J. FRONT RETAILING

Integrated Report 2024

Time for a Change

Aiming to Be a Shin Retailer.

Create and Bring to Life "New Happiness."

J. FRONT RETAILING

SHINKA

深化

deepening

深

Can the Department Stores capitalize on this turning point? — 300 years at Daimaru and 400 years at Matsuzakaya. Their long histories have been a series of responses to changes, overcoming a number of crises. Recent Lehman's collapse and the COVID-19 pandemic that started in 2020 have undoubtedly both been triggers for major changes to us. The Department Stores continues to expand their affluent market, including younger customers, in the wake of the pandemic. GINZA SIX, which has transformed itself from a department store into a luxury mall, is growing. And Parco, based in Shibuya, is increasingly gaining global support. How will the retail model expand with limited room for store openings? Under the new structure, the transformation to deepen retailing will begin.

SHINKA

進化

evolution

進

It was in 2012 that Parco, which has a different customer base and culture from the Department Stores, joined the same group. Subsequently, after the company became a wholly owned subsidiary in 2020, the capital market has been expecting a great deal of synergies. Partly because the buildings of Shinsaibashi PARCO and the Daimaru Shinsaibashi store are connected to each other, it has been shown that a considerable amount of synergy can be created. However, it is also true that some have asked if that is all. Currently the Group is becoming more diverse, and the exchange of human resources is finally becoming more active. The most important thing to take synergy to a whole new dimension is mutual understanding. We are aware of this and are driving it forward. Synergy evolves — the Group will prove it right in the next three years.

01 Values and Vision

02 Value Creation

03 Management Strategy

04 Sustainability

05 Governance

06 Data

Editorial policy

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

Environment
Social
Governance
Guidance for Collaborative Value Creation

Timeframe

This report mainly reviews the fiscal year 2023 (March 1, 2023 through February 29, 2024) 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. One of the most recent symbolic events was the spread of COVID-19 infection, which forced people to refrain from leaving their homes, restrict their movement, and live under many other restrictions and in a state of anxiety and frustration unlike anything they had ever experienced before.

By relieving customers of “anxieties” 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.

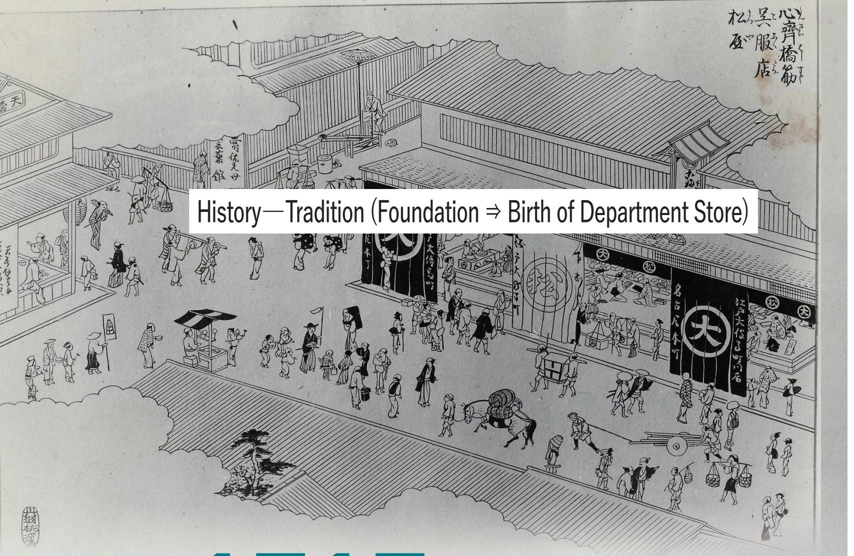
Group Vision

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.



History—Tradition (Foundation ⇒ Birth of Department Store)

1717

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

DAIMARU

Responding to Changes Makes History

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."

1611

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

Matsuzakaya

1717

1700s

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

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

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

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

1757
Built Kiba Villa near Hanei Bridge at Kiba 4-chome, Fukagawa, Edo and set up a shrine of Han-ei Inari in one corner of the property. (Still present on the premises of Core Building)

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

1800s

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

1900s

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

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

1912
Opened new three-story 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.)

2000s

2003
Sapporo store opened.

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

1611

1600s

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

1700s

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

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

1745
Opened a purchasing office in Muromachi Nishikikoji, Kyoto.

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

1800s

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

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

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

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

1900s

1907
Reorganized Ueno store into Goshi Kaisha Ito Gofukuten.

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

1917
Completed the new main building of Ueno store.

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

1924
Ginza store opened.

1957
Designated cattleya as a symbol flower.

1972
Nagoya store built a north wing.

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

2000s

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. and established a holding company J. Front Retailing Co., Ltd.

2007

History—Innovation (Reorganization ⇒ Portfolio Transformation)

Fusion Opens Up the Future

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.

2007

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

J. FRONT RETAILING

2007 Phase of business integration and reorganization

2007
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.

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.

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.

2014 ‣ 2016 Medium-term Business Plan

Phase of building foundations

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.

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

Daimaru Kyoto Store Gion Machiya opened. (Nov)

2017 ‣ 2020 Medium-term Business Plan

Phase of changing the business structure

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.

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)

Cancelled the Medium-term Business Plan and began to formulate FY2021-FY2023 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)

2021 ‣ 2023 Medium-term Business Plan

Phase of promoting the portfolio transformation

2021
Transferred all shares of a consolidated subsidiary J. Front Foods Co., Ltd. (Feb)

FY2021-FY2023 Medium-term Business Plan started.

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)

2024 ‣ 2026 Medium-term Business Plan

Phase of change

2024
FY2024-FY2026 Medium-term Business Plan started.

Established Pride Fund, a business succession fund, with Development Bank of Japan Inc. and Ignition Point Venture Partners Inc. (Apr)

The Company and WealthPark Co., Ltd. entered into a comprehensive business partnership. (Apr)

Daimaru Matsuzakaya Department Stores Co. Ltd. signed business partnership agreement with Central Pattana Public Company Limited of Central Group in Thailand. (Apr)

Sustainability Management

Creating Shared Value Sustainability Management

A company cannot develop without co-existing with society. It is now essential for management to take a longer-term perspective and envision the ideal company for the future that has a meaningful presence in society. It is clear that we cannot conduct our corporate activities without turning away from issues such as the environment, society, and human rights. By incorporating the concept of sustainability into our corporate and business strategies to resolve such issues, we believe we can obtain a sustainable management framework for future growth.

With sustainability at the core of our management based on the Corporate Credo, we will strive to achieve both social and economic value by working to solve social issues through our business activities.

5 Materialities (Revision of Materialities)

Following discussions by the Management Meeting and the Board of Directors, we have identified five themes in our FY2024-FY2026 Medium-term Business Plan.

Materiality map

Changes in materialities

2018-2020	2021-2023	2024-2026
Laying the Foundation for Sustainability Management	Challenging to Integrate Sustainability and Strategy =Sowing the Seeds for Realizing CSV	Integration of Sustainability and Business Strategy =Realizing CSV
	Realization of customers' healthy/safe/secure life	Adding excitement to life
Contribution to a low-carbon society	Realization of a decarbonized society Promotion of circular economy	Creating a society that co-exists with the environment
Coexistence with local communities	Coexistence with local communities	Enhancing community vitality
Management of the entire supply chain	Management of the entire supply chain	Increasing the number of value co-creation partners
Promotion of diversity Realization of work-life balance	Promotion of diversity & inclusion Realization of work-life integration	Empowering diverse human resources to shine
Selected 5 materialities	Added 2 materialities and updated 3 materialities	Reorganized into 5 themes
・Questionnaire survey of stakeholders (4,250 people) ・Interview with management ・JFR Group key risks ・Prepared materiality map ・Discussed by the Management Meeting and the Board of Directors	・Changes in the external environment surrounding environmental issues ・Changes in society and people's attitudes due to impact of COVID-19 pandemic ・JFR Group key risks ・Reviewed from the perspective of upgrading efforts in light of social changes ・Communication with stakeholders ・Discussed by the Management Meeting and the Board of Directors	・Reorganization toward realization of the 2030 Future Vision (Co-creation of Excitement, Co-prosperity with Communities, Co-existence with the Environment) ・JFR Group key risks ・Review toward integrating sustainability and business strategy ・Revision of wording to promote employee action ・Communication with stakeholders ・Discussed by the Management Meeting and the Board of Directors

Materialities and targets

Materiality	Output	Commitment	Key indicator	Reference	Target	
				2023 results	2026	2030
Adding excitement to life	●Quality products and services ●Exciting content	Amidst diversifying values, we will provide places and spaces for new encounters with goods and things that stir people's hearts, and propose Well-Being and future lifestyles that are fulfilling and exciting for every consumer.	Number of the Group customer members		Up 25% (vs. FY2023)	*1
			Customer survey*2 (Excitement/ impression level)	70.7%	—	75%
Enhancing community vitality	●Bustle of local areas ●Revitalization of local communities	We will strengthen ties with local areas, including our seven key areas, and work with local communities, governments, NPOs, and others to enhance local vitality and create sustainable urban development. In addition, by discovering and communicating the appeal of the community, we will offer new and exciting experiences for people who gather there.	Customer traffic	—	Up 10% (vs. FY2023)	*1
			Customer survey*2 (Contribution to the community)	74.7%	—	80%
Creating a society that co-exists with the environment	●Reduction of GHG emissions ●Circular business	To achieve the 2050 net zero target, we will work toward both decarbonizing the entire supply chain and promoting a circular economy. At the same time, we will provide opportunities for everyone to contribute to the creation of a sustainable society, not only through our independent efforts, but also by working with our value co-creation partners.	Scope 1 and 2 emissions	Down 57.4%	Down 58% (vs. FY2017)	Down 60% (vs. FY2017)
			Scope 3 emissions	Down 1.0%	—	Aim for 40% reduction
			Customer survey*2 (Customer commitment to the environment)	48.1%	—	55%
Increasing the number of value co-creation partners	●Broad partnerships across industries ●Sustainable supply chain	We will share our thoughts and ideas on sustainability with others and establish a partner foundation for the values of "Co-creation of Excitement," "Co-prosperity with Communities," and "Co-existence with the Environment" along with fulfilling our social responsibilities, such as human rights due diligence, toward the realization of a sustainable society.	Number of stakeholder co-creations	312	400 or more	500 or more
			Human rights assessment results (Rating B or above)	31.5%	35%	45%
Empowering diverse human resources to shine	●Ease of work and job satisfaction	We will realize the sustainable growth of our human resources and the company by creating an environment and structure, including diversity, equity, and inclusion, and work-life integration, that enables each employee to play an active role and maximize their motivation, ambition, and abilities.	Employee engagement	Employee satisfaction level 67.7%	Employee satisfaction level 70%	To be set based on achievement status for FY2026
				Work recommendation level 57.7%	Work recommendation level 60%	
			Ratio of women in management positions	22.5%	31%	40%

*1 We will consider indicators and targets in the current Medium-term Business Plan that can be more relevant to our business strategies to realize materialities.
*2 We have set medium-term targets for 2030 based on a baseline survey conducted in June 2024. A full survey will be conducted in 2025 to verify the adequacy of the targets.

— Top Message —

With Aggressive Change, Implement New Strengths.

Three values derived by backcasting

In formulating the FY2024 to FY2026 Medium-Term Business Plan, we have followed the process of targeting a single milestone of 2030 and backcasting from there. In the past year, we have achieved a recovery from the COVID-19 pandemic by continuing to perform well, especially in retail businesses such as Daimaru Matsuzakaya Department Stores and Parco, but one of the key points in formulating the medium-term plan was how to successfully connect this with the next phase toward 2030.

In the short to medium term, I believe that the most important challenge is how to maximize the tailwind from both the affluent and inbound markets that are driving consumption in the current retail industry. Inbound sales for fiscal 2023 grew to 67.1 billion yen at the Department Stores, exceeding the pre-pandemic level, and to a level of over 25.0 billion yen at Parco.

However, I am by no means optimistic that this situation will continue forever. Given that the current situation of inbound sales is centered around luxury goods, there is no doubt that exchange rates are having a significant impact. In recent years, there has been an interesting new trend of the rise of wealthy young people, but it is important to remember that the department store industry as a whole continued to shrink before COVID-19.

Therefore, rather than looking to achieve sustainable growth through existing formats alone, I believe we must also simultaneously create new business models within our retail business. In this context, I believe that we must simultaneously maximize the current tailwind effect, deeply cultivate the newly emerging market, and sow the seeds for the future. For this reason, we have positioned the next three years as a phase of change, and will make aggressive investments in preparation for a leap forward by 2030, as well as move forward with bold initiatives with a sense of urgency.

Through discussions on a vision for 2030, we came to the conclusion that in order to realize the Group Vision of "Create and Bring to Life 'New Happiness,'" we should aim to become a Value Co-creation Retailer that creates three shared values: Co-creation of Excitement, Co-prosperity with Communities, and Co-existence with the Environment.

First, with regard to Co-creation of Excitement, we are proud to say that we have added excitement to the lives of consumers through the provision of products and services. While maintaining and improving this role, we have decided to position our social role as raising the "temperature" of society, which has tended to drop recently, and the key word in this is "excitement." We want to create and share exciting consumption and thrilling experiences with our customers and employees to raise the level of enthusiasm in the world.

As for the second, Co-prosperity with Communities, it goes without saying that our core business is rooted in the local communities centered around our stores. By making our stores more attractive, we will revitalize the communities, and as a result of the revitalization of the communities, our stores will grow even more. In other words, we have built a kind of ecosystem together with the communities, and by strengthening not only our stores' sales activities but also our collaborative efforts with external companies in the local areas and the local governments, we hope to become an even more essential presence in the communities than ever before.

Regarding the third, Co-existence with the Environment, we are proud to have been leading the industry in environmental efforts to date, but we thought that precisely because we are a retailer that has contact with many customers, there must be more we can do to contribute to a sustainable society. As a result, we came to the conclusion that we should play a role in fostering a culture in which everyone can contribute to creating a society in which we live in harmony with the environment.

I have been talking about sustainability management in the past, and these three values of co-creation and the Value Co-creation Retailer are a more easily understandable expressions of this. All of our corporate activities contribute to both social and economic value - this is the very practice of our corporate credo: Service before Profit and Abjure All Evil and Practice All Good. The Group wants to continue to be such an entity in any age.

小野圭一

ONO Keiichi

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

Create greater synergies

The Group is not a simple department store group, but a diverse group of people and companies with many different personalities.

