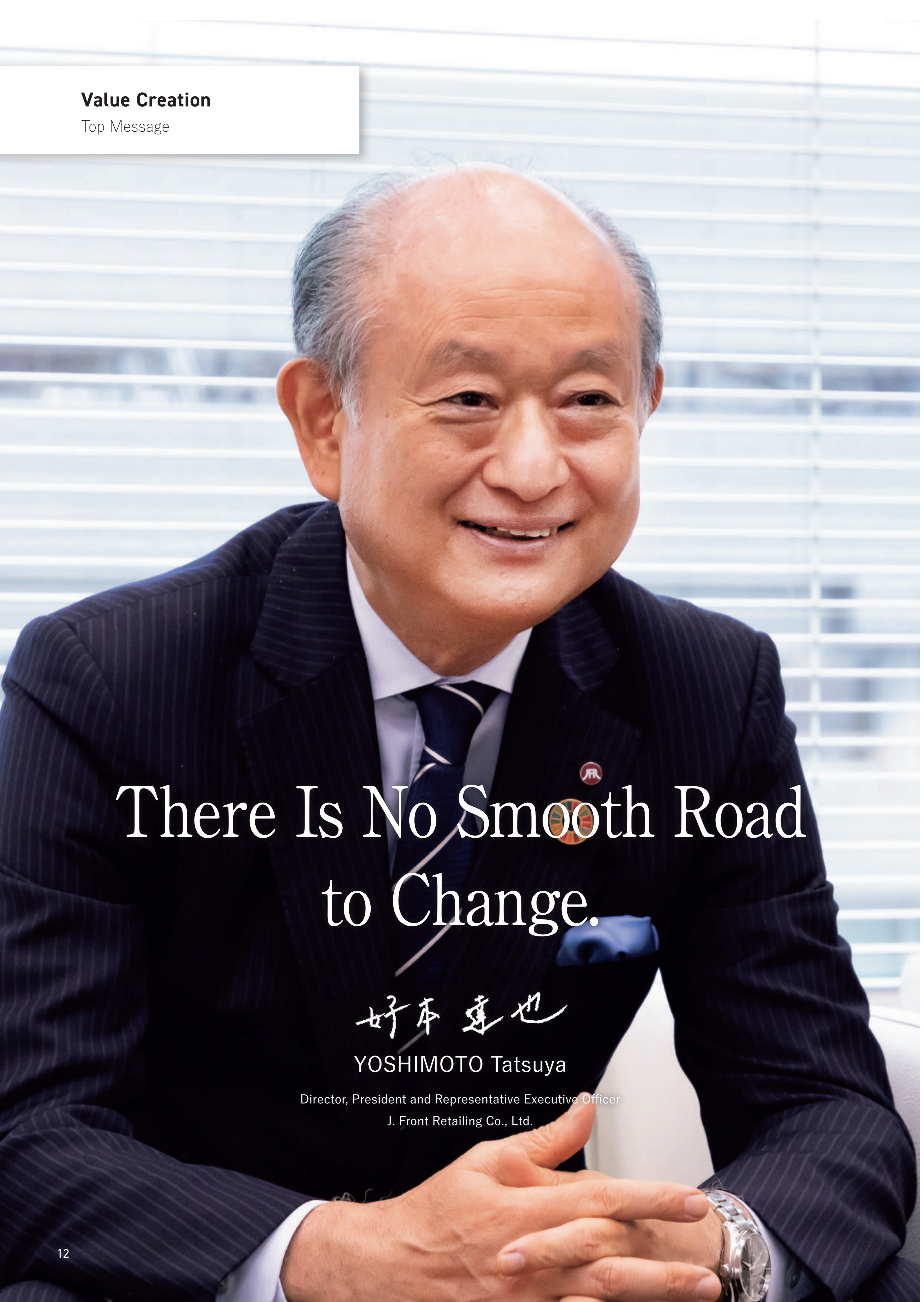
Reviewed from the perspectives of changes in the external environment surrounding environmental issues, changes due to COVID-19 and the Group's materialities

Discussed by the Management Meeting and the Board of Directors

2021 Added 2 materialities and updated 3 items

- "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"

*Newly added materialities are shown in red.



There Is No Smooth Road to Change.

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

Delayed full-scale reopening begins

In May of this year, COVID-19 was moved to Class 5 under the Infectious Diseases Control Law, which is equivalent to seasonal influenza. The department store industry has been the slowest to reopen among retailers, but it is finally on the road to a full-fledged recovery. With the resurgence of foot traffic, we expect economic activity to become increasingly normalized and vigorous.

In addition, the move toward a higher level of wage increases, which has not been seen in recent years, is expected to ensure that consumer sentiment will be positive. The Company has added a flat 10,000 yen per month to the monthly wages for fiscal 2023, under the name of “livelihood support subsidy.” Furthermore, given that Japan’s domestic personal financial assets, including residual COVID-19 savings, continue to exceed 2,000 trillion yen, it could be said that the sentiment is such that any single trigger, such as the provision of absolute asset value or irreplaceable experience value, would certainly have a positive effect on consumption.

The driving force behind our recovery process is spending by the wealthy class in department store sales. During the current medium-term plan period, our first priority is to fully recover both BS and PL from the damage caused by the COVID-19 pandemic, and while we have been forced to narrow down our investments to some extent, the Department Store has focused on strengthening the luxury and watch categories. We also see a further expansion of our digital touch points beyond our expectations.

In particular, we have been able to encourage consumption among relatively young customers in their 20s to 40s, and the share of these customers in our gaisho sales has increased to nearly 30%. Furthermore, the recent rise in stock prices will continue to boost spending by the wealthy class as an asset effect.

Meanwhile, we are keeping a close watch on the prolonged inflationary situation. The rise in utilities expenses had a negative impact of 2.6 billion yen on operating profit in fiscal 2022, and we expect the same level of impact in fiscal 2023. At home, in addition to rising utilities expenses, there are also cases where prices for the same items such as food are repeatedly raised several times. Despite the rare and unprecedented increase in wages in recent years, it is undeniable that real wages have been slow to rise.

However, we do not overestimate the current situation.

Rather, this is an opportunity to “move up a gear for change.”

Even taking into account such uncertainties, I am certain that the reopening effect will be sustained to a certain extent, considering the accelerating recovery of domestic foot traffic and the expected demand from inbound customers from mainland China, given that the industry has lagged behind.

However, we try not to overestimate the current situation. Rather, we believe that we are now at a major turning point and that this is an opportunity to “move up a gear for change.” The essential challenges that the Department Store has faced up to now have not been solved suddenly. I still hold the belief that a bright future cannot be envisioned as an extension of the past.

Strengthen stores based on capital profitability

To achieve portfolio transformation, we are working to enhance business management by adopting ROIC by business with an awareness of cost of capital. We believe that pursuing higher ROIC by business from the perspective of return on invested capital is the way to evolve business management. Another key point is that it is an easy-to-understand indicator of the link between business profitability improvement and employee efforts.

The Department Store Business has the highest ROIC in our current business portfolio, but it is clear that concentrating investment in this area is not the direction we should take from a medium- to long-term perspective. On the other hand, we also believe that it is not impossible to achieve a higher ROIC with the various reform initiatives the Department Store is currently pursuing. We believe that even if growth by increasing the number of stores is difficult, there is plenty of room for evolution by reforming the business model. The Department Store is already able to track BS by store, and we hope to take advantage of the adoption of ROIC by business to further improve capital profitability.

We believe that our retail business is predicated on the strength of our real stores, even when promoting digitalization. To make our stores stronger, we must refine our content, services, store environment, and highly efficient operations. To this end, we believe that we should be more aggressive in investing in stores where we can expect a solid return, while assessing the capital profitability of each store. The adoption of ROIC has also led to a change in mindset that emphasizes such an investment-return relationship.

In recent years, the reconstruction of the Shinsaibashi store required a large amount of cash, so it is undeniable that investment in other key stores has been somewhat restrained. Specifically, we believe that department stores such as the Nagoya, Sapporo, and Kobe stores have the potential to earn substantial cash if appropriate investments are made.

In order for ROIC management to take root at the group level, it is extremely important that the field staff understand the importance of ROIC management. We would like to keep in mind that we should proceed from the same perspective as the operating companies, rather than from the "top-down" perspective of the holding company.

Last fiscal year was positioned as the phase to spread understanding, and we held study sessions and briefings at each of our operating companies, as well as discussions on KPIs, how to operate the KPI tree, etc. In this fiscal 2023, we will conduct preliminary operations at some of our department stores and PARCO stores. We will also chart the path toward setting and achieving the financial targets of the next medium-term plan, centered on ROIC, with the aim of starting full-scale operations in fiscal 2024.

While the focus is on improving PBR of less than one in the capital market, we are confident that the adoption of ROIC by business will enable us to achieve management sophistication and increase the ROIC spread for each business, which will also lead to higher PBR.

However, the fundamental reason why our PBR is currently around one is that we do not have a clear path to medium- to long-term growth. It is also essential to aggressively make the necessary investments to deepen and explore for growth. Therefore, I believe that we need to more clearly show what kind of future the changes we are working on now will lead to.

Only "people" can bring about innovation.
Therefore, both young people and outsiders are actively involved.

Turn diversity into innovation

Innovation is essential to survive in these highly uncertain times. Innovation is created from the combination of existing knowledge, and only "people" can bring about that innovation. Therefore, it is obvious that the more diverse the knowledge is, the more choices we have. In terms of diversity, while promoting more women is a must, we place greater emphasis on the "diversity of thinking" that arises from people who are diverse in terms of age, background, and others.

I think one of the key points is to include people who have grown up in the culture of Parco, which is different from that of the Department Store. Parco became a wholly owned subsidiary in March 2020, but in the first year after that, its human resources were not fully incorporated into the Group, and it was almost a stand-alone organization.

Therefore, as we move forward with the current medium-term plan, we have made a conscious effort to assign people from Parco to key posts, primarily in the holding company. As we worked together in earnest, it became clear that there are many people with various ideas and perspectives that are different from those from the Department Store. We are convinced that incorporating and integrating this knowledge into the Group will be one of our major weapons in the future.

In addition, we are actively promoting mid-career hiring from outside, particularly in management strategy, finance, and legal affairs. I expect that the percentage of mid-career hires at the holding company will reach up to 50% in the near future. It is true that it is becoming more and more difficult to hire digital human resources. Needless to say, digital technology

is an indispensable factor in terms of productivity improvement. For this reason, we launched the Digital Human Resource Development Plan last fall, with a digital specialist hired from outside as a leader. We have set a challenging goal of developing 1,000 digital human resources by 2030, and we are actively working toward this goal.

Utilizing diverse ideas and perspectives is not limited to bringing in human resources themselves. In other words, I feel it is important to create opportunities for collaboration with outside parties, especially for young people. The CVC fund we established last fall aims to fulfill just such a role. Young people are taking the lead in seeking collaboration with startups and working to create synergies through innovation, involving employees of operating companies. Five investments have already been made, and we are looking forward to seeing what output will be shown from them.

I think diversity is really progressing at the holding company. However, unfortunately at Daimaru Matsuzakaya Department Stores and Parco, we have to say that there is still a long way to go. We would like to make a strong effort to promote innovation in this area.

Customer creation in the "new era"

The Department Store Business is supported by regular customers of relatively older age groups. On the one hand, this means that we are aging together with our customers, and our challenge is how to develop new customers, especially younger customers.

As I mentioned earlier, the Department Store's gaisho sales, which represent spending by affluent customers, are growing as the share of purchases by customers in their 20s to 40s who are relatively young as the Department Store's customers is expanding after the COVID-19 pandemic. This means that robust purchases continue, centered on content such as luxury items and contemporary art. I feel that what is important is the content, the digitalization of touch points, and the real store space.

An even stronger indication of this is the movement of GINZA SIX, which is increasing its presence as a luxury mall. GINZA SIX opened in 2017 with the choice "not to operate as a department store." Later, in 2021, many of the shops were due for renewal, so a major renovation was undertaken, including tenant replacement. Although there were some negative views because it was right in the middle of COVID-19, it continues to make greater-than-expected strides, recording its highest monthly sales ever in December of last year. Of particular note is that customers in their 20s and 30s account for half of its sales. We see potential in this fact for the future of the Group. I feel that there is still much more that we can do as a retailer to create new customers.

To broaden the perspective of customer creation a bit more, how the Group can access the Millennial Generation and Generation Z is a major issue as the Group aims for medium- to long-term growth. I make a conscious effort to talk with people of these generations, and I find that their lifestyles and values are clearly different from those of us, the Showa generation, in ways that cannot be explained simply by the demographic factor of age. Both of them are digital natives, and Generation Z in particular is said to be social natives, so we believe that a completely different approach is needed.

As part of these efforts, we decided to enter the esports business by acquiring a 50.8% stake in XENOZ Co., Ltd., which operates the esports team SCARZ, in October last year, making it a subsidiary. Esports is characterized by a high level of interest among the younger generation, especially those in their teens to 30s, including Generation Z. It has a high affinity with businesses utilizing digital technologies, such as metaverse and NFT, and various business developments are expected. While steadily realizing the real-world effect of attracting customers, such as holding events at the Group's facilities, we believe that expanding our business to the digital side will lead to the acceleration of strategy execution.

We will acquire leading content and make our real commercial facilities stronger. In order to cultivate new markets, the enhancement of content is the cornerstone. I am convinced that esports will be an important part of this process.

As another important factor, in terms of organizing customers, I think it is essential to devise an approach that takes into account the changing times. Today's consumer behavior is characterized by the presence of a narrow and deep market, against a backdrop of diversified values and fragmented customer preferences. I believe that key words such as infatuation and fervor also represent such a situation. In other words, we are in an era where the connection between like-minded people is emphasized, which is truly the era of community, and we are also considering utilizing the information obtained from the interaction of like-minded people there in commerce. We are already making preparations, including investment in companies with such management capabilities and know-how, and hope to link this to the creation of new customers.

"Community" as a growth driver

As of March 1 this year, the Developer Business that had been handled by Parco was split off from Parco and started anew as an independent company called J. Front City Development. At the same time, the CRE Strategy Unit was newly established in the holding company to optimize the Developer Business from the Group's perspective and maximize value creation. And I was appointed as the head of this unit concurrently.

Seven cities designated as key areas for the new company's strategic promotion (Tokyo, Sapporo, Nagoya, Osaka, Kyoto, Kobe, and Hakata) are home to Daimaru or Matsuzakaya department stores or PARCO stores. In other words, we believe that our unique feature and strength is that we own real estate in major cities that can be developed, including the areas surrounding our stores. Projects are already underway in the Sakae area in Nagoya and the Shinsaibashi area in Osaka, both of which are scheduled for completion in 2026. Furthermore, in the Tenjin area in Fukuoka, the Tenjin Big Bang has finally begun to move forward, and we have started to study the possibility of moving forward with a large-scale development project. Also for other key areas, we plan to show concrete pipelines in due course. We hope that you will look forward to this as one direction for our portfolio transformation with a new growth driver.

In order to expand the Developer Business, we will work on non-commercial businesses such as hotels, offices, and residences to diversify earnings as the Developer Business, but the significance for us to operate the Developer Business lies in our strength in commerce. However, we believe that we can provide unique value to society by creating a "new type of retail" that combines the strengths of the Department Store and Parco, rather than limiting ourselves to existing retailers such as the Department Store and Parco. I believe that our ability to do so is what makes the Group unique.

In this way, our major value of existence is our commitment to coexistence with local communities, based on our nationwide department stores and PARCO stores. Rather than viewing the stores in the community as "dots," we view them as "areas" involving the community, and link them to various actions from the perspective of creating and providing the value sought by the local community.

One example of a unique local initiative that I feel has potential is the Kyushu Tankentai (literally Kyushu expedition team), which was started at Hakata Daimaru. This project aims to revitalize the entire region by having our department store employees visit cities in Kyushu and Okinawa and, in cooperation with the local governments, uncover attractive people, tangible goods, intangible goods, and even culture in those cities that are not yet widely known, and introduce them to the public through us. As of July 2023, we have been certified as an information dissemination ambassador by 112 cities in the Kyushu and Okinawa areas.

In addition, Parco and CAMPFIRE, Inc. jointly operate the crowdfunding BOOSTER, and Daimaru, Matsuzakaya, and PARCO stores collaborate with the local communities to create an evolved regional revitalization system together with local craftsmen and companies.

Unearth and polish local gemstones. In addition to the expansion of high-quality global content, such efforts may lead to a global strategy that includes inbound sales in the future.

As we are in the middle of the supply chain, we will do our part for sustainability.

Creating shared value is the practice of our corporate credo

I am reminded once again that our corporate credo, "Service before Profit," or "Abjure All Evils and Practice All Good," is an idea that truly fits the times we live in today. Those who give priority to service over profit will prosper. Do no evil, but do good. I believe that they are simple expressions of what it means to contribute to society.

Contributing to society means continuing to provide our unique value to society, which in turn leads to economic value. We recognize that this is CSV (Creating Shared Value) itself.

A bird's-eye view of our supply chain reminds us that we are in the middle, connecting our suppliers to consumers. In other words, we are able to reach out to each of our suppliers and customers in a variety of ways, and I think it is fair to say that we exist to play this role in society.

We recognize that one of the ways to reduce greenhouse gas emissions toward a decarbonized society is to address Scope 3, which is indirect emissions other than Scope 1 and Scope 2. Scope 3 initiatives cannot be realized without the cooperation of our suppliers. More than 80% of our Scope 3 emissions are from Daimaru Matsuzakaya Department Stores, but by informing our suppliers of our efforts toward a decarbonized society through briefing sessions, we demonstrate our resolve and ask for their cooperation in making their emissions visible.

In addition, when we think about what we can do in our own way while leveraging our strengths to balance sustainability for both society and our corporation, I feel certain that the direction we should take is to a little more strengthen our efforts toward a circular economy.

Launched in March 2021 as a subscription business, AnotherADdress has been strongly favored by customers based on the belief that clothes are not disposable. We are developing a business model that goes beyond fashion rentals, partnering with a 3PL company, a delivery company, a cleaning company, and a recycling company that are promoting their own sustainable initiatives.

In addition, the ECOFF program to collect customers' unwanted clothing and accessories has been gaining recognition from customers every year since its launch in 2016, and in fiscal 2022, 367 tons were collected, with a record number of participants.

Customers' awareness and values have clearly changed, and I feel that they are becoming more and more conscious of sustainability. This tendency is especially strong among the younger generation.

We have been in existence for 300 or 400 years because we have been able to quickly identify and respond to the changes of the times and our customers. However, discontinuous thinking is indispensable for rapid changes like now. Therefore, we are prepared that the road to change will not be smooth. We will continue to create indispensable value for society by carefully assessing what we can do and what only we can do.

Value Creation
Value Creation Process

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.

External environment recognition (Risk recognition) P.32

- Advanced sustainability management
- Decline of existing business models
- Increasingly accelerating digitalization
- Changes in consumer behavior after COVID-19
- Urban decentralization
- Accelerating income polarization
- Declining birthrate and aging population / longevity

⋮

Materialities

- 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

Input

Financial capital
Capital investment/growth investment
¥57.2 bn
(Total FY2021-FY2023)

Human capital
Group headcount
Approx. 7,300 people
(February 28, 2023)
CVC fund
¥1.0 bn
(FY2023)

Manufactured capital
Daimaru/Matsuzakaya/Parco/GINZA SIX
33 stores
(February 28, 2023)

Intellectual capital
Brand value
Know-how for store planning
Know-how for sales floor development
Know-how for store operation

Social relationship capital
No. of the Group's major business partners
Approx. 9,000 companies
(February 28, 2023)

Natural capital
Energy usage
Approx. 430,439 MWh
(Results in FY2022)

Business model

Business structure
- Department Store Business
- SC Business
- Developer Business
- Payment and Finance Business

Core Businesses × Core Competence

Strength P.20
- Commercial production capability
- Good customer base
- Partners including suppliers and creators
- Real estate assets in urban locations

IT P.46
Human resources P.58
Governance P.68

Strategy and KPIs (FY2030)

- Real × Digital Strategy P.44
- Prime Life Strategy P.48
- Developer Strategy P.54
- ROE 10%
- Consolidated operating profit ¥80.0 bn
- Women in management positions 50%
- Scope 1 and 2 GHG emissions -60% (vs. FY2017)

Output

- High quality products/services
- Prime content
- Hospitality
- Emotionally stirring entertainment
- Innovative and creative space

Outcome

Customers
We will provide genuine satisfaction captivating customers by offering new value.

Shareholders
We will enhance corporate value over the long term by implementing highly profitable and highly efficient management.

Business partners
We will build the relations of trust by working hard together and aim to grow together.

Employees
We will realize workplaces in which employees' performance and contribution are fairly evaluated and they can realize their exhibition of ability and growth and have job satisfaction.

Communities
We will contribute to community development and promote environment-friendly business activities as a good corporate citizen.

Vision

Create and Bring to Life "New Happiness."

Well-Being Life

SUSTAINABLE DEVELOPMENT GOALS

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.

Value Creation

The Group's Strengths

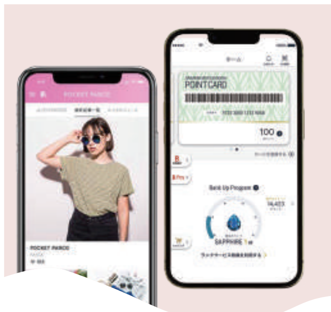
Strengths Become More Resilient through Fusion

Strength 1 Commercial Production Capability

Daimaru and Matsuzakaya, both department store operators, continue to accurately grasp the changing value that customers seek through their products and services, and continue to connect their long histories of 300 and 400 years through sustainable management. They are committed to proposing new lifestyles that enrich the lives of their customers at all times. Among these, they have an advantage in creating a luxurious worldview, an overwhelming assortment of cosmetics and beauty products, and the creation of a lively atmosphere in *depachika* (department store basement food floors) with a wide variety of high-quality foods. In addition, they have successfully developed the luxury mall GINZA SIX by making the bold choice of "not operating as a department store."

Parco, which operates in the shopping center format, is working to create attractive commercial spaces through its total production capabilities for commercial facilities. Particularly symbolic is the one and only Shibuya PARCO, which is positioned as a next-generation commercial facility. It is the center of the Parco brand with the most advanced lineup of shops in fashion, art, and culture. They provide a full range of services, from marketing and planning for the areas where their stores are located, to shop selection, design of environments, store operation, and maintenance and management. Regular and proactive renovations keep the stores fresh and responsive to market changes.

Having the department store format of Daimaru and Matsuzakaya and the shopping center format of Parco, each of which has different areas of expertise, opens up possibilities for unique commercial activities through the fusion and combination of these formats. We will also take on the challenge of developing new commercial spaces in cooperation with J. Front City Development, which operates the Developer Business.



Strength 2 Good Customer Base

Daimaru and Matsuzakaya have approximately four million identified customers, including industry-high 1.77 million app users (February 28, 2023). App is positioned as the centerpiece of the Real × Digital Strategy. They have as many as 320,000 gaisho customers mainly composed of affluent people, who are unique to department stores. 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 digitalization.

Parco has approximately two million identified customers, which are characterized by many highly discerning customers in their 20s to 30s. Last 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, we will accumulate and analyze data obtained from customer touch points to provide further advanced value.

Strength 3 Real Estate Assets in Urban Locations

We operate 15 department stores, 17 Parco stores, and a luxury mall GINZA SIX in major cities across Japan, from Sapporo, Hokkaido in the north to Fukuoka in the south. Thus our store allocation is well balanced. Daimaru or Matsuzakaya department store and PARCO store adjoin each other in Ueno in Tokyo, Nagoya, Shinsaibashi in Osaka, and Fukuoka and it is easy for the Group to create synergy in these locations. As in Shinsaibashi, Osaka, the Daimaru store, which was rebuilt and reopened in 2019, and the PARCO store, 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 have significantly strengthened our promotion system by establishing a new company J. Front City Development, which operates the Developer Business, in March of this year, and also establishing a new CRE Strategy Unit within the holding company. With development projects already taking shape for the Sakae area in Nagoya and the Shinsaibashi area in Osaka, as well as the commencement of studies for a large-scale development in the Tenjin area in Fukuoka, the Developer Business will be an important pillar driving the Group's future growth.

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.

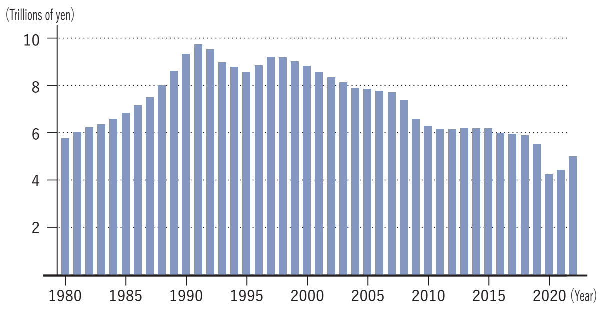
The Department Store found many foreign brands and concluded exclusive agreements with some of them in the past. We believe that Daimaru and Matsuzakaya, with their long histories of 300 and 400 years, have earned the trust of their suppliers, who value the value of their brands. The Future Standard Laboratory, which was established in 2017, contacts with various creators, cultural figures, universities, communities, NPOs, and many companies and promotes "combination with foreign elements" to propose and disseminate what will become the standard for the future beyond the traditional department store framework.

In addition to leasing activities such as the introduction of clothing and accessories shops to meet diversifying needs, Parco pioneers the introduction of shops that meet the changing lifestyles and demands of consumers in order to achieve further business growth. Parco also focuses on "incubation" to support up-and-coming fashion designers, creators, and companies with growth potential, as well as the development of new store formats in collaboration with companies that operate shops in PARCO stores. And considering the discovery and growth of new talent to be the key to its growth, Parco is implementing proactive support measures, such as organizing events that can serve as a catalyst for designers to become known to the world and providing a venue for young designers to showcase their work.

By having the Department Store 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. When these are fully integrated, a retail model based on new values sould be born.

Will Department Stores Recover or Transform?

National department store sales trends



Post-COVID-19 recovery in full swing

Department stores, which had lagged the most in the retail industry, have finally entered a full-fledged recovery phase amid the prolonged COVID-19 pandemic. The reason for this was the start of nationwide travel support in October 2020 and the drastic relaxation of border measures. As a result, people started to move remarkably, and boosted by inbound tourists and the rapid depreciation of the yen, the economy began to regain its vitality, mainly in the consumption of high-priced goods.

National department store sales have been on a downward trend since peaking at 9.7 trillion yen in 1991. And it is said that the COVID-19 pandemic triggered a decade's worth of changes all at once, with sales disappearing by 1.2 trillion yen a year in 2020. The shrinkage of the department store market is due in part to macroeconomic factors such as a declining population and the collapse of the middle class due to increasing bipolarization, as well as intensifying competition across industries, including the rapid expansion of e-commerce, but the essential issue is the obsolescence of business models that cannot respond to changes in customers and rapid changes in the environment.

Behavioral changes caused by COVID-19 have had a tremendous impact on department stores. In addition to the decline in human flow due to the voluntary restraint of going out, all aspects of consumption and business are rapidly moving online. This has exposed the deadlock in business models that are overly dependent on human flow or real stores. It is no exaggeration to say that the very existence value of department stores was questioned.

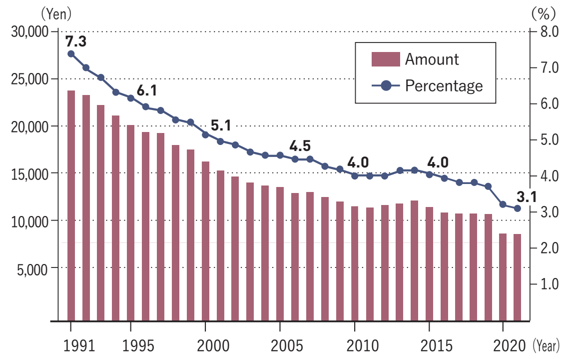
The COVID-19 pandemic has brought about major changes not only in the quantity of consumption, but rather in the quality of consumption. Department stores are now being tested on their ability to respond. We believe that the crisis brought about by COVID-19 must be used as an "opportunity for change," and that we must accelerate the transformation of our business model.

100 years since the Department Store Declaration

The department store business model was born about 100 years ago. Large stores were opened and they expanded their product categories as they developed and prospered, from men's and women's clothing to kimono, children's clothing and toys, furniture, home appliances, and foodstuffs. 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 itself became outdated and they are in urgent need of drastic structural changes.

Trends in "clothing and footwear" as a percentage of household consumption expenditures

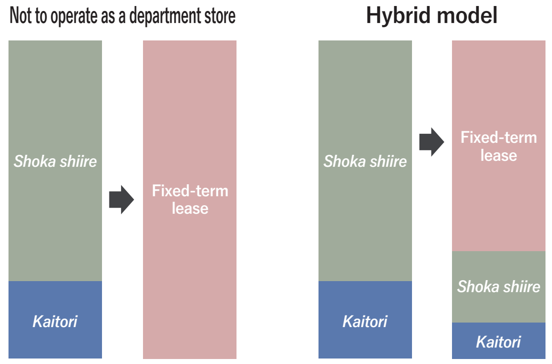


Content will evolve with business model conversion

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

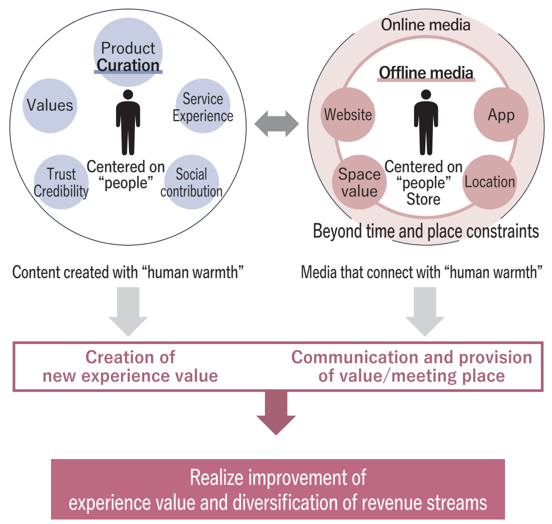
One is a choice "not to operate as a department store." That is to say, we converted some stores to a 100% real estate business without adopting department store's traditional transaction formats of *kaitori* and *shoka shiire*. Its typical example is GINZA SIX, a luxury mall which was created in 2017 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, the Daimaru Tokyo store developed new content named "asumise" based on commission income with the concept of "a store that does not sell."

Innovation of customer experience through the digitalization of touch points



What has become most apparent during the recent COVID-19 pandemic is the delay in responding to digitalization. As for the direction of our digitalization, we focus on digitalizing touch points through "app" rather than expanding e-commerce. The app allows us to connect with our customers 24 hours a day. This deepens communication with our customers and dramatically improves the accuracy of purchase forecasts, which can lead to more sophisticated CRM.

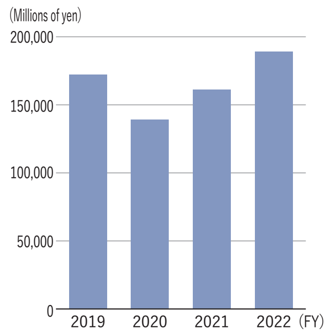
It is a challenge to overcome the constraints of time and place by building a unique people-centered media. We then aim to evolve into a media commerce that provides content that creates new experience value through that media, thereby diversifying revenue streams.

Deep cultivation of the luxury market

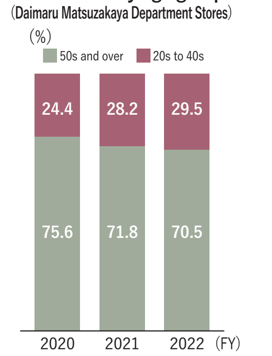
Luxury content has steadily increased sales even during the COVID-19 pandemic, and has already significantly exceeded pre-COVID-19 levels. Though overall store sales for Daimaru Matsuzakaya Department Stores in fiscal 2022 are lower than in fiscal 2019, sales of luxury items are already showing a high growth of 52.8% compared to fiscal 2019. While capital investment is limited due to the COVID-19 pandemic, we have strategically focused our investment on expanding the luxury items of our core stores, and we have achieved great results.

In addition, our gaisho sales, which have organized wealthy customers, have already exceeded pre-COVID-19 levels by double digits. The core of the gaisho business is "people" to "people," and the COVID-19 pandemic has triggered the digitalization of the gaisho business as well. Specifically, in addition to the rapid spread of the app, the use of the closed website "connaissligne" has changed the way business is conducted, and the promotion of online sign-up has helped develop younger affluent customers.

Department Stores Business gaisho sales trends



Trends in gaisho customer sales share by age group
(Daimaru Matsuzakaya Department Stores)



Value of the real world becomes more important

Another reality revealed by the COVID-19 pandemic is how precious and irreplaceable the real experience value obtained from the five senses is. Our main task is to increase the value we deliver through people-to-people communication, which is our strength. We will expand human power using digital technologies. Its starting point is in physical stores. From now on, the locality of each store will become more important. By creating a sense of the world based on content and unique curation capabilities, we will further refine our physical stores and integrate digital technologies into them. We believe that these are the basis of the department store business model that lives in the present age.

Bring Diverse "Knowledge" to Innovation.

CVC fund members of J. Front Retailing and IGP

What was considered correct until yesterday may not always be correct tomorrow. Now that it is no longer easy to predict even a few years into the future, we cannot envision a bright future as an extension of the past. It is true that those feelings have become stronger after experiencing the COVID-19 pandemic for three years. Innovation is essential to open up an era shrouded in uncertainty and create the future. This process requires diverse "knowledge" - the combination of knowledge and wisdom.

The Group emphasizes diversity because we are serious about realizing true innovation. It is inevitable that the conclusion will be commoditized only by collecting "knowledge" through the conventional process based on past successful experiences. On the other hand, it is clear that even if diverse "knowledge" gathers, it will not become a big force or swell unless the vectors are aligned. In other words, in order to bring about innovation, it is extremely important to create a culture and system that actively accepts changes and differences.

One of the ideas in the Group's action guidelines JFR WAY is to try without fear of failure. Because there are trials and errors, or challenges, there are also failures. If no action is taken, of course there is no failure. We are willing to take on the challenge of innovation again and again, without fear of failure, in order to create the future.

Creating the future. That means opening up new markets. Rather than following conventional success patterns, we will try new approaches through the combination of "knowledge" and work on "creating customers for a new era."

"R&D" functions that lead to innovation

In October 2022, we established the CVC fund named JFR MIRAI CREATORS Fund jointly with Ignition Point Venture Partners Inc. (IGP), which has extensive knowledge in the venture capital business. Our CVC is positioned as an R&D function to become a group of companies that continue to innovate through collaboration by investing in startups with innovative technologies and business models.

After the formation of the CVC fund, an overwhelming amount of information on startups has been gathered. We have already accumulated information on as many as 157 companies, and it is becoming one of the bases of the Group's "knowledge." While we carefully assess business synergies, IGP makes investment decisions based on a detailed analysis of the business plans drawn up by startups, from funding to growth potential and probability. We believe that by clarifying the division of roles, we have been able to build a more robust and speedy decision-making system.

Under the fund vision of "making the future better and more interesting," we aim to create new value by updating people's lifestyles, the quality of their individual lives and work styles, and the way they spend their time, as well as their relationships, connections, and communication with others. This CVC function will be used to combine business seeds outside the Group and ideas and measures within the Group, leading to innovation of existing businesses and the creation of new businesses, as well as to the development of management human resources and corporate culture reform.

JFR MIRAI CREATORS Fund

We have identified five areas for investment: entertainment, healthcare, real estate tech, retail tech, and deep tech, based on the premise that they match the three strategies of the Group: Real × Digital Strategy, Prime Life Strategy, and Developer Strategy. Since the establishment of the fund, five projects (as of the end of June 2023), including art, travel, metaverse, and community-related projects, have already taken shape, and we believe that the ground for innovation is steadily growing.

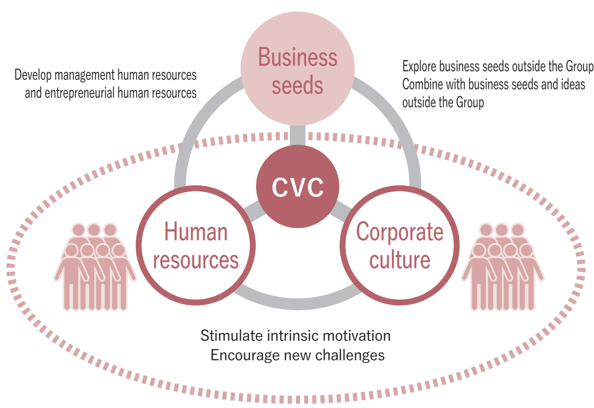
We communicate our CVC activities internally through all channels. We visited key persons in each business and interviewed them in collaboration with IGP to deepen mutual understanding, which leads to sourcing of startups that have a high affinity with us. Information obtained from CVC activities is also shared widely with employees via the intranet and email newsletters.

As a result of these steady efforts, we actually began to hear from many of our employees that they would like to have contact with advanced startups. We are seeing a steady increase in the momentum for innovation, moving away from an excessive "do-it-yourself" approach and proactively utilizing outside knowledge.

We expect that 4,800 of the Group's human resources, or one out of every two employees, will be involved in some way in CVC activities by 2030. The important thing for innovation is to keep a close eye on the "outside world." By proactively making contacts with startups, we will stimulate the intrinsic motivation of the Group's human resources and encourage them to take on new challenges.

CVC

Promotion of human capital management via CVC



Digital

Entry into esports

As social changes accelerate, we believe that it is an important mission to discover the buds of the next era and provide new experiences and excitement, and in recent years, we have regarded esports, which is showing excitement mainly among the younger generation, as one of the categories of attention.

Therefore, we acquired a 50.8% stake in XENOZ Co., Ltd., which owns the esports team SCARZ, and made it a subsidiary. In addition to making a full-scale entry into the esports business, which is expected to grow in the future, we will work to create new value by creating synergies with existing businesses such as Parco and the Department Store.

It is estimated that approximately 17.5 million people in Japan are interested in esports, with young people in their teens to 30s accounting for about half of the total.

The Ministry of Economy, Trade and Industry held a Study Group on Measures for Vitalizing Esports in 2020 and declared that it would embark on a full-scale effort to support the growth of the domestic esports market. It is estimated that the domestic esports market will grow at a rate of nearly 30% by 2025, driven by an increase in the number of esports fans and an increase in sponsorship revenue due to the efforts of the government and domestic companies.

In addition, it was selected as a demonstration event at the Asian Games in Indonesia 2018 and as an official event at the Hangzhou Games scheduled for 2023. Furthermore, the first Olympic Esports Week organized by the International Olympic Committee (IOC) was held in Singapore in June this year. As an event with an eye on future adoption for the Olympics, 131 athletes from 64 countries and regions, including Japan, participated. It is expected to develop more and more globally in the future.

XENOZ has been leading the industry since the early days of esports, not only with the long-established professional team SCARZ, but also by planning and managing its own competitions and events. Esports is a market that is expected to continue to grow at a high rate in the future, and by entering the market from its early stages, we will solidify recognition as a pioneer and develop it as a future pillar of our entertainment business.

In addition, for the Group's Daimaru, Matsuzakaya, and PARCO, acquiring next-generation customers is one of the major challenges. Since esports is of great interest to the younger generation, especially Generation Z and those in their teens to 30s, we believe that this will enable us to reach out to these next-generation customers, which will lead to increased awareness and brand value.

Furthermore, esports has a high affinity with businesses that utilize digital technologies such as metaverse and NFT, and having an esports team as content is expected to expand into a variety of businesses. We will accelerate the implementation of our Real × Digital Strategy by expanding our business into the digital domain while ensuring the effectiveness in the real domain of attracting customers by holding events at the Group's facilities.

eSports

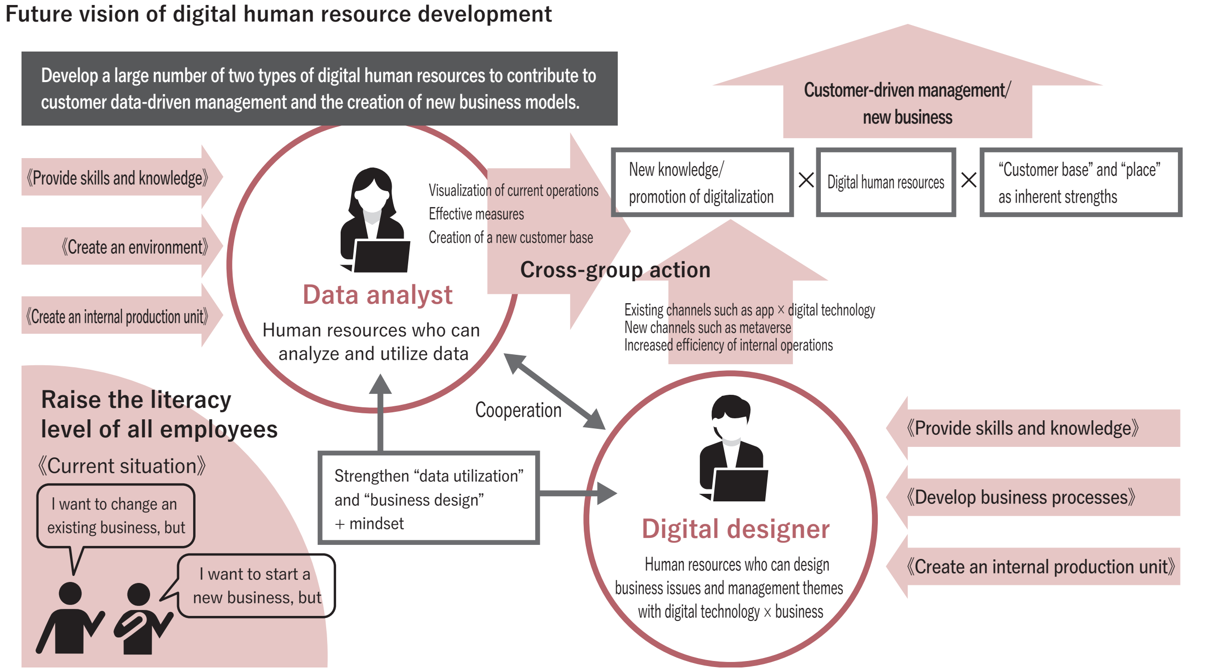
"Develop 1,000" digital human resources

We have developed the JFR Digital Human Resources Development Program, and in December 2022, we started developing data analysts and digital designers who will become our core human resources. Toward 2030, we will create new services and businesses while improving the efficiency and productivity of existing businesses, which is necessary to transform the Group's business portfolio. Specifically, we aim to develop 100 digital core human resources by fiscal 2024 and 1,000 by fiscal 2030. We envision that at least one core human resource will be assigned to each division of each Group company. When the relevant division notices a problem, it will create an environment in which the problem can be solved quickly.

This program also incorporates a workshop style to improve practical skills. For example, we would combine our strengths, assets, and technology, and then come up with ideas while setting target customers, which would then be discussed and voted on by the team as to what they think is best. It can be said that experiencing the process of seeing a single light by accumulating the diverse wisdom of diverse people gathered from various divisions leads to a pseudo-experience of realizing change.

What is important is not only to acquire the mindset and knowledge through human resource education, but also to integrate and link them with the functions of the organization. We will bring new value and change to day-to-day operations, and create operational reform and synergy through collaboration among core human resources across divisions and operating companies.

Future vision of digital human resource development

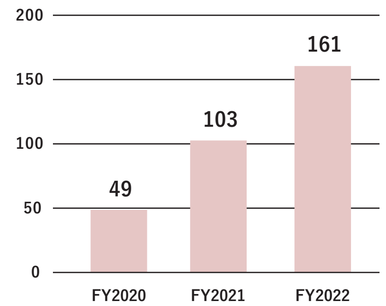


Active recruitment of external professional human resources

The Group actively and constantly recruits mid-career workers. Experienced professionals from different industries only have a high level of expertise, but also bring a variety of insights due to the differences in the cultures in which they grew up. Such combination with foreign elements is essential for the transformation sought by the Group. Needless to say, we are strengthening our existing core businesses such as Daimaru Matsuzakaya and Parco, and we are also working to acquire highly specialized human resources in the payment and finance area and developer area, where future growth is expected.

At the holding company, while clarifying our role as a holding company, we will work on recruiting highly specialized and professional human resources in new business areas, the finance division, the legal division, and others, and strengthen our functions in terms of both quality and quantity so that we can fulfill our roles of incubation (management planning, finance, legal affairs, human resources, etc.) for each of the Group companies. To this end, the holding company will aim to achieve a 50% share of external human resources in the future.

Changes in the number of mid-career hires (People)



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Connect People and Co-create Communities.

Communities are like an “ecosystem” in nature. Department stores, shopping centers, and various other facilities related to people’s lives attract people to them, breathe life into them, and help the communities grow. We believe that the role of the Group is not to succeed only at the stores such as Daimaru, Matsuzakaya, and PARCO, which are “points,” but to maximize value in the expanse of communities, which are “areas,” where we are the base point.

This initiative has its root in the development of shops around our department store in the Former Foreign Settlement in Kobe, which we have been working on since the late 1980s. The Daimaru Kobe store has invited luxury brands to open their boutiques in buildings around the store in the Former Foreign Settlement to make the area lively and strengthen the ability of the entire area to attract customers. We use this know-how to promote such initiative in other areas.

We do not do this alone, but work with local people to create a crowd in the area. What is important is that we grow together, and we believe that this will lead to sustainability in the area.

Development

Focused development in 7 cities

The Developer Business has been strengthened by consolidating and centralizing organizational functions at Parco. On the other hand, for this business, which is positioned as a major segment of the Group, to achieve further full-scale development and growth in the future, we considered it essential to strengthen a system that enables us to take a bird’s-eye view of the Group and respond more quickly to changes in the environment.

To this end, in March 2023, we spun off Parco’s developer department and established a new company J. Front City Development. The new company will work to make the area more attractive mainly in the seven cities of Sapporo, Tokyo, Nagoya, Osaka, Kyoto, Kobe, and Fukuoka, where our department stores and PARCO stores are located, and contribute to adding value to these areas through the development of buildings that include hotels, offices, and residences, based on retail, in order to solve social issues such as “coexistence with local communities” and “realization of decarbonized society” and achieve business growth at the same time.

Of these, development projects in the Shinsaibashi area in Osaka and the Sakae area in Nagoya are both taking shape toward completion in 2026. In Tenjin, Fukuoka, we decided to consider and promote a large-scale development project, triggered by a large-scale reconstruction promotion project called Tenjin Big Bang promoted by Fukuoka City.

At the same time as the establishment of this new company, a new CRE Strategy Unit was established within the holding company to optimize the Developer Business from the Group’s perspective and maximize value creation. By having the President of the holding company concurrently serve as the head of this unit, we have strengthened our system for promoting strategies while taking a broader view of the Group.

The strength of the Group’s Developer Business lies in the ability to sublimate the “content curation capabilities,” which are the strengths of the Department Store and Parco, to the Group level and create synergies. Therefore, we believe that it will be possible to develop unique commercial facilities that create new value not found in Daimaru, Matsuzakaya, or PARCO stores. With this in mind, we will work with the local communities to achieve medium- to long-term growth as a unique developer business.

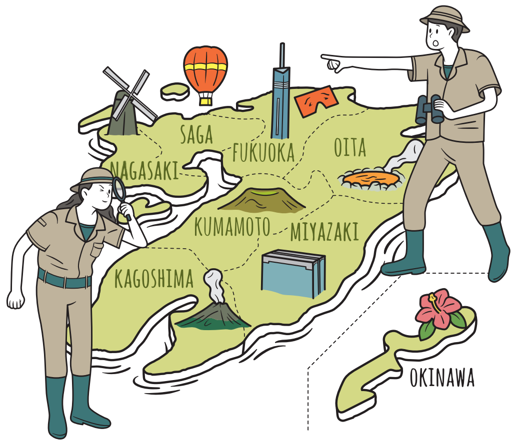
Relation

Connect with people, connect people

The Group, with retail at its core, is characterized by its role and competence in connecting “producers” and “users” in the supply chain. Taking advantage of the nationwide network of Daimaru, Matsuzakaya, and PARCO stores, we contribute to regional revitalization by discovering and communicating the attractions of each area. We promote regional revitalization through “local production for local consumption” initiatives in which locally produced products are locally consumed.

Think LOCAL

As part of its sustainability activities, Daimaru Matsuzakaya Department Stores is involved in the Think LOCAL project to think about and support local issues. In late August 2022, we launched a web magazine “Think LOCAL,” which features original articles on attractive people, goods, and things. Linked to the Nippon wo Otoriyose Chisan Ichiba (Japanese market for local products), which sells local delicacies online, it promotes a system that encourages people to read about, buy, and support local products.



We are also involved in a project called Kyushu Tankentai (Kyushu expedition team), in which the Department Store’s employees visit cities in Kyushu and Okinawa to collect information on, discover, and introduce attractive people, goods, things, and culture that are not yet widely known, in cooperation with local governments, with the aim of revitalizing the entire Kyushu region. As of July 2023, we have visited all 119 cities in Kyushu and Okinawa and have been certified as an information dissemination ambassador by 112 cities. Under these circumstances, Hakata Daimaru and Kumamoto Prefecture signed a comprehensive partnership agreement in March of this year in order to further revitalize the area by communicating the appeal of the products made in Kumamoto Prefecture while leveraging their respective strengths.

In addition, the crowdfunding BOOSTER jointly operated by Parco and CAMPFIRE, Inc. has evolved initiatives through collaboration between Daimaru, Matsuzakaya, and PARCO stores in each area and their local communities. Through various projects including #Stand by TOHOKU (Sendai PARCO), Project Nagoya Goya (Matsuzakaya Nagoya and Nagoya PARCO), Shizuoka MIRUI Project (Matsuzakaya Shizuoka and Shizuoka PARCO), Mikke! kyoto (Daimaru Kyoto), Think SDGs (Daimaru Shinsaibashi and Shinsaibashi PARCO), we support local craftspeople and businesses in the areas where the Group’s stores are located. We contribute to the development of local communities by making the most of the features and strengths of the Group, which is rooted in the local communities through its stores.

Communities evolve

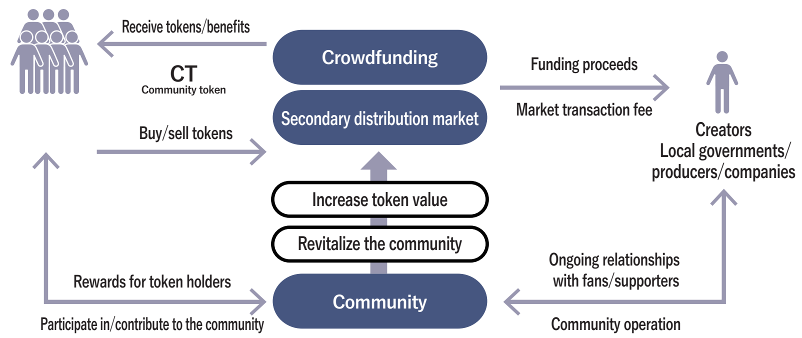
“Community” is one of the important keywords in promoting urban development that is unique to the Group. We invested in Financie, Inc., which operates businesses such as a token-issuing crowdfunding and community that uses blockchain technology FiNANCiE, and decided to work on building a new community-based business model. The two companies are moving forward with a specific business alliance to co-create new value by combining their respective strengths. As one of the business developments utilizing tokens in the web 3 area, we expect to increase the feasibility and speed of creating a new regional revitalization model to discover and nurture specialty products through the community activities of the Kyushu Tankentai.

In order for the Group to coexist with local communities and achieve medium- to long-term growth through CSV (Creating Shared Value), we recognize the need to raise our ability to build and operate communities and to discover and nurture content to the level of resources.

Community-based innovation. This is the concept of an economic zone that is unique to the Group, where the real and digital worlds are fused together based on the community. The Group’s urban development will respond to the new era of customer creation while actively incorporating these web 3 mechanisms.

Community

Community-based regional revitalization business model in collaboration with Financie



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Tackle the Circular Economy.

Until now, society has developed around a linear economy, a so-called linear economic system based on mass production, mass consumption, and disposal. On the other hand, it is also true that the results of such activities have led to various environmental issues at the global level, such as resource shortages, global warming, and waste disposal, posing a major risk to the sustainability of society.

It is undeniable that the Group has also achieved long-term growth by providing value to its customers and society under such an economic environment. It is clear that we cannot avoid revising this system in order to realize a sustainable society. We are required to change the business model itself, as well as our mindset and behavior.

One of the main characteristics of the Group, which has a retail business at its core, is its role as a link between its customers and suppliers. For example, we collaborate with suppliers who share our awareness of issues, or encourage our customers to change their behavior. We believe that there are not a few things we can do because we are located in the middle of the supply chain.

We will actively practice the 3Rs (Reduce, Reuse, and Recycle), which will lead to the reduction of risks related to environmental issues such as waste recycling, and contribute to the creation of a sustainable society together with our stakeholders.

Subscription

Environment-conscious subscription business

AnotherADdress

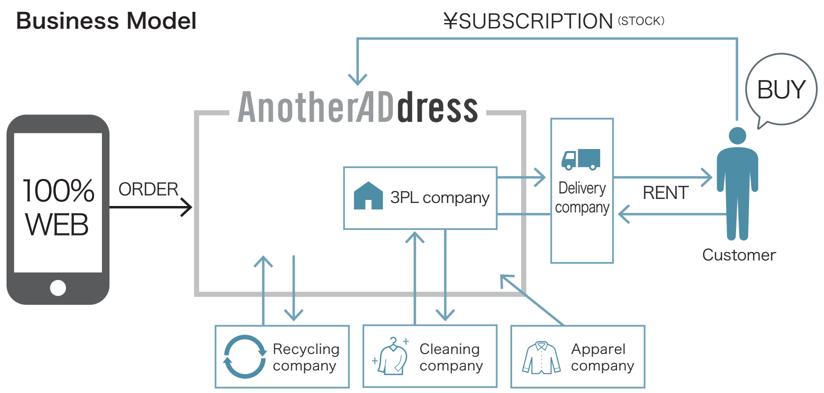
AnotherADdress, a fashion subscription business launched in March 2021, is a service that aims to shift to a business model with high sustainability for society and the environment by emphasizing the intrinsic value of fashion and sustainable initiatives based on the belief that clothes are not disposable. We hope to create the experience of subscribing to fashion with a sophisticated lineup of brands and the freedom to choose what customers want to wear now, and to build a new market that does not exist in existing businesses.

While fulfilling the role of passing on the precious resources of fashion, we aim to provide a service for the future that sends each and every "dress" for dressing in the "address" with love from here. We believe that fashion has the "power to make people happy and cheerful." In Japan, however, since the bursting of the bubble economy, opportunities to feel this power seem to be decreasing. The Group has developed together with the fashion industry by introducing to its customers the fashion of the times. In this era when the awareness of ownership and consumption is changing, we believe that the Group should work to reiterate the empowerment of creative clothing to more people.

At AnotherADdress, we take orders from our customers as the business owner and partner with a 3PL company, a delivery company, a cleaning company, and a recycling company that are promoting their own sustainable initiatives, and we are always looking for environmentally friendly ways to deliver clothing.

In addition, by making it a 100% online ordering and subscription-based stock business, we will also take on the challenge of diversifying our business model from traditional department stores' dependence on physical stores and flow business.

Business Model



Think GREEN - ECOFF, an initiative we work on with our customers

Daimaru Matsuzakaya Department Stores' Think GREEN program proposes sustainable products and lifestyles. As part of this initiative, ECOFF is a sustainable initiative to collect unwanted clothing, shoes, bags, etc. from customers at each store and promote recycling and reuse to prevent disposal.

Think GREEN
自然のこと 環境のこと 地球のあしたのこと

This initiative started in fiscal 2016 and has grown every year due to the growing environmental awareness and active participation of our customers, making it a pioneering sustainability event. In fiscal 2022, the amount collected was approximately 367 tons (the cumulative amount collected since fiscal 2016 was approximately 1,468 tons), and the number of participants reached a record high. In conjunction with ECOFF, we also open pop-up shops and hold other events, focusing on environmentally friendly products. Through the activities of ECOFF, we have gained support from many of our customers for our environmental initiatives, which have led to a reduction in our environmental impact.

The entire Group will further pursue a circular economy that only we can realize, and we will work on the creation of economic value, in other words, CSV (Creating Shared Value) through the resolution of social issues.

Scrap materials sublimated into art

J. Front Design & Construction, one of the Group companies involved in the interior design of hotels and offices, inevitably generates scrap materials in the manufacturing process of interior construction materials and other products at its factories. We are always thinking about whether there is really no use for such "scrap materials that have to be thrown away."

As part of such trial-and-error activities, J. Front Design & Construction teamed up with Osaka University of Arts to implement a sustainable project. By making the most of the rich imagination and flexible design skills of the students of Osaka University of Arts, we have given new life to scrap materials that would otherwise be thrown away, creating new value that no one has ever seen before.

For the project, we decided not to set categories such as "objects" or "furniture" to call for entries, but to leave the work to the students' free ideas. This is partly because we wanted to attract interest and entries from students of all faculties of Osaka University of Arts. The participants created their works happily and seriously with free ideas and concepts, facing the interesting irregularity of scrap materials, mainly scraps of wood, scraps of Refex mirror, and unusable film. This was a perfect match between the Group's commitment to sustainability and the students' passion for craftsmanship.

The connection between the company and local university students overflowing with passion for creating works of art. This project for the future, which could only be created through collaboration because we shared the same thoughts in the same area, will continue in the future.

Sustainable

Management Strategy

Risk Management

Risk Is the Starting Point of Strategy

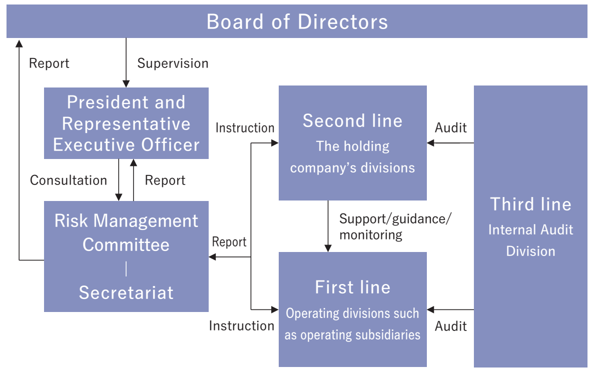
The Group defines risk as "uncertainties that have both positive and negative sides that could have an impact on the achievement of business management goals." And we position risk management as an "activity that increases corporate value by managing risks by reasonable and optimal methods from a company-wide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

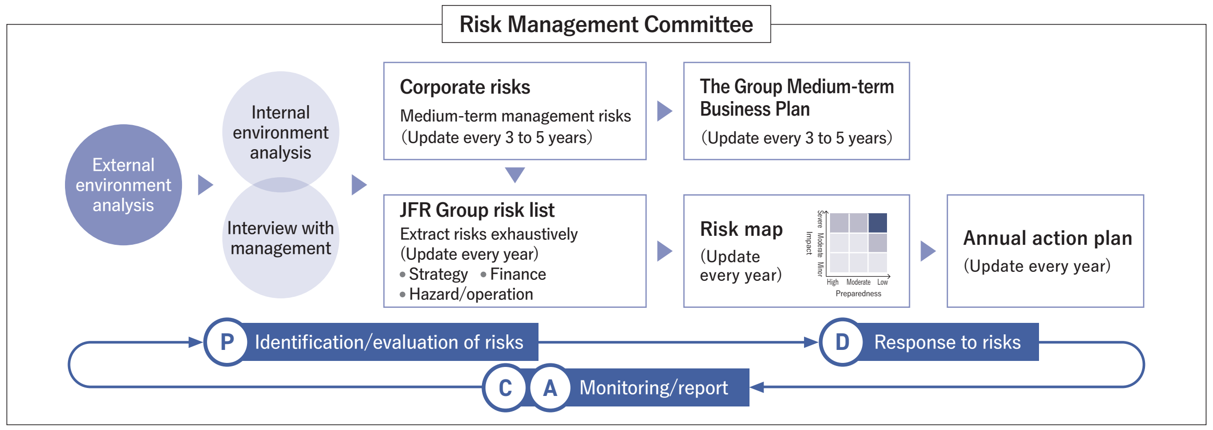
The Risk Management Committee, chaired by the President and Representative Executive Officer and composed of Executive Officers and other members, serves as an advisory body to the President and Representative Executive Officer. The committee deliberates important matters, including the extraction and evaluation of risks and the determination of risks to be reflected in strategies, and utilizes risk management in management decision making.

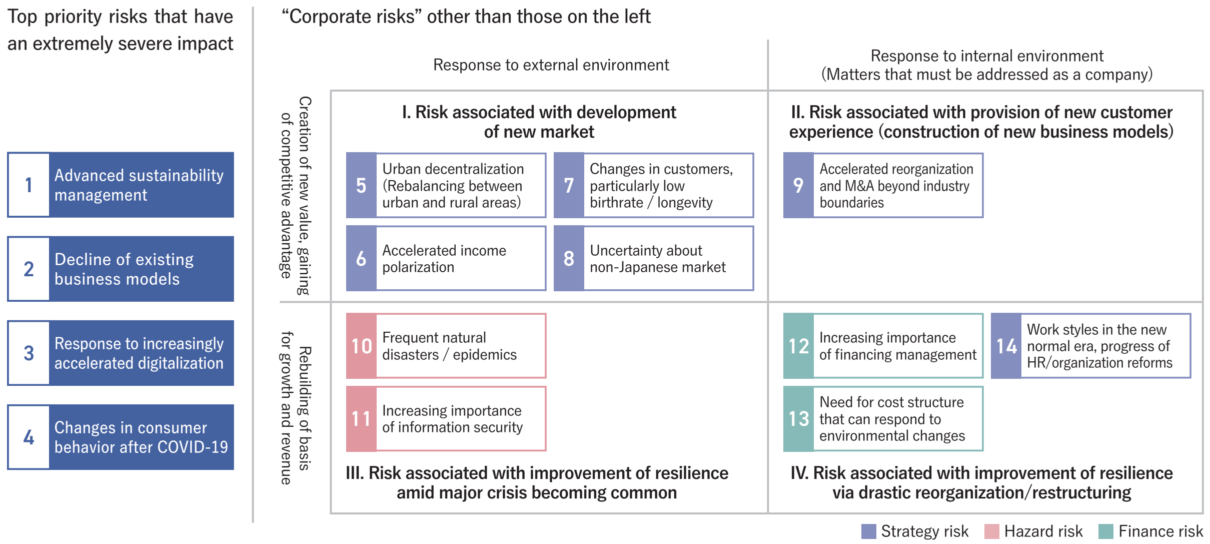
The committee has established a secretariat headed by an officer in charge of risk management. The secretariat shares important decisions of the committee with operating subsidiaries and promotes enterprise risk management (ERM). Moreover, we position risk as the starting point of strategy and link risk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







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 and lower rating and brand power	• Sustainable growth and improvement of the Group's presence	• CSV practices that combine social and economic value • Addressing materiality issues
Strategy risk	2	Decline of existing business models	Very severe	↑	• Decreased vitality of the entire Group due to weak performance of large-scale store-based retail business	• Regrowth by radical change of the business model of large-scale store-based retail business	• Digitalizing customer touch points • Revising the role of stores • Strengthening existing businesses and developing businesses to transform the business portfolio
Strategy risk	3	Response to increasingly accelerated digitalization	Very severe	↑	• Sluggish growth of the entire Group • Declining competitiveness due to delay in digitalization	• Transformation of business model through use of digital technology • More efficient operations and going paperless	• Utilization of integrated database • Building business models in new markets, such as metaverse • Developing digital human resources
Strategy risk	4	Changes in consumer behavior after COVID-19	Very severe	↑	• Defection of customers due to failure to meet consumer needs	• New market creation	• OMO promotion that contributes to making the shopping experience more attractive and convenient • Developing sustainable products and services • Carrying out appropriate and timely revision of business plans
Strategy risk	5	Urban decentralization (Rebalancing between urban and rural areas)	Severe	↗	• Decline in conventional urban commercial facilities' ability to attract customers	• Business development through contribution to urban needs and urban development	• Reorganization to promote the strategic use of the Group's real estate promptly and smoothly • Coexisting with local areas, promoting attractive urban development through proposal of diverse urban lifestyles and complex redevelopment
Strategy risk	6	Accelerating income polarization	Severe	↗	• Decrease in sales due to contraction of mass market	• Stimulation of new middle-class demand • Development of new affluent market	• Revising and segmenting categorization of mass market products and services to an appropriate scale • Strengthening categories that are in high demand, such as luxury products, art, and watches and offering rare and unique merchandise
Strategy risk	7	Changes in customers, particularly low birthrate / longevity	Severe	↗	• Shrinkage of domestic market scale	• Expansion of senior markets	• Intensively responding to high-quality children's apparel and education business • Increasing shopping convenience for senior customers and strengthening categories of interest to them, such as wellness
Strategy risk	8	Uncertainty about non-Japanese market	Severe	→	• Delay in recovery of inbound sales	• Recovery and expansion of inbound sales • Capture of outside demand by development of EC and live commerce	• Dedicated lounge for inbound customers • Cultivating and discovering hot-selling products for inbound customers through cross-border EC • Developing and preparing to offer new content, such as luxury tours
Strategy risk	9	Accelerated reorganization and M&A beyond industry boundaries	Severe	↗	• Hostile takeover of the Group	• Business portfolio realignment • Entry into new businesses through M&A and synergies with existing businesses	• Selecting existing businesses and optimizing allocation of management resources • Strengthening R&D through capital and business alliances with startups • Full-scale entry into esports business
Strategy risk	14	Work styles in new normal era, progress of HR/organization reforms	Severe	↗	• Outflow of talented human resources, loss of competitiveness in attracting human resources • Decrease in employee motivation	• Increase in employee engagement and organizational capability • Promotion of business strategy, creation of innovation	• Realization of Well-Being Life for employees through investment in human resources based on the "principles of human resource capabilities" • Improvement of environment for recruiting professional human resources, personnel exchanges in the Group, and human resource education
Hazard risk	10	Frequent natural disasters/epidemics	Very severe	↗	• Damage to the lives of customers and employees • Business continuity crisis	• Stable business operations	• Continuously implementing practical BCP training • Periodic review of business continuity plans • Strengthening preparedness for new infectious diseases
Hazard risk	11	Increasing importance of information security	Severe	↗	• Occurrence of personal information leaks, lawsuits, and liability for damages, loss of social trust • Delay/stagnation of operations	• Stable running of operations and systems • Operation streamlining and promotion of remote work	• Developing and upgrading the Group's common system infrastructure • Promoting sophistication of security operations and strengthening the response system • Reviewing the Group security guidelines and improving employee security awareness and literacy through training
Finance risk	12	Increasing importance of financing management	Severe	→	• Remaining high cost of capital	• Lowered cost of capital • Support for promoting growth strategies	• Long-term financing at fixed interest rates • Selection of appropriate financing measures during the new financing phase
Finance risk	13	Need for cost structure that can respond to environmental changes	Very severe	↗	• Decline in profitability • Curbs on investment	• Transformation of business portfolio • Strengthening business foundations	• Reducing costs by office reorganization, staff composition reviews, and so forth • Strengthening cost management system across the Group

*Changes to risks during the period of the Medium-term Business Plan are projected taking into account the severity of their impact on the Group, measures, etc.

▭: Risks that have an extremely heavy impact and are addressed as a top priority

Management Strategy

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

Toward Medium- to Long-term “Regrowth” through Portfolio Transformation

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, ended in fiscal 2020, one year ahead of schedule, due to the rapid changes in the business environment caused by the spread of COVID-19 that began in early 2020. Positioning the period as a phase of changing the structure aimed at transforming our business portfolio, we have steadily expanded our business domains, transformed our existing business models, and strengthened our ESG initiatives.

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 digitalization.
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 for portfolio transformation. 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	[Holding company] 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 Parco and PSS • Dimples’: Liquidated the business with the Department Store Business	
(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 “unparalleled J. Front 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 [Holding company] • Realize full use of LTS-Hub (present 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 positioned the current 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.

This fiscal year is the final year, but the forecast figures compared to the initial target have been revised downward due to the delay in top-line recovery caused by the longer-than-expected impact of the COVID-19 pandemic, as well as the expected sharp rise in raw material costs, especially fuel costs, triggered by geopolitical risks, which are expected to lead to a significant increase in costs.

In order to achieve an early profit recovery, we will concentrate on remodeling and digital investment in flagship stores under one of our key strategies Real × Digital Strategy and on strengthening our customer base based on the Department Store’s gaisho sales under the Prime Life Strategy. Under the Developer Strategy, as a medium- to long-term growth driver, we will increase investment allocations ahead of schedule during the period of this plan.

At the same time, we will carry out “management restructuring” to reduce fixed costs, replace businesses and assets, and reduce interest-bearing liabilities.

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

Important changes in the external environment

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

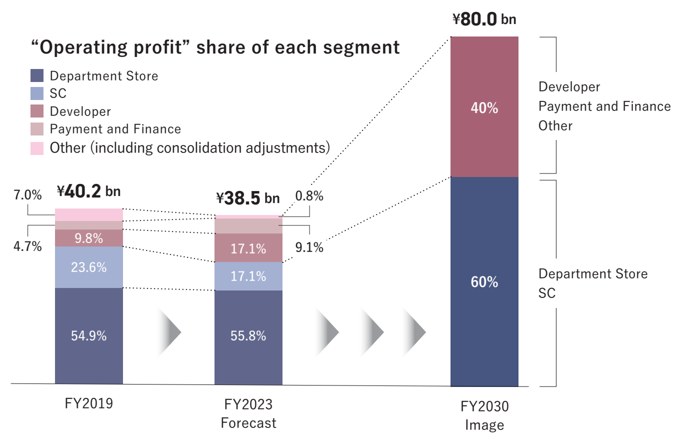
Key performance indicator targets (FY2023)

Capital profitability	ROE	7.0%	ROIC	4.6%
Business growth	Operating profit	¥38.5 bn	Business profit	¥40.0 bn
Financial health	Interest-bearing liabilities*1	¥225.0 bn	Net D/E	0.6 times
Sustainability	GHG emissions*2	-40%	Ratio of women in management positions	26%

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

Portfolio reform

In fiscal 2023, the final year of the current Medium-term Business Plan, the share of the retail business, including the Department Store and Parco, is still expected to exceed 70%, but in fiscal 2030, we will reduce this share to about 60%. On the other hand, we hope to increase the share of non-retail businesses, such as 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.



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

Our 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 the 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.

【Major progress to date】

・Number of department store app users: 1.77 million (results on February 28, 2023)
Sales via app: ¥237.1 billion (results in FY2022)
・Department store online sales: ¥13.7 billion (results in FY2022)

(2) Prime Life Strategy

- We will further strengthen our proposals for consumers 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 diversifying customer insights 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.