Synergies have already produced some results. For example, the north wing of the Daimaru Shinsaibashi store was converted into PARCO, creating a nearly integrated commercial facility. Also, the Matsuzakaya Ueno store opened a new store format called PARCO_ya in its south wing. In an environment where it is physically and geographically possible to do such things, synergies between Daimaru Matsuzakaya and Parco are being created in various ways. Conversely, I recognize that there is still room for growth in areas and stores that are not in such conditions.

I believe that what is needed to create further synergies is mutual understanding within the Group. As they are operating companies, it is natural that their mission is to maximize individual profits, but I believe there is much room for improvement in terms of mental and cultural integration so that they can take on initiatives with a view to the growth of the entire Group.

In personnel changes made in March this year, former Parco employees were appointed as the Executive Store Managers of Daimaru Tokyo and Sapporo, which are the flagship stores of Daimaru Matsuzakaya Department Stores, while a former Daimaru Matsuzakaya Department Stores employee was appointed as the head of the planning and preparation office for The Landmark Nagoya Sakae, a new commercial facility developed primarily by Parco. Parco's officers have been seconded to the holding company since several years ago, but this time we started to exchange the top class of sales managers between the operating companies. Exchanges are also progressing at the lower levels, so we are working to

What is missing in synergy creation is mutual understanding. This is where we step in.

further deepen our understanding through the Group's joint training and other means to grow the Group as one team.

I believe that we can achieve synergies in terms of customers, areas, and content.

First, regarding "customer synergies," up until now, the Department Stores and Parco have worked separately to convert their customers into their members, but going forward, we will implement a customer strategy across the entire Group. Parco is more popular with younger generations than the Department Stores, but ideally, when they reach an age where they can outgrow Parco, they will be able to choose to shop at Daimaru or Matsuzakaya instead. We are thinking about what we can do to achieve this.

An obvious example is the integration of loyalty points. Daimaru Matsuzakaya Department Stores and Parco have created a system that allows some points to be exchanged in Shinsaibashi, but the reality is that they are currently separate points. If points can be shared, it will be possible to use points at either store, or to use points accumulated on PARCO's fashion floors to buy something on the basement food floor of the department store next door. This is just an example, but we are beginning to study such a possibility.

Regarding "area synergies," we have positioned Sapporo, Tokyo, Nagoya, Osaka, Kyoto, Kobe, and Fukuoka as seven key cities, which are the areas that have potential for development by the Group. As I mentioned earlier, there have been synergies in terms of physical facilities in Ueno and Shinsaibashi to date, but currently, in addition to Daimaru Matsuzakaya Department Stores and Parco, we are working through a trial-and-error process to see how we can integrate within the areas with J. Front City Development, which was established last year to operate the Developer Business, and JFR Card, which operates the Payment and Finance Business. Furthermore, we will promote efforts to collaborate with

companies and governments outside the Group. As part of this, we would like to first create a model case in the Sakae area of Nagoya.

Regarding "content synergies," before I talk about synergies, I must first tell that the Company aims to own content such as products and intellectual properties (IPs). Until now, the Group has focused on creating unique value and providing it to customers through assortments such as purchasing products and attracting tenants. However, such efforts alone will not be enough to avoid the risk of homogenization. Therefore, we would like to implement a new growth axis in which we ourselves act as a "content holder" and provide unique products and services to our customers. In the past, we have developed private brands as a department store operator, but this time, we envision taking a step further than before, with M&As and other options in mind. We will also actively utilize the 50.0 billion yen growth investment quota established in the current Medium-term Business Plan. By bringing together and integrating the Group's know-how, the Department Stores and Parco will develop, own, and grow merchandise content and IP content, respectively.

Co-creation in the Nagoya area marks a turning point for the Group

I believe that what we are trying to achieve in the Sakae area of Nagoya will be a significant milestone in helping people understand the future potential of the Group. The Matsuzakaya Nagoya store and Nagoya PARCO are already adjacent to each other, and The Landmark Nagoya Sakae is scheduled for completion in 2026. We will operate a new commercial facility from the second basement floor to the fourth floor, combining the know-how of Daimaru Matsuzakaya Department Stores and Parco. Looking at the future development situation in the Nagoya area as a whole, the focus is clearly shifting to the Sakae area.

We hope to strengthen options to shop around at multiple stores such as the Matsuzakaya Nagoya store, Nagoya PARCO, and The Landmark Nagoya Sakae, which will be newly added, and further revitalize the entire Sakae area through collaboration with external parties, making it a "destination" that attracts people to come all the way to.

In order to further solidify these efforts, the holding company has established an organization called the Area Management Promotion Project. In the Sakae area, we will deepen cooperation within and outside the Group and promote strategies to contribute value to the community. At the same time, we would like to realize specific collaborative measures under the establishment of an effective promotion system.

In the Sakae area, we are beginning to see some changes recently. Until now, inbound sales at the Matsuzakaya Nagoya store were not so large, perhaps because many visitors came to the Centrair Airport but passed through Nagoya and headed straight for Hida Takayama or the Hokuriku region. However, since the beginning of this fiscal year, these sales have been growing rapidly, and as of the first quarter, they were more than six times higher than in the same period of the previous year. The Matsuzakaya Nagoya store is currently undergoing major renovations, with four floors closed, but sales are still

Room for growth in seven areas. They will be an advantage for the future.

up compared to last year. There is no doubt that one of the driving forces behind this is inbound sales. We believe that the inflow of inbound tourists to Nagoya will be further solidified by the Group's initiatives for fiscal 2026.

The large-scale renovation of the Matsuzakaya Nagoya store will span eight floors, with major themes including strengthening luxury items to attract the young affluent and the MZ generation as well as rebuilding the fashion floors. The question of what to do about fashion items in the Department Stores has been a fundamental issue even before COVID-19, and this is what the Nagoya store will tackle. Specifically, it will be a major renovation with 60% of the tenants being replaced on the 3rd and 4th floors of the main building. We have engaged renowned architect NAGAYAMA Yuko to design the interior of the store with the aim of creating an overwhelming store space. We hope to gradually roll out the essence of the transformation that will take shape at the Matsuzakaya Nagoya store, which will stimulate the five senses in a way that only real stores can, to our other flagship stores.

Nagoya PARCO will undergo a major renovation of its east and west buildings to further increase its presence as the number one pop culture hub in the Tokai region and to restructure the fashion zone for the MZ generation. We hope to attract customers from a wide area by further clarifying the characteristics.

In this way, the existing Matsuzakaya Nagoya store and Nagoya PARCO will continue to work to further strengthen their strengths, and The Landmark Nagoya Sakae will be added to this. Our strength lies in the ability to unite the power of the Group and become stronger as an area, allowing us to compete as a "whole area" rather than as separate single points.

Outside of Nagoya, the "Tenjin Big Bang" project for 2030 is already underway in the Fukuoka area, and with the full acquisition of the south wing of the Daimaru Shinsaibashi store, which was announced recently, development options in the area have increased. I believe that the fact that the Group has seven areas with such potential is a great advantage that will ensure future growth.

Meaning and significance of focusing on content

The strengths of the Group are its customer assets and store assets. I believe that we can make good use of these to grow our content. This means that we can ask our millions of loyal customers directly what they would like to buy next, or we can place content in high-traffic locations in our stores that we want to grow, raise awareness about it, and then open shops outside the Group. I believe that content is what connects the Group's strengths with its vision for future growth.

In this process, we may develop products together with our suppliers, or we may form a group through M&A. In a completely different direction, we could discover local content in the areas with which our stores have strong store connections, feature it in our national store network and on our website, and then invest in it to feature it within the Group. There are a variety of paths we can take.

One example is the business succession fund we established in March this year. The fund supports local companies with strong content that are facing the challenge of business succession, with a view to eventually bringing them into the Group through the fund.

It is an advantage that the Department Stores and Parco, which are our core businesses, have well-located stores in major cities throughout Japan. There is great potential for value enhancement through rebuilding, renewal, or redevelopment. On the other hand, it is obvious that it is difficult to achieve future growth by opening more stores in Japan. I believe we must have an axis of business that does not rely on the Group's physical stores.

When we closely look at the Group's strengths, "discernment" emerges as a keyword. There was a time when Daimaru Matsuzakaya Department Stores discovered products and services and signed exclusive agreements with overseas luxury brands. Parco, with its unique sensibility and information-gathering ability, has also been quick to take in new things that have emerged in the world, and has often made them a hit. Thus far, "discernment" has been utilized for purchasing and attracting tenants, but in the future we will adapt it to a new way of dealing with content: "ownership through investment."

On the other hand, the Group's challenge is that it does not have commercial facilities overseas. Daimaru and Matsuzakaya stores, which had operated overseas since the late 1990s, withdrew from the market due to low profitability, and there are currently no overseas stores left, except for Shanghai New World Daimaru Department Store, with which we have no capital ties. Given that the domestic market will inevitably shrink due to demographic trends, we need to consider the state of our overseas business.

Another challenge is e-commerce. Although there are new subscription initiatives such as AnotherADdress, the reality is that the majority of e-commerce sales are from midyear and year-end gift sales. One of the reasons for not being able to expand as much as we would like is that we do not have enough content that we can handle on our own. One of the advantages of digital technology is that it allows producers to connect directly with customers, so it will be difficult for businesses without content to succeed unless they have exceptional scale or a unique point of differentiation.

In other words, owning our own content will lead to the expansion of our e-commerce business, and as an overseas business, opening stores involve a large risk, but I believe it is possible to open stores and export content.

For example, we are about to start a partnership with Central Group in Thailand, and it is conceivable that we will provide our content by opening a tenant in our overseas partner's commercial facilities. So, if we can make it clear that the products are from J. Front Retailing, Daimaru Matsuzakaya Department Stores, or Parco, customers who pick up our products may visit the Group's stores with a sense of familiarity when they come to Japan. We are trying to move forward from various perspectives, including the secondary effects of inbound tourism, so to speak.

Human resource development is our greatest mission

However, it is clear that just having content is not enough. The capabilities to make the content successful, in other words, the human resources who are their source, are critical.

The Group has many discerning people, including buyers, store planners, and specialists, and I think we can make better use of their expertise. On the other hand, the challenge is the capabilities to further develop and grow content such as merchandise and IPs once we own it. To this end, in addition to developing existing human resources, it will be necessary to hire new human resources and engage in M&As to acquire such capabilities.

Failure is a proof of challenge.
Instill a culture of taking on challenges.

We would like to get closer to realizing the content business by focusing on two axes: diversifying the routes through which we acquire content and implementing capabilities to grow the content we acquired.

Human resources are indispensable for sustainable growth over the medium to long term. I believe that my greatest mission is to develop human resources. Human resource development must be considered over some long-term span. Unlike the traditional relationship between a company and its employees, I would like to create a cycle in which employees use the company's power to express their own will and achieve what they want to do, and this will become the driving force behind the company's growth. To achieve this, it is necessary to revitalize the corporate culture, and it is also necessary to invest in human resources and improve the level of education. In addition, the company will carefully pick up employees' ideas, and if there are good ones, it will invest in them and develop them into a business. We would like to create a multi-stage, multi-faceted approach in such a cycle.

One of the Company's JFR WAY, or the five action guidelines for realizing our vision, is "Try without fear of failure." I would like to place great importance on this idea. In other words, failure is a sure sign that you have tried something. That's why I want to firmly establish a culture where it's not the failure as a result that's important, but the fact that you tried. It is important to be a group that encourages those who are willing to try, rather than giving up before they even start, thinking that it would be impossible even if they tried.

One of the sources of our success to date has been our successful cost control, particularly in human resource management. On the other hand, I also feel that precisely because of these successful experiences, it may be more difficult for us to transition from human resource management to human capital management than for other companies. It is very important to be aware of costs first, but now, when Japan's economy is shifting from deflation to inflation, we must be decisive in making investments to raise the top line.

While cost control is a strength, a major shift in mindset is needed, in a sense, to actively invest in human resources in pursuit of returns. In an era like today, where there is not always single right answer, it is necessary to implement a variety of capabilities. In changing the culture and moving in a new direction, I am prepared to face high or thick barriers. That is why I would like to take the lead in developing human resources, taking the time and responsibility to do so.

Management conscious of cost of capital to increase corporate value

The Company currently recognizes the cost of shareholders' equity of 7.0 to 7.5% and WACC of 4.0 to 4.5%. Sustained achievement of ROE and ROIC above these levels will lead to medium- to long-term improvement in corporate value. Last fiscal year, we reached our medium-term target of an ROE of 8%, and also achieved an ROIC of over 5%.

Align with investors.
Enhancing corporate value is a shared goal.

However, Japan is approaching the exit from deflation and is about to undergo a major change to a "world with interest rates." This will naturally require a change in our recognition of the cost of capital, as well as an increase in the level of ROE we should pursue and the level of ROIC we should achieve in the future.

The current Medium-term Business Plan is positioned as an upfront investment phase, but even so, while ensuring an ROE of 8% or more, we must decisively change our business structure so that we can aim for an ROE of 10% or more in the medium to long term.

Regarding ROIC, we will recognize WACC for each business and use it as a hurdle rate to improve ROIC for each business. When viewed by business, the existing business with the highest ROIC is still the core retail business. In this context, we are sometimes asked by investors why we are actively investing in the Developer, which has lower ROIC than retail, in order to achieve long-term growth.

The main reason why we actively invest in the Developer Business is to make effective use of the assets we already own and to realize profits. The main purpose of proceeding with development in the Developer Business is to further strengthen the core retail business, i.e., to further increase the ROIC of the retail business. However, I recognize that it is necessary to further clarify such stories, and I will keep this in mind in order to improve PER.

As part of this effort, we have decided to establish a system in which the holding company will realize synergies in the key areas where large-scale property development is underway. We would like to take the opportunity of large-scale development projects to clarify the responsibility and authority for improving the Group's total earnings in the areas in order to maximize group synergies.

To achieve this, it is essential that ROIC management is firmly established at the workplace. For this reason, this summer we launched an ROIC project at each operating company and established a promotion system that will increase effectiveness. I myself have been conscious of mentioning ROIC at every opportunity within the Company, and at a recent Catch Ball Meeting, a direct dialogue between myself and the Group employees, I spoke about the deep relationship between ROIC and the workplace when explaining the Medium-term Business Plan.

Starting this fiscal year, we have adopted ROIC as a management indicator to be achieved in determining officer remuneration, and have also decided to incorporate TSR in order to promote management that is more conscious of stock prices. In other words, the framework for working together with investors on the same vector to enhance corporate value has been further strengthened. By deepening dialogue with the capital market, I hope to enhance the effectiveness of our management.