【Major progress to date】

・Department store gaisho sales: ¥188.3 billion (results in FY2022)
・Share of young gaisho customers (20s to 40s): 29.5% (results in FY2022)

(3) Developer Strategy

- We will maximize the value of the Group's real estate assets. In complex redevelopment and so forth, we will rightsize our department stores 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.

【Major progress to date】

・Established a new company J. Front City Development (March 2023)
・Created CRE Strategy Unit in the holding company (March 2023)
・Development projects underway in the Sakae area, Nagoya and the Shinsaibashi area, Osaka (scheduled for completion in 2026)

Management restructuring

Reduction of fixed costs

- We will reduce fixed costs by ¥10.0 billion or more compared with fiscal 2019 and lower our breakeven point through organization/workforce restructuring and cost restructuring.

【Major progress to date】

・Reduction in consolidated fixed costs: ¥10.4 billion (cost/SGA, cumulative total for FY2021-FY2022)

Improvement of management efficiency and asset efficiency

- 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.

【Major progress to date】

・Transferred all shares of a subsidiary Neuve A (June 2021)
・Daimaru Matsuzakaya Sales Associates merged into Daimaru Matsuzakaya Department Stores (September 2021)
・Transferred part of the shares of a subsidiary Dimples' (February 2022)
・Tsudanuma PARCO closed (February 28, 2023)
・Shintokorozawa PARCO will close (scheduled for February 29, 2024)
・Matsumoto PARCO will close (scheduled for February 28, 2025)

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 human resources from outside the Group, while working to establish frameworks and systems that enable their maximum utilization in the Group.

【Major progress to date】

・Number of professional human resources hired from outside the Group: 264 (cumulative total for FY2021-FY2022)

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 disabled people, and LGBT-related initiatives, to enable individual employees to demonstrate their individuality and abilities to the fullest.

【Major progress to date】

・Ratio of women in management positions: 22.2% (results on February 28, 2023)
・Employment rate of disabled people: 2.9% (results on June 30, 2022)

Policy on alliances, M&As, and wing expansion

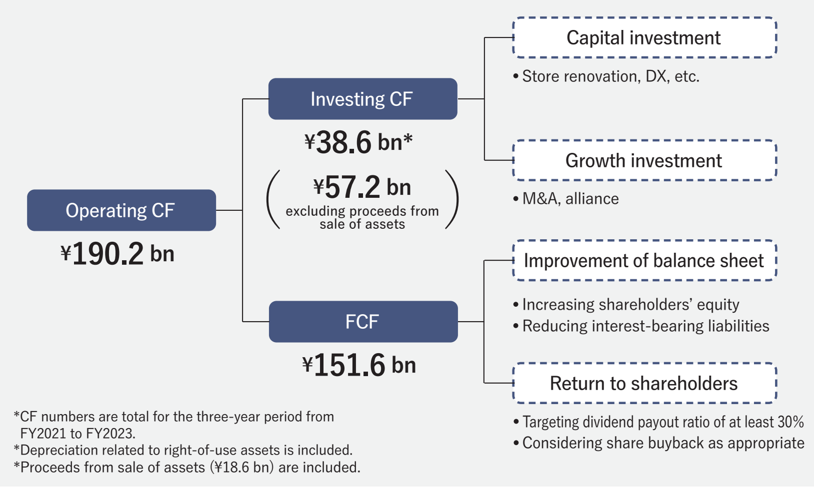
- We will aggressively engage in alliances with other companies and business acquisitions to create new businesses and expand our capabilities, which will contribute to scale expansion and acceleration of the three key strategies.

【Major progress to date】

・Established a CVC fund (October 2022)
・Acquired a 50.8% stake in XENOZ Co., Ltd. and converted it into a subsidiary (November 2022)
・Invested in Financie, Inc. (April 2023)

Cash flow allocation

In the current Medium-term Business Plan, we have decided to prioritize balance sheet improvement by reducing investment compared to the initial plan and proceeding with asset sales, in preparation for the investment phase of the next Medium-term Business Plan and beyond.



*CF numbers are total for the three-year period from FY2021 to FY2023.
*Depreciation related to right-of-use assets is included.
*Proceeds from sale of assets (¥18.6 bn) are included.

Toward the next medium-term plan

The next Medium-term Business Plan will start in fiscal 2024. This is a phase in which initiatives currently underway to prepare for medium- to long-term growth will take shape. How will the grains of results that have been seen be chained and expanded in the future? We would like to more clearly show the path to the portfolio transformation that the Group is aiming for 2030, including the pipeline of the Developer Business, which is one of the growth drivers.

Accelerate Portfolio Transformation by Introducing ROIC by Business

Keep track of the cost of capital by business

We promote management with an awareness of the cost of capital (WACC). The cost of capital is the level of return that financial institutions, investors, and shareholders, as providers of funds, expect from the companies in which they invest. From the standpoint of fund management, it is the return on investment, and from the standpoint of the company receiving the funds, it should be recognized as a financing cost.

The cost of capital is affected by market interest rate trends and the company's total amount of interest-bearing liabilities and market capitalization, and we recognize that our medium-term level is around 4% to 4.5%. We believe that increasing the ROIC spread to a positive level while keeping track of the cost of capital by business will lead to sustainable corporate value creation. Therefore, it is imperative to first aim for a 5% level of ROIC above the cost of capital.

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

ROIC targets

- Introduce ROIC by business as a KPI to achieve profitable growth
- Set WACC for each business as a hurdle rate to achieve ROIC targets

	ROIC target for FY2023	WACC (ROIC hurdle rate)	ROIC target for FY2023
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

Sophisticated management of return on invested capital

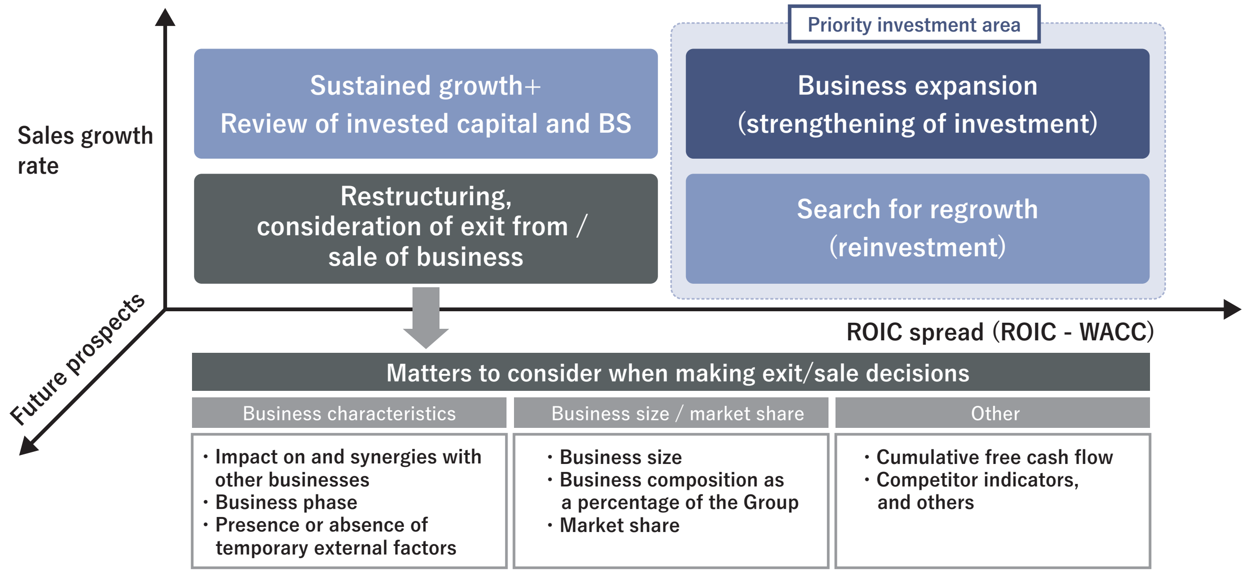
In addition to the shareholders' equity entrusted to us by our shareholders, the funds invested in our business include funds raised from financial institutions and other sources, and it is important to manage our business from the perspective of how to make the most efficient use of these funds. In the business portfolio transformation that we are undertaking, the shift to the Developer Business and the Payment and Finance Business is a theme, and the utilization of interest-bearing liabilities is a key point. Therefore, in addition to business growth and profitability, we introduced ROIC by business for the purpose of implementing management focused on profitability relative to "invested capital," which is the sum of shareholders' equity and interest-bearing liabilities.

Operating companies have focused on ROA, which is how efficiently they utilize their assets, but improving ROIC by business, which pursues return on invested capital, is the way to evolve business management. Another key point is that it is an easy-to-understand indicator of the link between the improvement of business profitability and the efforts of employees. The holding company will promote concentrated investment of management resources in core businesses, exit from or sale of non-core businesses, and incorporation of new businesses.

We believe that instilling the importance of capital profitability throughout the Group will ultimately lead to the transformation of our business portfolio and the improvement of ROE.

Business portfolio management

- Define priority investment areas based on growth potential and return on capital, taking into account future prospects
- The holding company will make a decision on whether or not to continue the business, taking into consideration its business characteristics and scale.



Penetration into the front line is the key

We aim to fully implement ROIC by business in fiscal 2024, but in order to achieve this, it is extremely important to ensure that ROIC is disseminated to the front line. In fiscal 2022, training and study sessions were held mainly for the management of the holding company and operating companies, finance managers and general managers of major operating companies, and the employees of the holding company to promote understanding and penetration. In fiscal 2023, in addition to creating ROIC trees and tying them to single-year budgets, we will conduct training and study sessions for employees closer to the front-line level, such as those in charge of performance management at operating companies.

The ROIC tree consists of KPIs linked to financial figures up to a certain level, but at a level closer to the front line, we will set KPIs that can be put into practice in daily activities other than financial figures.

Schedule for introduction and establishment of ROIC by business

☆ Promote for full-scale operation in the next medium-term plan

FY2022
Understanding and penetration phase

- Dissemination of the Group basic policy
  July 21 IR Business Strategy Presentation
- Understanding and penetration
  (study sessions and briefing sessions)
  H1: Management, key persons*, and employees at the holding company
  H2: Management and key persons* at operating companies
- Coordination with operating companies
  KPIs, KPI trees, operation method
  Embodiment of the basic policy

*Those in charge of strategy development and budgeting, such as management planning and finance

FY2023
Trial operation / next medium-term plan formulation phase

<**Trial operation**>
- Department Store / Parco
  ・Advance operation at some stores
  ROIC targets, KPI trees
  Budgeting - Progress management - Verification of results
- Holding company, operating companies
  ・Portfolio management
  ・Investment management

<**Formulation of the next medium-term plan**>
- Set financial targets and draw a path based on ROIC to achieve them

*Increase accuracy through trial and error

FY2024
Full-scale operation

★Shift from PL-centric (short-term perspective) to PL + BS (medium- to long-term perspective)

- Start of new medium-term plan
  ・Quarterly monitoring
  e.g. confirmation meeting by segment
  ・Visualization of ROIC by store/business

Management Strategy
Management Interview_**01**

Culture That Produces Creativity

Interview_01

SAWADA Taro

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

Post-COVID-19 era in full swing

The post-COVID-19 era is finally in full swing in department stores. Looking at the changes in sales trends as various restrictions on behavior are eased, I am deeply impressed by the fact that the economy is based on the movement of people. In particular, the Daimaru Tokyo store adjacent to Tokyo Station symbolically shows this.

During the COVID-19 pandemic in 2020 and 2021, we were unable to fully perform sales operations and our business performance was extremely severe, but I think it was an opportunity to reset and reconsider our business model not only for our company but also for the upstream of the supply chain. During this period, some of our suppliers have been working on re-engineering and business model reforms, by, for example, thoroughly reviewing inventory management, and have significantly increased sales compared to fiscal 2019.

Just as the positioning of summer and winter sales has changed from both the supply side and the market side, it is clear that market entrances are becoming more fragmented and values are diversifying. We are no longer in a situation where large masses are moved by easy fads. We have seen this trend for some time, but with COVID-19, it has become completely clear. We continue to offer good items as archives at appropriate prices without easy price reductions. I feel that there has been a change, like going back to the basics, or what we should be.

In terms of market changes, sustainability orientation has become more apparent than expected, and there are many brands that strongly reflect this philosophy in their product planning.

In addition, the awareness of our ECOFF program, which collects clothing and accessories that customers no longer need, has increased, and it has gained a lot of support. The amount collected in fiscal 2022 was 367 tons, an increase of about 40% from the previous year, and the number of participants also reached a record high. We recognize that actively engaging in such sustainable initiatives is becoming a prerequisite for being the company of choice for our customers and other stakeholders.

Expand content with advantages

In order to focus on their main products, many luxury brands are now strategically strengthening their two approaches: an approach to the ultra-luxury zone and an approach to the younger generation using accessible product lines. I feel that they have a three-layer structure, such as upper, main, and accessible. In other words, expanding the range of customers vertically while clarifying the main target is the key to winning, and it is consistent with our customer strategy.

In the midst of intensifying competition from a wide variety of retail players, we have focused on the areas of luxury goods, high-end watches, and contemporary art as categories where department stores can still compete, and in addition, future growth can be expected. In fact, these markets are growing steadily. I believe that this is an area that should be addressed as a policy under the initiative of the head office.

On the other hand, what will become more important in the future is local content rooted in the area where each store is located. There are still many attractive gemstones that have yet to be discovered, such as artists, food products, and crafts, in rural regions. We would like to explore this field thoroughly at each store. I believe that department stores will no longer be stereotyped, and that the time will come when the individuality of each store will stand out even more. Currently, several sustainable and unique local projects are underway at each store, and we plan to materialize them as new original content.

If we can successfully separate global content at the head office and local content at each store, our online content will also become more attractive, and we will be able to introduce our unique lineup to customers throughout Japan. We believe that the accumulation of these efforts will become our unique strength.

Suggestions from GINZA SIX

It is very interesting to see the movement of GINZA SIX. Structurally, the luxury brands that operate maisonette boutiques, which are called "Front 6," are a major feature, and they tend to attract attention, but in fact, with the expiration of the fixed-term lease period of 4 to 5 years, the brands will be replaced significantly. In a sense, the major reshuffle during the COVID-19 pandemic has become a hot topic, but the newly introduced brands have also adapted well to the current market and are also linked to the well-being orientation. I think one of the reasons for its strong performance is that it was able to adjust to market changes at a high rate.

And we see a variety of potentials in the fact that it is popular among young customers in their 20s and 30s. It also offers unique space value, and I think communication with its customers through an app also contributes to its success. The brand lineup, assortment, environment, and app all work well together at GINZA SIX.

On the other hand, it is undeniable that most of the existing department stores have not invested in major renovations in the past 10 years, and that investment has mainly been in maintenance. It is clear that we will not be able to survive in this rapidly changing era if we just do our best with sales promotion and customer policy. For this reason, we believe that it is necessary to budget for appropriate renovation investment over a span of about five years, regardless of a fixed-term lease, while proceeding with fixed-term lease where it is possible with a certain degree of massiveness in stores. Including that, we need to look at the NPV over a 10-year span.

We have a business management system in place that allows us to track the balance sheets and cash flow of each store. Essentially, I think it is important to have a long-term plan to make appropriate investments for each store over a five-year period or so based on the cash earned from the stores. We would like to create a situation where each store can run a growth investment cycle on its own. In the next medium-term plan, we would like to draw up a solid financial strategy for building such an ecosystem.

Change the culture, change the output

I believe that corporate culture reform is one of organizational changes. If corporate culture reform is just a means, and this is what we should aim for, then we have to change the organization, that is, change roles and organizational functions. When we do that, it can be difficult to get things right because of the forces that try to undo them. It is about a culture of tacit knowledge, where informal rules are the most troublesome. This is what I mean when I say that culture reform is one part of changing the organization itself.

It is time to compete on the basis of content. It is not enough to collect what is currently selling. There is a term "meaningful consumption," and that is where our main battlefield is. It is essential to face the market firmly and show originality. All people at the stores and the head office face the market and think about it. In other words, what is required is a creative mindset. It is important to efficiently execute what has been decided, but we are now in an era when it is not enough to do so.

If we cannot do it on our own, it will be important to actively involve outside people to create something. We don't have to do it all by ourselves at all. We would like to create a culture that allows people to speak up, nurture, and propose interesting things. It is important to bring out more of what young people are thinking.

If there is an unspoken rule that draws attention only to negative elements and rejects new projects, I would like to improve such a culture. I believe that we must look at the four processes in so-called Nadler's model as a whole.

Some interesting businesses are also taking shape, such as "asumise," a shop that does not sell, "AnotherADdress," a fashion subscription business, and "Raku-Rich," a frozen delicatessen subscription business, all of which were born from the ideas of young people. We would like to reform our corporate culture to make it easier to generate creativity, and to start taking on various challenges now with a view to contributing to earnings five to ten years down the road.

Management Strategy
Management Interview_**02**

Interview_02

KAWASE Kenji

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

Evolve the Origin and Refine Our Strengths

Parco's role with values diversifying

Since its establishment, Parco has been actively introducing cutting-edge culture, mainly fashion, but also music, art, and theater, and proposing new lifestyles. Our vision is "Excite," "Design," and "Create" to change the world with excitement beyond imagination, and our purpose is to "Change the World with Sensibility" to forge a new era with the next generation. We hope to realize Parco's unique style while looking at the leading edge of the times and building a better relationship with society.

In an era when the youth population increased and various subcultures were born, youth culture and the characteristics of Parco were a perfect match, and Parco was able to grow its business performance centering on fashion. However, it is more difficult to categorize the "youth culture" of today's Japan than in the past, and it is important to be aware that there are "several cultures" with diversified values. There is a growing tendency for people to spend time and money on "Oshikatsu" to support their favorite idols and characters, and on supporting social activities that they can relate to. Fashion is no longer necessarily the object of the money spent on their hobbies. It is also an age of uncertainty and difficulty in predicting the future, as is often referred to as the "age of VUCA*." As consumers' values are changing, we at Parco need to reconsider how we contribute to society and what strengths we should demonstrate from the starting point.

Highly acclaimed internationally Shibuya PARCO

Shibuya PARCO and Shinsaibashi PARCO are commercial facilities that we created with the latest concepts and methods, but their opening coincided with the period of the COVID-19 pandemic, so they did not reach their full potential at the start. Since October 2022, when the situation of COVID-19 began to settle down, we have received the expected evaluations, including international ones, and we are getting a good response that it is leading to business results. Shibuya PARCO, which opened in November 2019, was designed to be a store where people from overseas can also enjoy, with a target of inbound sales of 30%. After opening, the COVID-19 pandemic continued for almost three years, and the achievement of the target was postponed, but then, after October 2022, when border measures were relaxed, it changed to the post-COVID-19 situation at once, and the initial target was greatly exceeded. Witnessing the large number of foreign visitors in addition to Japanese people, I was once again convinced that Shibuya PARCO is a place that can be enjoyed by customers from all over the world. Shinsaibashi PARCO, which opened in November 2020, is actively collaborating with the adjacent Daimaru Shinsaibashi store and steadily achieving results.

On the other hand, PARCO stores, which are located in large suburban cities, mainly attract customers from a wide area of Japan. Each area where PARCO stores are located has its own unique characteristics. They can be found in a seasonal festival, the flavor of the local cuisine, or the local culture. Civilization is measured in certain ways - technological, material, or efficient - but culture varies from region to region. Culture and specialties are, so to speak, plates filled with beautiful dishes and ingredients unique to the region, and without culture, they are just plates with nothing on them. Parco has set "increasing local appeal" as one of its six sustainability themes, and has declared its contribution to increasing the appeal of local areas through active participation in communities and other means. We hope to co-create with the culture of the local community at each PARCO store, including events in collaboration with local creators and local industries, and to prosper together with the city that is its foundation.

Utilize diverse values

I joined Parco Co., Ltd. 33 years ago, but I had little experience in stores, and I have been working for the Parco Group companies for about 15 years. I am proud to be a rare type of person within Parco, having accumulated a lot of experience that is not a "Parco = store" scheme, such as launching new businesses and being involved in cross-sectional projects. When I was seconded to companies in the Parco Group, I thought all jobs, whether at Parco or at other companies in the Parco Group, were equally precious and interesting. In my late twenties, the groundwork was created to actively embrace new and different businesses from Parco, and this orientation has been carried over to my current self.

Last fiscal year, I spent one year at J. Front Retailing (the holding company), where I was involved in management strategy and carried out various tasks from the perspective of the importance of "overall optimization." Since I became the President of Parco this spring, I have felt that while collaboration between Parco and Daimaru Matsuzakaya Department Stores in promotion and other areas is progressing, there is room for more collaboration and value co-creation with other Group companies. "Overall optimization" does not mean losing individuality and matching the whole. Rather, it is important for each company to refine its unique strengths in order to improve the results of the Group as a whole. Based on this idea, I would like to make maximum use of Parco's strengths and capabilities for the development of the J. Front Retailing Group.

I feel that Parco is a company with a high-context culture where employees are connected to each other through shared sensitivities and thoughts that cannot be put into words. Employees who joined Parco as new graduates have the strength of having been nurtured only within Parco, but I also believe that they have a fragility. Perhaps I felt this way because, thanks to the wide range of work I was given at the Parco Group companies and at J. Front Retailing, which is different from most Parco employees, I was able to develop a bit of an objective perspective on Parco in addition to my "love for Parco." Last fiscal year, nearly half of the employees hired by Parco were mid-career hires. In other words, employee diversity is progressing rapidly within the organization of Parco. Parco has the potential for further growing while striking a balance between what must remain unchanged and what can evolve.

As a member of "one universe"

I feel that the J. Front Retailing Group as a whole should, as an organization, acknowledge each other's differences, interact more at the employee level, and get to know each other on a one-on-one basis. I don't think the J. Front Retailing Group should be like Parco, and on the other hand, if the holding company asks me if we can tighten regulations because Parco's freedom has gone a little too far, I would reply, "Parco's free spirit leads to the enthusiasm and creativity of the employees themselves, so I want to value that." As an organization, we are separate, and we want to continue to have different cultures and individualities. That should also lead to our strength as a group. As long as we are aware that the J. Front Retailing Group is a place where people come into contact with each other and come together, I think we can become "one universe." Instead of saying, "I belong to Parco" or "That person belongs to Daimaru Matsuzakaya Department Stores," we consider the entire J. Front Retailing Group to be "us." That is an important factor that is indispensable in this day and age.

When we take a bird's-eye view of Japanese culture, the traditional or authentic culture represented by that in Kyoto and other places is a major attraction of Japan, while the new and very unique cultures represented by those in Akihabara and Shibuya are now very popular worldwide as Japanese unique attractions. The J. Front Retailing Group, which has Daimaru Matsuzakaya Department Stores and Parco as its operating companies, is a very unique corporate group with the large cultures of both. If they are successfully combined, I think we will be able to create great synergies.

Tune Parco's origin to the "present"

The origin of Parco, which opened Ikebukuro PARCO in 1969 to offer a fashionable lifestyle targeting "21-year-old female office workers," is to "support women's advancement in society," so to speak. It could be said that the company was truly ahead of its time in terms of "diversity & inclusion." We want to deliver not an imposition such as the "only right answer" or a uniform, but life and culture with the message that "you can stay as you are." I believe that we will be able to realize evolution in the sense of adapting to the current era while keeping a close eye on this origin, and that we will be able to envision and implement the next move while synchronizing Parco's value with the social and economic environments.

Within the J. Front Retailing Group, Parco will continue to create new value and contribute to society.

*VUCA: Acronym for Volatility, Uncertainty, Complexity, and Ambiguity, which refers to a situation where it becomes difficult for society and business to predict the future

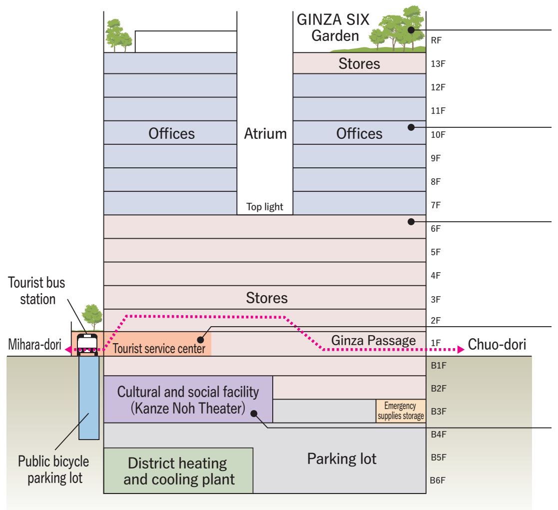
Luxury Mall That Stands Out in the New Era

New retail presence

GINZA SIX, which opened in April 2017 through the integrated development of two blocks including the former Matsuzakaya Ginza store based on the concept of "Life At Its Best," has a strong presence in the world-class Ginza area as the only luxury mall in Japan. We believe that this is one form of "retail innovation" that was born from the combined wisdom of four companies (at the time of opening) that dared to choose "not to operate as a department store." The luxury brands' duplex boutiques called "Front Six," which constitute the facade on the Ginza Chuo-dori side, forms the dominant image of GINZA SIX, which is conscious of global standards.

In 2021, right in the middle of the COVID-19 pandemic, we have undergone a major renewal, replacing 45 brands since opening. While adapting to the changing times, we have further improved its freshness and succeeded in developing a new customer base. As a result, even at a time when inbound sales have not fully revived, we have succeeded in developing new good domestic customers and achieving growth at a high rate, including a record monthly transaction volume in December 2022.

We believe that the implementation of ever renewal in an exquisite cycle is a key factor essential for sustainable value creation.



Rooftop garden [rooftop]
GINZA SIX Garden, one of the largest rooftop gardens in the Ginza area with an area of approximately 4,000 m² open to the community

Offices [7F - 12F / 13F (partial)]
Office floor area of approx. 38,000 m² (approx. 11,500 tsubo) and a rental area of approx. 6,140 m² (approx. 1,857 tsubo) per floor (standard floor), one of the largest in Tokyo

Commercial facilities [B2F - 6F / 13F (partial)]
Commercial space with a sales floor area of approx. 47,000 m² (approx.14,200 tsubo), gathering 241 brands of world class quality

Tourist center [1F]
Tourist service center, which also serves as a tourist information center for the Ginza area. It has TERMINAL GINZA and the first tourist bus station in Ginza.

Cultural and social facility Kanze Noh Theater [B3F]
Kanze Noh Theater, the base of the Kanze School, the largest school of Noh As a hall open to the community, it hosts a variety of events.

Demonstrate strengths for young people

A major feature of GINZA SIX is that it is extremely popular among young people. In particular, the share of people in their 20s and 30s in the total transaction volume was high at 38% even in 2019, but in fiscal 2022, it increased to 46%, nearly half. Considering that customers in their 50s and older account for more than half of the transaction volume of the Department Store Business, we can see the potential for the customers with profiles to whom the current Department Store cannot reach out. It can be said that GINZA SIX offers an important insight toward solving the structural issues that the Department Store faces.

Changes in the ratio of each generation to total transaction volume

*Source: GINZA SIX app data

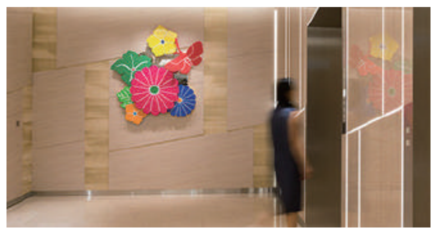
Customer experience unique to the real world

One of the features that has made GINZA SIX so popular with customers is the creation of an artistic space. In the atrium in the center of the store, an innovative and bold installation, which is replaced at regular intervals, is being staged. And special hospitality features can be seen throughout the building, including show windows on the 2nd basement floor, public art in the north-south elevator halls and corridors on the 3rd through 5th floors under the supervision of Mori Art Museum, and living wall art in the atrium on the Chuo-dori side.

In addition, the rooftop garden, the largest in the Ginza area at approximately 4,000 square meters, is open to the community. The garden symbolically represents an environment where visitors can feel close to nature in the city, and provides a place for relaxation and socializing for visitors to Ginza.

After all, the unique atmosphere that can only be experienced in the real world shows the existence value of GINZA SIX as an exclusive experience value.

©Jean Jullien courtesy of Nanzuka



Also create synergies with the Department Store

As part of the Group's overall efforts to centralize card issuance to strengthen its customer base, GINZA SIX's card issuer will be changed to JFR Card in 2024. We believe that this will make shopping with the Department Store's Daimaru Matsuzakaya Card at GINZA SIX more convenient and beneficial for our customers. Among other things, we expect that this will lead to a much larger selection of luxury items for our gaisho customers in the Tokyo metropolitan area, and we expect to see more synergies.

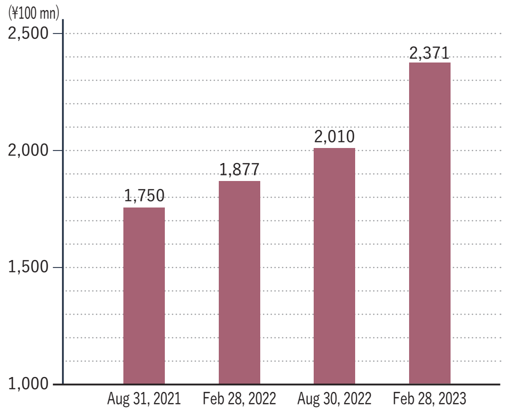
The Key Is the Digitalization of Touch Points

App at the gateway to evolution

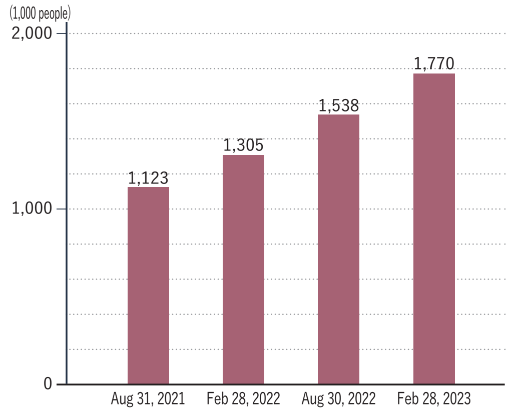
Smartphone penetration rate among mobile phone owners in Japan is already estimated to be over 96%. In the post-digital era, the digitalization of touch points with customers is further accelerating. We believe that the boundary between online and offline is becoming increasingly blurred, and that we are in the process of further evolving a customer experience that allows customers to move freely between online and offline. It can be said that smartphones as touch points are now indispensable for deeper communication with customers.

Therefore, Daimaru Matsuzakaya Department Stores has issued the Daimaru Matsuzakaya App, a service that responds to the ICT era, and is working to further improve customer satisfaction and enhance customer service using digital technology. The app has an "electronic membership card function" that allows its users to earn and use points like a physical card, an "upgrading function" that provides different services according to the user's number of visits to the store and purchase amount, an "alert function" that provides timely information on special offers, and a "store information function" that allows its users to check events, topics, floor guides, etc. at their favorite stores anytime they want.

Changes in sales via the app



Changes in the number of active app users



Indispensable tool for the evolution of CRM

The quality of communication has evolved dramatically through the digitalization of touch points, or the use of the app. We are now able to communicate with each of our customers in a more personalized manner and aim to increase lifetime value by building better relationships than ever before.

The results of utilizing the app are showing up in tangible numbers. In fiscal 2022, Daimaru Matsuzakaya Department Stores sales via the app totaled 237.1 billion yen (up 26.3% year on year) and the number of active app members reached 1.77 million (up 35.6% year on year). The average spend per customer was 1.9 times higher for those who signed up for the app versus those who did not, indicating that signing up for the app contributes to the increase in the average spend per customer.

As an example of the use of data obtained from the app and others, we initiated a model for predicting purchases to be made by potential customers based on logistic regression analysis, which resulted in sales of 2.2 billion yen in categories such as luxury items, art, and watches in fiscal 2022. In the future, we intend to further enhance CRM by expanding the scope.

More unique websites are now available

>>Raku-Rich

ラクリッチ

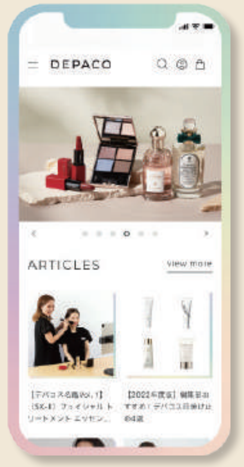
Raku-Rich, a subscription service for frozen gourmet home delivery carefully selected by food connoisseur buyers, was launched. This service allows customers to enjoy "luxury gourmet" foods of department store basement food floor quality at any time.

In recent years, when consumer lifestyles have changed significantly, the need for "food delivery" has increased because the culture of enjoying food at home has taken root. On the other hand, due to the diversification of work styles and the increase in dual-income households, time performance for household chores has come to be emphasized. In addition, the spread of COVID-19 has led to rapid growth in demand for food delivery, and it is expected to become an essential service for daily life in the future.

Based on this background, this project is a new initiative that embodies the pillars of Daimaru Matsuzakaya Department Stores in the Medium-term Business Plan: Real × Digital Strategy = "human power" to provide new experience value and overcome the constraints of time and place.

>> DEPACO

DEPACO



Department store cosmetics information media DEPACO, which has been well received so far, was renewed as "media commerce" for department store cosmetics in 2023. It has been transformed into an attractive site that combines the functions of physical stores, e-commerce, and owned media. It is a media commerce that is just like a cosmetic counter, where customers can receive a thorough consultation just like in a physical store, even online.

The editors of DEPACO and the beauty advisors of cosmetics brands send out more than 100 original articles and information on department store cosmetics every month. The lineup includes more than 140 brands, ranging from popular brands that are familiar in e-commerce to brands not available in physical stores. In addition, to meet the needs of customers who want to consult across brands, DEPACO's dedicated cross-brand beauty advisors, who take advantage of the strengths of the Department Store, provide online services ranging from consultations on skincare, makeup, gift suggestions, and other key points to comprehensive consultations that allow customers to discuss their needs in detail.

>> ARToVILLA

ARToVILLA

The art market in Japan exceeded 250.0 billion yen 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 open 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.

A Prime Variety of Hospitality

Significant expansion of luxury items and watches

Daimaru Matsuzakaya Department Stores is strengthening store renovations to expand prime content with the aim of attracting a wider range of affluent customers. In fiscal 2022, approximately 40% of the total investment in sales floor remodeling was focused on luxury items, watches and art-related items. Specifically, the watch section on the 5th floor of the north wing of the Nagoya store was completely renovated in July, while the Rolex shops in the Umeda and Tokyo stores underwent extensive renovations in September and December, respectively. In the luxury goods sector, the free-standing shop near the Kobe store was remodeled to open the Louis Vuitton boutique in March, the Chanel boutique on the 2nd floor of the Kobe store was expanded and remodeled in July, and the 1st floor of the south wing of the Nagoya store was remodeled to open the Loewe boutique in November.

Watch section, Nagoya store

A stronger commitment to art

Each store of Daimaru Matsuzakaya Department Stores is also working to strengthen large-scale art events. In fiscal 2022, we held a nationwide traveling art fair "D-art,ART" with the producer who worked on Art Fair Tokyo. In addition, we are sending customers from Daimaru Matsuzakaya Department Stores to Parco's art events and conducting pre-sales, etc., to demonstrate the Group synergies.

As for art, the art gallery on the 8th floor of the Kobe store was renewed in October, and the 7th floor of the Ueno store was renovated in March to expand the art gallery and create a new art gallery and art space.

D-art,ART

Special hospitality space

In order to build stronger relationships with gaisho customers, each store has a lounge with its own unique features as a special hospitality environment. It is an initiative that is conscious of coexistence with the local communities, such as using local materials for the interior. It has been well received as a special hospitality space, not only as a place to relax, but also as a gallery.

D's Lounge, Daimaru Kobe store

Successful digitalization of touch points

Daimaru Matsuzakaya Department Stores operates a closed website called "connaissligne," which is unique to gaisho, introducing special merchandise unique to gaisho and providing a variety of information. In fiscal 2022, we gained over 18,000 new members, bringing the total membership to over 100,000. The members of connaissligne account for 32.8% of all gaisho customers, which means that we have digital touch points with about one-third of all gaisho customers.

In addition, by extracting potential customers through the analysis of gaisho customer data, we have launched a purchase prediction model for art following high-end watches and special luxury items. In fiscal 2022, we were able to achieve sales of 2.2 billion yen by approaching prospective customers through data analysis. We are currently developing data scientists who will be responsible for such data analysis, and in fiscal 2022, the number of data scientists increased by 11 to 14 throughout the company. In the future, we will further improve the accuracy of our analysis to increase the hit rate.

Closed website for gaisho customers "connaissligne"

Expand our customer base by strengthening online sign-up

Daimaru Matsuzakaya Department Stores has established an online sign-up system to promote the development of a customer base that prefers digital channels, especially among younger customers. The online sign-up rate in fiscal 2022 was 76.2% (57.9% in fiscal 2021), far exceeding the paper-based sign-up rate.

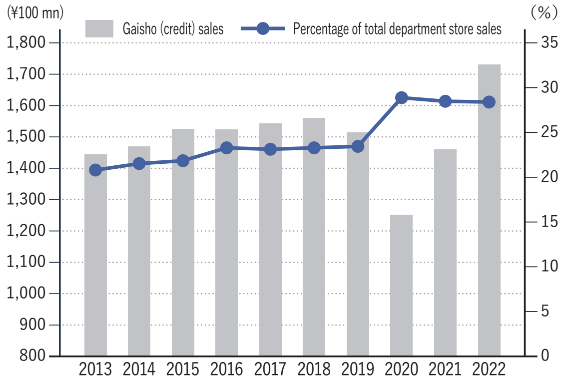
The number of the accounts of customers in their 20s to 40s accounts for 46.1% of the total number of accounts opened through online sign-up, and the company has been successful in attracting young, good customers. As a result of these efforts, the percentage of sales from gaisho customers in their 20s to 40s has been steadily increasing, accounting for approximately 30% of total sales in fiscal 2022. We recognize that the acquisition of young affluent customers will contribute to sustainable sales growth.

Gaisho sales increased by double digits compared to before COVID-19

Currently, the driving force behind the Department Store is the expansion of gaisho sales. Gaisho sales in the Department Store Business in fiscal 2022 totaled approximately 188.0 billion yen, a 16.7% increase over the same period last year, and continue to show significant growth. Compared to fiscal 2019, they were up 10.0%, a double-digit increase, which is already significantly higher than the pre-COVID-19 level.

Daimaru Matsuzakaya Department Stores has been strategically strengthening gaisho sales ahead of competitors for about 10 years, and has steadily achieved results. We have organized a dedicated card development team throughout the company and have continuously developed more than 10,000 cards every year. The feature of our gaisho strategy is to "capture wealthy customers of a wider age range and provide prime content that allows them to continue shopping."

Daimaru Matsuzakaya Department Stores gaisho (credit) sales trends



Gradually expand products and services not available in stores

In addition to product sales, we are expanding our commission business through alliances to provide services to our gaisho customers, such as condominium brokerage, luxury car sales, remodeling, and housekeeping support. We will continue to strengthen our content by strengthening highly scarce products, developing products and services that resonate with customer insights through the development of solution services, and other means. In addition, we will strive to improve lifetime value by introducing financial and insurance products in the Payment and Finance Business in the Group.

"One and Only" Never Stops Taking on Challenges

Shibuya PARCO

Disseminate the "PARCO" brand from Shibuya

Parco operates shopping centers PARCO throughout Japan, from Hokkaido to Fukuoka in Kyushu, with a different store concept for each market in which it operates. Based on the principle of equal partnership with tenants, we aim to increase each tenant's sales by renewing through renovation, attracting customers through advertising and sales promotion activities, and providing meticulous tenant support. Furthermore, since our founding, we have worked to create a unique culture by serving as a base for disseminating information, which produces and proposes ways to spend time and enjoy new lifestyles, rather than simply selling products.

It is Shibuya PARCO, which continues to evolve as the "one and only" next-generation commercial space, that strongly transmits the PARCO brand. Through rebranding starting from Shibuya, we are working to evolve unchanged value delivery to establish our presence as the building of choice for customers, tenants, and creators, and to improve our financial value over the medium to long term. By developing unique projects that leverage relationships with tenant companies that we have cultivated over many years, we embody the image of a company that "takes on new challenges."

Renovated the 4th floor of Shibuya PARCO under the theme of "sustainable & vintage"

Shibuya PARCO renewed its 4th floor in November 2022 under the theme of "sustainable & vintage." Unisex lineup was expanded, including interior goods, accessories, lifestyle fashion, eyeglasses, and art goods. In addition, under the theme of reuse/reproduction/handcraft, we invited attractive shops and brands that sell clothes made from threads and fabrics re-spun from rags and residual yarn, as well as vintage furniture, clothes, and accessories.


Mid-Century MODERN on the 4th floor of Shibuya PARCO

Shibuya PARCO collaborates with a social project SKWAT

In the renewal of the 4th floor of Shibuya PARCO under the theme of "a new way of commercial facilities," we collaborated with SKWAT, a social project to create new meaning by squatting (occupying) urban voids, to create a flexible space in which shops are replaced periodically. The area consisting of limited-time-only shops reduces the cost burden of shop interiors and the generation of waste due to replacement, which has been a challenge in terms of creating sustainable commercial facilities. We are attracting new independent shops and brands by supporting and sharing cash registers, shop staff, back offices, etc. in a flexible space that integrates common space and sales space.


KANE-ZANMAI on the 4th floor of Shibuya PARCO

Held Julian Opie's exhibition OP.VR@PARCO

As a special exhibition focused on digital art, Parco held the world premiere exhibition of VR works by British contemporary artist Julian Opie "OP. VR@PARCO" at PARCO MUSEUM TOKYO on the 4th floor of Shibuya PARCO from October to November 2022. Two VR viewing rooms were created in the venue, where the number of visitors was limited by advance reservations, and a luxurious exhibition style was adopted in which visitors wearing headsets could freely walk around the rooms. The new challenge of the artist who has vividly expressed the state of the world, such as people and cityscapes, in minimal expression language has become an innovative exhibition where visitors can experience multiple different exhibition spaces wearing VR goggles.


VR viewing Photo: TAKAMURA DAISUKE

Continuously examine the use of NFTs at PARCO stores

Parco started a demonstration experiment in March 2022 on the utilization of NFTs linked to store projects and events with a view to providing experience value that links the NFTs with the real space of PARCO stores. In fiscal 2022, ten projects were conducted at PARCO stores in Shibuya, Ikebukuro, Sapporo, Sendai, and Shinsaibashi. As part of a building-wide project at Ikebukuro PARCO, NFTs were distributed to those who wished to receive them, and an autograph session by the creators was held, which NFT holders could participate in as a special benefit. Utilizing NFTs increased engagement between creators and fans at the real location and also served to communicate information about the store. In fiscal 2023, we will continue to examine the use of NFTs as a way to connect customers with PARCO stores.

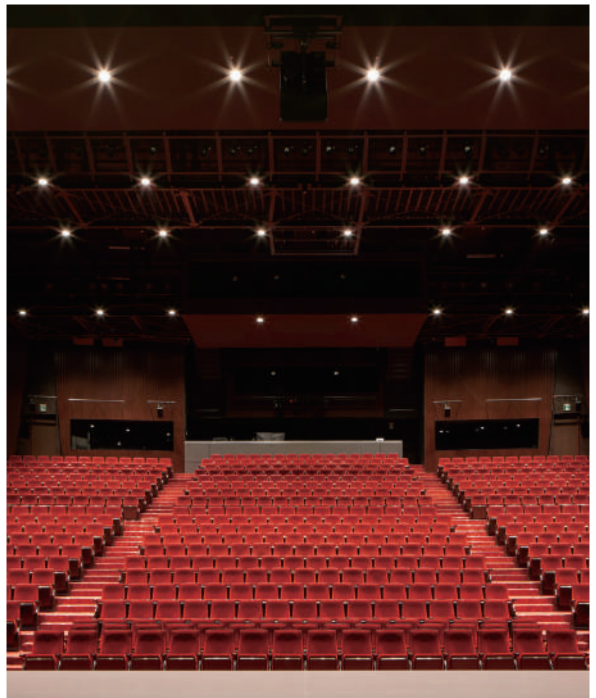
Ikebukuro PARCO building-wide project in collaboration with the creative studio R11R

Launched co-creation e-commerce site ONLINE PARCO

Parco renewed its e-commerce site and opened ONLINE PARCO in March 2023. In collaboration with various stakeholders, we propose new value that customers can enjoy all of Parco's content across online and offline. We aim to create fans not only in Japan but also on a global scale. Parco will maximize customer assets that support its management over the medium to long term by converting non-ID customers into ID customers, making ID customers active, raising their ranks, and retaining these customers. PARCO MEMBERS, which was introduced in November 2022, standardized IDs for all services provided by Parco to provide a variety of services through unified connections with customers.

The Passion Reaches Deep

Poster for PARCO×GUNDAM COLLABORATION ITEM FAIR ©創通・サンライズ ©創通・サンライズ・MBS


Audience seats in PARCO Theater (Photo: OSAKO Futoshi)

One of the things that we have realized once again during the COVID-19 pandemic is how important it is to maintain mental well-being in our daily lives. The passion that art and culture emit can play on our heart strings and sometimes even push us forward.

Since its founding, Parco has actively introduced new culture in the fields of theater, music, and art, and has proposed spiritually rich lifestyles. While producing a variety of attractive content, we are also actively engaged in promotion. We create added commercial value by developing multifaceted content materials that capture cultural information and the times, and by producing collaborations of different materials to create hit projects.

Theater

Plays, musicals, dance performances and other productions are staged at PARCO Theater and other theaters throughout Japan. Quality works are produced with talented creators and highly appealing actors.

- The advertising visual for "Birdland" won a Best in Category award in the Station Signboard Category at the Transit Advertising Awards 2022.
- DANDA Yasunori won the Best Actor award at the 30th Yomiuri Theater Awards for his role in "Death of a Salesman."

【Business site】

Theater 1 site (Shibuya)

Movies

Parco operates the movie theaters CINE QUINTO and WHITE CINE QUINTO, conducts film distribution, investment, acquisition, and production, and shows a wide variety of Japanese and international movies.

- Parco received the top award at the 60th Foreign Film Importers-Distributors Awards.

【Business site】

Movies 2 sites (Shibuya)

PARCO Theatre celebrates its 50th anniversary

Opened in 1973, the PARCO Theatre has led the culture of the times, and this year marks its 50th anniversary. In 2023, a variety of productions are being staged as the PARCO Theater 50th Anniversary Series.

A major feature of the PARCO Theater, which started as part of Parco's image and cultural strategy, is that Parco itself produces the theater as a cultural project. We have produced a total of over 1,300 works with many talents while reading the trends of the times. This year, which marks the 50th anniversary, we have a full lineup of works, including works by Japan's leading directors, projects with new talents, and works by up-and-coming directors from overseas.

Moving into the content-first era

How much special content we can provide, both physically and online, will determine the value to our customers. Parco recognizes that its major role is to continue to create new value for society by discovering and developing entertainment and culture that capture the current era or are ahead of the times. The entertainment generated by the esports business of XENOZ Co., Ltd., which became a subsidiary of J. Front Retailing last year, is also expected to become a powerful content that will create new customers for Parco and other companies in the J. Front Retailing Group.

Staged the legendary play "Warai no Daigaku" written and directed by MITANI Koki

"Warai no Daigaku," PARCO Theater 50th Anniversary Series

The two-person play "Warai no Daigaku" was staged at PARCO Theater from February to March 2023. It was first performed as a Parco production in 1996. The theatrical masterpiece, which won the Best Play award at the 4th Yomiuri Theater Awards, was restaged in 1998, and also translated and performed in Russia, South Korea, China, and France.

This legendary play, which had not been performed even once in Japan since being restaged in 1998, was staged under the direction of the play's writer MITANI Koki himself for the first time in a quarter century in the year of PARCO Theater's 50th anniversary.

Music

In addition to the live house CLUB QUATTRO that books up-and-coming artists from Japan and overseas and provides high-quality live music, we operate the music cafe and bar QUATTRO LABO.

【Business site】

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

Gallery/café

A wide range of entertainment-related projects are carried out in collaboration with Parco's other departments, including exhibition production, gallery planning and management, and cafés collaborating with artists and anime characters.

【Business site】

Gallery 6 sites (Shibuya/Ikebukuro/Nagoya/Shinsaibashi/Fukuoka)

Café 4 sites (Shibuya/Ikebukuro/Nagoya/Shinsaibashi)

And tour around PARCO stores, etc.

Publishing

Parco is involved in a variety of publications, from art books to practical guidebooks and works of literature. We are involved in a wide range of projects, such as publishing books on contemporary, cutting-edge artists and creators in Japan and overseas as well as books linked to various events.

Create New Value with Local Communities

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

Rendering of “Shinsaibashi project (tentative name)”

Established a new company J. Front City Development

In March 2023, we spun off the real estate developer business that had been in Parco Co., Ltd. to establish J. Front City Development Co., Ltd.

The new company will promote development utilizing local networks and brand power, mainly in the seven major cities of Tokyo, Nagoya, Osaka, Kyoto, Kobe, Fukuoka, and Sapporo, where Daimaru, Matsuzakaya, and PARCO stores are located.

Construction has already begun in Sakae, Nagoya, and Shinsaibashi, Osaka, with a view to completion in 2026, and in Tenjin, Fukuoka, we have begun to actively consider a large-scale development project as part of the Tenjin Big Bang project.

As a unique strength of the Developer Business, we will promote the development of a variety of mixed-use facilities, including offices, hotels, and residences, while differentiating ourselves with the retail experience and expertise we have cultivated over the years at Daimaru, Matsuzakaya, and PARCO stores. As a business model, in addition to real estate rental income, we are also considering developing properties to increase their value and selling them in a planned manner. Therefore, profits earned from the sale of properties developed by the company are recorded as business profit.

At the same time, we will work with our key strategies, Real × Digital Strategy and Prime Life Strategy, to make the entire area more attractive as the center of the community in each area.

Simultaneously with the establishment of the new company, the CRE Strategy Unit was established within the holding company to create a structure that facilitates the prompt and smooth strategic utilization of real estate owned by each Group company. The President of the holding company also serves as the Senior Executive General Manager of the unit to develop real estate, formulate CRE strategies for real estate holdings, and maximize the value of real estate holdings from the perspective of optimizing the entire Group.

The Group’s Developer Business segment consists of J. Front Design & Construction and Parco Space Systems, which undertake interior construction of commercial facilities and hotels, in addition to J. Front City Development. We will update the area while valuing coexistence with its history and culture that the Group has cultivated over the years.

“Nishiki 3-chome District 25 project (tentative name)” to be opened in 2026

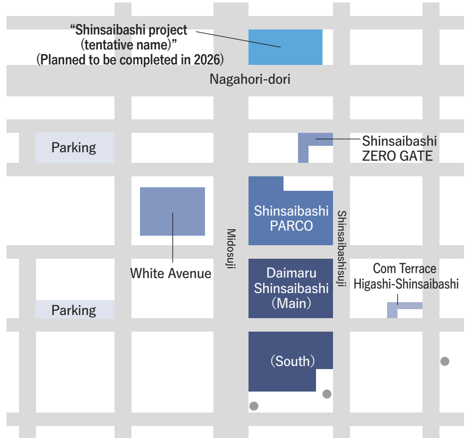
J. Front City Development Co., Ltd. will develop a complex consisting of commercial space, a hotel, offices, and a cinema complex, based on the concept of creating a cultural and social value creation base as a new landmark in Sakae, Nagoya, together with joint venture partners (Mitsubishi Estate Co., Ltd., Japan Post Real Estate Co., Ltd., Meiji Yasuda Life Insurance Company, and The Chunichi Shimbun Newspaper Publishing Co., Ltd.). It was approved as an urban planning project by Nagoya City in March 2022, and the construction of the new building began in July 2022, with the Group planning to own and operate its commercial portion.

Through this project, J. Front City Development and the joint venture partners will promote the multilayered development of urban functions in the Sakae area, including attracting a luxury hotel, which will contribute to enhancing the city’s brand power as promoted by Aichi Prefecture and Nagoya City, thereby further increasing the liveliness of the surrounding area and contributing to strengthening Nagoya’s international competitiveness in the two core areas including the Meieki area.

“Shinsaibashi project (tentative name)” to be completed in 2026

J. Front City Development Co., Ltd. will develop a complex consisting of commercial space, a hotel, and offices with joint venture partners in one of the largest properties in the area, located at the intersection of Osaka’s main streets Midosuji and Nagahori-dori in Shinsaibashi. The construction of the new building began in January 2023, and the company will participate in the project through a special purpose company formed through a joint investment with L Catterton Real Estate (a real estate development and investment company of the LVMH Group).

The Shinsaibashi Plaza Building and Shinsaibashi Fuji Building, which had driven the bustle of the Shinsaibashi area for many years, will be rebuilt, and we are planning to create duplex boutiques (two to three floors) on the lower floors facing Midosuji and Nagahori-dori and attract luxury brands to draw more crowds to and further revitalize the surrounding area as a new landmark.



>> ZERO GATE

ZERO GATE expresses our desire to stand on the “origin = ZERO” and propose new values as the “entrance (face) = GATE” of the area. Specializing in mid- to low-rise commercial properties in prime locations, they take advantage of their prime locations, consist of a single or small number of tenants, and operate efficiently according to the business scale. We will create a new business scheme that utilizes a multi-story model in collaboration with various industries that are not limited to retail, visibility that takes advantage of the location’s characteristics, and DX.

>> BINO

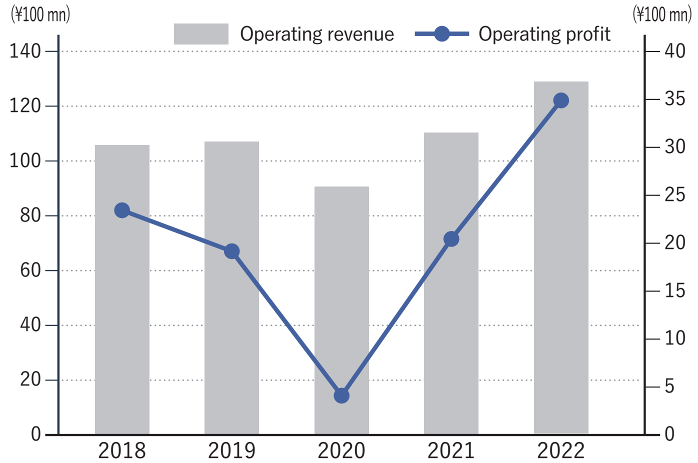
The name BINO comes from “Beauty Inside aNd Out.” We aim to be a medium- to low-rise commercial facility based on the concept of “beauty & health” that supports beauty from “inside” and “outside.”

In addition, through collaboration with a wide range of suppliers, we will provide quality and services that satisfy our customers and coexist with the local area to contribute to enhancing its value.

Second Phase of Growth through Consolidation of Cards in the Group

Progress of the Medium-term Business Plan

The Payment and Finance Business recorded a business profit of 3.4 billion yen in fiscal 2022, the second year of the Medium-term Business Plan, achieving the final year target of the Medium-term Business Plan one year ahead of schedule. The Daimaru Matsuzakaya Card, which underwent a complete renewal in January 2021, is now equipped with a unique point system that benefits customers, and measures such as reviewing the earnings structure, including annual membership fees, have been successful.



Daimaru Matsuzakaya Card is equipped with VISA touch payment function

Strengthen efforts to acquire new users of Daimaru Matsuzakaya Card

Annual transaction volume per customer has increased due to the complete renewal of the Daimaru Matsuzakaya Card. In addition, the cumulative number of QIRA points awarded under the new point program has exceeded 8.0 billion points, and the number of "tangible goods and intangible goods exchanges" is increasing, and awareness of the card is also improving.

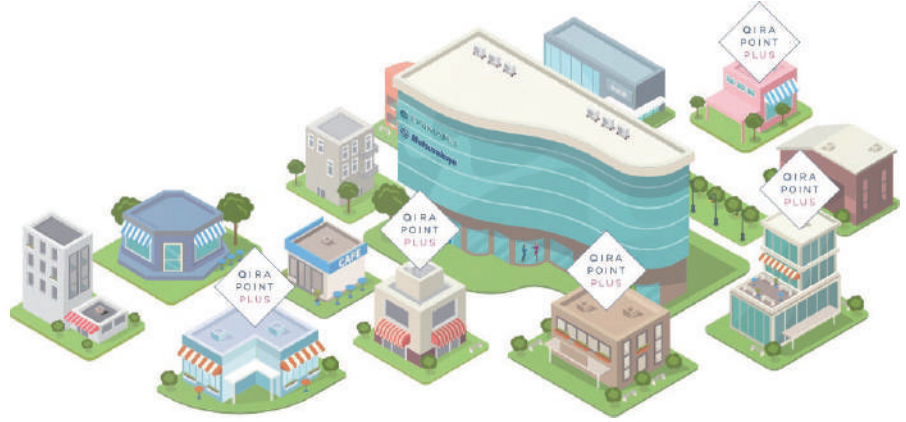
Going forward, we will strengthen our efforts to develop new card users by strengthening the efforts to acquire new users at our department stores, and segmenting our app customers according to their annual purchase amount, age, and other factors and approaching them according to their individual needs. We will also enhance the appeal of the card by enriching the lineup of products to be given in exchange for QIRA points and various programs to provide special experiences.

Promotion of merchant acquiring business

JFR Card concluded license agreements with VISA and Mastercard in July 2019 and started to provide merchant acquiring services. By consolidating merchant acquiring services at Daimaru Matsuzakaya Department Stores, PARCO, GINZA SIX, and other commercial facilities in the Group, we are reducing commissions at the Group companies and contribute to improving cash flow throughout the Group.

The number of external merchants in areas where the Group operates commercial facilities has also steadily increased, exceeding 200. In the seven key areas where we intend to expand the Developer Strategy, we aim to build each area's economic zone that connects the Group's customers and merchants by acquiring more merchants, providing merchants with support for sending customers and customers with the "most competitive payment and financial services in the area."

QIRA POINT PLUS



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 insurance business and finance business, which have a high affinity with the Group's customers and business models and are highly profitable.

In the insurance business, we will strive to propose insurance products that meet customer needs through in-store and online life plan consultations and lounge seminars for gaisho customers. We have also started offering "Kantan Web Hoken (easy online insurance)" for the users of the Daimaru Matsuzakaya Card, which allows them to easily get quotes and apply on the Web.

In the finance business, in addition to improving the convenience of revolving and installment payments with the Daimaru Matsuzakaya Card, we also offer the QIRA Loan, a credit card loan in partnership with ORIX Credit Corporation. In February 2023, we launched the investment trust accumulation product "Kantan Tsumitate Toshi (easy accumulation investment)" in partnership with SBI Securities. We will continue to provide new financial services.

QIRA Financial Lounge (10th floor of Shinsaibashi PARCO)

Promotion of consolidation of cards in the Group

In order to achieve medium- to long-term growth in the Payment and Finance Business, it is essential to further strengthen our customer base. On the other hand, JFR Card, which is responsible for the Payment and Finance Business, currently has not been able to incorporate some cards in the Group as their issuer. Therefore, we decided on a policy of consolidating cards in the Group, with JFR Card as the issuing company. Going forward, we will clarify specific timelines and procedures for each card, and steadily move forward with our plan to establish a structure that will allow us to take full advantage of the Group's benefits.

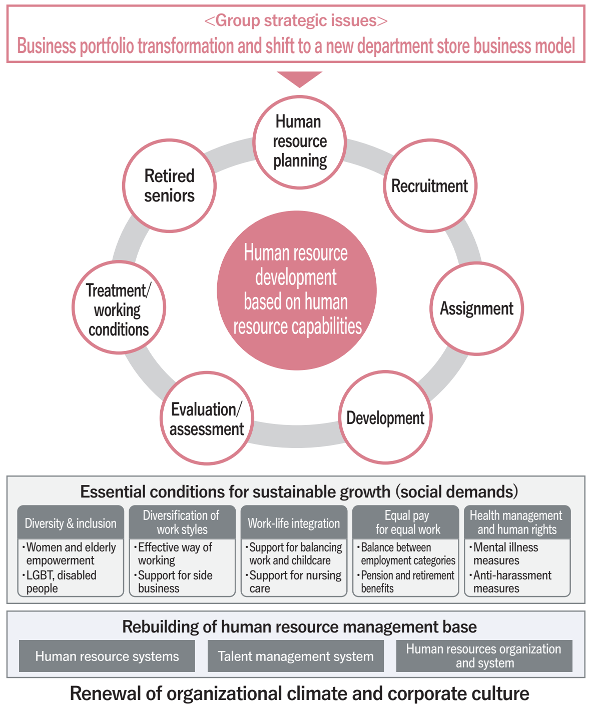
Management Strategy

Human Resources Strategy

Human Resources Are the Source of Value Creation

Human resources strategy to support management strategy

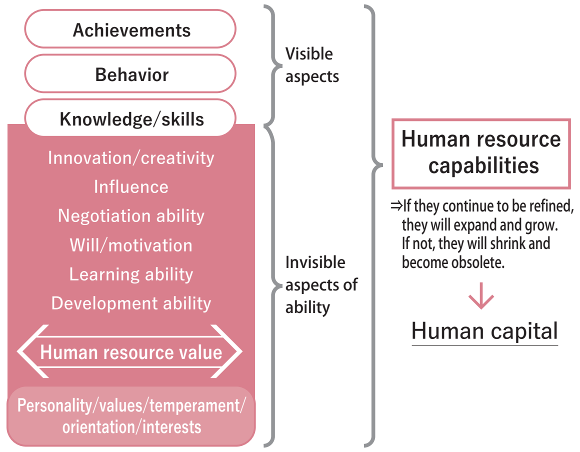
We believe that the greatest management resource for promoting sustainability management and achieving our management goals is "people" and that without the growth of our human resources, we will not be able to grow and develop as a company. Recognizing that our employees are our "treasure (asset)," we aim to be a "human resource development company" that maximizes their individuality and abilities and develops their human resource capabilities.



Principle of human resource capabilities

Instead of the job performance-based personnel system we had adopted before, we have adopted a unique approach called the "principle of human resource capabilities," which focuses on each individual human resource to enhance "human resource capabilities," since fiscal 2019. This is a human resource management system that accurately grasps not only the visible aspects of each individual's achievements, behavior, and knowledge and skills, but also the invisible aspects of human resource value, personality, values, temperament, and orientation and interests, develops them through appropriate job assignments, properly assesses their achievements, and treats them accordingly.

Development from the perspective of "human resource value" leads to the refinement of basic skills that can produce results even in an uncertain business environment, which enables the strategic placement of human resources regardless of age or gender.



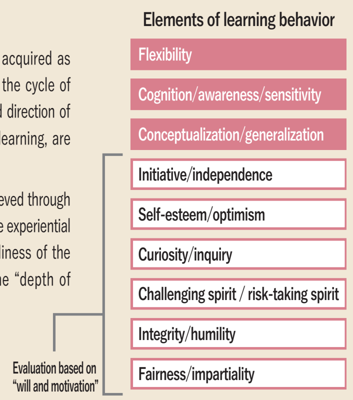
Emphasize "will and motivation" and "learning ability" among "human resource values"

<Concept of will and motivation>

- Will and motivation consist of "direction of thought" and "strength of thought"
- The direction of thought is to see if the thought ensures qualitative soundness, measured by the three vectors of "self," "organization (company)," and "society (customers)"
- In human resource development, we place emphasis on expanding and strengthening the above three vectors in a well-balanced manner

<Concept of learning ability>

- Learning ability is not a skill that is acquired as a result, but the ability itself to turn the cycle of experiential learning (the strength and direction of thought, which affect the quality of learning, are included in "will and motivation")
- Improvement in learning ability is achieved through the level of each element (ability) of the experiential learning model, the speed and steadiness of the cycle of "learning behavior," and the "depth of learning"

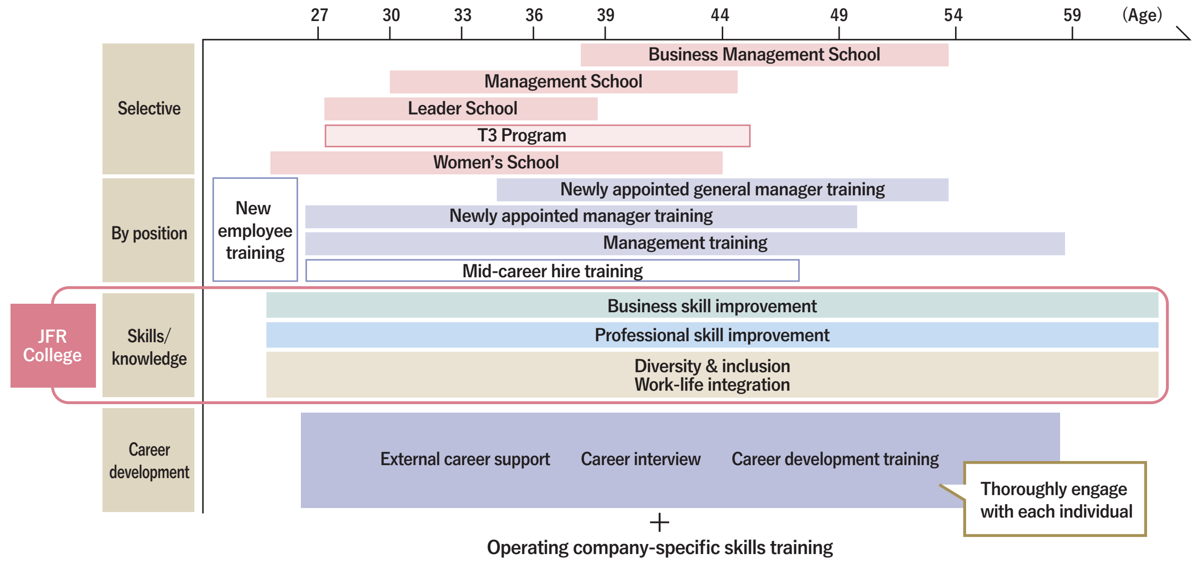


Approach to human resource development based on the principle of human resource capabilities

The human resources that we will focus on investing in is "self-motivated human resources who 'take initiative' by combining their intrinsic motivation with their vision and goals." Our human resource development policy is based on "selection and concentration," which means that we will streamline those programs that uniformly raise the level of our employees, and invest heavily in selective, "self-initiated," publicly offered curricula.

Specifically, we will invest resources intensively in: (i) early development and selection of younger employees; (ii) revitalization of middle and senior employees who are entering their second careers through reskilling; and (iii) development of highly versatile management human resources who are not limited to the Group's operating companies.

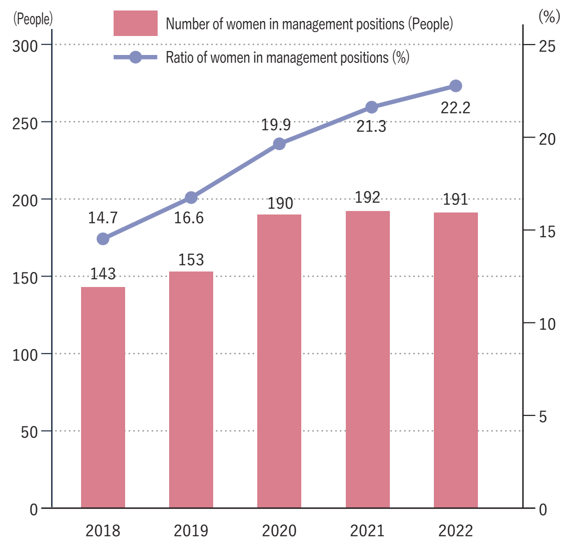
JFR Group career development system



Create systems for women's empowerment

We recognize that diversity is the foundation of value creation, and we are working to create systems for employee empowerment. The ratio of women in management positions in the Group continues to steadily increase, reaching 22.2% as of the end of February 2023. The percentage of female directors is 30% (one inside and two outside). In April 2022, the Women's Empowerment Promotion Project was established under the direct control of the Representative Executive Officer. Its members selected from each operating company (mainly men and women in their 30s and 40s) made recommendations for creating an environment in which women can fully demonstrate their individuality and abilities, leading to top management commitment.

In addition, the scope of the JFR Women's School, which had previously focused on those working shorter hours for childcare, was expanded and its content was enhanced to become the Career Forum for Women. In addition to the development of systems that make it easier for women to work, we are also working to increase the ratio of male employees taking childcare leave (68.0% in fiscal 2022).



Toward the next Medium-term Business Plan

We are currently formulating the next medium-term plan, and we are creating a human resource portfolio that is synchronized with this medium-term plan. In the process of developing a business strategy, we will define the necessary human resource requirements, examine the gap between the current situation and the requirements, and consider placement, training, and recruitment measures to eliminate the gap, in order to realize a human resource portfolio that embodies the management strategy. We will also identify KPIs for how our human capital is growing, and strive to disclose the status of their achievements and implement remedial measures.

SUSTAINABILITY

Amidst increasing uncertainty about the future including global warming, ocean pollution, other worsening environmental problems, human rights issues in the supply chain, and rising geopolitical risks, companies are required to manage sustainability in order to solve environmental and social issues while achieving business growth. Through our CSV (Creating Shared Value) initiatives, we will promote sustainability management and realize a “Well-Being Life” for all stakeholders, including customers, employees, and business partners.

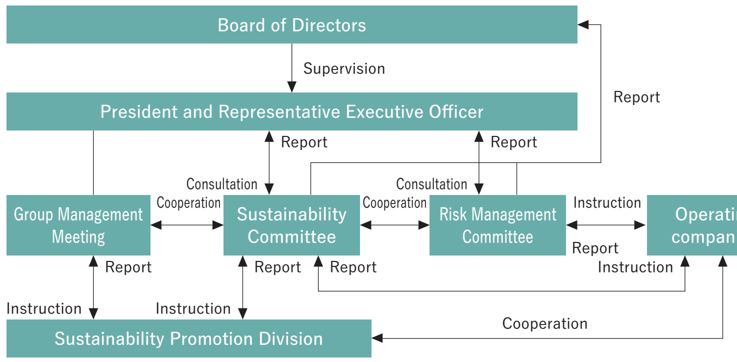
Realization of Well-Being Life

In our medium-term business plan that began in fiscal year 2021, the Group has set forth the goal of realizing a “Well-Being Life” for all our stakeholders.

The Well-Being Life that we envision is a “life that is rich in mind and body,” one that is not only materially and economically rich, but also includes spiritual (intellectual and cultural), physical, and social wealth, as well as the environmental wealth that surrounds these elements. The Group is committed to the realization of Well-Being Life, while valuing opportunities to interact with all its stakeholders.

Sustainability promotion system

The Group's specific policies on social issues, including the environment and human rights, are discussed and resolved by the Group Management Meeting, the highest decision-making body for business execution. Matters discussed and resolved by the Group Management Meeting are shared with all operating companies through the Sustainability Committee, an advisory body to the President and Representative Executive Officer. The Sustainability Committee also monitors the implementation plans and progress of each operating company based on the Group's policies. Matters discussed and resolved by the Group Management Meeting and the Sustainability Committee are reported to the Board of Directors.