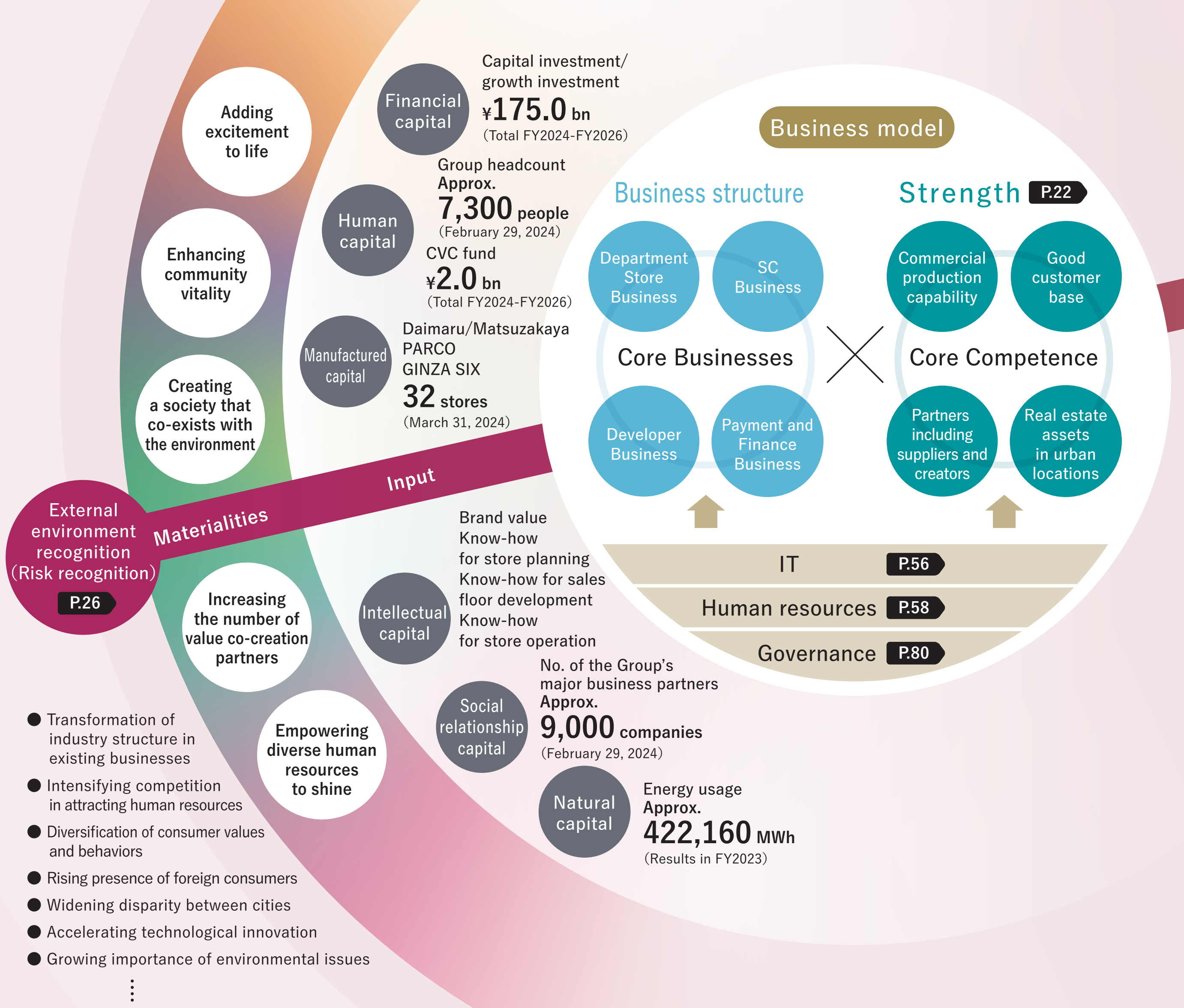
At the same time, we will increase the dividend payout ratio from the current 30% or more to 40% or more, and will also buy back our own shares as appropriate while monitoring our cash flow situation, with the aim of distributing more than 45.0 billion yen in shareholder returns over the next three years.

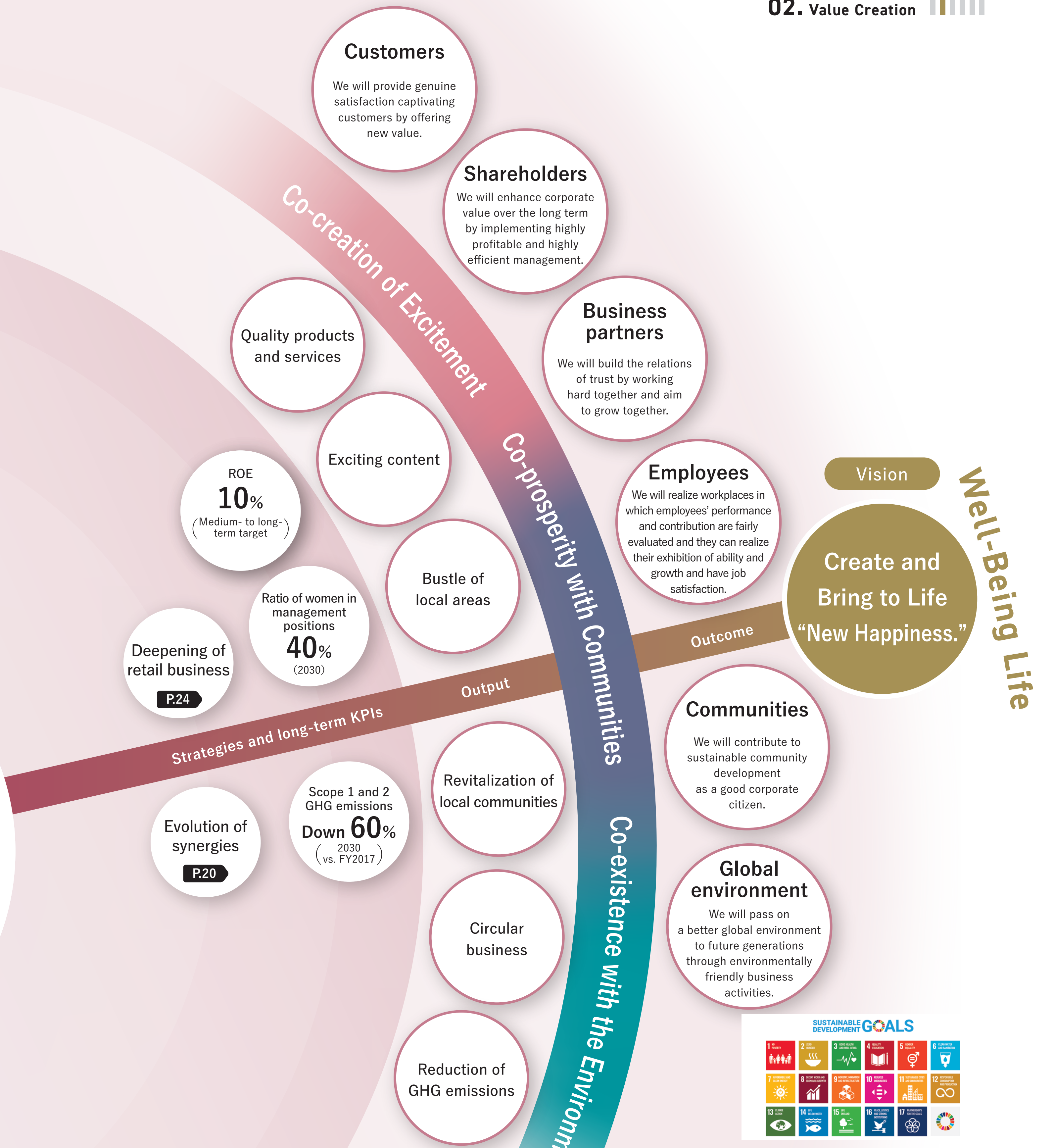
What is important in the current Medium-term Business Plan is to carry out aggressive transformation from a long-term perspective. I am resolved that the concrete results we achieve over the next three years will determine the future of the Group, and I would like to build a new group by taking on bold challenges again and again, without fear of failure.

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 lifestyles 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 Stores and Parco.
It is nothing less than to create, as a public entity of society, new value that resonates with various stakeholders.
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 that resonates with society.
Through this initiative, we will aim to realize CSV management that achieves social value and economic value at the same time, contribute to society at large, and develop the Group.





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

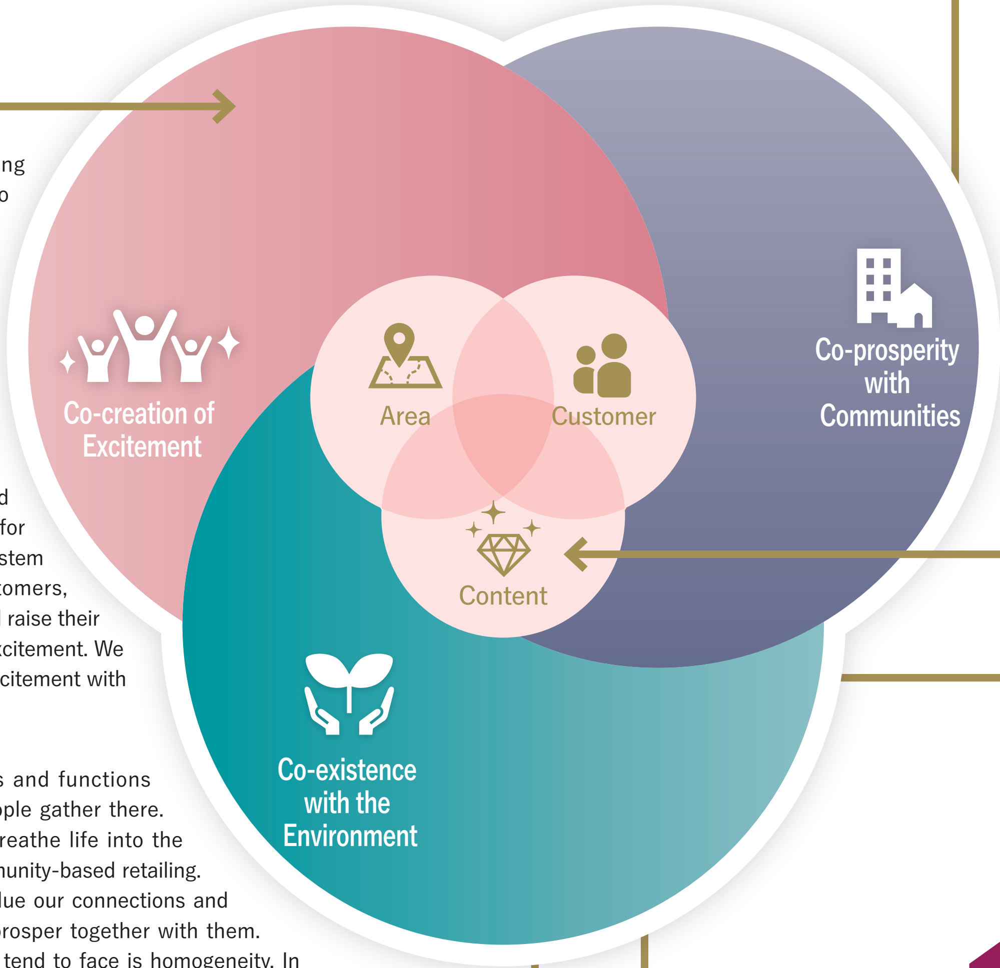
Three Values We Pursue

The Group Evolves into a New Era.

Looking ahead to 2030, we have been thinking about what we need to value in order for the Group to remain relevant to society. And we have come to the conclusion that the answer lies in the pursuit of three values, three synergies, and reuniting the Group as one.

Through these efforts, we will evolve into a Value Co-creation Retailer Group that continues to provide the three values by gaining overwhelming support from the consumers who prefer high-quality, uplifting consumption and experiences that satisfy their own preferences and values in Japan and overseas.

3 Values



Co-creation of Excitement

Japan has entered a society with a declining population. The maturation of society also means the end of mass production and mass consumption. Our lives have become richer as a result of the abundance of information and goods and their continuous updating. On the other hand, the diversification of values, tastes, and lifestyles has led to a marked segmentation of the market. One of the characteristics of this trend is the emergence of "*oshi* (the object that someone enthusiastically supports, such as idols, fictional characters, and athletes)" in various genres as a driving force for consumption. What is important is to create a system that allows us to connect more with our customers, share processes and experiences with them, and raise their emotional temperature, in other words, create excitement. We aim to be a company that creates and shares excitement with our customers and employees.

Co-prosperity with Communities

A community is an ecosystem. Businesses and functions expand in layers throughout the area, and people gather there. They influence and stimulate each other to breathe life into the community. Our core business is rooted in community-based retailing. It is the foundation of our business that we value our connections and networks with local communities and aim to prosper together with them. On the other hand, the challenge that retailers tend to face is homogeneity. In other words, locality may become one of the keywords to create strength in the future. We are particularly paying attention to the areas we have positioned as seven key cities. It is safe to say that there is nothing but potential there. We aim to be an indispensable company for the community.

Co-existence with the Environment

Abnormal weather occurs not only in Japan but all over the world almost every year. What was previously dismissed as "abnormal occurrences" is now becoming "everyday matters." Given that retail is the core of our business, there may be only so much we can do in addressing environmental issues. But we are also unique in that we have connections with more customers and suppliers in our supply chain. There are likely many cases where we can take advantage of these connections to work on or work together. Climate change is an issue that all members of society must take seriously as "their own problem." We aim to be a company that engages in businesses that are directly linked to environmental issues.

3 Synergies

Area

One of the Group's unique characteristics and strengths is its well-balanced network of department stores, Daimaru and Matsuzakaya, and shopping centers, PARCO, in major cities throughout Japan. In particular, in the seven key cities of Sapporo, Tokyo, Nagoya, Kyoto, Osaka, Kobe, and Fukuoka, in addition to operating our stores, we also own assets that can be developed around the stores. In the Medium-term Business Plan starting this fiscal year, we will first realize the Group synergies in the Sakae area of Nagoya, and having seven such areas with great potential and operating diverse retail businesses is our strength and a unique way to compete that our peers do not have.