Major agenda items in the Sustainability Committee Meetings

FY2022

April

- Lecture on “ESG/sustainability management” by an external instructor
- How to advance the Women’s Empowerment Promotion Project
- Report on results of supplier assessment (environment and human rights)
- Progress of the entire Group in FY2021
- Sustainability Action Plan for FY2022

May

- Lecture on “Diversity as a management strategy” by an external instructor

September

- Progress report on Women’s Empowerment Promotion Project and discussion of future direction
- Group-wide KPI report for the first half of FY2022

FY2023

April

- Lecture on “Business and Human Rights” by an external instructor
- Initiatives to Promote Diversity and Inclusion at Each Operating Company
- Report on results of employee awareness survey
- Group-wide KPI report for FY2022
- Action Plan for FY2023

Linkage with the Officer Remuneration Policy

The Company has established the following two non-financial indicators for performance-linked stock compensation in the Officer Remuneration Policy, which was revised in April 2021.

(1) Forty percent reduction in Scope 1 and 2 GHG emissions (compared to fiscal 2017)

(2) Increase in the share of women in management positions to 26% (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.

Materiality Goals and Progress

Materiality	Metrics	FY2030 target (For some items, FY2050 target)	FY2023 target	FY2022 results and major efforts
Realization of decarbonized society	Scope 1 and 2 GHG emissions	◎FY2050 net zero • 60% reduction (vs. FY2017)	• 40% reduction (vs. FY2017)	• 43.5% reduction in Scope 1 and 2 emissions (vs. FY2017) • Renewable energy rate 33.6% • Renewable energy usage 102,676MWh (purchased and generated)
	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	
Promotion of circular economy	Waste disposal volume (including food)	• 50% reduction (vs. FY2019)	• 15% reduction (vs. FY2019)	• 26.7% reduction in waste disposal volume (vs. FY2019) • Weight of items collected via ECOFF for recycling: approx. 367t • Introduction of men’s line for AnotherADdress to expand the fashion subscription business • Reduced food loss through AI demand forecasting (Daimaru Tokyo)
	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	
Management of the entire supply chain	Scope 3 GHG emissions	◎FY2050 net zero • Aim for 40% reduction (vs. FY2017)	• 10% reduction (vs. FY2017)	• 5.7% reduction in Scope 3 emissions (vs. FY2017) • Explanatory Meeting for suppliers (Daimaru Matsuzakaya Department Stores) • Efforts to improve the effectiveness of supplier assessments in FY2023 • Revision of human rights risks in FY2023
	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%	
Promotion of diversity & inclusion	Share of women in management positions	• Aim for 50%, equal to female labor share	• 26%	• Share of women in management positions 22.2% • Employment of people with a disability 2.93% (June 2022) • Career Forum held for female manager candidates • Project to promote active involvement of women in the workplace • LGBT-related events (Daimaru Tokyo, Shibuya PARCO)
	Extension of retirement age	• Aim for retirement age of 70	• Introduction of retirement age of 65 in more operating companies	
	Employment rate of people with a disability	• 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	
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 1.8% • Percentage of male employees taking paternity leave 68.0% • Expanded number of annual holidays and shortened annual prescribed working hours (Daimaru Matsuzakaya Department Stores)
	Paternity leave usage rate	• 100% regardless of gender	• 100%	
	Work style	• Increase in productivity by an 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%	
Realization of customers’ healthy/ safe/secure life	Ethical consumption	• Expansion of ethical consumption in overall lifestyle	• Starting to strengthen offering of certified products for food safety and environment protection	• Sale of certified products • 66% awareness of sustainability activities in customer survey (Daimaru Matsuzakaya Department Stores) • Held “Think Wellness - A Wonderful Marche for the Mind and Body” (Daimaru Kobe) • Campaign to promote cervical cancer screening at Welpa healthcare wellness mall (Shinsaibashi PARCO)
	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	
Coexistence with local communities	Community development	• Making areas 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		• Nagoya: Nishiki 3-chome District 25 Project (tentative name) started construction • Shinsaibashi: Shinsaibashi Project (tentative name) started construction • “Think LOCAL” initiative for coexistence with local communities (Daimaru Matsuzakaya Department Stores) • Sales channel support for SMEs through crowdfunding site “BOOSTER” (PARCO) • Comprehensive partnership agreement with Kyoto City (Daimaru Kyoto) • Comprehensive partnership agreement with Kumamoto Prefecture (Hakata Daimaru)
	Collaboration with local communities	• Promotion of local revitalization in collaboration with governments, educational institutions, NGOs, and NPOs • Promotion of local revitalization by discovering and disseminating local content such as local production for local consumption (*chisan-chisho*)		

Aiming for Net Zero in 2050

In recent years, climate change has progressed to an extremely serious level, endangering not only future generations but all people, including those alive today. The need for net zero emissions[*1] to achieve the 1.5°C target (limit the temperature increase from pre-industrial times to 1.5°C) by 2050 at the latest is a situation that companies cannot afford to ignore.

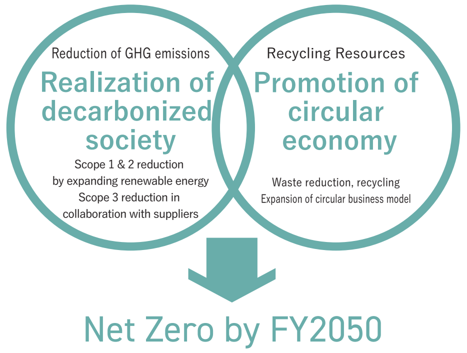
The Group positions climate change as a key issue in sustainability management. Recognizing that the risks and opportunities associated with climate change will have a significant impact on our business strategies, we have set GHG reduction targets and are working to address them.

SBT Net Zero Certification

In 2019, the Group obtained certification under the Science Based Targets initiative (SBTi) [*2] for its Scope 1, 2, and 3 GHG emissions reduction targets. In 2021, we raised our 2030 Scope 1 and 2 GHG emission reduction targets from the previous 40% to 60% compared to 2017 (base year) and reacquired certification for the 1.5°C target emissions set by the SBTi. In February 2023, we also obtained certification of our 2050 net zero targets for Scope 1, 2, and 3 GHG emissions.

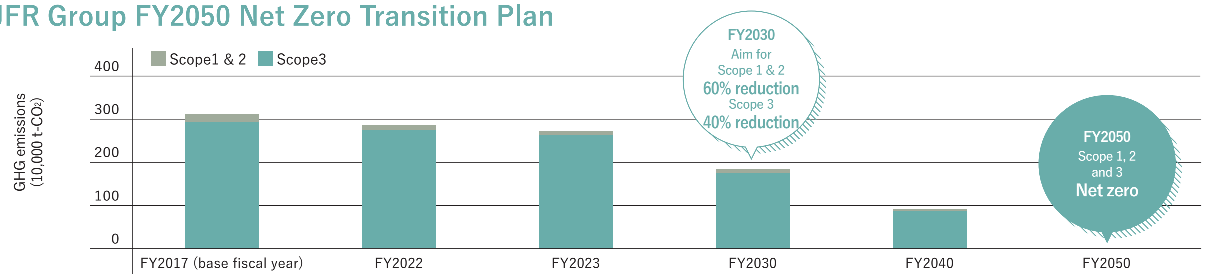
The Group will work toward achieving net-zero emissions by 2050 across its entire value chain through both the “Realization of a decarbonized society” and the “Promotion of circular economy,” as stated in the Group’s Materiality.

*1 To thoroughly reduce GHG emissions, and to reduce the remaining emissions to practically zero by subtracting the amount of emissions removed through forest absorption and CCS (CO capture and storage), etc.
*2 Established in 2014 by CDP, the UN Global Compact, WR (World Resources Institute), and WWF (World Wide Fund for Nature) to enable companies to set ambitious emission reduction targets in line with the latest climate science.



Target year	Targets with SBT certification
FY2030	Scope 1 & 2 GHG emissions reduction by 60% (vs. FY2017) Scope 3 GHG emissions reduction target of 40% (vs. FY2017)
FY2050	Scope 1, 2, and 3 GHG emissions reach Net Zero

JFR Group FY2050 Net Zero Transition Plan



Phase	Results (FY2017 to FY2022)		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 FY2022 43.5% reduction	Scope 1 & 2 FY2030 60% reduction	Scope 1 & 2 FY2050 Net zero
	Scope 3 FY2017 2,927,320 t-CO_2	Scope 3 FY2022 5.7% 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

This plan is current as of end of May 2023, and may be revised depending on business strategies going forward.

Information Disclosure in Line with TCFD Recommendations

In 2019, the Group endorsed the TCFD recommendations. We use them as a guideline to verify the adequacy of the Group's response to climate change, and effectively disclose information in accordance with the four core areas: governance, risk management, strategy, and metrics and targets.

Governance

In order to promote sustainability management across the entire Group, the Group Management Meeting, the highest decision-making body for business execution, discusses and decides specific measures to address environmental issues. Furthermore, the Sustainability Committee, which meets at least twice a year, shares the policies on environmental issues discussed and decided by the Group Management Meeting, formulates action plans for the Group's environmental issues, and monitors the progress.

The Board of Directors receives reports on the discussions and decisions made by the Group Management Meeting and the Sustainability Committee, and discusses and oversees the Group's policies and action plans for addressing environmental issues.

In selecting candidates for the Board of Directors, we use a skill matrix to clarify the expertise and experience we expect from directors and “environment” is one of the items. By appointing directors capable of providing appropriate supervision of 1) specific action plans, 2) regular reviews, and 3) the status of initiatives for continual improvement regarding environmental plans, including the setting of medium- to long-term targets, we are enhancing the effectiveness of our efforts to address environmental issues.

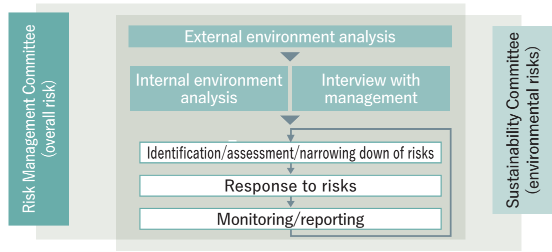
The President and Representative Executive Officer chairs the Group Management Meeting as well as the Risk Management Committee and the Sustainability Committee, which are both advisory panels under his direct control. He thus bears final responsibility for management decisions related to environmental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

Risk Management

The Group positions risk as the starting point of its strategy and defines risk as “uncertainty, both positive and negative, that affects the achievement of corporate management goals.” We believe that a company will grow in a sustainable way by properly addressing risk.

The Risk Management Committee, an advisory body to the President and Representative Executive Officer, identifies comprehensive risks and opportunities, including climate-related risks, and discusses countermeasures from the perspective of the likelihood and timing of potential risks and the business impact, based on environmental analysis conducted annually. The discussions held by the Risk Management Committee are reported to the Group Management Meeting and shared with the Sustainability Committee. The discussions of the Risk Management Committee and Sustainability Committee, as well as the resolutions of the Group Management Meeting, are reported to the Board of Directors in a timely manner, and reflected and addressed in the Group's strategies under the supervision of the Board of Directors.

Risk management process



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, which is set by SBTi, as the medium term, and the period to FY2050, which is the SBTi net zero target year, as the long term.

The Group conducts scenario analysis in order to understand the risks, opportunities, and impact of climate change for the Group and to examine the resilience of the Group’s strategies for the world envisioned 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.

Existing scenarios referenced

Possible world	Existing scenarios
Below 1.5°C/2°C scenario	“Net-Zero Emissions by 2050 Scenario (NZE)” (IEA, 2022)
	“Representative Concentration Pathways (RCP2.6)” (IPCC, 2014)
4°C scenario	“Stated Policy Scenario (STEPS)” (IEA, 2022)
	“Representative Concentration Pathways (RCP6.0, 8.5)” (IPCC, 2014)

Based on the climate-related risks and opportunities that were comprehensively extracted and identified, the Group evaluated their significance based on two evaluation criteria: “importance to the company (impact x urgency)” and “importance to stakeholders.” For items that were evaluated as particularly important, the financial impact was evaluated from both quantitative and qualitative perspectives under two scenarios, 1.5-2°C and 4°C, and countermeasures were formulated to address each.

Sustainability
SUSTAINABILITY

Climate change risks and opportunities of particular importance to the JFR Group and their financial impacts in FY2030

↑ : Impact on JFR Group's business and finance expected to be very large
↗ : Impact on JFR Group's business and finance expected to be somewhat large
➡ : Impact on JFR Group's business and finance expected to be negligible

	Climate-related risks and opportunities of particular importance to the JFR Group	Financial impact: Below 1.5˚C/2˚C scenario	Financial impact: 4˚C scenario	Measures
Risk	• Increased costs associated with introduction of carbon tax, etc.	Approximately ¥1,400 million*1	Approximately ¥900 million*1	• Reduction of GHG emissions through aggressive energy conservation measures in stores and expansion of renewable energy switching to achieve the 2050 net-zero target
Risk	• Increased costs associated with the development of properties with high environmental performance and the installation of equipment	↑	↑	• Financing through Green Bonds, etc. • Cost-effective equipment installation
Risk	• Increased investment for introduction of high-efficiency energy-saving equipment	↗	↗	• Consideration of introducing internal carbon pricing • Cost-effective and well-planned investment considerations
Risk	• Increase in renewable energy procurement costs due to increased demand for electricity derived from renewable energy	Approximately ¥700 million*2	Approximately ¥300 million*2	• Reduction of renewable energy procurement risk and mid- to long-term costs through diversification of renewable energy procurement methods • Improvement of energy self-sufficiency through installation of renewable energy equipment in the company's facilities, etc.
Risk	• Decrease in revenue due to store closures caused by natural disasters	Approximately ¥5,200 million*3	Approximately ¥10,300 million*3	• Increased resilience of stores and business sites through BCP preparation • Improvement of disaster prevention performance of stores
Opportunity	• Decrease in energy procurement cost due to introduction of high-efficiency energy-saving equipment	Approximately ¥500 million*4		• Replace with high-efficiency energy-saving equipment at the appropriate time
Opportunity	• Expansion of earnings by acquiring new customers by proposing sustainable lifestyles	↑	↗	• Expansion of circular businesses such as sharing and upcycling
Opportunity	• Decarbonization of the entire supply chain and expansion of earnings by responding to increased demand for environmentally friendly products and services	↑	↗	• Expansion in handling of environmentally friendly products and services, including switching to environmentally friendly packaging materials • Collaborating with suppliers to decarbonize, including the introduction of AI demand forecasting services to reduce waste
Opportunity	• Expansion of new growth opportunities through new entry into the circular businesses	↑	↗	• Launching circular businesses through effective use of M&A and CVC* investments • Diversification of sales channels through promotion of Real × Digital Strategy formulated in the Medium-term Business Plan
Opportunity	• Expansion of earnings due to increased opportunities to acquire new tenants through conversion to stores with high environmental value	Approximately ¥1,000 million*5	—	• Acquisition of environmental certifications for newly developed properties (ZEB, CASBEE, etc.) • Promoting the use of renewable energy in stores to achieve RE100

※CVC (Corporate Venture Capital): A mechanism to efficiently and effectively promote business co-creation through investment in promising start-ups. In FY2022, the Company established the "JFR MIRAI CREATORS Fund" to promote open innovation.
Basis for calculation of quantitative financial impacts expected in FY2030
*1 Calculate by multiplying JFR Group Scope 1 and 2 GHG emissions as of FY2030 by the carbon price per t-CO
*2 Calculated by multiplying the JFR Group's electricity consumption in FY2030 by the price per kWh of electricity derived from renewable energy compared to the regular electricity rate.
*3 Calculated by multiplying the amount of sales loss due to store closures caused by past natural disasters by the frequency of flooding
*4 Calculated by multiplying energy procurement costs by the amount of energy saved by the JFR Group as of FY2030.
*5 Calculated by multiplying the JFR Group's real estate revenues as of FY2030 by the rate of change in new contract conclusion fees for buildings with environmental certification.

To achieve the materiality issue "Realization of decarbonized society," the Group analyzed the impact of climate change on the Group's business activities, based on the above scenarios, then examined our countermeasures to verify the Group's strategy resilience.

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 ratio of renewable energy to total electricity used in business activities (interim target: 60% by 2030). In 2020 the Group joined RE100.

Also, in the Officer Remuneration Policy, Scope 1 and 2 GHG emissions reduction targets were set as one of the non-financial indicators for determining performance-linked remuneration, to clarify the responsibility of executive officers regarding the issue of climate change.

Going forward, the Group will continue to strengthen its governance in environmental management under the supervision of its Board of Directors and promote company-wide initiatives, including the formulation and implementation of action plans to achieve medium- and long-term goals.

JFR Group's Scope 1, 2 and 3 GHG emission results and forecast
(Unit: t-CO_2)

		FY2017	FY2021	Forecast in FY2022	
		Results*1	Results*1	Forecast	Compared with FY2017 (compared with base fiscal year)
Total Scope 1 and 2 emissions		194,154	122,812	109,785	(43.5)%
Breakdown	Scope 1 emissions	16,052	14,004	13,714	(14.6)%
Breakdown	Scope 2 emissions	178,102	108,808	96,071	(46.1)%
Total Scope 3 emissions*2		2,927,320	2,420,492	2,761,669	(5.7)%
Ratio of renewable energy (%)		–	20.3	33.6	–

*1 Obtained third-party assurance from LRQA
*2 Calculated in accordance with "Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain ver. 3.3 (March 2023, Ministry of the Environment and Ministry of Economy, Trade and Industry)" IDEAv2.3 (for supply chain GHG emissions calculation).

Human Rights

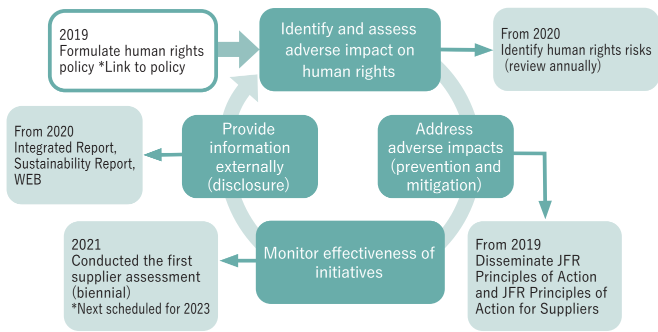
Concern is growing about human rights issues such as forced labor and discrimination that occur in the supply chain. In some Western countries, rules have been established regarding corporate efforts to respect human rights. It is now recognized that human rights issues in corporate activities can have a significant impact on business.

The Group is committed to human rights due diligence with "Management of the entire supply chain" as one materiality issue. Together with our suppliers, we aim to realize business activities that respect human rights and contribute to the creation of a sustainable society throughout the supply chain.

Human rights due diligence

In accordance with the Guiding Principles on Business and Human Rights established by the United Nations, the Group is committed to human rights due diligence by placing respect for human rights at the foundation of all its business activities.

Human Rights Due Diligence Cycle



Identification and assessment of human rights risk

In FY2022, we identified and assessed the human rights risks (potential negative impact on human rights) of stakeholders who could be affected in relation to the Group's business activities.

In doing so, we were able to identify and assess more substantive human rights risks through the participation and examination of external experts, including lawyers and the divisions in charge of the operating companies.

Monitoring (Supplier Assessment)

The first supplier assessment in 2021 was conducted to confirm compliance with the JFR Principles of Action for Suppliers (including compliance with the Human Rights Policy) for suppliers who had endorsed the Principles of Action. We will carry out the second assessment in the autumn of 2023, and will review the questions to improve the effectiveness of the survey.

Establishment of Harassment Consultation Desk and Whistleblowing System

●Harassment Consultation Desk

In 2020, the Group adopted a Declaration on the Elimination of Harassment to stamp out and prevent harassment. In addition, the Harassment Prevention Committee and the Harassment Consultation Desk are in place to take prompt action when incidents occur and prevent recurrence.

●Whistleblowing System

The Group's Whistleblowing System allows all directors, officers, employees, and anyone working for the JFR Group (including part-time employees and temporary staff from suppliers) to directly notify the Compliance Committee of compliance-related problems, including human rights violations and corrupt practices within the JFR Group, and request corrective action. The Compliance Committee is a contact point for reporting compliance issues. In accordance with the Whistleblower Protection Act, the Group's internal regulations strictly stipulate protecting the confidentiality of whistleblowers and prohibit any prejudicial treatment of whistleblowers.

Significant human rights risks

Value chain	Upstream (Procurement)	Midstream (JFR Group business activities)	Downstream (Use of goods and services)
Stakeholder	Employees of supplier companies, store operators, cooperating companies of business partners	Employees of the JFR Group (including part-time workers in stores and temporary workers dispatched by suppliers)	Customers and local residents
Details	Manufacturing, wholesales, provision of services, construction	Commercial facilities, store operations (including remodeling, advertising, facility management, sales promotion, etc.), sales (including e-commerce), planning and construction	Use of goods and services
Significant human rights risks related to the Group's business	• Forced labor and child labor • Foreign labor conditions • Long working hours and low wages • Right to access remedies • Discrimination (gender, LGBTQ, etc.)	• Harassment • Long working hours • Discrimination (gender, LGBTQ, etc.)	• Violation of customer privacy (personal information and right of publicity) • Expressions of discrimination through advertisements • Health and safety

Stakeholder Engagement

The Group strives to understand the opinions and requests of its stakeholders through proactive information disclosure, dialogues, surveys, and other means, and to reflect the opinions and requests in its business activities.

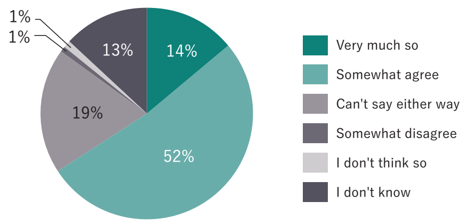
Customer Survey

Daimaru Matsuzakaya Department Store conducted a customer survey regarding the sustainability activities of Daimaru-Matsuzakaya.

【Summary】

Survey period: October 12-31, 2022
Survey method: Internet responses via the Daimaru Matsuzakaya app, Daimaru Matsuzakaya mail magazine, and the ECOFF Recycling Campaign website
Number of valid responses: 2,794

●Is Daimaru-Matsuzakaya committed to the environment and human rights?



●Initiatives with high customer empathy (top ranking)

- ECOFF recycling campaign (recycling of clothing and other items)
- Promoting the use of renewable energy and LED lights in stores
- Store design with consideration for the elderly and those with physical disabilities

Through communication with our customers, we will continue to further promote the Group's unique approach to sustainability and contribute to the realization of a Well-Being Life for our customers.

ESG Briefing Session

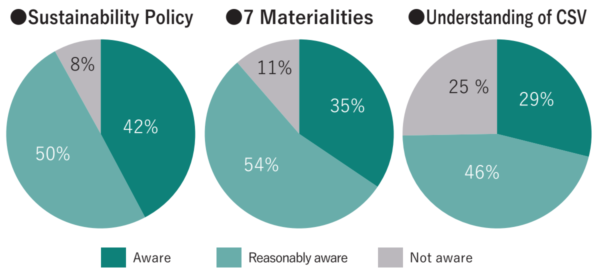
We have been holding ESG Presentations since 2018. In FY2022, we held a dialogue on the topic of human capital management, including the basic concept of our Group's human capital strategy and the development of our core digital talent. Outside directors also participated in this presentation and engaged in a dialogue on the current status and challenges of the Company's governance.

Employee Awareness Survey

In promoting sustainability initiatives, we believe that it is essential for every employee to understand the concept of sustainability and practice it in their daily work as a matter of personal concern. Based on this recognition, we have been conducting an employee awareness survey since FY2022 to ascertain the status of understanding and penetration within the company.

【Summary】

Survey period: February 1 - 15, 2023
Target: JFR Group employees
Number of respondents: 4,830 (Response rate: 70.4%)



While awareness of the sustainability policy and the seven materialities is growing, about 25% of respondents were not aware of CSV (Creating Shared Value).

We will continue our efforts to foster a corporate culture that leads to the creation of new value by promoting understanding and penetration of CSV through continuous efforts such as providing opportunities for employees to think about how their daily work is connected to CSV.

Sustainability bond reporting (9th unsecured bond)

In May 2021, 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 buildings	● Overview of eligible projects ● Construction of main building of Daimaru Shinsaibashi (FY2019) ● Construction of Shibuya PARCO (FY2019)	● Status of building certification/confirmation (timing/ certification level) ・Main Building of Daimaru Shinsaibashi: Osaka City building environmental plan system, ranked A (FY2019) ・Shibuya PARCO: Tokyo building environment plan system, graded 3rd (FY2021) ● Electric power reduction ・Daimaru Shinsaibashi Main Building 1,940MWh increase (FY2014*) ・Shibuya PARCO 2,730MWh reduction (compared to 2014*) ● Scope 1 & 2 GHG reductions ・Daimaru Shinsaibashi Nitori Main Building 7,895t-CO_2 reduction (vs. FY2014*) ・Shibuya PARCO 869t-CO_2 reduction (vs. FY2014*) *Estimated values for FY2014, the last full year of operation before reconstruction (due to reconstruction, the building structure is not identical)	Leading a decarbonized society and creating a global environment for future generations	Amount already allocated ¥6,000 million Total allocation ¥6,000 million
Renewable energy	● Purchased renewable energy-sourced electricity: 102,633MWh	● Share of electricity derived from renewable energy sources in total electricity consumption: 33.6% (up 13.3 %pt YoY)		Amount already allocated ¥1,353 million FY2022 allocation ¥1,687 million Total allocation ¥3,040 million
Green procurement	● No. of leased EVs: 11 in FY2022 (156 in total, 41.7%)	● Reduction in CO_2 emissions by electrifying corporate fleet: Approx. 343t-CO_2 a year (Calculated by comparison with the emissions of gasoline-powered vehicles in the same category)		Amount already allocated ¥170 million FY2022 allocation ¥91 million Total allocation ¥261 million
Energy efficiency	● No. of LEDs installed for replacement: Approx. 16,000 in FY2022 (172,000 in total)	● Reduction in CO_2 emissions by switching to LED lighting: Approx. 8,600t-CO_2 a year		Amount already allocated ¥839 million FY2022 allocation ¥391 million Total allocation ¥1,230 million
Coexistence with local communities				
Socioeconomic improvement and empowerment (Community)	● No. of tenants operating near Daimaru Kobe in the Former Foreign Settlement in Kobe: 49 in FY2022	● Initiatives to revitalize communities ・Kobe Market to introduce and sell attractive local products from Hyogo and Kobe ・Traveling sales service using bus waiting areas for long-distance customers (Shinki Bus Cargo and Passenger Consolidation Business) ・Local revitalization through collaborative events with companies and organizations using the Old Settlement area ● Customer traffic to Daimaru Kobe store: 8,831,000 people	Together with local people, creating prosperous future-oriented communities in which people gather, centering on our stores	Amount already allocated ¥3,137 million FY2022 allocation ¥1,303 million Total allocation ¥4,440 million
Promotion of diversity and inclusion				
Socioeconomic improvement and empowerment (Women/people with a disability)	● No. of times JFR Women's School was held (4 times in FY2022) ● Cost for Mother Recruitment ¥6,551,000 in FY2022	● Status of appointment of women to management positions (consolidated) Share of women in management positions in FY2022: 22.2% ● No. of participants in JFR Women's School (annual): 33 people in FY2022 ● No. of people employed through Mother Recruitment (annual): 5 people in FY2022	Realizing a highly diverse society in which everyone recognizes each other's diversity and flexibly demonstrates his/her individuality	Amount already allocated ¥23 million FY2022 allocation ¥6 million Total allocation ¥29 million
<Status of asset allocation> Amount of issue: ¥15,000 million; amount already allocated: ¥11,522 million; amount allocated in FY2022: ¥3,478 million; total amount allocated: ¥15,000 million				

External Assessment

Selected as a constituent of MSCI Japan ESG Select Leaders Index 2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX	Selected as a constituent of MSCI Japan Empowering Women Index (WIN)* for six consecutive years 2023 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)	Selected as a constituent of FTSE Blossom Japan Index	Selected as a constituent of FTSE Blossom Japan Sector Relative Index for the second consecutive year
Included in A List in 2022 CDP climate change survey for the third consecutive year	Selected as a constituent of S&P/JPX CARBON EFFICIENT INDEX	Selected as a constituent of SNAM Sustainability Index	Selected as an Environmentally Sustainable Company at the Fourth ESG Finance Awards Japan
Recognized under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program [Large Enterprise Category]	Received the Highest Rating under the DBJ Employees' Health Management Rated Loan Program	"Gold" rating in the PRIDE Index	Received the Excellence Award in the Sustainability Category at the 2022 Internet IR Awards

*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

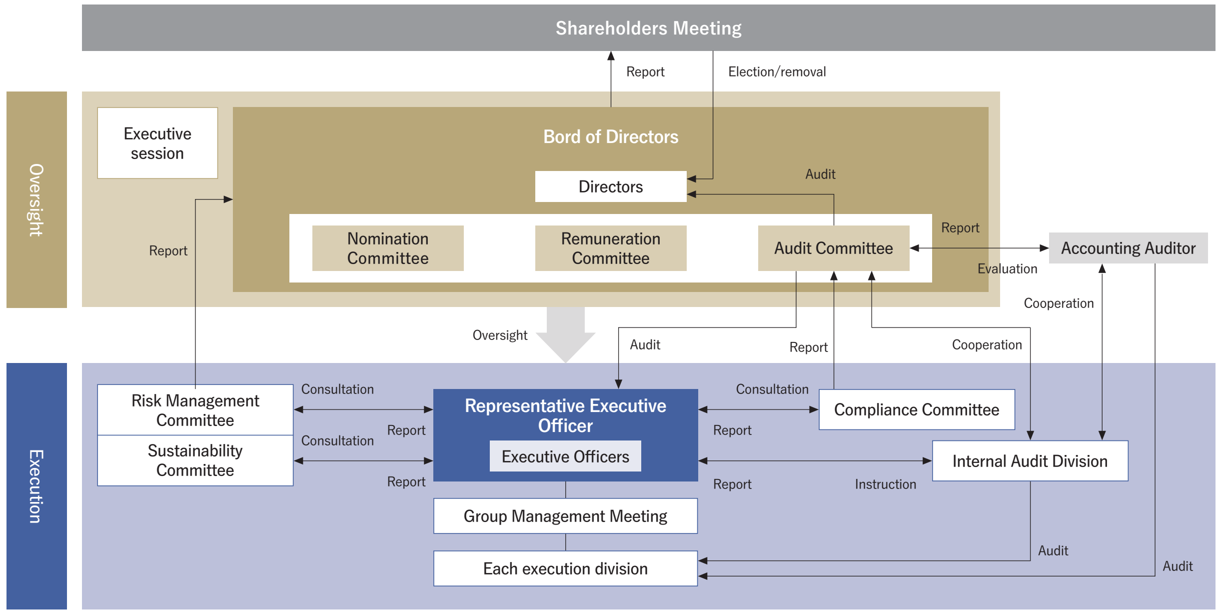
J. Front Retailing, which is a holding company, ensures the transparency, soundness, and legal compliance of the management of the entire Group, acting as the central focus of governance for the Group, to realize the Group Mission Statement. We strive to build trust relationships with stakeholders (customers, 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.

In May 2023, the number of Outside Directors was increased from "six" to "seven" to further strengthen the oversight function.

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 seven supervisory units (the Management Strategy Unit, the CRE Strategy Unit, the Group Digital 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 oversight function and enhance the internal control system of the Group as a whole.

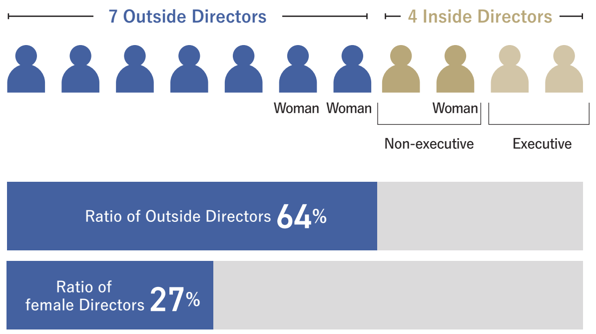
Board of Directors

(1) Roles and responsibilities of the Board of Directors

Directors appointed and entrusted with the management of the Company by shareholders fulfill the following roles and responsibilities at the Board of Directors in order to realize the Group Vision, based on their fiduciary responsibility and accountability to shareholders.

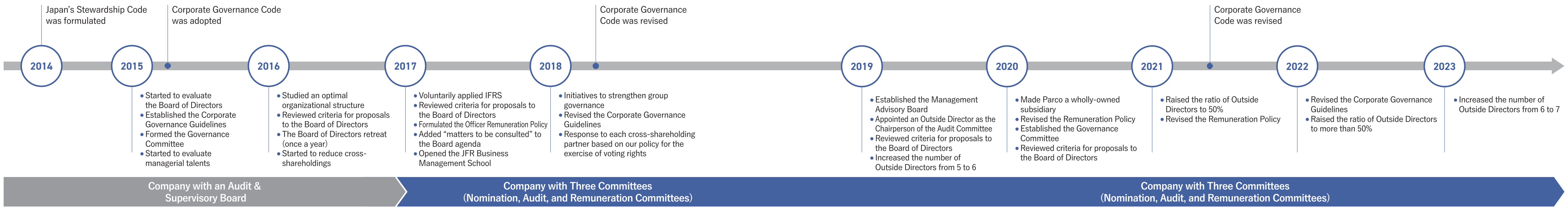
- To indicate the overall direction that the Group management is to take, by engaging in constructive discussions with respect to the Group Vision, the Sustainability Policy, the Group Medium-term Business Plan, the Group Management Policy for the fiscal year, and other basic management policies and carrying out multifaceted and objective deliberations that include the 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 management human resources, 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 human resources 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 Directors, 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

History of the Company's corporate governance



Governance

Corporate Governance

the core business of the Group but in non-retail industries, or who have expertise in legal and other fields, a marketing perspective, and extensive experience related to finance and accounting. With regard to candidates for non-executive Inside Directors, the Company selects persons who have wide-ranging practical experience within the Group and knowledge of audit and other matters. 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 of Directors meetings and efforts to solve issues

In fiscal 2022, the second year of the FY2021 to FY2023 Medium-term Business Plan, the Board of Directors placed the following items on its agenda and discussed them. In addition, the Board of Directors worked to solve issues by managing progress using the issue tracking sheets of the Board of Directors and the Audit Committee.

Major agenda items

- Revision of the Corporate Governance Guidelines
- Revision of the Corporate Governance Report
- Operational status of the Basic Policy to Build Internal Control System and the results of evaluation of internal controls over financial reporting
- Revision of the Basic Policy to Build Internal Control System
- Results of evaluation of the effectiveness of the Board of Directors
- The Group's future vision
- Progress of the current Medium-term Business Plan
- The Group Management Policy for FY2023
- Sustainability
- Establishment of a developer business company
- CRE strategy
- Investment in new businesses
- Validation of rationale for cross-shareholdings
- Matters related to financial results

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	○		○	○					
KATAYAMA Eiichi	○	○				○			○
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, particularly on the direction to be specified in the medium- to long-term strategies and key points at the time of their formulation, the desired form of a new developer business company, the approach to asset holdings in our financial strategy, and the approach to monetizing customer data. 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, particularly in terms of the consistency of the medium- to long-term financial plans and medium- to long-term strategies, pursuing new business initiatives, the approach to human resource development, and points of focus in formulating an international business strategy. He chairs the Audit Committee.
UCHIDA Akira	He has contributed to improving the effectiveness of the Board of Directors by providing advice and oversight, particularly in terms of the necessary KPI perspectives the Company should have when formulating the Medium-term Business Plans, the concepts for funding plans when promoting business portfolio transformation, the Group coordination and the approach to governance as a holding company, the acquisition and development of specialists, and points of focus in supporting initiatives aimed at new business initiatives. 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 particularly in terms of the clarification of the path to creating corporate value and achieving profit targets, specific policies on decarbonization and diversity and inclusion that lead to sustainability management, the strategic use of customer data, and the legal position on reducing cross-shareholdings. 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 particularly on such issues as the approach to business and asset holdings to promote business portfolio transformation, alignment of strategy with core competencies and resources, and risk awareness in new business initiatives. 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, particularly in terms of the approach to formulating medium- to long-term strategies based on robust strategic discussions, the importance of a marketing-oriented way of thinking such as identifying target and needs, and aspirations for the new developer business company. She serves on the Nomination Committee and the Remuneration Committee.

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 to be submitted to Shareholders Meetings and reports to the Board of Directors upon consultations from the Board of Directors regarding the nomination and dismissal of Executive Officers, as well as the Chairperson of the Board of Directors and the chairpersons and members of individual statutory committees, and other matters.

Major agenda items

- Board of Directors framework
- Confirmation of the skill matrix
- Election for candidates for Directors
- Nomination of candidates for Executive Officers and Representative Executive Officer to be proposed to the Board of Directors
- Nomination of candidates for the Chairperson of Board of Directors and the chairpersons and members of individual committees to be proposed to the Board of Directors
- Management structure of each JFR Group company
- Formulation of the succession plan
- Reappointment of the President and Representative Executive Officer and Executive Officers
- Response to the evaluation of the effectiveness of the Board of Directors

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 status of the construction and operation of internal control and prepares audit reports. To ensure the reliability of accounting information, the Audit Committee also monitors and verifies the status of work executed by 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

- Audit policy and audit plan, appointment of Audit Committee members to be appointed by the Audit Committee and specified Audit Committee members
- Report on the structure of audit & supervisory board members of the Group companies
- Report of the Internal Audit Division on audit plan
- Report of the Accounting Auditor on audit plan, approval for the Accounting Auditor's remuneration
- Report on the operational status of the Basic Policy to Build Internal Control System and the results of the evaluation of internal controls over financial reporting
- Audit report of audit & supervisory board members of the Group companies, audit findings of the Audit Committee
- Audit report of the Internal Audit Division
- Report on the Accounting Auditor's review, report on audit results
- Report on management letters of Accounting Auditor
- Criteria for selecting the candidate for the Accounting Auditor
- Entrustment of non-assurance services to the Accounting Auditor group
- KAM (Key Audit Matters)
- Report of the Compliance Committee
- Operating company phase management report

Remuneration Committee

Committee Chair
Outside Director
Inside Director

The Remuneration Committee decides on the policy for determining the remuneration details for individual Directors and Executive Officers of the Company and individual eligible officers of major subsidiaries of the Group, and on the remuneration details for individual Directors and Executive Officers of the Company.

Major agenda items

- Results of officer evaluations, total amount of officer bonuses, amount of individual officer bonuses
- The performance-linked factor and number of points provided for a stock-based remuneration system for officers (short-term performance share)
- Mission grade and individual remuneration amount
- Review of officer remuneration system
- Verification of officer remuneration levels and composition using external data
- Introduction of a stock-based remuneration system to the Group's major subsidiaries
- Revision of the Officer Remuneration Policy and revision of the officer remuneration rules, etc.

FY2022 (March 2022 to February 2023)

	Board of Directors	Nomination Committee	Audit Committee	Remuneration Committee
Number of meetings	15	13	22	12
Attendance	100%	100%	100%	100%
Average duration per meeting	2 hours 12 minutes	1 hour 46 minutes	1 hour 23 minutes	45 minutes

Governance

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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 of Directors 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 also participates 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 clarifies the selection process and ensures transparency and objectivity 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 Company 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 an 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 Executive 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 eighth evaluation of the effectiveness of the Board of Directors, conducted between September and October 2022, it was reported that the Company strives to resolve the issues pointed out in fiscal 2021, and that the effectiveness of the Board of Directors and the three statutory committees is generally ensured. At the same time, we recognized issues and confirmed the actions to be taken as shown below.

Issues, evaluations, and actions to be taken in the evaluation of the effectiveness of the Board of Directors

FY2021

Issues

- Clarify the roles of the holding company and its Board of Directors
- Concentrate on strategic important proposals and discussions in the Board of Directors meetings
- Review the composition of the Board of Directors
- Further strengthen the functions of the Board of Directors Secretariat

Evaluations

- The Group supervisory function improved through strengthening of the holding company's planning function.
- The ratio of independent Outside Directors is now more than half, and the position of the Board of Directors is clearly defined.

FY2022

Issues

- Strengthen monitoring of the current Medium-term Business Plan
- Ensure thorough discussion on robust growth strategies
- Further improve the effectiveness of the three statutory committees

Actions to be taken

- Clarify the key performance indicators (KPIs) for the FY2023 Group Management Policy and strengthen monitoring of the progress of the current Medium-term Business Plan
- Discuss robust growth strategies that indicate the Group's major direction in the process of formulating the next Medium-term Business Plan. In addition, also appropriately determine the KPIs for promoting key measures in the next Medium-term Business Plan.
- Work to further improve the effectiveness of the three statutory committees by strengthening the committees' information sharing with the Board of Directors and other means

【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. In 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 officers of the Company's major subsidiaries: the Directors and Executive Officers of Daimaru Matsuzakaya Department Stores, the Executive Officers of Parco, and the Representative Directors of JFR Card, J. Front City Development, and J. Front Design & Construction as well as the Directors and Executive Officers of the Company. Regarding disclosure of remuneration, etc. of the reporting company's officers (including remuneration, etc. received as the officers of major consolidated subsidiaries, if any) in the Annual Securities Reports, the Company has disclosed it since fiscal 2020 without limiting to those whose total amount of consolidated remuneration, etc. is 100 million yen or more.

(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 officers of the Company's major subsidiaries: the Directors and Executive Officers of Daimaru Matsuzakaya Department Stores and Parco and the Representative Directors of JFR Card, J. Front City Development, 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 to 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 process for determining remuneration

(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 a majority 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 of the officer remuneration system will be undertaken based on the Medium-term Business Plan periods. In April 2021, we revised the Officer Remuneration Policy in line with the FY2021 to FY2023 Medium-Term Business Plan, and have continuously discussed and revised it as appropriate after that. We will revise the level of basic remuneration during the Medium-term Business Plan period if it is necessary to significantly revise it due to extreme changes in the external environment and other reasons.

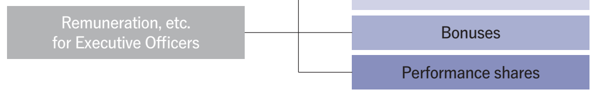
[Forfeiture of remuneration] (clawback and malus)

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.

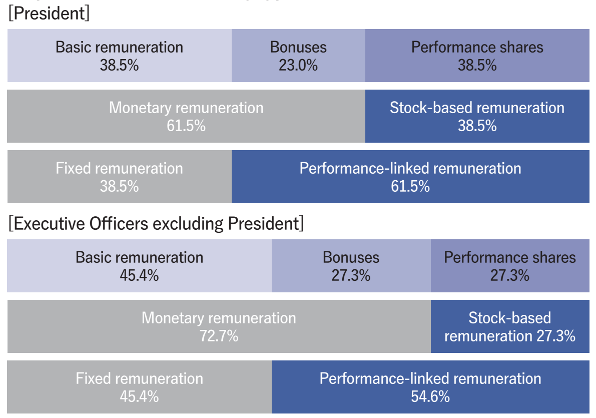
(3) Remuneration composition for Executive Officers and non-executive Directors

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 (non-performance-linked stock-based remuneration)" (trust-type stock-based remuneration) that is not linked to performance as a stock-based remuneration system.

Executive Officers



Proportion of remuneration by type for Executive Officers of each rank



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, J. Front City Development, 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. They are evaluated using the "fiscal year's financial indicators," serving as quantitative evaluation, and the "fiscal year's non-financial indicators," which include qualitative evaluation.

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(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.

Performance-linked stock-based remuneration targets and evaluation weights

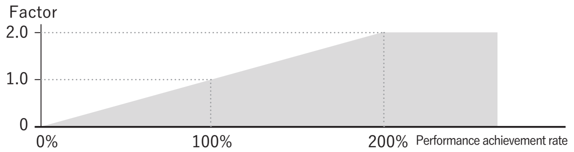
KPIs			Targets for medium to long term	Evaluation weights
Profitability	(i)	Consolidated operating profit	¥40.3 billion (FY2023)	40%
Efficiency	(ii)	ROE	7% (at the end of FY2023)	40%
Non-financial	(iii)	GHG (Scope 1 & 2) emissions reduction	40% (vs. FY2017)	10%
	(iv)	Raising the ratio of women in management 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. The target for FY2023 is 38.5 billion yen.

Method to calculate a performance-linked factor

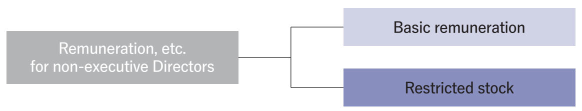
Performance achievement rate	Performance-linked factor
200% or more	2
0% or more but less than 200%	Actual results ÷ Target
Less than 0%	0

Illustrative graph of changes in a performance-linked factor



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

Non-executive Directors



(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.

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 equity capital" 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 we achieve sales growth with profitability and a "financial strategy (encompassing the capital policy)" that increases return on invested capital (ROIC) are essential to improve free cash flow 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 parent (equity ratio) for financial soundness.

Shareholder return policy

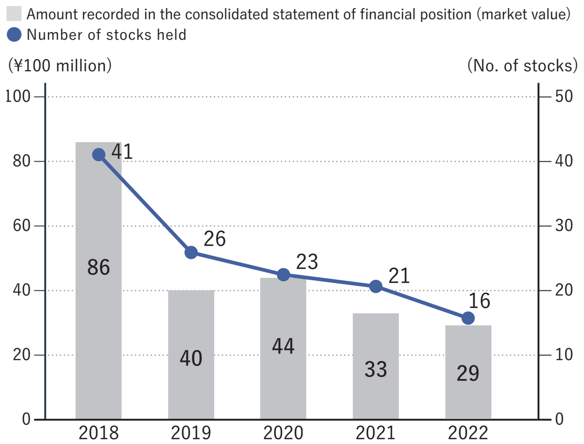
The Company's basic policy is to appropriately return profits. Hence, while maintaining and enhancing its sound financial standing, the Company strives to provide stable dividends and target a consolidated dividend payout ratio of no less than 30%, taking profit levels, future capital investment, free 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 and unlisted 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 cross-shareholdings (listed shares excluding deemed holdings)

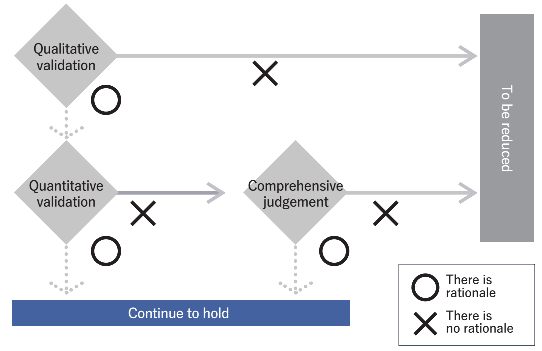


(2) Validation of rationale for holding

Every year, the Board of Directors validates the rationale for holding individual stocks 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

In order to engage in constructive dialogue with shareholders, the Company posts the materials of the Shareholders Meetings on the websites of the Company and financial instruments exchanges, etc., as soon as practicable prior to the commencement date of electronic provision measures as stipulated in the Companies Act (three weeks prior to the date of the Shareholders Meeting or the date of dispatch of the notice of convocation, whichever is earlier), so that shareholders have sufficient time to consider the proposals for exercising their voting rights. The materials for the 16th Annual Shareholders Meeting were disclosed on the websites of financial instruments exchanges and the Company approximately five weeks prior to the date of the meeting. In addition, for the convenience of shareholders, including domestic and foreign institutional investors, in exercising their voting rights, the Company has introduced voting via the Internet and other means, as well as utilizing an electronic voting platform. In addition, we have prepared English translations of the materials of the Shareholders Meetings and disclose them on our website and electronic voting platform so that foreign shareholders can exercise their voting rights appropriately. We also strive to ensure that shareholders, including those living in remote areas, have opportunities to participate in and observe the Shareholders Meetings by livestreaming them and accepting questions in advance online.

Major dialogue activities with investors in FY2022

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	Hybrid of physical and video conferences for the sell side, video conferences for others
Outside Directors small meeting for institutional investors	1	Video conference
Business strategy presentation for institutional investors and analysts	1	Video conference. Video is 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.
ESG presentation for institutional investors and analysts	1	Video conference. Outside Director also gave a presentation. Video is 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	27	Video conference
Conferences for overseas investors hosted by securities companies	28	Video conferences hosted by 4 securities companies
Meetings for individual institutional investors	152	Some were physical meetings, but mainly video conferences and conference calls
Store tours	2	At GINZA SIX
Presentations for individual investors	3	Two video conferences and one physical presentation

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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 Timely Disclosure network (TDnet) 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 Notices 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 at the Company and relevant companies in the Group through feedback opportunities from the IR division and other means, and we use them for reference in corporate management toward increasing corporate value.

External recognition for IR activities

The Company was awarded the Runner-up Grand Prix at the NIKKEI Integrated Report Award 2022 (sponsored by Nikkei Inc.).

Risk management

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." We have positioned 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 and negative sides 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 the extraction and evaluation of risks and the 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.

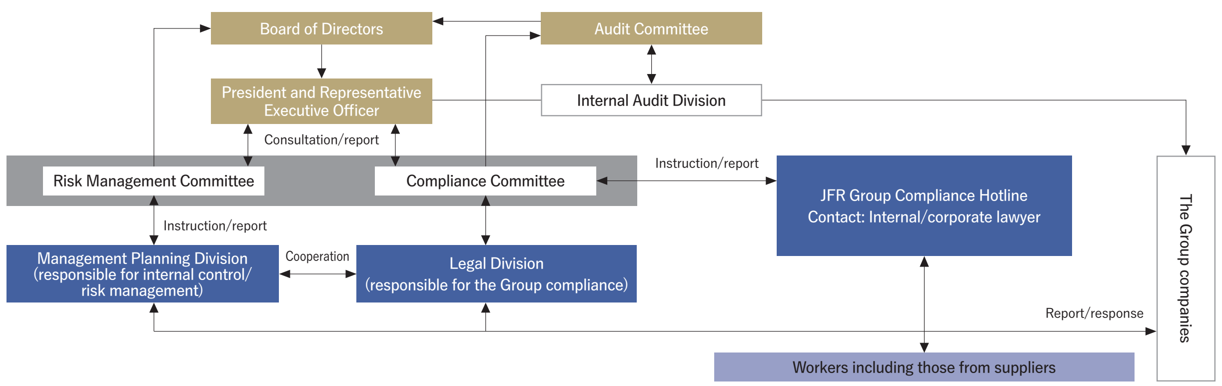
(i) First line: Business execution divisions such as operating subsidiaries. These divisions identify risks and take the necessary measures on their own.

(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: 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 33), which serve as a starting point for the FY2021 to FY2023 Group Medium-term Business Plan, the risks for the fiscal year identified in response are summarized in the JFR Group Risk List.

Risk management and compliance system diagram



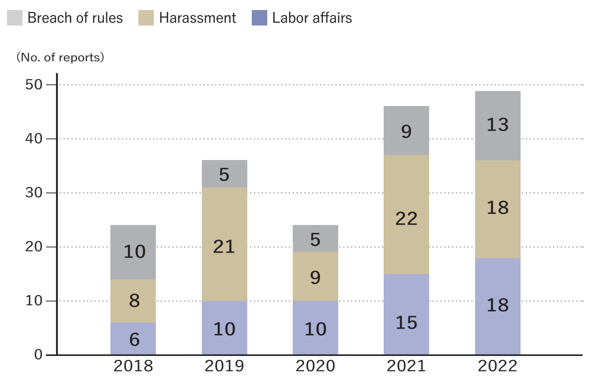
Compliance

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

[Dialogue among Outside Directors]

The Board of Directors Plays a Major Role in Enhancing Corporate Value

Independent Outside Director
HAKODA Junya
Chairperson of Audit Committee

Independent Outside Director
SATO Rieko
Member of Audit Committee

Independent Outside Director
YAGO Natsunosuke
Chairperson of Nomination Committee

Evaluation of the Company's governance

Yago: I think it is safe to say that our governance has been done honorably, so to speak, and meets the necessary requirements. However, in order to grow and be more appreciated by shareholders, we must fulfill sufficient conditions such as corporate growth. Shareholders may not feel comfortable investing in a company that does not meet the necessary conditions, so I think it is important that the Company has been evaluated as meeting the necessary conditions. However, we are now entering Phase 2, and it will be important for us to find a way to grow the Company and obtain a high valuation in the stock market. That will be our final results, and how we work toward that goal is the challenge we will face in the future. I understand that we are entering a phase of high difficulty.

Sato: In my current role, I am a member of the Audit Committee and the lead director of the executive session, which is a gathering of Outside Directors only, and we hold an executive session once a month after the pre-meeting briefing and an expanded executive session with the President after the Board meeting. I think this is a very good initiative compared to other companies. It is not a structure under the Companies Act, but I believe it works well in terms of governance.

As Mr. Yago just said, I think we meet the necessary conditions for a Company with Three Committees (Nomination, Audit, and Remuneration Committees). In the sense of moving on to the next step, we do not pre-determine the agenda in executive sessions, but rather, the Outside Directors exchange opinions without any restrictions on the issues raised in the pre-meeting briefing and other related issues that they think are important on the spot, and provide feedback to the President on what is necessary.

We take that feedback, recognize it as it is, and hold extended executive sessions. In other words, we have a mechanism to feed back the Outside Directors' awareness of issues directly to the executive side, and after careful consideration by the President, other Executive Officers may be invited to participate, and they may be asked to return the feedback to us. I have the impression that communication between Outside Directors on the supervisory side and the executive side has taken a step forward through executive sessions and extended executive sessions.

In that sense, I think that the executive session or the extended executive session is playing a role as one of the Phase 2 initiatives that Mr. Yago mentioned. Of course, that is not enough, and we need to do more and more things in the future, but I think it is a progress, a step forward.

Hakoda: When I talk with people in other companies and people involved in governance, I feel that our governance is highly regarded. Currently, seven of the 11 Directors are Outside Directors, which is close to two-thirds of the Board of Directors. The composition of the Board of Directors has become closer to that of Western boards with a majority of independent outside directors, and I feel that the Board's discussions have deepened even more in terms of content. In terms of Phase 2, I hope that it will be more appreciated by foreign investors in the future.

Looking at the changes in market capitalization, although stock prices have recently returned due to the post-COVID-19 era, strictly speaking, they are still in the 300 billion to 400 billion yen range and have not quite reached the peak over the past 10 years or so, above 500 billion yen.

There are many companies that are not so large, but are highly valued by investors and attract funds, with a market capitalization of over one trillion yen. I hope that by going beyond comparisons in the department store sector and strongly emphasizing its vision and specific initiatives for sustainable growth, both Japanese and foreign investors will pay more attention to the Company.

Evaluation of the effectiveness of the Board of Directors

Yago: The current level of effectiveness evaluation is a comparison with general benchmarks, such as how much time was spent, whether that time was appropriate, and whether the necessary document information was provided in advance, and I think we have satisfied them. Interviews with individual Directors have identified the real challenges that the Board of Directors faces, but the next stage is not to compare with benchmarks, but to uncover the unique challenges that the Board of Directors faces and to improve its effectiveness. Fixed-point observation is important, but I think we are entering a stage where we are taking a step forward from there. However, it is also true that if everyone does not have the same awareness, it is difficult to move forward efficiently.

Sato: I believe our Board of Directors has an effective approach on a general level. We are a holding company, and I wonder, in terms of the division of roles between the holding company and the operating companies, if we can confirm or discern what the holding company's Board of Directors has to decide, what it has to look at, and to what extent the operating companies are empowered to do so. I feel that it will be a challenge from now on to see if we ourselves can play our roles with a clear understanding of these issues.

As a holding company, I wonder a little if there is still a lack of differentiation in the way we tell the operating companies what they should do, how much profit they should make, and what we will do in return. I believe that this will be the next step after demonstrating the general effectiveness and functions of the Board of Directors. I think there is still a lot of room for discussion.

Hakoda: Regarding the evaluation of the effectiveness of the Board of Directors, I think we need to consider two things: the current evaluation process and the future issues of the Board of Directors itself. In that sense, I think the evaluation process is very efficient. The members of the Board of Directors all have their own opinions and are very outspoken, so I think the current questionnaires and interviews should be enough to get a good grasp of their thoughts.

As for how to change this approach and make it better, I have heard that in the U.K. and the U.S., for example, the entire board of directors is evaluated, then each committee is evaluated, and even individual directors are evaluated. In our case, committee evaluations are conducted, so in terms of formality, I think the only thing left is how to evaluate individual Directors.

I think what Ms. Sato mentioned what to do with the Board of Directors itself is a very big theme. Recently, I have been concerned about the fact that we have a pure holding company structure, and while a company of a reasonable size can manage a corporate headquarters, a pure holding company of our current size with a hundred and dozens of employees seems to have some overlap in functions with the operating companies. I think it is necessary to deepen the discussion on the content, including whether this type of holding company is appropriate in terms of our capabilities.

Progress of the Medium-term Business Plan

Yago: Mr. Yoshimoto often says, "Move up a gear for change." However, we should take seriously

The composition of the Board of Directors has evolved, and the content of discussions has become even deeper.

Governance

Interview with Outside Directors [Dialogue among Outside Directors]

the fact that the market sees no future for our industry if we continue to make gradual progress through improvement and refinement. We have to change a lot, and the market expects us to change a lot. Even when change begins, it can take as long as three or five years for the market to react. Without a significant change in the shape of our business, I think we will be buried under the average expectations for the industry as a whole.

Hakoda: I think we are making realistic progress in the direction of our current medium-term plan, but on the other hand, there is the question of whether three years are enough for our medium-term plan. We have a time-consuming business such as the Developer Business, and if we are trying to grow around it, three years may be a little short. Perhaps, in the span of management, we need to plan for a longer period of time, like five years or something. If we are going to look at the Developer Business, which aims for significant growth, I think it will be very important for the Board of Directors to manage the progress of the plan. In particular, investment and cash flow. In what plan will we manage their progress? We need to look at it over a long span of time, such as five years or so.

Sato: I think it is absolutely necessary to look at reforms and business changes over a certain span of time, and we are currently in a situation where the Group has Daimaru, Matsuzakaya, Parco, GINZA SIX, and now we have purchased XENOZ. I think we have not been able to explain these five elements to the market with a story and talk to them about what dream we have and how we are going to achieve it.

It may be difficult to come up with reforms from there, but first of all, I feel that the stock price does not rise easily because we do not have something like the current strength, such as what story we envision and how we go from here with the story. I believe this is one of the reasons why we have not been able to differentiate ourselves from our peers in the capital market and remain mired in the department store sector.

Hakoda: Although ROIC management has been adopted in the execution from the viewpoint of upgrading business management, I have the impression that ROIC management has not yet fully understood within the Company. That is really important and we need to make sure that the Board of Directors, including executive members, can properly discuss these issues, because investment and cash flow are the indicators for our medium- to long-term business.

Our medium- to long-term vision is to Create and Bring to Life "New Happiness." As a message to the capital market, we need to strongly emphasize what initiatives we are taking to realize our vision. As a result, if investors are interested in various figures such as ROE and ROIC, the stock price and various other figures will rise.

Yago: ROIC may not be easily understood by the entire organization. However, in terms of penetration among employees, I believe that it is sufficient for employees to understand the return on investment capital, in other words, how efficiently profits can be generated using the money raised through borrowing and equity. I think that if everyone starts to understand that it is not just a matter of sales growth, but also of how efficiently the invested funds are being used, things will gradually change.

I included ROIC as a goal in the medium-term plan at my previous company, and although it took some time, the ROIC numbers themselves have changed significantly. I realized that it works if we try it. I believe that when the importance of effective use of invested funds begins to be understood across the board, the way of thinking will change from what it has been up to now. The company's officer remuneration structure, in which stock-based remuneration (performance share) is determined by ROIC results, was also a major factor. In the process of bringing ROIC down from officers to the management level, everyone naturally gained a better understanding of what ROIC is all about.

ROIC by business, as we are trying to adopt, will be a challenge, but I think it will be effective in raising awareness throughout the Group.

It is important to raise awareness of ROIC throughout the Group.

Hakoda: I think what you just said is very important. We see a big difference in the effect of adoption of ROIC between the companies that reflect it in officer remuneration and those that do not. We need to make sure that executive officers have a sense of how much money they are spending and how much profit and cash they are generating in their respective businesses. I think it is important to link it to officer remuneration in some way.

Yago: The Company currently reflects ROE in officer remuneration, but not ROIC, and I think we need to consider whether to use ROIC or to include something like TSR so that the stock market view is reflected in officer remuneration.

To improve corporate value over the medium to long term

Yago: The Company has focused on strengthening governance and created appropriate mechanisms, but the current situation is that the PBR is one or less, and we are not sufficiently evaluated in the capital market. The reason why we are not being evaluated is simple: we are not able to talk about our dreams and hopes for the future, and we are not able to draw a trajectory toward our future goals. Companies with a high PBR have high profit levels, of course, but more than that, they are the companies that give their shareholders dreams and hopes, and we need to be aware of this. I think the roles and responsibilities of the Board of Directors are very important in that regard. In reality, it is what the executive side does, but one of the roles of the Board of Directors is to provide guidance or advice on what they are trying to do. I feel that it is necessary to strengthen the roles of the Board of Directors a little more. To this end, it will be important to consciously strengthen the roles and responsibilities of each Director.

Hakoda: The main reason why the investment for this medium-term three-year period is far below the plan is that the Developer Business has not progressed as much as originally planned. From the very beginning, we have stated that the Developer Business would be one of the pillars of our business, so we had to think more properly about our investments and put them into action. In the Developer Business, if we really try to realize what the executive side is thinking now, we can probably expect to invest 200 billion yen, 300 billion yen, or even more over the medium to long term, and this is a business that will take 15 to 20 years to complete.

In terms of diversity, I think it is important to adopt the perspectives of young people a little more.

As we expand the Developer Business in the future, capital efficiency may decline, but if we can clearly show the time frame and investment return, I believe we will be able to gain the understanding of the capital market.

Sato: The Developer Business is basically about diverting the properties that we own. My impression is that other developer companies renew what they have found and sell it back to the market, but we renew or renovate our properties in Ikebukuro, Nagoya, Hakata, etc. to create something new and put them on the market. My honest impression is that the Developer Business is a little different.

Yago: Since we have been thinking about how to use the land we originally owned for our own business, I think we were not aware of how much return we could get from our investment, including the value of the land we own, as Mr. Hakoda mentioned earlier. The strong involvement of the finance division is indispensable, as we are starting from a situation where we are asked to come up with cash flow, investment efficiency, etc., but we are not sure how to think about it.

Sato: When the Developer Business is viewed from the market, some questions may arise, such as "Really?" and "How far are they willing to go?" Speaking of the new investment of 90 billion yen, I think there is a need to show a story or whatever we will tell about where we will expand and how we will develop it from existing commercial field, but it is undeniable that I feel that such story lacks on the executive side.

I personally think that the investment in XENOZ is one key point, but the market should have expectations as to what will develop from there. I think the situation "now" is that we cannot see that point.

Yago: When thinking about medium- to long-term growth, I always think that "discontinuity" has to come into play somewhere. I think that raising awareness of the importance of this discontinuity is what is required of Outside Directors, but I don't have any specific ideas. I hope to see a sense of "flying discontinuously" at least in the next medium-term plan.

Role to be fulfilled by the Board of Directors

Yago: The functions of the Board of

Governance

Interview with Outside Directors [Dialogue among Outside Directors]

Directors include both “checking” and “pushing.” It is fine to keep things in check as part of the oversight function, but the truth is that we “want to do something like push people’s backs.” Nevertheless, the fact that it is difficult to see the backs to be pushed is a bit disappointing and unsettling.

Hakoda: Diverse human capital is the basis of our innovation. Forming this kind of human capital will be the driving force behind value creation, and I believe that we will be able to expand the Company in the truest sense of the word. Ultimately, I believe that it is important for employees to be motivated to do their jobs and for them to be able to think out of the box. To this end, we may have to seriously consider making the salary structure more attractive and creating an environment where employees can work with vigor and enthusiasm.

Sato: As for human resources, I have a strong sense that the Company is composed mainly of people from Daimaru and Matsuzakaya, both of which have long histories, but I would really like to hear from the younger generation when we formulate a new medium-term plan. The aging population and declining birthrate are inevitable, and the Millennials and Generation Z, who will be at the center of consumption in the future, are said to focus on social media and not to watch TV or read newspapers very often. I would like to hear from young people what we can provide and what kind of value we can provide to such people.

Yago: We have brought Parco, a company with a different culture from that of the Department Store, into the Group, but we cannot clearly see what kind of chemistry is taking place as a result of this. In other words, I am wondering if the culture of Parco is not being viewed as part of the cultural flow of the Daimaru and Matsuzakaya department stores. As a group, I think it would be better to be conscious of putting the new culture that we have adopted at the core of the Group, in other words, wearing the robe of the Parco side by making human resource exchanges and communication more active. Otherwise, it will be difficult to find solutions to how newly adopted things such as CVC and XENOZ can be used to help shape a new culture for the entire Group.

Sato: The subscription business “AnotherADdress” is still small, but I think it is a great venture. It is growing because it is accepted by consumers, and I think this kind of idea would have been difficult to come up with from a traditional retailer. I think it would be good to ask young people, including people from Parco, GINZA SIX, and XENOZ, “What are you looking for, in what form?” in the form of brainstorming. We are the Showa generation, and we may not have enough knowledge to offer new values. I think “discontinuity” is one important keyword, and we must incorporate new knowledge to create it. To this end, I really feel that it is important to adopt the perspectives of young people in terms of diversity.

Yago: As Ms. Sato said, it is very important to talk with people close to the frontline, including young people, and while it is necessary for Outside Directors to take a third-party stance, I think it would be good if we could go inside a little more. It takes time and effort, but I feel that if we do not go that far, we will not reach the so-called ideal state of the Board of Directors that is expected of us.

I cannot deny that some companies don’t like such things, but I don’t think there will be much resistance from those around us when we start doing such things. I think this is something the Board of Directors needs to consider. It may involve how to draw the line as to how far the roles and responsibilities of Directors go. We must not get too involved and become a complementary force to the “ruling party,” so it is difficult to strike a balance between them, but I feel that we are in a situation where we have to step in now.

Sato: After all, mutual trust cannot be created unless communication is further enhanced. If you are just shown what is there and asked to make a judgment based on that, it can be a rather superficial judgment. I think it is one of the important roles of a Director to go another half or one step further and communicate with the people on the ground who are doing various things.

Message from Newly Appointed Outside Director

Independent Outside Director

KATAYAMA Eiichi

Member of Audit Committee

I could say that I have been alternately and repeatedly “inside and outside” by choice in my life. As a member of society, I started out as a securities analyst, and first looked at operating companies from the capital market side. After studying in the U.S., I was transferred to the M&A department, where I was in a position to look at investors from the side of an operating company. Then I returned to a completely different sector analyst.

Having spent most of my career in finance, at some point I began to ask myself a question, “Am I demanding from the operating companies something that the parties involved have no choice in?” If I went to the operating company side and looked at the landscape I had seen from the other side, I would be able to see what is true. At that time, I happened to have the opportunity to join Panasonic.

I joined Panasonic as an officer in charge of M&A at the head office. As there are about 50 business units, I felt there again that the view from the head office was definitely not close to the truth. So I asked the president at the time to put me in charge of a business unit. When I served as president of an operating company, I felt that the joy of success was irreplaceable, so I was thinking of staying at the operating company, but I was called back to be responsible for planning at the head office. In this way, I have been alternately “inside and outside” and repeated this many times, and now I am pushing forward with the execution of our business again.

I value “self-contemplation,” moving forward while looking at myself as objectively and directly as possible. The words that are very important to me are “evolution” and “growth,” and that may be my way of life. I want to do a job that I think is better today than yesterday, and I think I have to keep evolving in order to feel that way. In order to evolve, I want to take the opposite position and get closer to the essence of things, that is, the truth, rather than defending my current job. I believe that the keywords that make this possible are “inside and outside.”

I have just been asked to serve as an Outside Director of the Company, and I believe that it is meaningful for someone like me, who is currently on the executive side, to become an Outside Director. In addition, I am the head of a business unit, so this would be a very rare case. If there is something that the top management is worried about, I can share that feeling, and there must be things that only active managers can feel. I believe I will be able to set up a discussion that will allow for more options on the executive side precisely because I am involved in business right now. My theory is that the more choices you have, the better. When you don’t have a lot of options, you usually fail. As an Outside Director, I would like to contribute to the creation of an atmosphere conducive to such thinking and to the generation of concrete ideas.

The Company has the idea of “departing from the department store,” and I understand what it means. However, on the other hand, there is no doubt that the Department Store and the Shopping Center (SC) are our core businesses. Both the Developer Business and the Payment and Finance Business, which we intend to grow in the future, are meaningful only because the Department Store Business and the SC Business are strong. It may be true that the Department Store will almost never increase the number of stores. However, I would like to ask the question, “Has the Department Store really done it all?”

I think we should separate the discussion of our evolution as a group from the fact that there is more to be done in the Department Store. The number of businesses for high-income earners will increase, and I think it is important to fight for them, but unless we change the business to one where the total number of customers and the absolute number grows, we will not be able to bring in good human resources who have dreams. The fact that the number of department stores cannot be increased is one thing and the fact that the Department Store does not have to aim for growth is another, and I think there are still many ways to grow and definitions.

I believe that the most important part of the consumer business is transactions. Watches make money when sold, and paintings may also make money, but only once in a lifetime or a few times a year. If we rely on them alone, our business will not be revitalized. I think that a company will not be able to evolve and grow unless it has a business that can significantly increase the numbers.

We may need to discuss over the long term whether the current pure holding company structure is the best way for the Group to move closer to such an ideal state. First of all, I believe that we need to make our interactions with operating companies even more dynamic, and I would like to contribute to realizing that.

Governance

Management (as of May 25, 2023)

Directors

*The numbers of the Company's shares held by Directors are as of February 28, 2023.

1. YAMAMOTO Ryoichi

Number of the Company's shares held: 102,856
Number of other shares as stock-based remuneration not yet granted: 25,465

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 of J. Front Retailing Co., Ltd. In charge of Sales Reform and Out-of-Store Sales Reform of the same company 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)

2. HAMADA Kazuko

Number of the Company's shares held: 999
Number of other shares as stock-based remuneration not yet granted: 7,714

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)

3. YAGO Natsunosuke

Outside Director
Number of the Company's shares held: 6,696
Number of other shares as stock-based remuneration not yet granted: 4,904

Chairperson of Nomination Committee
Remuneration Committee Member

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.