Customer

Department stores Daimaru and Matsuzakaya excel at offering prime products and services, while PARCO is unique in its ability to reach younger customers through the discovery of new entertainment and culture. In the Shinsaibashi area, the two stores, each with a heterogeneous configuration, help stimulate customer circulation and create new value for the local area. In the future, in addition to deepening this good customer base, we will also strengthen our connections with new customers, such as overseas customers and the MZ generation. We aim to connect with our customers across our stores, operating companies, and areas, and to remain their lifelong partner of choice.

Content

We believe it is essential to implement a new business model in the retail business in order to achieve sustainable growth for the Group. The Group has the discerning and procurement capabilities cultivated by Daimaru, Matsuzakaya, and PARCO, as well as connections in each area and a network with suppliers and creators. We will fully integrate them as a group and promote the development and ownership of content. The Group itself will own content, including through M&A using its growth investment quota to realize "new growth businesses that are not restricted by the floor space of physical stores."

As 1

In order to bring out the full potential of the Group, we will be aware of reuniting the Group as one and will actually work as one. In particular, in order to maximize synergies, it is extremely important to integrate the Group's human resources. We will also actively invest in human resources. Employees are our most important value co-creation partners. We will create a cycle in which employees with strong will use the company's resources to realize what they want to do, which will lead to the company's growth.

We will also work to standardize and unify the systems that form the foundation of the Group. One example of this is the integration of cards. We have decided to unify PARCO Card, GINZA SIX Card, and Hakata Daimaru Card, which had been issued by multiple issuers in each Group company, to be issued by a single issuer JFR Card, and are proceeding with this step by step. The other is the integration of business systems throughout the Group. By standardizing the accounting system, payment system, groupware, and human resource system across the Group, we will promote collaboration between operating companies as well as invigorate internal and external communication.

Operating companies and individuals will be united as one by each leveraging diversity, honing personality, and sharing the same perspective while sometimes crossing boundaries. As one team with strong personalities, we will always face the ever-changing times and create and bring to life "new happiness" as an indispensable presence in society.

The Group's Strengths

Fusion Creates New Strengths

Strength

01 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 a 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 also a hub for the Parco brand with a cutting-edge 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. We hope to show one variation of this fusion in The Landmark Nagoya Sakae, which is scheduled for completion in 2026.

Strength

02 Good Customer Base

The Daimaru Matsuzakaya Department Stores app, which is positioned as the number one way to improve customer relations, has 2.19 million users (as of the end of February 2024). In addition, the number of the Department Stores' unique gaisho customers, mainly the wealthy, exceed 300,000. One of the most noticeable recent trends among gaisho customers is active purchasing by young affluent customers in their 20s to 40s. The development of younger customers has been one of the most important challenges for the Department Stores for some time, and with the support of enhanced digitalization, steady progress is being made.

Parco is characterized by its depth of highly sensitive customers in their 20s and 30s. With the recent introduction of luxury brands at Shibuya PARCO and Shinsaibashi PARCO, Parco is expanding its customer base to include wealthy people in Japan and inbound tourists.

Data obtained from the good customer base 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 JFR Group customer data platform JCDP, we will accumulate and analyze data obtained from customer touch points to provide further advanced value.

In addition, the Group is progressively unifying cards with different issuers within the Group to be issued by a single issuer JFR Card. This will enable us to build a stronger customer base and also expand the management base as the Payment and Finance Business. A new GINZA SIX Card was already issued by JFR Card this April, and new PARCO Card and Hakata Daimaru Card are scheduled to be issued in the future. Through this process, we expect CRM at the Group level, which contributes to synergies, to deepen considerably.

Strength

03 Real Estate Assets in Urban Locations

We operate 15 department stores, 16 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.

To achieve these goals, we established a new company, J. Front City Development, which operates the Developer Business, in March 2023, and also established a new CRE Strategy Unit within the holding company to significantly strengthen the promotion system. Specifically, The Landmark Nagoya Sakae in the Sakae area of Nagoya and the Shinsaibashi Project (tentative name) in the Shinsaibashi area of Osaka are both scheduled for completion in fiscal 2026, and we have also decided to participate in the Tenjin 2-chome South Block Station-Front East-West Area Project (tentative name), known as the Tenjin Big Bang, in the Tenjin area of Fukuoka, which is to be completed in fiscal 2030. Thus, the Developer Business will be an important pillar in driving the Group's growth in the future.

Strength

04 Partners including Suppliers and Creators

The Group can provide various values to customers only through co-creation with its partners. The Department Stores 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, respectively, 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, communities, 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.

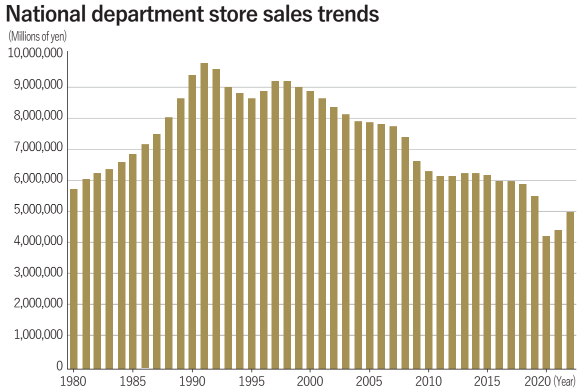
In addition to leasing activities such as the introduction of clothing and accessories shops to meet diversifying needs, Parco pioneers the introduction of shops that meet the changing lifestyles and demands of consumers in order to achieve further business growth. Parco also focuses on "incubation" 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 Asia Fashion Collection, which 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 Stores and Parco in the same group and transferring their respective partners selected with a discerning eye to each other, we think we can create exclusive synergy that other groups cannot create. Among others, they are essential competencies for content development, which is an important factor for differentiation. Various trials have already begun in order to implement the new retail model we are aiming for.

Department Store Business Model

Is the Revival of Department Stores Down to Their Own Capabilities or “Wind Assistance”?

National department store sales trends



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

The industry enters phase beyond pre-pandemic levels

Department stores, which had been the slowest to recover from the COVID-19 pandemic in the retail industry, have entered a full-fledged upward trend in sales, thanks in part to the nationwide travel support that began in October 2022, the significant relaxation of border control measures, and the effects of surplus savings accumulated during the pandemic. In addition, the momentum has gained further strength since the category of COVID-19 was reclassified to Class 5 under the Infectious Diseases Control Act in May 2023.

On the other hand, Japanese society is currently undergoing a major structural change from deflation to inflation, and domestic consumption is showing differences in strength across sectors. Against this backdrop, department stores showed sustained strength in consumption as a business category that is resistant to inflation, with the added support of the wealth effect. Domestic customers showed a steady recovery, driven by consumption by the wealthy, and many stores, especially in urban areas, have already exceeded their pre-pandemic levels. Furthermore, with the rapid depreciation of the yen also providing a boost, consumption by inbound tourists, especially for high-end goods, accelerated month after month, and by the end of the fiscal year, monthly sales exceeded the pre-pandemic levels, backed by an increase in the average spend per customer.

Looking back at history, 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 external macro factors such as a declining population and the collapse of the middle class due to increasing polarization, 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. Not only was the flow of people reduced due to the voluntary restraint of going out, but all aspects of consumption and business were rapidly moving online. This has exposed the deadlock in business models that are overly dependent on the flow of people or real stores. It is no exaggeration to say that the very existence value of department stores was questioned.

After the COVID-19 pandemic, the quality of consumption has changed dramatically. One is a shift in the target of consumption to higher value-added goods and services, and the other is the expansion of the customer base of department stores to younger and wealthier customers.

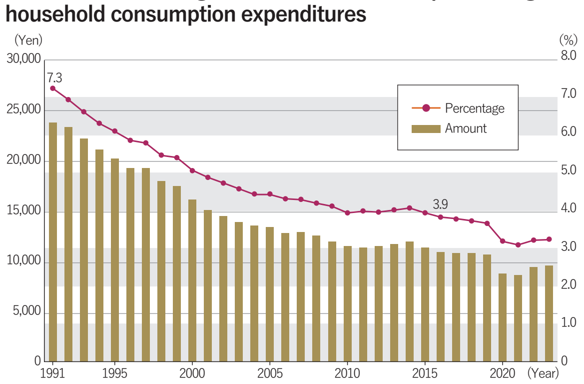
Should the current situation, supported by robust consumption by the wealthy and inbound tourists, be seen as a sign of real strength, or should it be seen as a good opportunity for change with “wind assistance”? Department stores are being tested on their ability to respond to changes.

The history of department stores is a series of responses to changes

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 food. 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* (literally, a store selling hundreds of products) for a department store. 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, which was 7.3% in 1991, dropped to the 3% range in 2016 and continues to be less than half of its peak in recent years. 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, which 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 seeking fundamental change.

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



*Source: Monthly Expenditure per Household from the Family Income and Expenditure Survey by the Ministry of Internal Affairs and Communication

Adapting the business model to the times

We have developed multiple options for the department store business model.

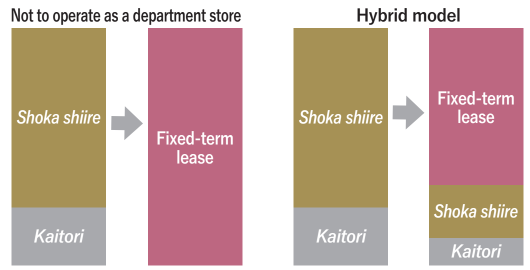
One is a choice “not to operate as a department store.” That is to say, we converted some stores to a 100% real estate rental business without adopting department store’s traditional transaction formats of *kaitori* and *shoka shiire*. Its typical example is GINZA SIX, a luxury mall which was created 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 main building of the Daimaru Shinsaibashi store, which opened in 2019. Also for small and medium-sized stores, we pursue the optimal format by analyzing local customers and the surrounding environment.

The advantage of fixed-term lease is that it not only generates stable revenues and reduces operating costs, but also freshens up the store’s appearance by increasing the variety of tenants to better cater to service consumption and experience-based consumption. This model can also be said to be deflation-proof, as it ensures stable earnings.

On the other hand, the advantage of *shoka shiire* is that we can seek greater return through sales growth. As the economy is about to shift from a deflationary phase to an inflationary phase, we believe that we have the potential to further demonstrate our strengths in terms of profitability, and that it is necessary to take a strategic approach, including from the perspective of ROIC.

The department store market varies greatly depending on the area. We will pursue the optimal business model for each store while keeping it variable.



Capturing market changes

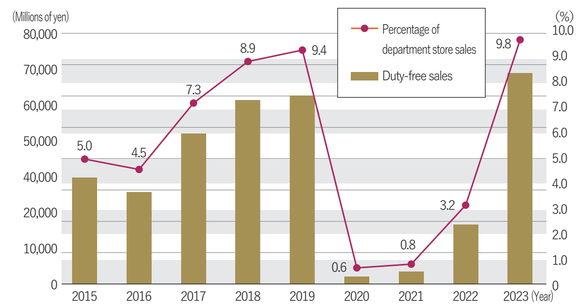
Sales of luxury content has steadily increased even amid the COVID-19 pandemic, and are already well above pre-pandemic levels. In fiscal 2023, sales of luxury items showed a high growth of 97.0%, almost doubling the fiscal 2019 level. While capital investment has been limited due to the COVID-19 pandemic, we have strategically focused our investments on expanding the luxury offerings at our flagship stores, and we have great results by capturing changes in both domestic consumption and inbound consumption.

On the other hand, even in fiscal 2023, sales of mass-produced and widely distributed women’s clothing remained at about 70% of pre-pandemic levels. In order to address this issue, the Matsuzakaya Nagoya store, which is currently undergoing a major renovation, will work to develop new markets, including attracting younger customers, by substantially replacing its existing brands.

In addition, sales of our gaisho, which have organized wealthy customers, have already exceeded 200.0 billion yen, a double-digit increase from before COVID-19. 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. The closed website “connaissligne” has become an important tool to demonstrate new possibilities for gaisho. The promotion of online sign-up has also helped attract younger affluent customers.

Inbound sales finally grew to 67.3 billion yen in fiscal 2023, exceeding pre-pandemic levels. The main driver of this growth is a significant increase in average spend per customer. In other words, this is an increase from before the pandemic while customer numbers remain at about 70% of pre-pandemic levels, so we believe there is still room for growth through an increase in customer numbers in the future.

Daimaru Matsuzakaya Department Stores inbound sales (duty-free sales) trends



Value of real experience and space becomes more important

The COVID-19 pandemic has rapidly accelerated the digitalization of society. We have come to realize in many aspects of our lives that digital technology can help us transcend the constraints of time and place. On the other hand, it was also an opportunity to reaffirm how irreplaceable and precious the value of real experience obtained through the five senses is.

Under such circumstances, one of the topics of the Matsuzakaya Nagoya store, which is currently undergoing a major renovation, is the creation of overwhelming space value. Its concept is “learning from history and creating the future.” We have appointed Yuko Nagayama & Associates as our partner and are proceeding with the design based on the themes of “creating an impressive focal point” and “a spatial composition that is easy to recognize and navigate.” We will deliver a luxurious, comfortable, and exclusive customer experience that only a real store can provide.

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 technology. Its starting point is in real stores. From now on, it will also be important to be more aware of content that takes advantage of the locality of each store.

By creating a sense of the world based on content and unique curation capabilities, we will further refine our real stores and integrate digital technology into them. We believe that these are the basis of the department store business model that lives in the present age.

Risk Management

Risk Is the Starting Point of Strategy

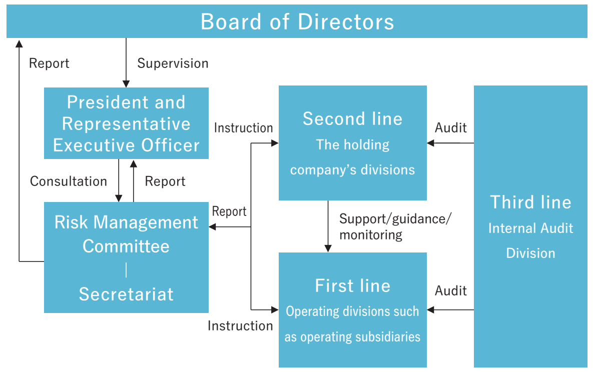
The Company defines risk as "uncertainties that have both positive and negative sides that could have an impact on the achievement of business management goals." And we position risk management as an "activity that increases corporate value by managing risks by reasonable and optimal methods from a company-wide 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 the Executive Officers of the Company and the presidents of major operating companies, serves as an advisory body to the President and Representative Executive Officer. The committee deliberates important matters, including identifying and assessing risks and deciding which risks to reflect in strategies, and utilizes risk management in management decision-making. The details of the deliberations of the committee are reported to the Board of Directors in a timely manner.

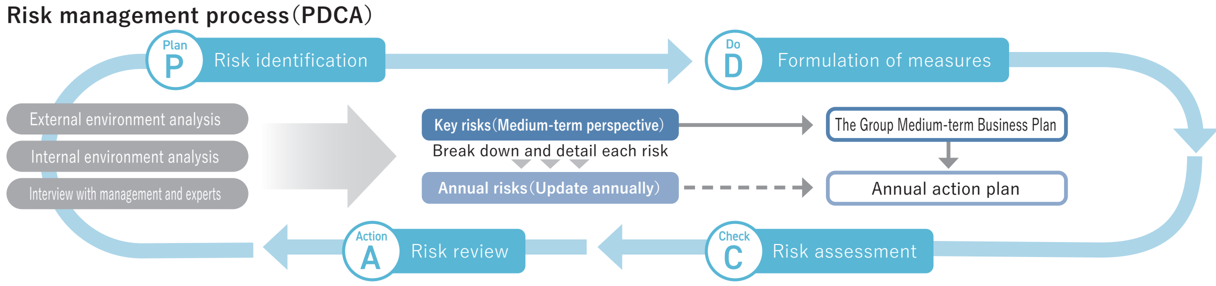
The committee has established a secretariat headed by an officer in charge of risk management. The secretariat shares important decisions of the committee with operating subsidiaries and promotes enterprise risk management (ERM). Moreover, we position risk as the starting point of strategy and link risk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

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

Risk management workflow diagram



Risk management process (PDCA)



Overview of the Group key risks

	Internal environment (business environment)	External environment (macro environment)
Strategy risk	Transformation of industry structure in existing businesses Intensifying competition in attracting human resources Diversification of consumer values and behaviors Rising presence of foreign consumers Widening disparity between cities	Accelerating technological innovation Growing importance of environmental issues Growing importance of respect for human rights Low birthrate, aging population and widening income disparity
Finance risk		Unstable economic trends
Hazard risk		Emergence of geopolitical and geoeconomic crises Outbreaks and spread of natural disasters and epidemics Increasing information security threats
Operation risk	Operation risks are addressed as annual risks.	

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

List of the JFR Group Key Risks

Category	Item	Impact	Outlook for the future	Negative side	Positive side	Measures
Strategy risk	Transformation of industry structure in existing businesses	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	●Strengthening existing businesses and developing businesses to transform our business portfolio ●Investment through M&A and CVC with a view to the future
Strategy risk	Intensifying competition in attracting human resources	Very severe	↑	●Loss of competitiveness in attracting human resources, outflow of talented human resources ●Decrease in employee motivation	●Promotion of business strategy, creation of innovation ●Increase in employee engagement and organizational capability	●Recruitment of professional human resources, exchange and development of the Group human resources ●Investment in human resources that leads to the realization of a Well-Being Life for employees
Strategy risk	Accelerating technological innovation	Very severe	↑	●Sluggish growth of the entire Group ●Declining competitiveness due to delay in use of technology	●Transformation of business model through use of technology ●Operation streamlining	●Utilization of the Group database ●Improving operational efficiency through use of AI ●Building business models in new markets such as Web 3.0, XR, and NFT ●Developing digital human resources
Strategy risk	Growing importance of environmental issues	Very severe	↗	●Defection of stakeholders and lower rating and brand power	●Sustainable growth and improvement of the Group's presence	●Reduction of GHG emissions ●Expansion of our range of environmentally friendly products and services ●Expansion of circular businesses such as sharing and upcycling
Strategy risk	Growing importance of respect for human rights	Severe	↗	●Loss of reputation ●Decline in productivity and outflow of human resources due to deteriorating labor environment	●Improvement of brand power by gaining stakeholder support ●Increase in employee engagement	●Building a sustainable supply chain through continuous implementation of human rights due diligence ●Internal training to improve employee understanding
Strategy risk	Low birthrate, aging population and widening income disparity	Severe	↗	●Shrinkage of domestic market scale ●Decline in the largest demographic, which is our traditional target	●Expanding new markets by responding to targets	●Reaching consumers who prefer high-quality, uplifting consumption and experiences that satisfy their own preferences and values ●Expansion of customer base and business base to reach the above target
Strategy risk	Diversification of consumer values and behaviors	Severe	↗	●Decrease in sales and revenue	●Expansion of new markets	●Promotion of measures in line with the values of consumers who prefer high-quality, uplifting consumption and experiences that satisfy their own preferences and values (subscription business, home delivery business, entertainment, pop culture, etc.)
Strategy risk	Rising presence of foreign consumers	Severe	↗	●Delay in capturing inbound sales ●Sharp decline in inbound sales	●Increase in inbound sales ●Acquisition of foreign demand through e-commerce and other means	●Continuing to strengthen product categories that are popular with customers both in Japan and overseas ●Promoting the development and ownership of content that enables overseas development in the digital domain ●Continued efforts to expand domestic customer base
Strategy risk	Widening disparity between cities	Severe	↗	●Decline in urban commercial facilities' ability to attract customers	●Business development through contribution to urban needs and urban development	●Participation in urban development in collaboration with local governments at the Group key locations (commercial facilities, offices, hotels, residences, etc.)
Finance risk	Unstable economic trends	Severe	↗	●Loss of earnings opportunity ●Rising cost of funds	●Promoting growth strategies and business portfolio changes ●Lowering cost of funds	●Long-term funding at fixed interest rates ●Selection of appropriate financing measures during the new funding phase
Hazard risk	Outbreaks and spread of natural disasters and epidemics	Very severe	→	●Damage to the lives of customers and employees ●Business continuity crisis	●Stable business operations	●Continuously implementing practical BCP training ●Conducting periodic reviews of business continuity plans ●Strengthening preparedness for new pandemic
Hazard risk	Emergence of geopolitical and geoeconomic crises	Severe	↗	●Danger and living difficulties for employees posted abroad (business travelers)	●Stable operation of overseas business	●Establishment and promotion of an overseas crisis management system that takes into account the risk environment and actual conditions of the overseas posting and business trip destinations of employees ●Closely monitoring the impact on the Group's business (especially overseas business)
Hazard risk	Increasing information security threats	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, etc.

Impact: The economic impact on the Group and the impact on its brand value during the period of the Medium-term Business Plan are taken into consideration.
Outlook: 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.
▭: Risks that have an extremely heavy impact and are given top priority
When risks are categorized in more than one area, they are listed in the area that has the greatest impact on or relevance to the Group's strategy.

New Medium-term Business Plan (FY2024-FY2026)

Review of the Previous Medium-term Business Plan (FY2021-FY2023)

—Full recovery from the COVID-19 pandemic and building a foundation for renewed growth

- Although the impact of COVID-19 persisted longer than initially envisioned, working to steadily capture the recovery in demand in the latter half of the previous Medium-term Business Plan and beyond, we were able to recover our consolidated operating profit to pre-pandemic levels as a result of the strategies of the core Department Store and Shopping Center ("SC") Businesses and management restructuring such as reducing fixed costs, and also broadly improve our financial position by reducing interest-bearing liabilities and other means.
- In order to achieve renewed growth by 2030, in addition to building a foundation for our core businesses, we formulated medium- to long-term plans and promoted business restructuring in our developer strategy, and from the perspective of business portfolio transformation, we made investments and established a fund to create new businesses and worked to improve management efficiency by assessing businesses.

Connection with the previous Medium-term Business Plan (FY2021-FY2023)

Major achievements and challenges of the previous Medium-term Business Plan		Connection with the new Medium-term Business Plan (FY2024-FY2026)
Real/Digital Strategy	• Department Stores worked to make its stores more attractive by emphasizing authenticity and achieved sales targets in luxury goods, watches, and art. • The number of the users of app as a digital touch point significantly increased, which contributed to higher per-customer spend. • SC has promoted floor layout restructuring efforts, which has led to greater operating profit than initially planned. • Created new businesses such as AnotherADdress.	• Department Stores will continue to strengthen key categories. • SC will promote floor layout reform of flagship stores. • Continue to grow new businesses created in the previous Medium-term Business Plan and to take on new challenges. • Develop and possess content that contributes to making retail business more attractive.
Prime Life Strategy	• Promoted expansion of services for gaisho customers and acquisition of new customers. • Developed new partners and implemented initiatives to attract overseas affluent customers. • Decided to consolidate card issuers within the Group. Shrinking cardholder base is a challenge.	• Attract quasi-gaisho and inbound customers as well as new gaisho customers by expanding customer awareness. • Further strengthen online touch points. • Expand customer base through the consolidation of card issuers.
Developer Strategy	• Established J. Front City Development Co., Ltd., an operating company to lead the strategy. • Formulated and promoted medium- to long-term large-scale complex development projects, developed properties for various uses other than retail, and set up funds.	• Promote medium- to long-term large-scale complex development projects that have been formulated. • Focus on initiatives in seven key cities.
Management restructuring	• Fixed cost reductions far exceeded target. • Narrowed down business base by closing unprofitable stores and other means.	• Continue to identify challenging businesses and stores.

Management Direction Looking Ahead to 2030

We promote our corporate activities based on "sustainability management," which addresses environmental and social issues and seeks solutions through our business activities, in order to realize the Group Vision of "Create and Bring to Life 'New Happiness.'" Moreover, we recognize our strengths as being our excellent customer base and store real estate primarily in major cities across Japan, the connections and trust we have with our stakeholders, and the commercial production capabilities and discernment we have cultivated through the Department Stores, Parco, and others.

In defining our management direction for the coming years, we, after considering the aforementioned strengths that we possess, along with important changes in the business environment, have drawn up a Vision for 2030. We intend to evolve into a Value Co-creation Retailer Group that constantly provides three values centered on the retail business: Co-creation of Excitement, Co-prosperity with Communities, and Co-existence with the Environment.

Changes in the business environment affecting us

Consumption	Market	Society
• Generational change in the primary purchasing group, and progress of globalization (inbound demand, etc.) • Increasing desire for emotionally satisfying "connections of empathy, support, and trust" • Further increase in awareness of "circulation" from the production/consumption cycle	• Declining population and widening income gap in Japan • Progressing renewal and consolidation of urban functions and urban development • Decline in the number of key players in local economies, and growing interest in unique local traditions and culture	• Worsening environmental problems such as climate change and emerging geopolitical risks • Weakening ties with people and local communities and rise of digital communities • Worsening labor shortage and more importance placed on self-fulfillment and contribution to society when choosing a job

Positioning and Overall Structure of the New Medium-term Business Plan (FY2024-FY2026)

This Medium-term Business Plan is positioned as a "phase of change" to realize our vision for 2030 and to ensure medium- to long-term growth, and while striving to generate profits mainly in our mainstay retail business (the Department Store and SC Businesses), we will expand upfront investments and growth strategy investments to realize group synergies.

2021 Phase of recovery 2023 | 2024 Phase of change 2026 | 2027 Phase of rapid growth 2030

Deepening retail business

1. Expanding domestic and overseas customer groups
   Expanding the scope of app-based services and gaisho activities at Department Stores; increasing membership, taking advantage of the issue of a new card, at Parco
2. Making customer contact points more attractive
   Establishing a competitive advantage in each area by enhancing the charm of stores, which are the starting point for customer contact points, also promoting the creation of sales floors for next generation customers such as MZ generation
3. Enhancing content for consumers preferring high-quality, uplifting consumption and experiences
   Continuing to strengthen luxury brands, rebuilding fashion, strengthening alliance at Department Stores; enhancing IP content and entertainment at Parco

Evolving group synergies

1. Expanding the Group customer base
   Expanding customer base taking advantage of consolidating GINZA SIX and Parco's card issuers and promoting the Group customer strategy
2. Maximizing area value
   Maximizing area value through collaboration between retail, developer, and card in key areas
3. Owning and developing proprietary content
   Creating new value through the fusion of content in which Department Stores and Parco excel, and promoting the development of proprietary content with an eye to overseas markets

Human resources strategy

- Securing and developing innovative human resources
- Promoting DE&I
- Career development and reskilling

System strategy

- Collaboration among operating companies
- Stimulating internal and external communication
- Establishment of common system for the entire Group

Finance strategy

- Strengthening management of the profitability of invested capital

Key performance indicator targets

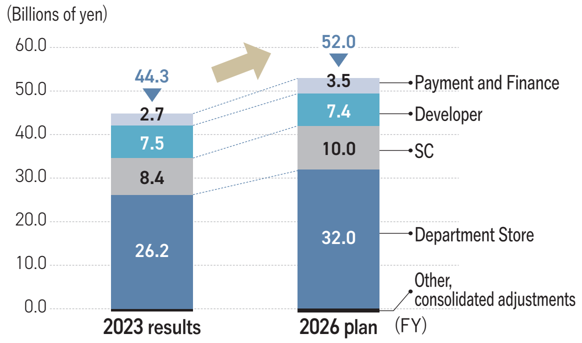
Key performance indicator	FY2026 target	Change vs. FY2023
Business profit	¥52.0 billion	+17.3%
ROE	8.0% or more	+0.0 pts or more
ROIC	5.0% or more	+0.0 pts or more
Interest-bearing liabilities*1	¥285.0 billion	+¥71.1 billion
GHG emissions*2	-58%	-3 pts
Ratio of women in management positions	31.0%	+8.5 pts

*1 Interest-bearing liabilities exclude lease liabilities.
*2 Percentage reduction compared to FY2017 for Scope 1 and 2

Increase ROE to 10% or more in the long term

Business profit by segment

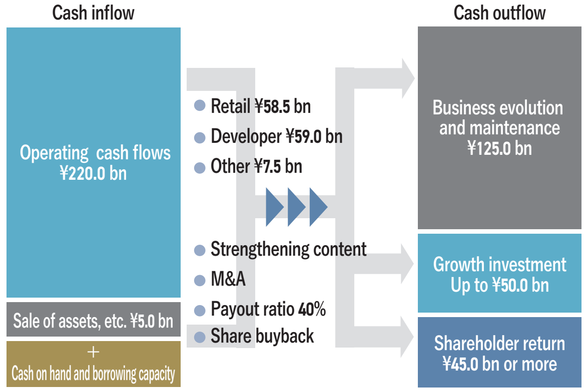
(Billions of yen)



Cash allocation

In addition to the retail business, this Medium-term Business Plan focuses on upfront investments in the Developer Business to realize group synergies, as well as growth strategy investments.