4. HAKODA Junya

Outside Director
Number of the Company's shares held: 1,958
Number of other shares as stock-based remuneration not yet granted: 2,971

Chairperson of Audit Committee

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 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
Aug 2020	Vice Chairperson of the Committee on Training and Research for Outside Officers, Japanese Institute of Certified Public Accountants
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)

5. UCHIDA Akira

Outside Director
Number of the Company's shares held: 5,364
Number of other shares as stock-based remuneration not yet granted: 6,837

Chairperson of Remuneration Committee
Nomination Committee Member

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.
May 2022	Director of Parco Co., Ltd. (present)

6. SATO Rieko

Outside Director
Number of the Company's shares held: 3,125
Number of other shares as stock-based remuneration not yet granted: 8,770

Audit Committee Member

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)

7. SEKI Tadayuki

Outside Director
Number of the Company's shares held: 3,230
Number of other shares as stock-based remuneration not yet granted: 4,904

Audit Committee Member

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
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)

8. KOIDE Hiroko

Outside Director
Number of the Company's shares held: 1,957
Number of other shares as stock-based remuneration not yet granted: 2,971

Nomination Committee Member
Remuneration Committee Member

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)

9. KATAYAMA Eiichi

Outside Director
Number of the Company's shares held: 1,500

Audit Committee Member

Apr 1989	Joined Nomura Research Institute, Ltd.
Jun 2000	Seconded to Nomura Corporate Advisors Co., Ltd.
Oct 2010	Joined Merrill Lynch Japan Securities Co., Ltd. (present BofA Securities Japan Co., Ltd.)
Jun 2012	Managing Director and General Manager of Research Division of the same company
Jan 2016	Joined Panasonic Corporation Officer (in charge of Business Development)
Jan 2017	Officer (in charge of Strategy Business) of the same company Vice President of Eco Solutions Company, in charge of AGE-FREE Business
Apr 2017	President and Representative Director of Panasonic Cycle Technology Co., Ltd.
Feb 2019	Executive Officer and CSO of Panasonic Corporation in charge of Business Planning, Business Development, and Business Creation Project
Apr 2020	Managing Executive Officer and CSO of the same company
Oct 2020	In charge of Sports Management Business of the same company
Oct 2021	Managing Executive Officer Assistant General Manager of Lifestyle Updates Business Division of the same company President of Cold Chain Solutions Company and in charge of Sports Management Business
Apr 2022	Executive Vice President of Panasonic Corporation President of Cold Chain Solutions Company and in charge of DEI Promotion, General Manager of Cold Chain Business Division
Apr 2023	Executive Vice President of Panasonic Corporation President of the Cold Chain Solutions Company CDO and in charge of DEI Promotion (present)
May 2023	Outside Director of J. Front Retailing Co., Ltd. (present)

10. YOSHIMOTO Tatsuya

Number of the Company's shares held: 96,391

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
Mar 2023	President and Representative Executive Officer and Senior Executive General Manager of CRE Strategy Unit of the same company (present)

11. WAKABAYASHI Hayato

Number of the Company's shares held: 17,210

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 Strategy 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.
May 2023	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)

Governance

Management (as of May 25, 2023)

Reasons for appointment of Outside Directors

YAGO Natsunosuke

YAGO Natsunosuke has been involved in top-level company management for many years and has a wealth of experience in strengthening financial bases and compliance management. He also has a highly specialized knowledge of internal controls and corporate governance gained through his experience in transitioning to a Company with Three Committees (Nomination, Audit, and Remuneration Committees). He has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight, particularly on the direction to be specified in the medium- to long-term strategies and key points at the time of their formulation, the desired form of the new developer business company, the approach to asset holdings in our financial strategy, and the approach to monetizing customer data. In addition, as the chairperson of the Nomination Committee, he has proceeded with the establishment of the officer selection process that checks the status of future candidates for positions in senior management and ensures objectivity, transparency, and continuity based on the succession plan. As a member of the Remuneration Committee, he has contributed to reviews of appropriate remuneration levels for bonuses and stock-based remuneration and operating rules in the officer remuneration system. In light of his track record, abundant experience and high level of insight, the Company expects him to contribute greatly to management of the Group and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him.

HAKODA Junya

HAKODA Junya was involved in accounting audits, management consulting, and internal audits of auditing firms, etc. for many years at PricewaterhouseCoopers and also served as an eminent professor teaching internal audit theory at Graduate School of Keio University and therefore has abundant experience and high-level expertise in corporate auditing. He also has a high level of expertise in corporate governance and management auditing, having served as the chairperson of the Audit Committee of Yamaha Corporation when the company changed its organizational design to a Company with Three Committees (Nomination, Audit, and Remuneration Committees). He has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight, particularly in terms of the consistency of the medium- to long-term financial plans and medium- to long-term strategies, pursuing new business initiatives, the approach to human resource development, and points of focus in formulating an international business strategy. Moreover, as the chairperson of the Audit Committee, he has endeavored to strengthen the audit function by fulfilling his roles of auditing the execution of duties by Directors and Executive Officers of the Company with Three Committees (Nomination, Audit, and Remuneration Committees) while exchanging opinions and engaging in discussions from the perspective of legality and appropriateness, etc. related to items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee. He is also simultaneously working to enhance the governance of the Group as a whole. In light of his track record, abundant experience and high level of insight, the Company expects him to contribute greatly to management of the Group and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him.

UCHIDA Akira

UCHIDA Akira possesses extensive experience and knowledge of not only business planning and IR but also corporate departments as the person responsible for the finance and accounting division. He has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight, particularly in terms of the necessary KPI perspectives the Company should have when formulating the Medium-term Business Plans, the concepts for funding plans when promoting business portfolio transformation, the Group coordination and the approach to governance as a holding company, the acquisition and development of specialists, and points of focus in supporting new business initiatives. In addition, as the chairperson of the Remuneration Committee, he promotes the review of appropriate remuneration levels and operating rules for bonuses and stock-based remuneration in the officer remuneration system and, as a member of the Nomination Committee, he confirms the status of candidates for future senior management in accordance with the succession plan and contributes to the officer selection process that ensures objectivity, transparency, and continuity. In light of his track record and abundant insight, the Company expects him to contribute greatly to management of the Group and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him.

SATO Rieko

SATO Rieko has extensive experience as an outside director and corporate auditor of other companies in addition to a career as a lawyer specializing mainly in corporate legal affairs, where she has handled numerous cases with a high level of expertise. She has also contributed to improving the effectiveness of the Board of Directors by actively and assertively furnishing advice and oversight particularly in terms of the clarification of the path to creating corporate value and achieving profit targets, specific policies on decarbonization and diversity and inclusion that lead to sustainability management, the strategic use of customer data, and the legal position on reducing cross-shareholdings. Moreover, as a member of the Audit Committee, she has contributed to strengthening the audit function by auditing the execution of duties by Directors and Executive Officers of the Company with Three Committees (Nomination, Audit, and Remuneration Committees) while exchanging opinions and engaging in discussions from the perspective of legality and appropriateness related to items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee. She is also simultaneously working to enhance the governance of the Group as a whole. In light of her track record and abundant insight, the Company expects her to contribute greatly to management of the Group and has accordingly appointed her as an Outside Director. The Company has no interest in or relationship with her.

SEKI Tadayuki

SEKI Tadayuki was involved in international business management and risk management at a general trading company for many years and has broad experience in finance and accounting as CFO and extensive experience as an outside director and audit & supervisory board member at multiple companies. He has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly on such issues as the approach to business and asset holdings to promote business portfolio transformation, alignment of strategy with core competencies and resources, and risk awareness in new business initiatives. Moreover, as a member of the Audit Committee, he has contributed to strengthening the audit function by auditing the execution of duties by Directors and Executive Officers of the Company with Three Committees (Nomination, Audit, and Remuneration Committees) while exchanging opinions and engaging in discussions from the perspective of legality and appropriateness related to items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee. He is also simultaneously working to enhance the governance of the Group as a whole. In light of his track record and high level of insight, the Company expects him to contribute greatly to management of the Group and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him.

KOIDE Hiroko

KOIDE Hiroko served as an officer at foreign companies for many years and engaged in corporate management as the head of marketing at the head office of a U.S. company and therefore has extensive knowledge based on her rich experience in the fields of global management and marketing. She also has a wealth of insights gained as an outside director at multiple listed companies. She has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight, particularly in terms of the approach to formulating medium- to long-term strategies based on robust strategic discussions, the importance of a marketing-oriented way of thinking such as identifying target and needs, and the desired form of the new developer business company. In addition, as a member of the Nomination Committee, she has confirmed the status of future candidates for positions in senior management based on the succession plan and contributed to the officer selection process that ensures objectivity, transparency, and continuity. As a member of the Remuneration Committee, she has contributed to reviews of appropriate remuneration levels for bonuses and stock-based remuneration and operating rules in the officer remuneration system. In light of her track record, abundant experience, and high level of insight, the Company expects her to contribute greatly to management of the Group and has accordingly appointed her as an Outside Director. The Company has no interest in or relationship with her.

KATAYAMA Eiichi

KATAYAMA Eiichi has a wide range of financial and accounting knowledge based on his many years of experience as a security company analyst and working in the investment banking business. As the manager of several companies at a general appliance manufacturer, he has delivered strong leadership and achieved business regeneration, structural reforms, and other improvements. As CSO, he possesses extensive experience and advanced knowledge about a wide range of matters, including constructing and carrying out various M&A actions, formulating and implementing companywide strategies, taking the lead in the transition to a pure holding company, and contributing to strengthening group governance. In addition, as the officer in charge of new business, he has knowledge related to the creation of new digital businesses, and through his initiatives in digitalizing existing businesses, he has developed knowledge that permits a comprehensive view of the latest digital trends from the customer's perspective. In light of his track record, extensive experience, and high level of insight, the Company expects that he will apply them to the appropriate supervision of management in the Group and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him.

Executive Officers

YOSHIMOTO Tatsuya
President and Representative Executive Officer
Senior Executive General Manager of CRE Strategy Unit

WAKABAYASHI Hayato
Managing Executive Officer
Senior Executive General Manager of Financial Strategy Unit
Director of Daimaru Matsuzakaya Department Stores Co. Ltd.

ONO Keiichi
Managing Executive Officer
Senior Executive General Manager of Management Strategy Unit
In charge of Risk Management
Director of Parco Co., Ltd.
Director of J. Front City Development 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 Parco Co., Ltd.

MATSUDA Hirokazu
Managing Executive Officer
Senior Executive General Manager of Human Resources Strategy Unit and Administration Unit
In charge of Compliance
Director of Daimaru Matsuzakaya Department Stores Co. Ltd.

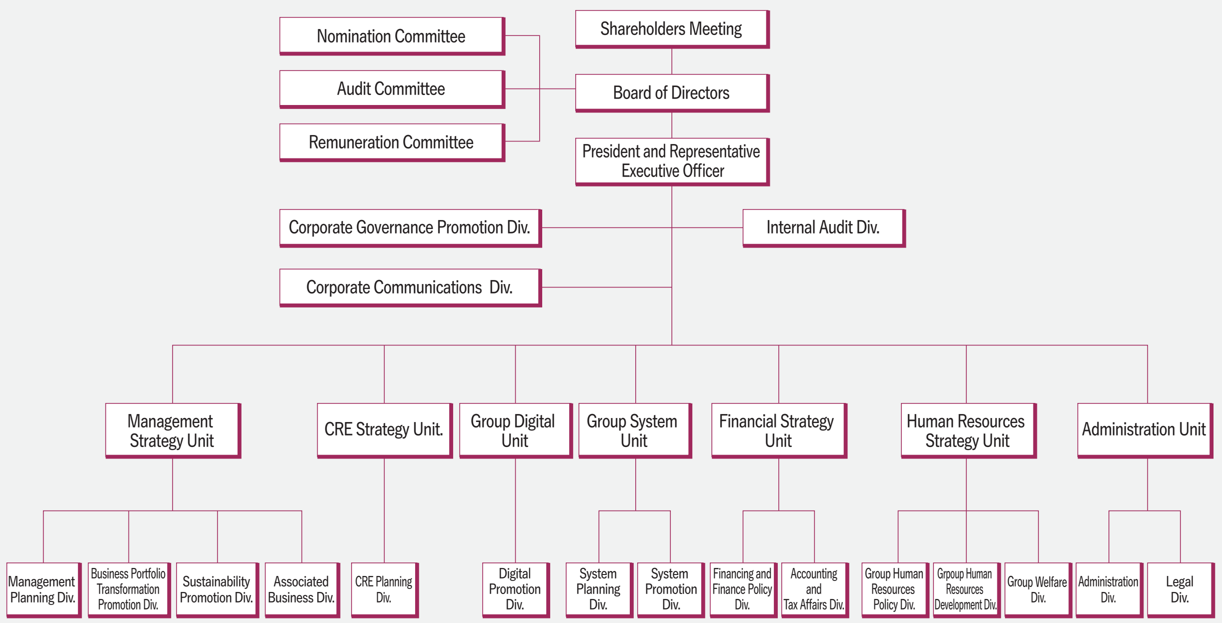
OCHIAI Isao
Executive Officer
Senior General Manager of Management Planning Division and Business Portfolio Transformation Promotion Division of Management Strategy Unit

YAMAZAKAI Shiro
Executive Officer
Senior General Manager of System Planning Division and System Promotion 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 Development Division and Group Welfare Division of Human Resources Strategy Unit

Organization chart of J. Front Retailing (as of May 25, 2023)



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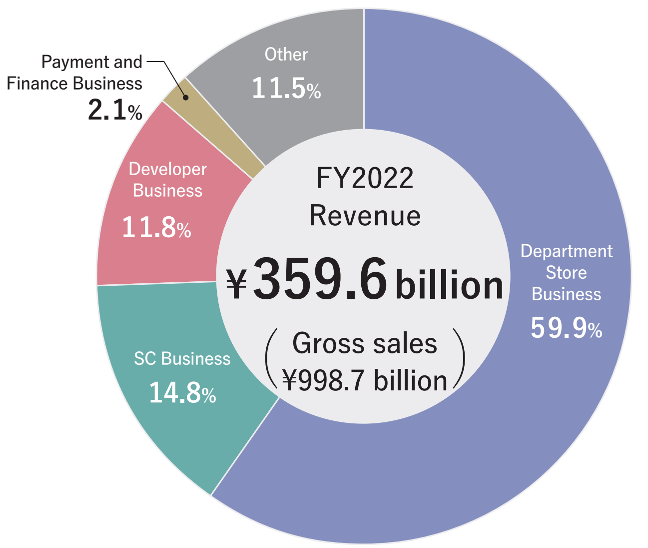
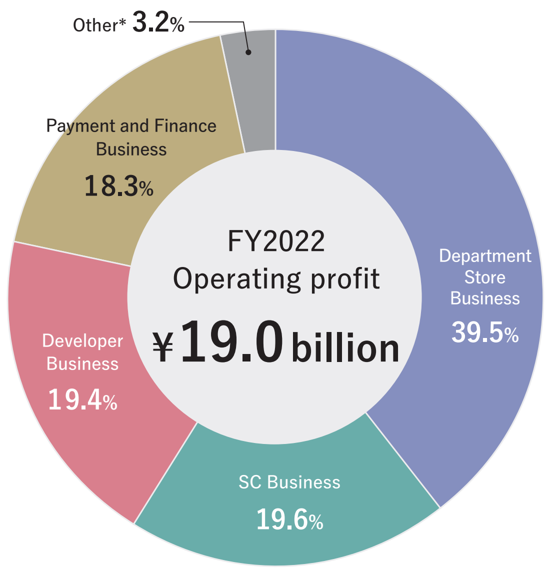
At a Glance

Revenue



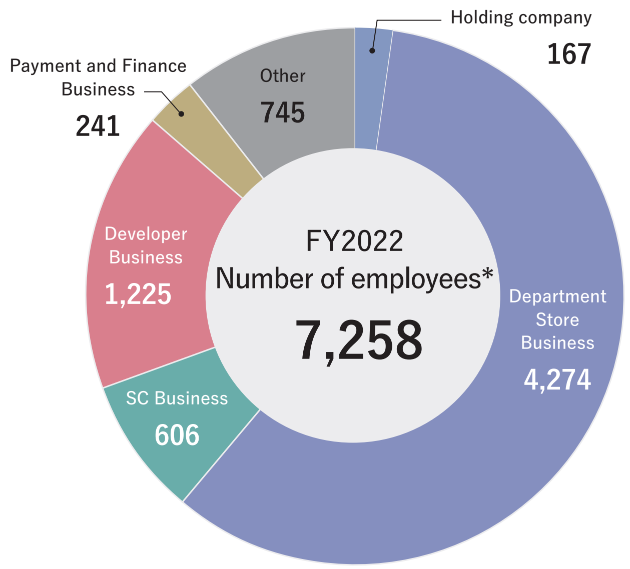
Operating Profit



*Operating profit in Other includes adjustments.

Number of Employees

(People)



*Total number of regular employees, dedicated employees, and fixed-term employees as of February 28, 2023

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 17 PARCO shopping centers in major cities throughout Japan. Also operates the entertainment business that produces movies, theaters, etc.

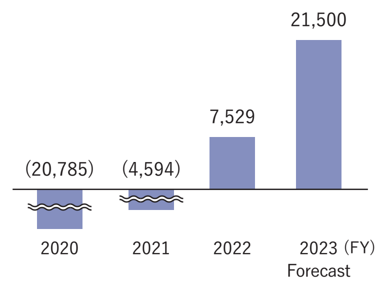
Developer Business
Includes the development of leasehold properties and the building and interior work business. Large-scale development projects are in progress in the Sakae area in Nagoya and the Shinsaibashi area in Osaka.

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

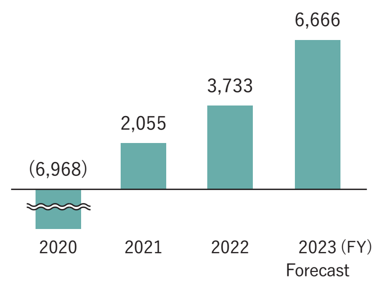
Other
Composed of a wholesaler Daimaru Kogyo and the Group's shared service companies.

Operating Profit Trends and Forecasts by Segment

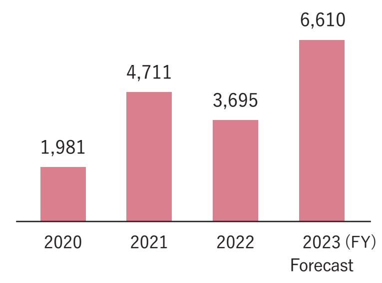
Department Store Business
(Millions of yen)



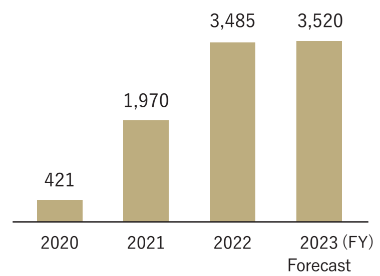
SC Business
(Millions of yen)



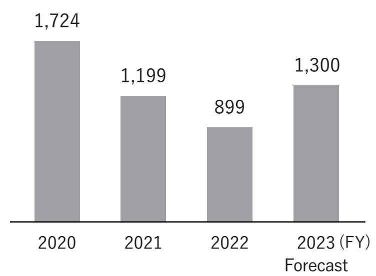
Developer Business
(Millions of yen)



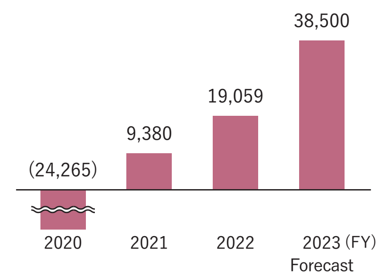
Payment and Finance Business
(Millions of yen)



Other
(Millions of yen)

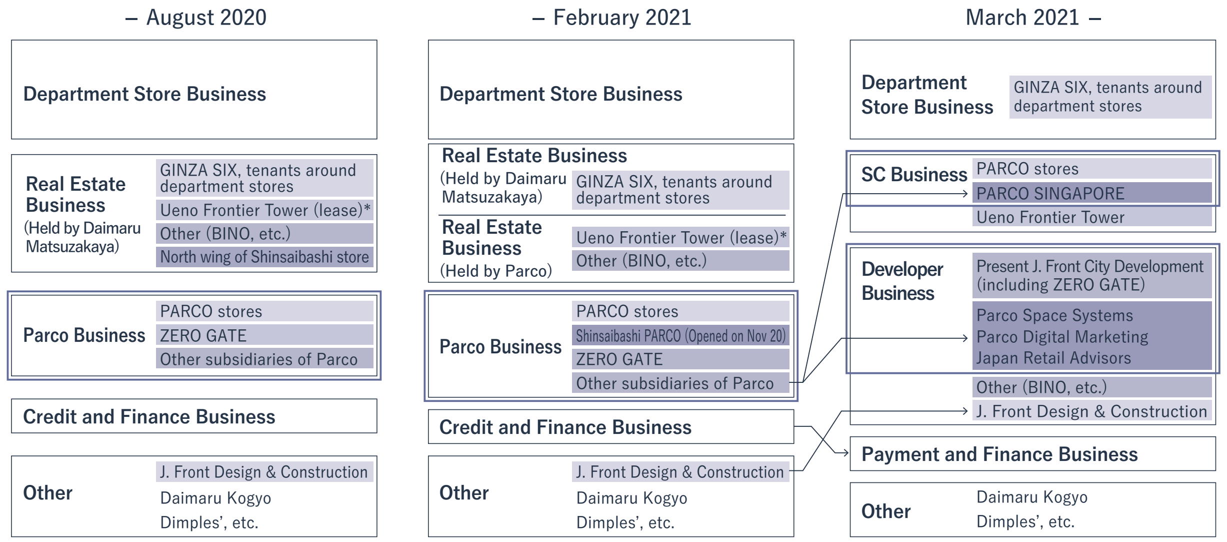


Consolidated total
(Millions of yen)



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 to include the merger of Daimaru Matsuzakaya Sales Associates.



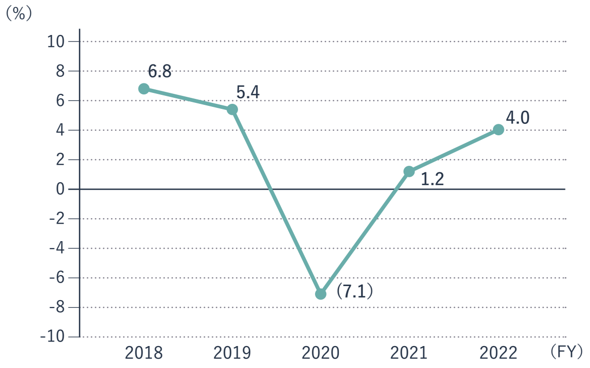
* "Ueno Frontier Tower (lease)" up to February 2021 includes real estate lease revenue from Parco Co., Ltd. on PARCO_ya Ueno.
* ▭ shows the scope of the former Parco Business.

Data

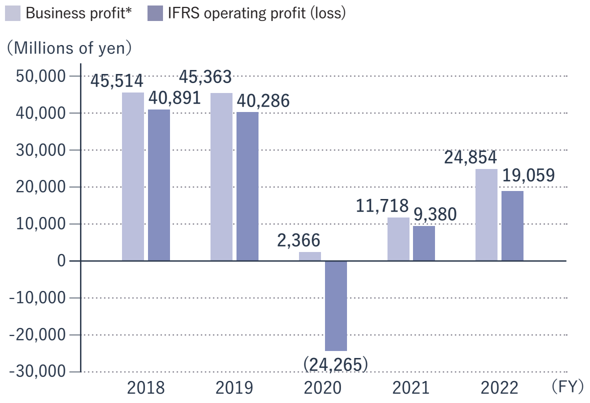
Financial Information

Financial/Non-financial Highlights

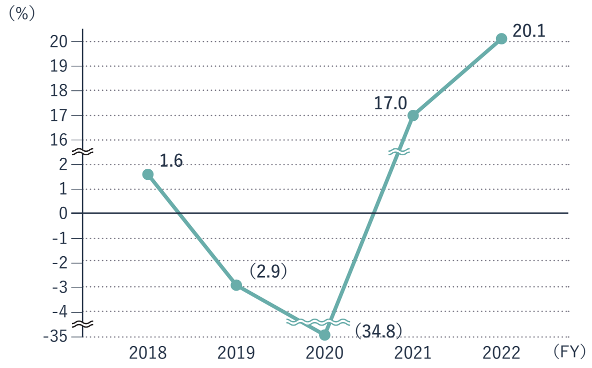
ROE



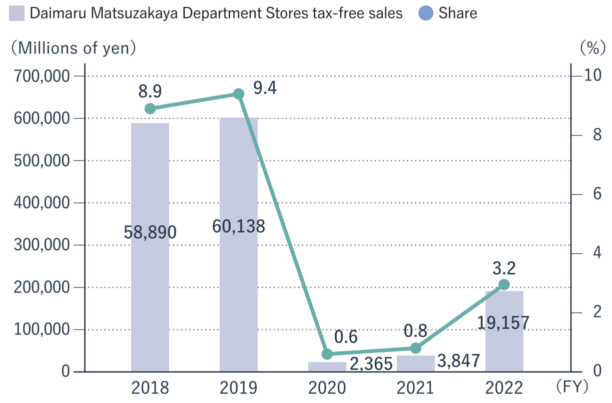
Consolidated business profit/ IFRS operating profit (loss)



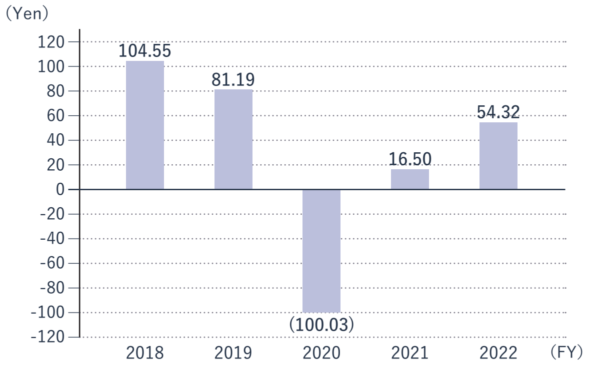
Daimaru Matsuzakaya Department Stores comparable store sales (YoY %)



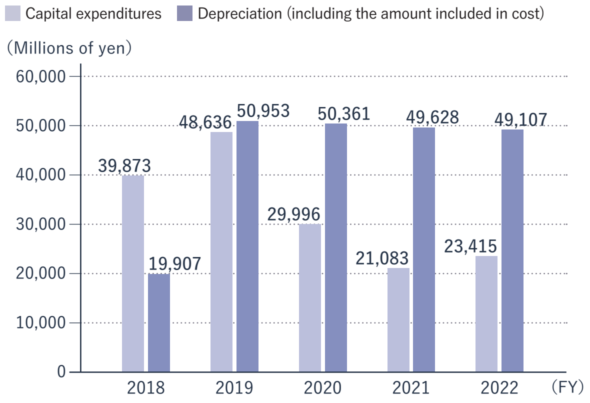
Daimaru Matsuzakaya Department Stores tax-free sales and share



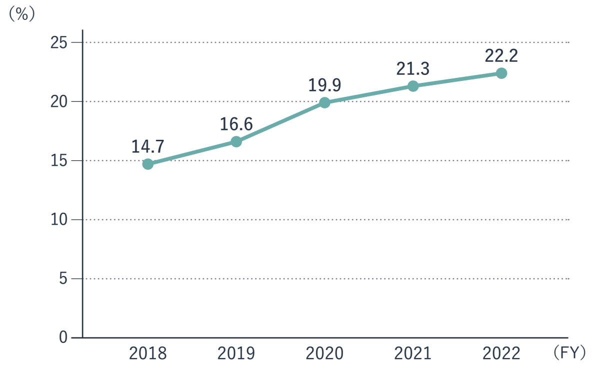
EPS



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

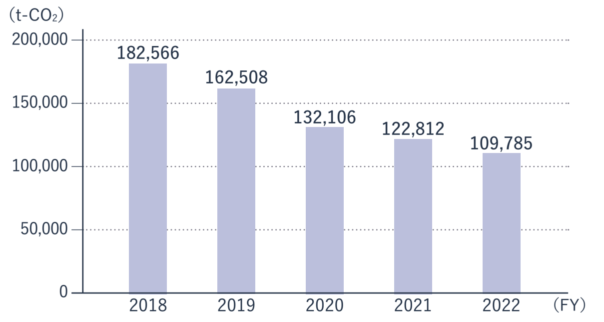


Ratio of women in management positions (consolidated)

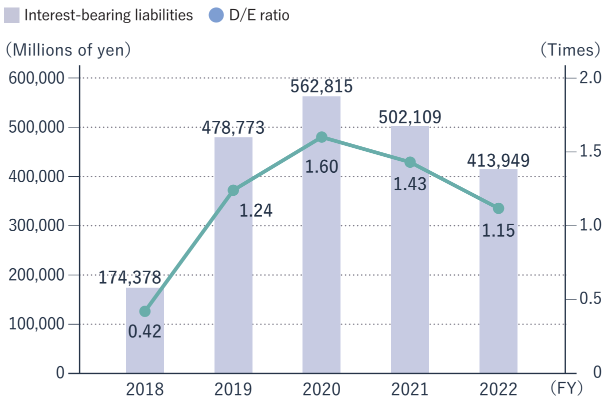


[Scope 1 and 2] GHG emissions (consolidated)

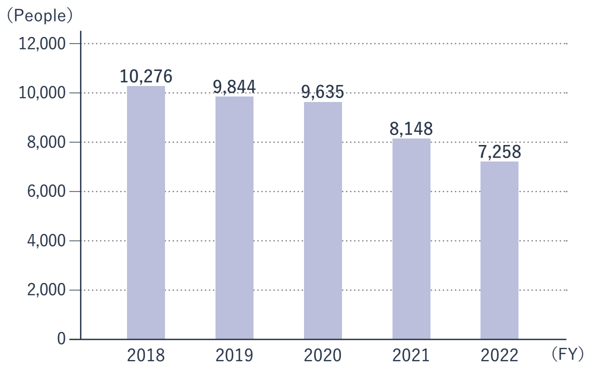
*Data have been compiled and disclosed on a consolidated basis since FY2017. They have received an independent assurance statement from LRQA Limited.



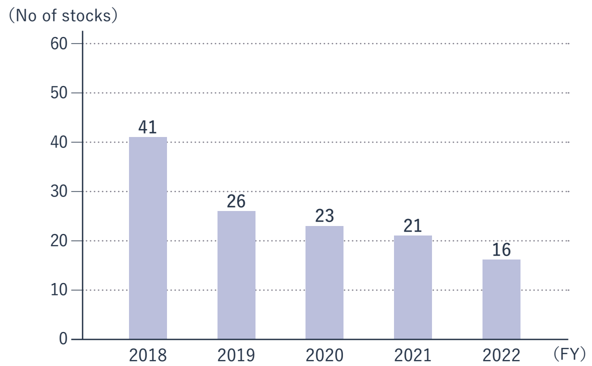
Interest-bearing liabilities and D/E ratio



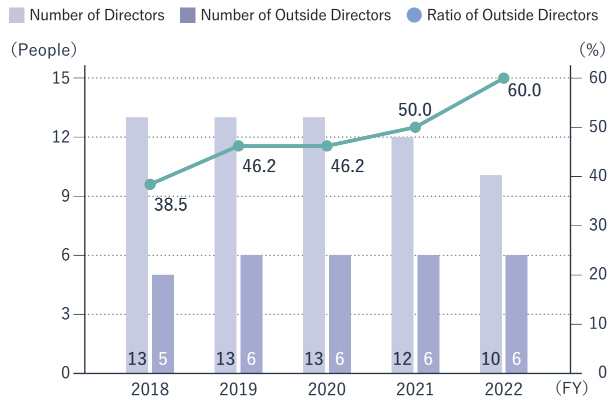
Consolidated number of employees



Year-end number of stocks of cross-shareholdings



Number of Directors / Outside Directors and 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 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.