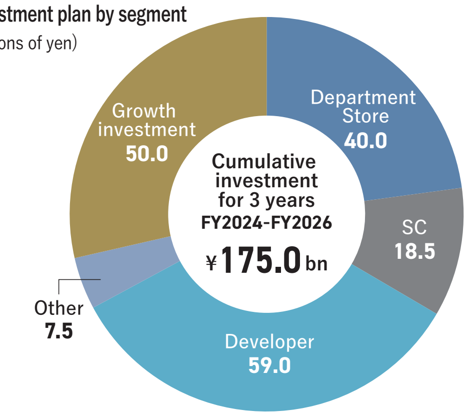
In addition, we will work to optimize the level of shareholders' equity and strengthen shareholder returns through a consolidated dividend payout ratio of 40% or more and share buybacks.



* Cumulative total for three years of the Medium-term Business Plan period (FY2024-FY2026)

Investment plan by segment

(Billions of yen)



Achieving profitable growth

We will promote ROE management on a consolidated basis and ROIC management on an individual business segment basis. While expanding growth investment that targets 2030, we will achieve profitable growth by establishing strict management over investment based on growth and profitability.

ROIC > WACC
Currently recognized as 4.0-4.5%

ROE > Cost of shareholders' equity
Currently recognized as 7.0-7.5%

Segment	FY2026 ROIC target		WACC
Department Store	10.5%		4-5%
SC	4.0%		3-4%
Developer	4.3%		3-4%
Payment and Finance	3.4%		2-3%
New	–		8-10%
Consolidated ROIC	5.0% or more	≧	4.0-4.5%

	FY2026 ROE target	Cost of shareholders' equity
Consolidated ROE	8.0% or more	7.0-7.5%

Overview of the Medium-term Business Plan

Deepening retail business

(1) Expanding domestic and overseas customer groups

- In the Department Store Business, we will work to expand the customer base, which includes such initiatives as expanding the scope of app-based services targeting loyal customers, and broadening gaisho activities. We will also promote gaisho collaboration with PARCO stores and others in the Group.
- In the SC Business, we will work with JFR Card to acquire app users and cardholders, taking advantage of the issuance of a new card.
- In both the Department Store Business and the SC Business, we will work to strengthen relations with overseas customers through not only initiatives to send inbound tourists to our stores and strengthen communication to customers, but also partnerships with overseas companies mainly in Asia concerning customer referral and mutually beneficial use of store facilities.

(2) Making customer contact points more attractive

- In the Department Store Business, we will enhance the charm of stores, which are the starting points of customer contact points, and establish competitive advantages in each area. Focusing on flagship stores, including the Matsuzakaya Nagoya store, we will not only continue to strengthen our key categories but also work on creating sales floors that appeal to the next generation of customers, such as the MZ generation, and adapt to market changes. In addition, we will strive to improve the space value, for example, by providing high-quality and comfortable store environments and environmentally friendly designs.
- To expand customer contact points using digital technology, we will work on enhancing customer communication through initiatives to renew both the department store app and the dedicated website for loyal customers.
- In the SC Business, in order to enhance Parco's unique brand value and the value of visiting its stores, we will carry out strategic renovations aimed at gaining greater popularity among the MZ generation and overseas customers, focusing on four key stores. This will include the first major renovations at Shibuya PARCO and Shinsaibashi PARCO, as well as efforts in Nagoya PARCO such as the largest assortment of entertainment and pop culture in the area and the introduction of next-generation fashion.
- We will work to make customer contact points more attractive by enhancing communication to customers through company-wide use of customer data obtained at PARCO stores and online, and introducing new services for members.

(3) Enhancing content for consumers preferring high-quality, uplifting consumption and experiences

- In the Department Store Business, in addition to continuously strengthening luxury brands and watches, which enjoy a high level of popularity among both domestic and overseas customers, we will propose new lifestyles that respond to market changes, focusing on such areas as fashion, beauty, and health.
- Furthermore, we will work on expanding new products and services through collaboration with external companies with the aim of strengthening our efforts to attract the affluent market.
- In the SC Business, through store renovations, we will develop Japan pop culture zones and introduce brands in collaboration with the Department Stores. In addition, we will enhance entertainment including theater, music, and movies, in which Parco excels, and digital events like esports.

Evolving group synergies

(1) Expanding the Group customer base

- During the period of this Medium-term Business Plan, along with expanding the membership of and linking with app, we will consolidate the issuance of proprietary cards of the Group companies, such as GINZA SIX and Parco. Also, in order to leverage the establishment of a group-wide payment infrastructure as an opportunity, we will work on expanding the Group customer base and enhancing the lifetime value (LTV) of customers.
- We will advance customer referral beyond the boundaries of businesses and stores. Aside from that, we will plan and promote a group customer strategy focused on the key areas through analysis and utilization of customer databases, among other methods.

(2) Maximizing area value

- In this Medium-term Business Plan, among the seven key areas, we will focus intensively on creating synergy in the "Sakae area in Nagoya."
- Through the opening of a commercial complex by the Developer Business (scheduled for 2026) and the expansion of external merchants of JFR Card in addition to significant renovations at the Matsuzakaya Nagoya store and Nagoya PARCO, we will promote ways for the Group's facilities to mutually encourage customers to visit other facilities in the Group and also promote the circulation of customer foot traffic throughout the area. Through these efforts, we aim to contribute to attracting new crowd to the area and enhancing its charm to maximize the value of the area.
- In addition to the opening of commercial complexes in the "Sakae area in Nagoya" and the "Shinsaibashi area in Osaka" (scheduled for 2026), we will strengthen investments in the Developer Business to promote development projects in the "Tenjin area in Fukuoka." Meanwhile, we will work on improving profitability by using underperforming assets, selling or replacing assets, and other such means.
- We plan to consolidate and reorganize the existing construction and interior design business and building management business, to steer business expansion mainly toward the creation of high-quality space value, the improvement of service quality such as in maintenance and management of facilities, and the securing and training of specialized personnel in facilities inside and outside the Group mainly in the key areas.

(3) Owning and developing proprietary content

- To achieve new growth in the retail business, we will work to collectively harness the discernment, purchasing power, networks, and other organizational competencies possessed by the Department Stores, Parco, and other Group companies to further advance efforts to develop and own proprietary content and services, etc. and also develop new businesses through collaboration with other companies, targeting such business development not only for domestic operations but also for the overseas and digital realms.
- Leveraging the strength of having a business base in major cities nationwide, we will work on discovering and nurturing unique local products and services, including food culture, that are characteristic of each area.
- In addition to attracting new content and tenants that are ahead of the times, we will consider the development, ownership, etc. of content such as games centered around subcultures.
- Alongside efforts to strengthen the subscription business, we will promote the development of new businesses that promotes the circulation of consumption, among others, through collaboration with other companies.
- To accelerate these initiatives, we will proceed more strongly with growth strategy investments through M&A, alliances with other companies, and our business succession and CVC funds.

Strengthening the Group management foundation

(1) Human resources strategy

- We will promote a human resources strategy integrated with the management strategy. Such a strategy will include strengthening the recruitment and development of highly specialized personnel, planned nurturing of next generation talents, and promoting women's empowerment.
- We will invigorate the exchange of personnel within the Group, with the aim of achieving a fusion of "knowledge" possessed by employees and expanding opportunities to play an active role, thereby fostering a culture of challenge.
- We will create an environment and establish systems where every employee can take on challenges, drawing out employees' ideas, motivations, and abilities, and work towards realizing a human resource development company that aims for the sustainable growth of people and organizations.

(2) Finance strategy

- To improve medium- to long-term capital profitability, we will thoroughly manage investments based on growth and profitability, and enhance ROIC management, mainly by entrenching its practice throughout the Group with the cooperation of the operating companies.
- Taking into account trends in capital markets, we will strengthen our financial position by generating free cash flow, securing long-term stable funds, and controlling interest-bearing liabilities.

(3) System strategy

- We will build a common system for the entire Group together with groupware to encourage collaboration between the operating companies, and enhance internal and external communication.
- By making the common accounting system for the entire Group fully operational, we aim to enhance management control and streamline operations. Additionally, we will promote IT governance, by strengthening our response to information security and business continuity, as well as by making system investments and advancing asset management.

Management Interview 01

Introduce and Establish ROIC by Business for Group-wide Reforms.

WAKABAYASHI Hayato

Director and Managing Executive Officer
Senior Executive General Manager, Financial Strategy Unit
J. Front Retailing Co., Ltd.

To transform our portfolio

In order to achieve dramatic growth over the medium to long term, we are working to transform our portfolio by expanding into non-retail businesses such as the Developer Business and the Payment and Finance Business, while "deepening our core retail business" to increase earnings. Portfolio transformation can be said to be an eternal theme for corporate sustainability and growth. We have positioned the Medium-term Business Plan that began this fiscal year as a "phase of change," but it can also be viewed as a time to build a foundation for transforming our portfolio. We must move forward in earnest to invest the funds earned from the currently strong retail business in a focused way in non-retail businesses that can become our core businesses in the future. I believe it is necessary to present both a grand vision from a medium- to long-term perspective and something that can take shape in the short term.

With retail as our core business, our business management has been focused on profit and loss statement for many years. However, since adding the Real Estate Business to the Group, we have made changes to emphasize profitability indicators such as ROA and ROE in order to shift to balance sheet-focused management. Against this backdrop, the Developer Business and the Payment and Finance Business, which aim to expand through portfolio transformation, are characterized by the fact that, unlike the retail business, it takes a long time to recover from investment and that they utilize interest-bearing liabilities.

For this reason, we have decided to shift the focus of our business management to "ROIC," a profitability indicator for "invested capital," which is the sum of shareholders' equity and borrowings. In the cash allocation in the three-year Medium-term Business Plan, we have decided to focus on "deepening retail business" and "growth investment" for the future of the Group. In the first half, we plan to invest aggressively to generate early results in the Department Store Business and the SC Business, and in the second half, we plan to invest in large-scale development projects in the Developer Business. In addition, we have set aside 50.0 billion yen as a growth investment quota to clarify our vision for future growth. Here, too, we will make appropriate decisions based on the concept of "profitable growth," which is based on "ROIC."

Full-scale operation of ROIC by business

We set ROIC targets for each business. First, we calculated the weighted average cost of capital (WACC) for each business by benchmarking it against its peers in terms of business characteristics, and then set a medium- to long-term target for "ROIC by business" that exceeds this WACC by business. We are working to improve business profit by promoting capital investment to maintain and expand our businesses, as well as growth investment with an eye to the future. At the same time, we aim to achieve our ROIC targets by thoroughly implementing appropriate investment management based on growth and profitability.

The targets for "ROIC by business" require a process of estimating the "future balance sheet" for each business. We will prepare and continuously control the balance sheet with the assumption that the Department Store Business and the SC Business will make effective use of the capital accumulated from the past, i.e., equity capital, and that the Developer Business and the Payment and Finance Business will make significant use of interest-bearing liabilities. At the same time, in order to achieve the ROIC targets, it is also important to optimize the amount of equity capital of each company in the Group. By optimizing the amount of equity capital of each company in the Group, we have been able to raise awareness among the management of the Group companies of the importance of balance sheet control and the profitability of invested capital, and by increasing J. Front Retailing's non-consolidated equity capital, we have also been able to improve the "double leverage ratio," which is one of the important indicators for the rating of the holding company.

In this way, the introduction of ROIC can be said to be an initiative that starts with portfolio transformation. Until now, we have used ROE, which is an indicator from an investor's perspective, but ROIC can be said to be a more appropriate earnings management indicator from a company's perspective. Utilizing ROIC is also consistent with our approach to expanding the Developer Business and the Payment and Finance Business from the perspective of "profitable growth." In particular, when calculating ROIC, interest-bearing liabilities are added to invested capital in the denominator, so it is suitable for managing the profitability of non-retail businesses, where the key is how efficiently borrowings are used.

On the other hand, in order for the concept of "ROIC by business" to penetrate and take root, I believe it will need to be carried out with the awareness of a "group-wide reform," taking an approach at the group-wide level that will unite the Group and take a certain number of years. In order to establish "ROIC by business" over the next three years, we launched the ROIC Project in June 2024 and established a system in which the holding company and the operating companies can work together to promote this. We plan to complete the formulation of an ROIC tree for each business by the end of this fiscal year in order to share the challenges we need to address in order to improve ROIC by one point from the previous year. The ROIC subcommittees set up at the operating companies include members not only from the finance division, but also from many other divisions such as business planning.

In addition, we will also promote the introduction of "ROIC by area" in line with the establishment of this "ROIC by business." As the development of the seven key areas progresses in sequence, we will set target earnings levels numerically for each area so that we can explain the earnings levels that reflect the characteristics of each area. In other words, we will be oriented toward the "matrix management with a business axis and an area axis."

Enhancement of business management

In introducing "ROIC" as a business management indicator with the aim of standardizing management control at a higher level, there are important points to consider from the perspectives of both the holding company and the operating companies. For the holding company, the focus is on "business portfolio management" and "stricter investment management," while for the operating companies, the key point is to spread the idea of the profitability of invested capital to business sites by developing an ROIC tree for each business and utilize it in performance management. Business portfolio management will be based on three axes: "ROIC spread," which is the difference between ROIC and WACC, and "future potential," which takes into account the market environment, as well as "sales growth rate." After clarifying the position of each business within the Group, we, as a holding company, will formulate strategic policies and numerical targets for each business. When making investment decisions, we also use ROIC as an evaluation axis and compare it with WACC to ensure that the businesses we invest in are sufficiently profitable and efficient. Then we will add ROIC as an evaluation indicator in post-investment monitoring to control balance sheet so that it does not expand excessively. We also use ROIC as an indicator to guide the direction of withdrawal, sale, etc., taking into consideration factors such as business characteristics, business scale, and market share.

Thus, I believe that ROIC is also effective in strengthening the management of the operating companies. Specifically, for capital investments made by the operating companies that exceed a certain amount, the Investment Project Review Committee examines the investment based on quantitative investment criteria, and plays a role in supporting decision-making at the Management Meetings and the Board of Directors meetings, based on the feasibility of recovering the investment.

Always have multiple scenarios

Furthermore, we have introduced a "phase management" system in which each of the Group's businesses and stores is classified into three phases and managed accordingly, and we regularly conduct business diagnostics based on their ability to generate cash flow in the future. As a result of the diagnostics, for the businesses classified as "Phase II: Caution needed," the relevant operating companies will take the lead in formulating revitalization plans, while for the businesses classified as "Phase III: Considering revitalization or withdrawal," the holding company will take the lead in formulating revitalization plans.