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10-Year Data (Financial/Non-financial)

Millions of yen (except where otherwise indicated)

	JGAAP				IFRS						
	FY2013	FY2014	FY2015	FY2016	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Consolidated PL											
Gross sales	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	865,919	998,755
Revenue	—	—	—	—	452,505	469,915	459,840	480,621	319,079	331,484	359,679
Gross profit	244,130	243,663	245,532	234,785	212,567	212,935	212,396	206,953	134,368	147,842	169,536
Selling, general and administrative expenses (SGA)	202,313	201,572	197,494	190,205	167,668	166,688	166,882	161,590	132,001	136,123	144,682
Business profit	—	—	—	—	44,898	46,842	45,514	45,363	2,366	11,718	24,854
Operating profit (loss)	41,816	42,091	48,038	44,580	41,727	49,546	40,891	40,286	(24,265)	9,380	19,059
Profit (loss) / Profit (loss) attributable to owners of parent	31,568	19,918	26,313	26,950	27,052	28,486	27,358	21,251	(26,193)	4,321	14,237
(Business profit by segment)											
Department Store Business	—	—	—	—	24,592	26,453	25,154	26,461	(4,899)	1,798	12,834
SC Business	—	—	—	—	—	—	—	—	—	3,844	5,382
Parco Business	—	—	—	—	12,520	10,284	8,723	8,582	2,062	—	—
Developer Business	—	—	—	—	—	—	—	—	—	3,134	2,947
Real Estate Business	—	—	—	—	—	3,251	5,062	4,364	2,637	—	—
Payment and Finance Business	—	—	—	—	2,844	2,803	2,338	1,901	396	1,906	3,486
Other Business	—	—	—	—	4,410	4,490	3,605	4,926	3,204	1,252	924
Adjustments	—	—	—	—	211	(440)	629	(873)	(1,035)	(217)	(722)
(Operating profit by segment) *Operating profit for years prior to 2016 is based on JGAAP.											
Department Store Business	22,980	23,115	28,786	24,592	—	26,659	24,194	17,625	(22,199)	(4,594)	7,529
SC Business	—	—	—	—	—	—	—	—	—	2,055	3,733
Parco Business	12,017	12,255	12,582	12,520	—	11,752	5,445	10,823	(6,895)	—	—
Developer Business	—	—	—	—	—	—	—	—	—	4,711	3,695
Real Estate Business	—	—	—	—	—	4,131	4,664	6,725	1,986	—	—
Payment and Finance Business	3,186	3,424	2,703	2,844	—	2,742	2,360	1,908	421	1,970	3,485
Other Business	4,088	3,485	4,122	4,410	—	4,744	3,507	4,700	2,852	1,199	899
Adjustments	(455)	(190)	(156)	211	—	(483)	717	(1,496)	(430)	4,039	(283)
(SGA)											
Personnel expenses	72,114	71,059	69,470	67,879	—	62,989	62,692	56,880	48,627	49,944	47,284
Advertising expenses	31,744	30,319	27,733	26,544	—	10,534	10,364	11,729	7,996	9,189	10,489
Packing and transportation costs	6,782	7,631	7,053	6,456	—	4,992	3,837	3,664	2,985	2,849	2,872
Rent expenses	27,713	28,366	28,682	28,637	—	24,372	23,418	2,389	2,105	997	542
Depreciation	15,994	16,023	16,194	14,843	—	10,944	11,580	30,601	25,135	25,971	26,915
Operational costs	17,317	16,567	16,338	15,621	—	8,148	8,296	9,296	6,117	6,677	9,581
Other	30,647	31,604	32,020	30,222	—	44,705	46,692	47,029	39,033	40,494	46,996
(Capital expenditures / depreciation)											
Capital expenditures	52,758	24,277	37,110	44,999	—	27,021	39,873	37,912	22,922	12,616	15,014
Right-of-use assets	—	—	—	—	—	—	—	10,723	7,073	8,467	8,400
Total investment	—	—	—	—	—	—	—	48,636	29,996	21,083	23,415
Depreciation (including the amount included in cost)	17,698	17,963	18,345	17,189	—	18,683	19,907	50,953	50,361	49,629	49,107
Consolidated BS											
Total assets	998,730	1,018,700	1,019,146	1,050,109	1,005,069	1,022,348	1,029,573	1,240,308	1,263,722	1,192,907	1,120,953
Shareholders' equity / Equity attributable to owners of parent	370,173	376,091	383,699	406,336	368,571	395,519	412,700	387,188	352,171	350,368	359,385
Interest-bearing liabilities	187,950	168,458	180,922	187,799	205,952	184,202	174,378	478,773	562,815	502,109	413,949
Consolidated CF											
Cash flows from operating activities	37,532	44,650	36,799	36,239	33,764	57,079	34,870	73,358	56,471	49,866	65,480
Cash flows from investing activities	(8,858)	(16,272)	(39,741)	(30,353)	(27,952)	(19,030)	(26,836)	(49,559)	(20,870)	(5,289)	(13,371)
Cash flows from financing activities	(32,027)	(27,587)	(1,041)	(2,189)	(2,097)	(31,048)	(21,274)	(14,829)	58,727	(80,392)	(105,694)
Per share information											
Basic earnings (loss) per share (Yen)	59.77	75.47	100.42	103.04	103.43	108.92	104.55	81.19	(100.03)	16.50	54.32
Equity attributable to owners of parent per share (Yen)	701.26	1,425.05	1,467.05	1,553.60	1,409.20	1,511.91	1,576.68	1,479.07	1,344.91	1,337.29	1,370.43
Dividend per share (Yen)	11.00	25.00	27.00	28.00	28.00	35.00	35.00	36.00	27.00	29.00	31.00
Dividend payout ratio (%)	18.4	33.1	26.9	27.2	27.1	32.1	33.5	44.3	—	175.7	57.1
Financial indicators (%)											
Ratio of profit to equity attributable to owners of parent (ROE)	8.9	5.3	6.9	6.8	7.6	7.5	6.8	5.4	(7.1)	1.2	4.0
Return on total assets (ROA)	4.2	4.2	4.7	4.3	4.2	4.9	4.0	3.2	(1.9)	0.8	1.6
Return on invested capital (ROIC)	—	—	—	—	—	—	—	—	—	—	—
Return on investment (ROI)	7.3	7.3	8.6	7.7	7.6	8.4	7.2	4.5	(3.2)	1.2	2.7
Interest-bearing liabilities to equity attributable to owners of parent ratio (Times)	0.51	0.45	0.47	0.46	0.56	0.47	0.42	1.24	1.60	1.43	1.15
Non-financial information related to operating companies											
Daimaru Matsuzakaya Department Stores sales floor area (m^2)	543,785	529,460	498,460	498,460	—	495,331	495,331	489,023	512,935	494,715	494,715
Parco business area (m^2)	442,600	451,000	456,000	409,000	—	389,000	401,000	435,800	461,000	462,000	462,000
Daimaru Matsuzakaya Department Stores customer traffic (1,000 people)	237,647	220,411	207,512	197,250	—	200,966	202,066	194,879	101,336	119,883	149,974
Daimaru Matsuzakaya Department Stores average spend per customer (Yen)	4,107	4,215	4,414	4,420	—	4,676	4,841	4,979	4,737	5,003	5,560
Number of private label cards issued (Daimaru Matsuzakaya Department Stores) (1,000 cards)	4,659	4,595	4,217	4,062	—	4,029	3,939	4,017	3,629	3,753	4,281
Number of users of private label cards (Parco) (1,000 people)	1,643	1,754	1,885	1,990	—	2,031	2,018	1,939	1,771	1,612	1,474

1. The inventory valuation method was changed to the specific identification method in FY2015.
2. The Company has adopted the International Financial Reporting Standards (IFRS) since FY2017. Figures for fiscal years prior to FY2016 are based on JGAAP.
3. Gross sales are calculated by converting sales from purchase recorded at the time of sale (*shoka shiire*) of the Department Store Business and Other (Daimaru Kogyo), which are recognized as revenue under IFRS, into gross amount and converting the net amount of sales of the SC Business (Parco SC) into tenant transaction volume (gross amount basis). As for Other (Daimaru Kogyo), sales from *shoka shiire* have not been converted into gross amount since FY2022.
4. Business profit is calculated by subtracting cost of sales and selling, general and administrative expenses from revenue, and roughly corresponds to "operating profit" under JGAAP.

Data

Financial Information

10-Year Data (Sustainability)

Item	Sub-item	Metric	Boundary	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Society														
Number of employees			Consolidated	People	11,561	11,149	11,023	10,732	10,429	10,276	9,844	9,635	8,148	7,258
Regular employees			Consolidated	People	7,302	7,190	7,038	6,871	6,723	6,695	6,579	6,528	5,589	5,115
Dedicated employees			Consolidated	People	—	—	—	—	1,573	1,697	1,739	1,688	1,444	1,195
Fixed-term employees			Consolidated	People	4,259	3,959	3,985	3,861	2,133	1,884	1,526	1,419	1,115	948
Ratio of female employees			Consolidated	%	—	—	—	—	57.2	56.8	57.0	56.3	55.6	52.9
Ratio of women in management positions*[1]			Consolidated	%	—	—	10.4	12.2	14.3	14.7	16.6	19.9	21.3	22.2
Number of new graduate hires			Consolidated	People	—	—	69	58	79	94	76	94	68	107
Male			Consolidated	People	—	—	32	24	36	44	38	41	33	38
Female			Consolidated	People	—	—	37	34	43	50	38	53	35	69
Ratio of female new graduate hires			Consolidated	%	—	—	53.6	58.6	54.4	53.2	50.0	56.4	51.5	64.5
Employment rate of disabled people*[2]			Consolidated	%	—	—	—	—	—	2.21	2.21	2.21	2.66	2.93
Number of foreign employees			Consolidated	People	—	—	—	—	—	15	14	40	42	50
Ratio of foreign employees			Consolidated	%	—	—	—	—	—	0.1	0.1	0.4	0.5	0.7
Employee turnover rate[3]			Consolidated	%	—	—	—	—	3.6	3.3	3.9	1.9	10.5	5.3
Involuntary turnover rate			Consolidated	%	—	—	0	0	0	0	0	0	0	0
Number of employees taking childcare leave*			Consolidated[4]	People	—	—	—	—	175	203	161	139	88	75
Female return rate after childcare leave*			Consolidated[5]	%	—	—	—	—	93.0	97.4	89.5	94.4	95.3	93.4
Ratio of male employees taking childcare leave*			Consolidated	%	—	—	—	—	—	—	—	18.8	43.6	68.0
Number of employees working shorter hours for childcare			Daimaru Matsuzakaya Department Stores	People	—	—	148	135	137	166	157	209	304	298
Return rate after childcare leave			Daimaru Matsuzakaya Department Stores	%	—	—	90.6	89.3	93.0	97.4	89.5	94.4	93.0	93.0
Number of employees taking family care leave			Daimaru Matsuzakaya Department Stores	People	—	—	4	2	2	10	3	2	5	8
Number of employees taking family care time off			Daimaru Matsuzakaya Department Stores	People	—	—	16	20	31	42	30	30	4	40
Number of employees working shorter hours for family care			Daimaru Matsuzakaya Department Stores	People	—	—	0	1	0	1	0	0	1	4
Percentage of employees earning minimum wage by region[6]			Daimaru Matsuzakaya Department Stores	%	—	—	0	0	0	0	0	0	0	0
Health examination participation rate			Daimaru Matsuzakaya Department Stores	%	—	—	99.5	99.7	99.7	99.9	99.6	100.0	99.8	100.0
Stress check response rate			Daimaru Matsuzakaya Department Stores	%	—	—	85.3	94.0	95.9	96.4	96.5	97.4	97.1	96.3
Number of labor accidents (work accidents)			Consolidated[7]		—	—	36	31	40	38	68	81	51	40
Number of labor accidents (commutation accidents)			Consolidated[7]		—	—	16	25	26	17	23	38	31	31
Lost time injury frequency rate (employees)[8]			Consolidated	%	—	—	—	—	—	—	—	—	1.85	0.88
Number of work-related fatalities (employees)*			Consolidated	People	—	—	—	—	—	—	—	—	0	0
Number of harassment consultations			Consolidated		—	—	14	16	14	22	50	40	37	47
Number of usages of JFR Group Compliance Hotline			Consolidated		—	—	24	22	28	24	36	24	46	49
Data security: number of data breaches[9]			Consolidated		—	—	0	0	0	0	0	0	0	1
Amount donated to communities			Consolidated	Millions of yen	—	—	—	—	—	—	—	—	75	87
Political contribution expenses			Consolidated	Millions of yen	—	—	—	—	2.2	0.2	0.3	0.07	0.04	0.17
Penalty for corruption			Consolidated	Millions of yen	—	—	—	—	0	0	0	0	0	0
Punishment/dismissal for anti-corruption violations			Consolidated	People	—	—	—	—	0	0	0	0	0	0
Environment														
Energy*	City gas	Usage	Consolidated	MWh	—	—	—	—	70,353	67,118	64,095	58,064	64,632	63,516
	Heavy oil	Usage	Consolidated	MWh	—	—	—	—	70	70	70	65	49	65
	Gasoline	Usage	Consolidated	MWh	—	—	—	—	6,805	6,295	5,368	2,929	3,011	2,126
	Natural gas	Usage	Consolidated	MWh	—	—	—	—	13	14	11	1	0	0
	Light oil	Usage	Consolidated	MWh	—	—	—	—	—	—	88	88	105	101
	Electricity	Usage	Consolidated	MWh	—	—	—	—	333,514	328,900	327,851	288,691	305,752	305,287
	Steam / cold water / hot water	Usage	Consolidated	MWh	—	—	—	—	64,758	65,969	68,730	54,133	54,500	59,344
	Total	Usage	Consolidated	MWh	—	—	—	—	475,513	468,366	466,214	403,973	428,049	430,439
Renewable energy*		Usage	Consolidated	MWh	—	—	—	—	—	—	13,046	29,647	62,156	102,676
	Ratio of renewable energy to total electricity usage		Consolidated	%	—	—	—	—	—	—	4.0	10.3	20.3	33.6
Scope 1 greenhouse gas (GHG)*	Carbon dioxide (CO_2)	Emissions	Consolidated	t-CO_2	—	—	—	—	14,548	13,824	13,074	11,170	12,368	11,958
	Hydrofluorocarbon (HFC)	Emissions	Consolidated	t-CO_2	—	—	—	—	1,504	2,137	2,140	813	1,636	1,756
Scope 2 GHG*	CO_2	Emissions	Consolidated	t-CO_2	—	—	—	—	178,102	166,605	147,294	120,123	108,808	96,071
Scope 1 and 2 GHG*		Emissions	Consolidated	t-CO_2	—	—	—	—	194,154	182,566	162,508	132,106	122,812	109,785
	vs. SBT base year (FY2017)		Consolidated	%	—	—	—	—	—	(6.0)	(16.3)	(32.0)	(36.7)	(43.5)
Scope 3 GHG*		Emissions	Consolidated	t-CO_2	—	—	—	—	2,927,320	3,123,238	3,782,555	2,470,411	2,420,492	2,761,669
	vs. SBT base year (FY2017)		Consolidated	%	—	—	—	—	—	—	—	—	(17.3)	(5.7)
Scope 1 and 2 GHG emissions intensity*	Per consolidated sales		Consolidated	t-CO_2/¥Million	—	—	—	—	0.17	0.16	0.14	0.17	0.14	0.11
Water*	Tap water	Usage	Consolidated[11]	m³	—	—	—	—	—	1,317,230	1,260,594	1,407,531	1,719,788	1,796,295
	Groundwater	Usage	Consolidated[11]	m³	—	—	—	—	—	480,731	452,702	459,054	570,760	613,303
	Gray water	Usage	Consolidated[11]	m³	—	—	—	—	—	136,804	125,989	198,882	158,848	151,017
	Total	Usage	Consolidated[11]	m³	—	—	—	—	—	1,934,765	1,839,285	2,065,467	2,449,396	2,560,615
		Emissions[10]	Consolidated[11]	m³	—	—	—	—	—	1,934,765	1,839,285	2,065,467	2,449,396	2,560,615
Waste (including food waste)*[12]		Emissions	Consolidated[11]	t	—	—	—	19,885	18,532	17,202	17,597	21,694	26,637	29,855
		Amount recycled	Consolidated[11]	t	—	—	—	11,644	10,863	9,938	10,453	12,479	12,845	15,421
		Final disposal amount	Consolidated[11]	t	—	—	—	8,241	7,669	7,264	7,144	9,216	13,792	14,434
		Recycling ratio	Consolidated[11]	%	—	—	—	58.6	58.6	57.8	59.4	57.5	48.2	51.7
Food waste*[13]		Emissions	Consolidated[5]	t	—	—	—	4,540	4,497	4,312	4,379	2,886	4,394	4,753
		Amount recycled	Consolidated[5]	t	—	—	—	2,716	2,416	2,477	2,610	1,857	3,027	3,598
		Final disposal amount	Consolidated[5]	t	—	—	—	1,824	2,081	1,835	1,769	1,029	1,367	1,155
		Recycling ratio	Consolidated[5]	%	—	—	—	59.8	53.7	57.4	59.6	64.3	68.9	75.7
Specified hazardous waste[14]		Emissions	Consolidated	t	—	—	—	—	—	—	—	—	6	0.2
Packaging materials usage[15]		Usage	Daimaru Matsuzakaya Department Stores	t	—	—	—	2,409	2,370	2,236	2,030	1,075	1,129	1,200

*Have received third-party assurance from LRQA Limited. (Have received the same assurance for water and waste since FY2020 and for social data, energy, renewable energy, and food waste since FY2021.)
*1 Manager level or above
*2 Special scope of associates as of June each year
*3 Number of retired employees during the year / Number of employees at the beginning of the year
(The number of retired employees above excludes employees who retired because of retirement age, transfer, and becoming officers.)
*4 Boundaries for the years up to FY2020 are Daimaru Matsuzakaya Department Stores (the numbers of employees taking childcare leave continuously after the year of birth).
Boundaries for FY2021 and beyond are consolidated (the numbers of employees who started childcare leave in the year of birth).
*5 Boundaries for the years up to FY2020 are Daimaru Matsuzakaya Department Stores.
*6 Grade 1 and 2 dedicated employees of Daimaru Matsuzakaya Department Stores paid according to a wage table by region
*7 Boundaries for the years up to FY2018 are Daimaru Matsuzakaya Department Stores.
*8 Lost time injury frequency rate: The frequency of lost time injuries occurring in a workplace per one million hours worked
*9 Confidential information breaches and personal data breaches
*10 Water usage and emissions are the same volume.
*11 Boundaries for the years up to FY2019 are Daimaru Matsuzakaya Department Stores.
*12 Waste includes general waste, industrial waste, and food waste.
*13 Reviewed the calculation method for food waste and revised the data for FY2021.
*14 (i) Waste PCB, etc.; (ii) PCB contaminated materials; (iii) PCB processed materials; (iv) waste mercury, etc.; (v) waste mercury, etc. processed materials;
(vi) specified sewage sludge; (vii) waste asbestos; and (viii) burnt residue, sludge, slag, dust, waste acid, waste alkali, etc. exceeding the limits
*15 Weight of wrapping paper, shopping bags, paper bags, plastic bags for food products, etc.

Data

Financial Information

Financial Position and Operating Results (fiscal 2022)

Overview of operating results

In fiscal 2022, the Japanese economy experienced the gradually diminishing impact of COVID-19 and a gradual move toward recovery centered on internal demand. However, unstable conditions continued with the materialization of geopolitical risks including conditions in Ukraine, rapid forex fluctuations, and inflation.

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

In terms of personal spending, with restrictions limiting movement eased, we saw a reduced impact from COVID-19 in the form of a recovery in the consumption of in-person services and in tourism demand mainly starting in the middle of the fiscal year. However, there is increasing uncertainty regarding the future amid greater frugality caused by inflation.

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

In fiscal 2022, the second year of the Medium-term Business Plan, the impact of the spread of COVID-19 and restrictions limiting movement in place through the previous fiscal year diminished. As such, to create a strong foothold for full recovery and to lead to regrowth from fiscal 2024 onward, we have positioned the fiscal year as a year to transition to "offensive-oriented management" and have promoted the key strategies and measures established by the Medium-term Business Plan.

As a result, for fiscal 2022, revenue was 359,679 million yen (up 8.5% year on year).

Furthermore, business profit was 24,854 million yen (up 112.1% year on year), as a result of improvement in revenue throughout the fiscal year, along with the effects from reduced fixed costs and expenses. Operating profit was 19,059 million yen (up 103.2% year on year) despite the recording of impairment losses on department stores and PARCO stores and loss on liquidation of business following the decision to end operations at Matsumoto PARCO. Profit before tax was 16,873 million yen (up 172.6% year on year), and profit attributable to owners of parent was 14,237 million yen (up 229.4% year on year), demonstrating a large increase in profit.

Business results by segment

<**Department Store Business**>

Amid the diminishing impact of the spread of COVID-19 and restrictions limiting movement, mainly from the middle of the fiscal year, we saw consumer behavior, which had been restricted, head toward recovery. Additionally, amid an increase in foreign tourists visiting Japan, the strategic investment that we have pursued resulted in a steady improvement in customer traffic and in net sales.

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

Furthermore, in our initiatives to utilize digital technology, we evolved our customer policies by promoting the digitalization of customer contact points through the app and by identifying potential customers through data analysis and use. We also newly launched DEPACO, a form of cosmetics media commerce using the strengths of department stores including their brick-and-mortar stores and sales service capabilities.

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

In our management restructuring, we produced results in organizational and human resource restructuring aimed at new store operating models and worked to revise our cost structure by reviewing the scope of our outsourcing and other means.

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

<**SC Business**>

The SC Business experienced steady improvement in both customer traffic and tenant transaction volume due to strategic remodeling centered on flagship stores and stronger promotions, amid a rebound from temporary store closures and admission restrictions on entertainment venues imposed in the previous fiscal year, in addition to personal spending heading toward recovery starting in the middle of the fiscal year.

In terms of our key strategy initiatives, eyeing both the changing times and lifestyle changes driven by the COVID-19 pandemic, at Ikebukuro PARCO, we renovated the ground floor and expanded content with a strong affinity with the area, and at Nagoya PARCO, we carried out large-scale renovations with the themes of genderless and ageless. We also rolled out unique pop-up stores, collaboration projects with characters, and joint projects with local communities at each store. Furthermore, with the cooperation of our tenants, we worked to develop a foundation by increasing the number of our app users and enhancing the convenience of shopping around at both our brick-and-mortar and online stores. We ceased operations of Tsudanuma PARCO at the end of February 2023.

As a result of various measures including those mentioned above, revenue was 54,361 million yen (up 3.4% year on year). Operating profit was 3,733 million yen (up 81.6% year on year) despite the recording of loss on liquidation of business following the decision to end operations at Matsumoto PARCO (planned for the end of February 2025) and impairment losses on stores.

<**Developer Business**>

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

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

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

<**Payment and Finance Business**>

In the payment business, in addition to the recovery in transaction volume in the Department Store Business and external merchants, to increase awareness about our unique point program (QIRA Point), we provided special experiences including unique events for our card users. We also worked to strengthen merchant business by creating payment environments in the Group commercial facilities and other means.

In the finance business, in addition to strengthening the insurance agency business, we expanded our financial services including investment trust installment services through partnerships with other companies.

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

<**Other**>

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

Financial position

Total assets at the end of fiscal 2022 were 1,120,953 million yen, down 71,954 million yen compared with the end of the previous consolidated fiscal year. On the other hand, total liabilities were 749,542 million yen, a decrease of 81,245 million yen compared with the end of the previous consolidated fiscal year. Interest-bearing liabilities (including lease liabilities) were 413,949 million yen, down 88,160 million yen compared with the end of the previous consolidated fiscal year, as a result of the Company optimizing cash and deposits on hand secured to provide for effects of the COVID-19 pandemic, and having proceeded with repayment.

Total equity was 371,410 million yen, an increase of 9,290 million yen compared with the end of the previous consolidated fiscal year.

As a result, the ratio of operating profit to total assets (ROA) was 1.6%, the ratio of profit to equity attributable to owners of parent (ROE) was 4.0%, and the ratio of equity attributable to owners of parent was 32.1%.

Cash flows

The balance of cash and cash equivalents (hereinafter "cash") at the end of fiscal 2022 was 39,874 million yen, down 53,404 million yen compared with the end of the previous consolidated fiscal year.

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

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

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

Basic profit distribution policy and dividends

The Company's basic policy is to return profits appropriately with a targeted consolidated dividend payout ratio of 30% or more while striving to provide stable dividends, with the aim of maintaining and enhancing its sound financial standing, 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 accordance with aims that include improving capital efficiency and implementing a flexible capital policy.

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

In fiscal 2022, the Company paid an annual dividend of 31 yen per share, comprising an interim dividend of 15 yen per share and a year-end dividend of 16 yen per share.

Data

Consolidated Financial Statements

Consolidated Statement of Financial Position

J. Front Retailing Co., Ltd. and its consolidated subsidiaries
As of February 28, 2021, February 28, 2022, and February 28, 2023

(Millions of yen)

	FY2020	FY2021	FY2022
Assets			
Current assets			
Cash and cash equivalents	128,925	93,278	39,874
Trade and other receivables	113,414	112,262	129,121
Other financial assets	5,841	11,929	10,836
Inventories	20,684	12,459	16,932
Other current assets	4,739	4,954	5,094
Total current assets	273,605	234,884	201,860
Non-current assets			
Property, plant and equipment	493,644	480,380	469,401
Right-of-use assets	157,819	140,470	119,501
Goodwill	523	523	995
Investment property	188,879	189,688	187,247
Intangible assets	5,752	7,289	7,797
Investments accounted for using equity method	37,815	38,761	41,402
Other financial assets	86,870	79,977	79,711
Deferred tax assets	6,751	8,209	3,137
Other non-current assets	12,061	12,721	9,897
Total non-current assets	990,116	958,022	919,092
Total assets	1,263,722	1,192,907	1,120,953
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	145,151	108,152	63,530
Trade and other payables	121,937	116,107	133,835
Lease liabilities	29,799	28,554	28,411
Other financial liabilities	30,211	29,915	29,975
Income taxes payable	1,957	4,485	1,527
Provisions	914	954	2,397
Other current liabilities	59,953	59,243	58,276
Total current liabilities	389,926	347,413	317,953
Non-current liabilities			
Bonds and borrowings	214,779	209,562	185,593
Lease liabilities	173,085	155,839	136,414
Other financial liabilities	39,237	36,741	35,290
Retirement benefit liability	19,781	19,416	16,754
Provisions	10,534	9,553	8,699
Deferred tax liabilities	51,301	51,697	48,366
Other non-current liabilities	731	563	469
Total non-current liabilities	509,451	483,373	431,589
Total liabilities	899,378	830,787	749,542
Equity			
Share capital	31,974	31,974	31,974
Capital surplus	188,542	188,894	189,068
Treasury shares	(14,830)	(14,780)	(14,466)
Other components of equity	9,578	9,574	10,654
Retained earnings	136,906	134,705	142,153
Total equity attributable to owners of parent	352,171	350,368	359,385
Non-controlling interests	12,171	11,751	12,025
Total equity	364,343	362,120	371,410
Total liabilities and equity	1,263,722	1,192,907	1,120,953

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

J. Front Retailing Co., Ltd. and its consolidated subsidiaries
Consolidated fiscal years ended February 28, 2022, and February 28, 2023

(Millions of yen)

Consolidated Statement of Profit or Loss	FY2021	FY2022
Revenue	331,484	359,679
Cost of sales	(183,642)	(190,142)
Gross profit	147,842	169,536
Selling, general and administrative expenses	(136,123)	(144,682)
Other operating income	11,068	4,540
Other operating expenses	(13,406)	(10,336)
Operating profit	9,380	19,059
Finance income	1,335	871
Finance costs	(5,890)	(5,218)
Share of profit (loss) of investments accounted for using equity method	1,364	2,161
Profit before tax	6,190	16,873
Income tax expenses	(2,225)	(2,611)
Profit	3,964	14,262
Profit (loss) attributable to:		
Owners of parent	4,321	14,237
Non-controlling interests	(356)	25
Profit	3,964	14,262
Earnings per share		
Basic earnings per share (Yen)	16.50	54.32
Diluted earnings per share (Yen)	16.50	54.30

Consolidated Statement of Comprehensive Income	FY2021	FY2022
Profit	3,964	14,262
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(52)	823
Remeasurements of defined benefit plans	1,632	1,176
Share of other comprehensive income of investments accounted for using equity method	136	(7)
Total of items that will not be reclassified to profit or loss	1,716	1,992
Items that may be reclassified to profit or loss		
Cash flow hedges	(13)	(1)
Exchange differences on translation of foreign operations	151	144
Share of other comprehensive income of investments accounted for using equity method	(0)	4
Total of items that may be reclassified to profit or loss	136	147
Other comprehensive income, net of tax	1,853	2,140
Comprehensive income	5,818	16,402
Comprehensive income attributable to:		
Owners of parent	6,173	16,384
Non-controlling interests	(355)	18
Comprehensive income	5,818	16,402

Data

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

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

Consolidated fiscal years ended February 28, 2022 and February 28, 2023

(Millions of yen)

	Equity attributable to owners of parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance at March 1, 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
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	148	(1)	822
Total comprehensive income	—	—	—	148	(1)	822
Purchase of treasury shares	—	—	(8)	—	—	—
Disposal of treasury shares	—	(0)	1	—	—	—
Dividends	—	—	—	—	—	—
Obtaining of control of subsidiaries	—	—	—	—	—	—
Share-based payment transactions	—	175	322	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	109
Total transactions with owners	—	174	314	—	—	109
Balance at February 28, 2023	31,974	189,068	(14,466)	209	(2)	10,448

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

Consolidated Statement of Cash Flows

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

Consolidated fiscal years ended February 28, 2022 and February 28, 2023

(Millions of yen)

	FY2021	FY2022
Cash flows from operating activities		
Profit before tax	6,190	16,873
Depreciation and amortization	49,629	49,107
Impairment losses	1,136	5,900
Finance income	(1,335)	(871)
Finance costs	5,890	5,218
Share of loss (profit) of investments accounted for using equity method	(1,364)	(2,161)
Loss (gain) on sale of fixed assets	(2,666)	(771)
Loss on disposal of fixed assets	1,726	2,102
Gain on sale of shares of subsidiaries	(3,951)	—
Loss on sale of shares of subsidiaries	1,818	—
Decrease (increase) in inventories	5,904	(2,185)
Decrease (increase) in trade and other receivables	(536)	(16,898)
Increase (decrease) in trade and other payables	(4,159)	17,599
Increase (decrease) in retirement benefit liability	(365)	(2,661)
Decrease (increase) in retirement benefit asset	(407)	3,360
Other	228	1,944
Subtotal	57,737	76,558
Interest received	130	123
Dividends received	208	170
Interest paid	(5,808)	(5,172)
Income taxes paid	(4,548)	(8,282)
Income taxes refund	2,147	2,083
Net cash provided by (used in) operating activities	49,866	65,480
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,820)	(8,641)
Proceeds from sale of property, plant and equipment	492	190
Purchase of investment property	(2,601)	(3,043)
Proceeds from sale of investment property	2,887	1,599
Purchase of investment securities	(2,760)	(1,946)
Proceeds from sale of investment securities	2,503	2,072
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(207)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	3,479	—
Other	(3,469)	(3,396)
Net cash provided by (used in) investing activities	(5,289)	(13,371)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	(24,000)
Net increase (decrease) in commercial papers	(54,998)	(15,002)
Proceeds from long-term borrowings	—	5,500
Repayments of long-term borrowings	(17,150)	(15,150)
Proceeds from issuance of bonds	29,867	—
Redemption of bonds	—	(20,000)
Repayments of lease liabilities	(29,674)	(29,138)
Purchase of treasury shares	(32)	(9)
Dividends paid	(8,348)	(7,832)
Dividends paid to non–controlling interests	(64)	(64)
Other	8	2
Net cash provided by (used in) financing activities	(80,392)	(105,694)
Net increase (decrease) in cash and cash equivalents	(35,815)	(53,585)
Cash and cash equivalents at beginning of period	128,925	93,278
Effect of exchange rate changes on cash and cash equivalents	168	181
Cash and cash equivalents at end of period	93,278	39,874

Group Companies (as of June 30, 2023)

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

J. Front City Development Co., Ltd. (Developer business)
Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
Capital: ¥110 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: ¥100 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. (Payment 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%

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%

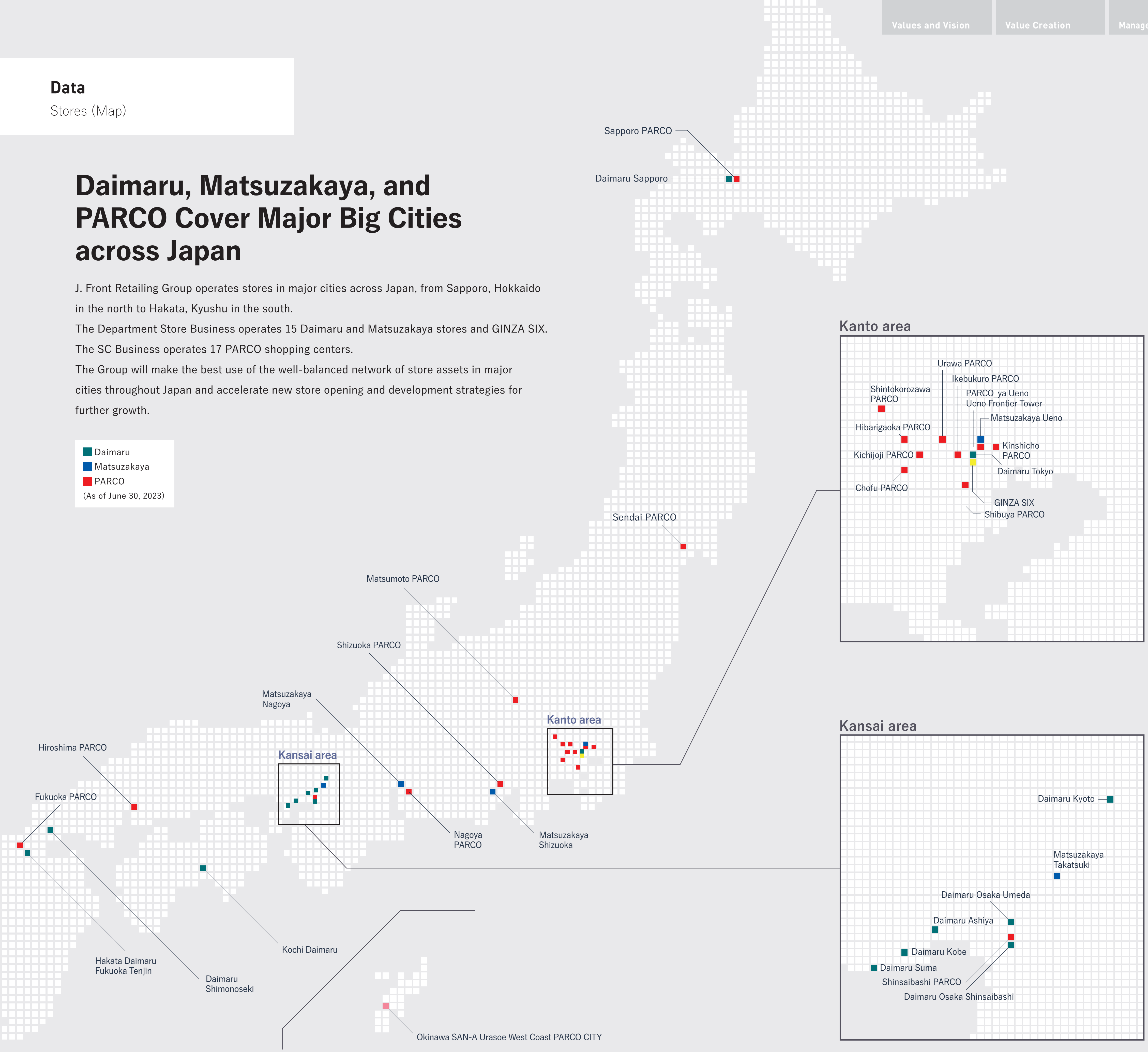
JFR Information Center Co., Ltd. (Information service)
Location: 3-24, Osaka 1-chome, Tennoji-ku, Osaka 543-0062
Capital: ¥10 million Investment ratio: 100%
http://www.jfr-ic.jp/

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 and GINZA SIX.
The SC Business operates 17 PARCO shopping centers.
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.




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)

Data
Stores (Photos)

Daimaru and Matsuzakaya Stores (as of June 30, 2023)


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, 2023)

PARCO urban stores


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: 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

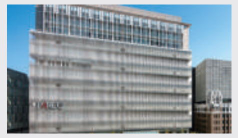

Chofu PARCO
1-38-1, Kojima-cho, Chofu, Tokyo
B1F-10F
Opened: May 25, 1989


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 stores


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

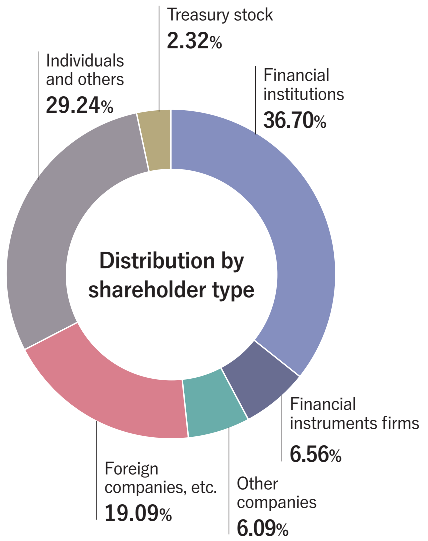
Share Information / Corporate Information (as of February 28, 2023)

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	: 166,642

Name of shareholder	Number of shares held (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	46,039	17.42
Custody Bank of Japan, Ltd. (Trust Account)	20,798	7.87
Nippon Life Insurance Company	9,828	3.72
J. Front Retailing Kyoei Supplier Shareholding Association	6,462	2.45
The Dai-ichi Mutual Life Insurance Company	4,012	1.52
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	3,825	1.45
JP Morgan Securities Japan Co., Ltd.	3,565	1.35
SMBC Nikko Securities Inc.	3,387	1.28
SMBC TRUST BANK LTD. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	3,204	1.21
Japan Securities Finance Co., Ltd.	3,124	1.18

*Shareholding ratio is calculated by deducting treasury stock (6,272,000 shares). The said treasury stock does not include the Company's shares held by the officer remuneration BIP Trust.



Distribution by shareholder type	Number of shareholders (People)	Number of shares (1,000 shares)	Ratio (%)
Government and local public entities	—	—	—
Financial institutions	63	99,294	36.70
Financial instruments firms	44	17,754	6.56
Other companies	1,024	16,472	6.09
Foreign companies, etc.	534	51,658	19.09
Individuals and others	164,976	79,113	29.24
Treasury stock	1	6,272	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)	: 5,115 (as of February 28, 2023) Note: In addition to the above, there are 2,143 dedicated employees and fixed-term employees.
URL	: https://www.j-front-retailing.com/english/

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