Furthermore, in today's business environment, where uncertainty is growing more pronounced than ever before, it is essential to strengthen risk management, and I believe that it is necessary to thoroughly manage the business operations of the Group, including its operating companies, based on multiple scenarios. In particular, based on the recognition that it is essential for the holding company to always be prepared for risk scenarios, even worst-case scenarios, the holding company takes the lead in formulating plans, including for assessing assets and businesses.

After experiencing the COVID-19 pandemic, I have come to realize once again the importance of having in place multiple scenarios in business management. Securing funds is of utmost importance in order to continue business appropriately even as the risk and worst-case scenarios progress. At the time, some people were of the opinion that we were being overly cautious, but in anticipation of a further deterioration in the business environment, we took a preemptive action to secure 18 months of working capital. I recognize that this was also a measure based on the idea of cash flow management. Assessing non-business assets is another way the holding company is strengthening its risk management. An example is the reduction of cross-shareholdings. As for cross-shareholdings, our basic policy is to not acquire new shares in principle, but to reduce such shares as appropriate based on the validation of rationale for holding them.

Shift the role of finance to be "aggressive"

With regard to shareholder returns, we have decided to raise our consolidated dividend payout ratio from the previous 30% or more to 40% or more, starting in fiscal 2024, aiming to continuously increase dividends by achieving sustainable profit growth. At the same time, we have decided to shift the role of finance to be more "aggressive" than before, with an awareness of improving overall returns to investors, as evidenced by a share buyback of 10.0 billion yen in the first half of this fiscal year, while keeping a close eye on the stock price and balance sheet situation.

As business management becomes more sophisticated, the role required of the finance division has changed dramatically. Until around 2000, it, as a division responsible for accounting and tax affairs, required "practitioners" who could accurately and promptly close accounts, but after 2000, "specialists" were required who were responsible for financial matters such as budgeting and dialogue with investors. Nowadays, the demand is for "strategists" with the expertise to tackle aggressive areas as a company compass. In other words, I believe it is important to shift its role from simply handling so-called "defensive" areas such as account settlement, tax affairs, accounting, and financial operations to "aggressive" areas such as actively participating in management and business strategies, formulating and implementing financial policies, and handling investor relations and other matters.

Management Interview 02

Without Getting Carried Away, Face Challenges Head-on.

MUNEMORI Koji

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

Create a unique position

Our department stores are currently performing well thanks to two active drivers: wealthy domestic consumers and inbound tourists. From a macro perspective, it is safe to say that this situation will continue for some time. Rather, I believe that it is precisely because we are in such a favorable environment that we must first work to enhance our strengths and at the same time work to resolve the fundamental issues facing our department stores.

In terms of customers, we would like to continue to grow our gaisho and inbound sales, which are already growing. On the other hand, our main customers before COVID-19 are seeing a decline in purchasing power due to the aging population and increasing income polarization, so we need to attract new customers. In other words, I believe we need to have a strategy to effectively attract the MZ generation customers.

In terms of products, we will continue to steadily increase already growing sales of luxury goods, watches, and art this fiscal year. However, naturally, other department stores also focus on these categories, making it difficult for department stores to differentiate themselves from one another.

This is where the approach using content becomes important. I mentioned earlier that it is our challenge to attract the MZ generation, and we see content as an essential factor in overcoming this challenge. For this reason, we established a division dedicated to the development of new content last fall, and over the past year we have already discovered and developed more than 70 brands, both large and small, and they, including pop-ups, are moving forward strongly.

Through these efforts, it is essential to create our unique position, and I recognize that this is precisely the important role I have been assigned. We will fit our department stores into the current era and market. Now that we are performing well, I would like to speed up the transformation of our department stores.

Brand “gaisho”

Our gaisho business, which organizes wealthy customers, has continued to grow steadily and has expanded into a market worth over 200.0 billion yen. The annual large-scale event for gaisho customers held in May of this year recorded its highest sales ever, driving active consumption at our department stores.

One particularly distinctive recent trend is the growing presence of young affluent people. I believe that our efforts to cultivate customers online and to strengthen our value-added content, such as luxury goods and art, have also contributed to our success. I am also taking notice of the fact that the average spend per customer is high. I expect that these markets will continue to grow steadily in the future, not only because of the recent asset effect, but also because of the rise of young power couples.

“Gaisho” is positioned as an important touch point with customers along with “stores” and “app.” Or it could be said that it is one of the intangible assets that has been cultivated over the years. I wonder if we can brand this “gaisho” operation, which is unique to Japanese department stores. If we redefine what it means to be a department store’s gaisho from the customer’s perspective, I believe that the fundamental value of gaisho will become more apparent. I think it would be interesting if, in the future, a new style of gaisho could be created at GINZA SIX, for example, which is overwhelmingly popular among the younger generation, as gaisho becomes recognized as a brand by the younger generation.

Our department stores are now characterized by a growing number of non-gaisho customers with high purchasing power. For such customers, we will first encourage them to use our app to strengthen CRM. In this context, we will recognize customers who purchase above a certain level as “quasi-gaisho” customers and provide incentives to them to increase the average spend per customer. Ultimately, we would like to create a system that will encourage them to become gaisho customers.

As for wealthy overseas customers, we are working to convert inbound customers into loyal customers. The key point is how to convey information to those customers and keep them coming back, so we are exploring customer insights using several approaches. It may be necessary to change the means of communication from country to country. I also believe it is important to establish a mutual customer referral scheme for wealthy overseas visitors, as we are doing with Central Group in Thailand.

Strengthen approaches to young people

One of the characteristics of recent consumption is the growing spend by young people, especially in categories such as luxury goods, watches, and art. To put it another way, excluding them, there is little reason for young people to actively visit department stores. While they have spent a certain amount of money on cosmetics and basement food floors in the past, the key will be how to capture them in fashion, accessories, and new categories.

The Matsuzakaya Nagoya store, which is undergoing a major renovation in two phases, in November of this fiscal year and the first half of next fiscal year, will take on the challenge of expanding and rejuvenating its customer base. With this renovation, the women’s clothing brands will be replaced more boldly than before, and the so-called new luxury categories of fashion and accessories will be greatly strengthened. On the other hand, for continuing brands, we thoroughly analyzed CRM data and focused on the OMO approach.

The challenges associated with mass-produced and widely distributed women’s clothing are also the very essence of the issues facing department stores that have been mentioned since before COVID-19. Against this backdrop, the decision to make major replacements was largely influenced by the behavioral changes that are in a sense irreversible, triggered by COVID-19.

First, fashion in the workplace has become even more casual. Second, especially for the elderly, the range of activities for outings has narrowed and opportunities for outings have decreased. Third, as the idea of sustainability has become more widespread, the market has shrank, where the supply side produces large quantities and then they are sold out at bargain prices. These changes will never be reversed.

If this bold venture proves to be successful as expected, we plan to expand it to other flagship stores. There are still some stores with a high percentage of mass-produced and widely distributed women’s clothing, which we would like to change sequentially. It may be fair to say that the major renovation of the Nagoya store also serves as a proof of concept (PoC) for the future of our department stores.

Break away from homogenization using content as the core

Department stores are currently homogenized, unable to differentiate themselves, and also unable to assume new positions. I believe that content is concept at the top to break through this situation.

Currently we live in an era of smaller age-related differences, meaning that people are connected by values, regardless of age. In order to discover and develop new content in this day and age, we need to change the way we think about the very framework of content.

Our organization basically acts in a framework based on categories and brands. While this is certainly an efficient way of running an organization, I also feel that it may end up limiting our own scope of action. This means that the system is not in place to discover content that goes beyond existing frameworks.

For this reason, we have established a new organization responsible for developing new content. What is important about content is the perspective of discovering new things as well as developing new things by combining existing ones. Another important keyword is “local,” and I believe this is where our strength of having a nationwide store network comes into play. While taking advantage of the fact that we have 15 physical stores from Sapporo in Hokkaido in the north to Hakata in Kyushu in the south, I thought that we could discover more of attractive local content through the valuable human resources of the employees who work there.

For example, there has actually been an initiative for co-creation by local content and luxury brands. This fall, the Daimaru Kyoto store has developed original products by connecting the craftsmanship of luxury brand with the next generation of traditional craft artisans in Kyoto, the birthplace of Daimaru, to create new value. We would like to firmly develop such initiatives in each of the areas where our stores are located. I believe that this will lead to the uniqueness of our company, whose strength lies in its connection with the local communities.

Our department stores are performing well, driven by luxury goods, but new proposals are needed to move to the next stage. To achieve this, I believe content is the most important concept. I believe that only by having this core of differentiation can we make the most of the improvements in our environment and services, which will lead to the establishment of a unique position.

If we can achieve these breakthroughs, I believe there is great potential for the Group’s department stores to evolve. In that sense, the current major renovation of the Nagoya store is packed with many elements that have the potential to dramatically change the future of our department stores. I do hope to show you the kick-off of what we consider to be the medium-term growth of our department stores, which will have an overwhelming impact.

Management Interview 03

Make Our Strengths Even Stronger, and Connect Them to the Future.

KAWASE Kenji

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

Maximize the potential of key stores

Parco's Medium-term Business Plan for fiscal years 2024 to 2026, which started this fiscal year, looks ahead to the future of 2040 and backcasts from there to break down what needs to be done over the next three years into two major areas.

The first is the restructuring of our store business. I believe that we need to make our strong stores even stronger.

Specifically, the key point is to invest management resources in the four PARCO stores in Ikebukuro, Shibuya, Nagoya, and Shinsaibashi to maximize the social and economic value of these stores. In particular, Shibuya PARCO and Shinsaibashi PARCO will reach a major milestone of five years since their opening during the current Medium-term Business Plan. Both stores are doing very well, capturing a large amount of inbound demand, but it is difficult to say whether their current success will continue five years from now. Looking to the future, we would like to take firm steps where changes need to be made. Furthermore, Nagoya PARCO will evolve into a store with the strongest pop culture content in the Tokai region, and will contribute to creating synergies by participating in The Landmark Nagoya Sakae, a development project currently underway in the Sakae area of Nagoya by the J. Front Retailing Group. Ikebukuro PARCO will undertake a fundamental reform of its tenant composition in light of significant changes in the surrounding commercial environment.

In addition to these four key stores, PARCO stores in Sapporo, Sendai, Urawa, Chofu, and Fukuoka will also implement floor layout reforms. For example, in fiscal 2023, Urawa PARCO achieved a record high tenant transaction volume. Thanks to proactive renovations, the store has gained popularity among a wider range of customers, and I am proud to say that it has become a one-of-a-kind, "indispensable presence" for customers in the area. One of our roles is to deliver cutting-edge culture and fashion according to demand, but it is even more important to highlight the unique characteristics of the area.

The second is content. In a reorganization in March this year, we established the Culture Creation Business Headquarters with the aim of creating world-class content. In addition to the existing entertainment business, we have consolidated new business development functions and incorporated Shibuya PARCO, which is Parco's largest management resource, into this new organization.

The new Shibuya PARCO, which was rebuilt in 2019, is a one-of-a-kind commercial facility that combines fashion, art, culture, and more at a high level, under the themes of borderless, ageless, and genderless, and is popular with many customers, including overseas customers. Since its founding, Parco has independently operated an entertainment business such as theater, music, movies, and content in this Shibuya area, and has created a unique culture. In September 2023, we launched a new Gaming Business Department. We expect games to be a growth field for next-generation culture, and we will develop and explore new businesses such as game-related events, exhibitions, game development, and esports in collaboration with the Group company XENOZ. By combining together the information gathered in Shibuya and the power of Shibuya PARCO itself with our entertainment business, we will enhance the value of the Parco brand both domestically and internationally, and create new world-class content. During the three years of this Medium-term Business Plan, we aim to find a winning formula for the content business through repeated proof-of-concept experiments to achieve success.

A major feature of the current Medium-term Business Plan is to simultaneously pursue these two things that we need to do when we look to the future. We ourselves are trying to foresee the next era and establish our business and management foundations ahead of the new era's movement.

Launched the Future of Work Project

Along with our efforts to strengthen our stores, we launched the Future of Work Project in July this year.

The cities in which PARCO stores are located are mature, so significant growth as a market is not expected in the future. Under such circumstances, Parco's business model must shift from its past approach, which was based on growing population and increasing consumption, to a new approach. Imagining "work in 2030" within the company, we will identify tasks that will no longer be done in the future, and for tasks that we will continue to do, we will review whether the current way of doing them will be still good, and create a way of doing work that can produce results quickly and steadily. In order for us to maintain our identity as Parco and further grow our business in the future, we will proactively revise the way we work, which has been based on our past values and culture, and establish a system that will be applicable in the future.

Redefine the essence of Parco

Parco's major roles in society are Trends Communication and Incubation based on Urban Revitalization. Of these, we have elevated Urban Revitalization to a larger framework that the Group will work together on. We at Parco will further refine and strengthen our two capabilities of Trends Communication and Incubation.

For the first, Trends Communication, I have been thinking since around 2019 about using Parco's strengths in attracting customers and creating buzz as a source of revenue diversification. We are treating our 16 PARCO stores from Hokkaido to Kyushu as media centers, utilizing them for TV commercials and film locations, and selling signage and store space. Each PARCO store has also begun to take on a production business that promotes co-prosperity with communities. We will use this power of Trends Communication to generate revenue.

In the area of Incubation, for example, in our collaboration cafe business, we operate cafes in collaboration with anime and other media, mainly at PARCO stores. When the content itself is still young and has room to grow, we would like to join hands with IP* that will become popular in the future and create space and time for customers to immerse themselves in that worldview and be delighted by it. PARCO has the advantage in this market. Over the next three years, we will further strengthen our relationship with IP* holders.

Deepen mutual understanding in the Group

In the personnel changes made in March, the exchange of human resources at the store manager level between the Group companies was conducted. For example, the store managers of Shibuya PARCO and Shinsaibashi PARCO were appointed as store managers of Daimaru Sapporo and Daimaru Tokyo, respectively. This is a sign of the J. Front Retailing Group's efforts to fully pursue synergies.

The number of human resources to be managed differs significantly between the Department Stores and Parco. What is possible with a kind of tacit understanding on the scale of Parco, where managers manage a visible number of people, will not work on the scale of the Department Stores. Now that they have been appointed store managers of the Department Stores, they will have to learn management methods that are very different from what they have learned up until now. I hope that they will use the new perspectives and know-how they have acquired as a common language and provide feedback so that the good points of the Department Stores can be incorporated into Parco. I also think that Parco's employees should be interested in and understand the Department Stores' "gaisho." Conversely, there are probably many systems at Parco that are difficult for the Department Stores to understand. I think it is a good idea for young employees of the Department Stores to experience working at Parco. Many staff members have been transferred from the Department Stores to Parco, and the younger generation in particular are full of curiosity. They come up with ideas one after another on the spot, rather than through instructions from their superiors. I want them to experience failure as much as possible. I hope to see such a movement take place at various sites, where the young energies of the Department Stores and Parco collide with each other.

I worked at the holding company for a year and understand the difference between the view from the holding company and the view from Parco. I would like to further deepen the mutual understanding between Parco, the Department Stores, and the holding company, and help both Parco and the Group grow even larger.

*IP: An abbreviation for intellectual property. Ideas and creations born from creative activities, such as anime, games, movies, and other content that have value as intellectual property.

Growth in Seven Cities Begins Here.

One of our strengths and characteristics is the well-balanced network of Daimaru and Matsuzakaya department stores and PARCO shopping centers in major cities throughout Japan. In particular, in the seven key cities (Sapporo, Tokyo, Nagoya, Osaka, Kyoto, Kobe, and Fukuoka), we believe that we can create synergies by combining strengthened existing stores with the potential for area development, in other words, we can maximize value through co-creation between the Group and the area.

Japan's potential is not limited to the Tokyo metropolitan area. The Group has a solid growth story that proves this. The first chapter of this story is about to start in Nagoya.

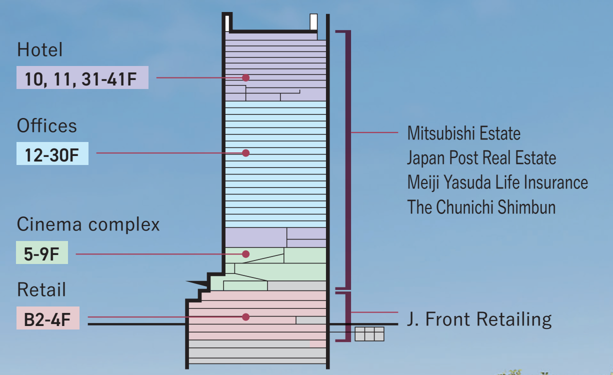
01
NAGOYA
Sakae area

The Landmark Nagoya Sakae
Scheduled to open in summer 2026

J. Front City Development Co., Ltd. will develop a complex consisting of retail space, a hotel, offices and a cinema complex together with its partners (Mitsubishi Estate Co., Ltd., Japan Post Real Estate Co., Ltd., Meiji Yasuda Life Insurance Company, and The Chunichi Shimbun Co., Ltd.) with the concept of building a hub for creating cultural and social value that will serve as a new landmark in "Sakae," Nagoya.

This project was approved as an urban planning project by Nagoya City in March 2022, and the construction of the new building began in July 2022. Through this project, J. Front City Development and its partners will promote the multilayered development of urban functions in the Sakae area, including attracting a luxury hotel that will contribute to improving the city's brand power as promoted by Aichi Prefecture and Nagoya City, thereby further increasing the vitality of the surrounding area and contributing to strengthening Nagoya City's international competitiveness in the core two areas of Sakae and Meieki.

The Group plans to own and operate the retail area from the second basement floor to the fourth floor above ground, creating a new commercial space with a concept that is not bound by existing business formats. We intend to pursue expansion of group synergies through collaboration in the area with nearby commercial facilities operated by the Group, such as the Matsuzakaya Nagoya store and Nagoya PARCO, as well as with JFR Card.



Make the strengths of the Matsuzakaya Nagoya store and Nagoya PARCO stronger

〈Matsuzakaya Nagoya store〉

The Matsuzakaya Nagoya store has already strengthened luxury brands and watches in the previous medium-term plan, which has led to steady results. The renovations, which will be completed in stages starting from November this year, is planned to renew a total of eight floors and introduce new appeal, such as restructuring fashion for the next generation of customers, including the MZ demographic, and revamping the lifestyle zone. Furthermore, in order to dramatically enhance experience value at a real store, which is the largest touch point with customers, we will also work with a renowned architect to create comfortable store spaces that stimulate the five senses.

〈Nagoya PARCO〉

Nagoya PARCO will undergo a major renovation of its East Building and West Building, covering a total area of approximately 3,000 square meters, to create the largest assortment of pop culture in the Tokai region, and to rebuild the fashion zone for the MZ generation to attract customers from a wider area. The East Building will take the opportunity of this renewal to become the entertainment space PARCO Enta PARK, with Pokémon Center Nagoya operating on the entire second floor. And all 22 shops in the West Building will undergo major renovations, bringing together leading brands and transforming the building into a more sophisticated fashion mall.

By highlighting the strengths and characteristics of both the Matsuzakaya Nagoya store and Nagoya PARCO, we hope to play a role in making the Sakae area a destination and enhance the value of the area.

PAXX? - A demonstration experiment exploring new possibilities for parks

J. Front City Development Co., Ltd. conducted a demonstration experiment called PAXX? at Angel Hiroba in Hisaya-odori Park in Sakae, Nagoya, together with Mitsubishi Estate Co., Ltd. and Takenaka Corporation (September 27 to October 2, 2023), to explore new uses and possibilities for the park. Along the road and in the surrounding area south of Hisaya-odori Park are Matsuzakaya, PARCO, Nagoya ZERO GATE, and BINO Sakae, all of which are operated by the Group companies, and the redevelopment project The Landmark Nagoya Sakae is currently underway. We thought that by creating an environment where the roadside facilities and the park would attract each other, a synergistic effect would be created, allowing visitors even more easily to get around.

Urban development is not something that can be done by the Group alone. If we can work together with surrounding businesses and local governments beyond boundaries to make the park more attractive, the value of the entire Sakae area will increase even further. Through further demonstration experiments, we would like to verify and propose content that will make the park more attractive.

02

FUKUOKA

Tenjin area

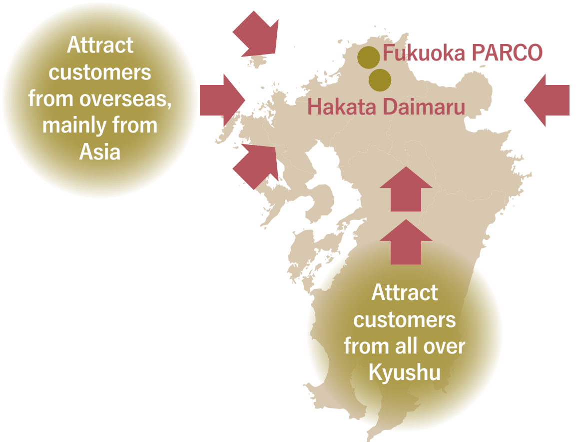
Tenjin, Fukuoka will change drastically. Participate in Tenjin Big Bang, aiming to open around 2030

The Tenjin 2-chome South Block Station-Front East-West Area Urban Planning Promotion Council, which consists of six rights holders including Parco Co., Ltd. and J. Front City Development Co., Ltd., submitted an urban planning proposal to Fukuoka City in February 2024. Specific studies are underway to create an attractive, high-quality area that will become an important hub for creating a bustling atmosphere in the Tenjin area.

In July of this year, J. Front Retailing Co., Ltd. established the Fukuoka Tenjin Area Development Promotion Division to strengthen its structure for promoting the project. Kyushu is seeing the development of its transportation network, including the opening of the Kyushu Shinkansen, and Fukuoka's commercial area is expanding to cover the entire Kyushu region. In addition, as the gateway to Asia, inbound consumption is expected to continue to expand in the future. And with an overseas semiconductor manufacturer establishing a large production base in neighboring Kumamoto Prefecture, the number of related companies moving into the area is also increasing, and significant economic ripple effects are expected in the medium term.

By combining the Group's expertise in this project, we aim to create a complex that will represent Kyushu and Asia.

Image perspective



03

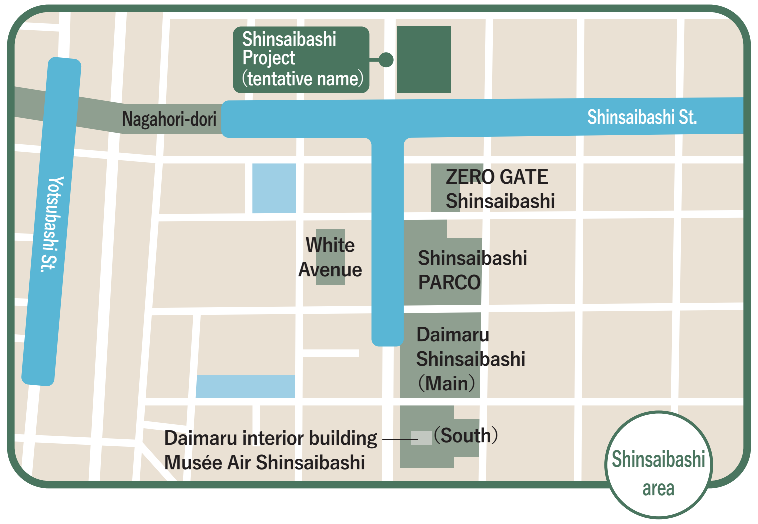
OSAKA

Shinsaibashi area

Shinsaibashi Project (tentative name) will be completed in 2026, with area development to expand beyond that

J. Front City Development Co., Ltd. will work with its partners to develop a complex consisting of retail space, a hotel, and offices as one of the largest properties in the area in the Shinsaibashi Project (tentative name). We participate in this project through a special purpose company established by jointly investing with L Catterton Real Estate (a real estate development and investment firm of the LVMH Group). The lower floors facing Midosuji and Nagahori-dori are planned to have a series of duplex boutiques (two to three floors), attracting luxury brands, and thereby it will contribute to drawing more crowd to and further revitalizing the surrounding area as a new landmark.

In addition, Daimaru Matsuzakaya Department Stores Co. Ltd. has decided to acquire 42.6% (42,600 shares) of issued common shares of Shinsaibashi Kyodo Center Building K.K., the Company's associate accounted for using equity method, making it a consolidated subsidiary of the Company, and to enter into a share transfer agreement with Sanshin Co., Ltd. This will allow greater flexibility for development in the Shinsaibashi area, centered around the Daimaru Shinsaibashi store, and by promoting plans that will contribute to expanding our retail business and making the area livelier and more attractive, we will further strengthen the Group's presence in the area.



Projects to evolve group synergies

Realizing synergies in key areas

Taking advantage of the development of the Sakae area in Nagoya, we launched a project to realize area synergies. This project aims to clarify the vision that we aim to achieve in the Sakae area, as well as to build a strategy model for "competing in areas" through collaboration both inside and outside the Group, and the Group collaboration management model.

In the Sakae area, we will participate in the Aimachi PITCH CONTEST 2024 and explore the possibility of creating collaborative innovation in the future by making contacts with companies that can be expected to generate revitalization synergies, including next-generation startups.

Through verification of the results of such area synergies in the Sakae area, we will consider the possibility of expanding to other key areas.

The Group customer strategy project

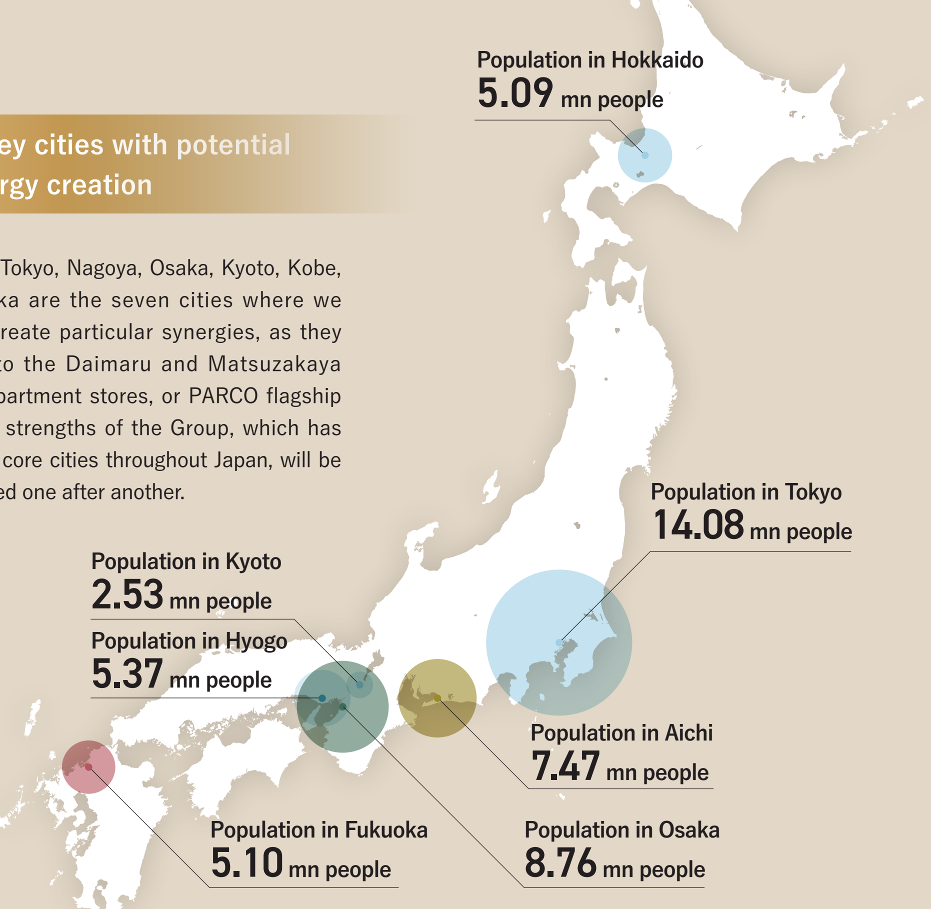
In order to materialize the Group customer strategy in maximizing group synergies, we have formed a cross-operating company project to study the goals of the Group customer strategy and the details of related system strategies such as apps and points, and the establishment of a group-wide promotion system.

The Group customer data is stored in the JFR Group Customer Data Platform (JCDP), and various analyses of purchasing behavior are underway. As the Group's card issuers are consolidated in stages under JFR Card, the Group customer strategy is expected to become even more sophisticated.

What kind of customer experience value can be provided through collaboration in the Group? In other words, the key to this project is creating unprecedented synergies that are centered on customers. We plan to begin by conducting trials in several areas and then further strengthen collaboration between operating companies in order to achieve results.

Seven key cities with potential for synergy creation

Sapporo, Tokyo, Nagoya, Osaka, Kyoto, Kobe, and Fukuoka are the seven cities where we expect to create particular synergies, as they are home to the Daimaru and Matsuzakaya flagship department stores, or PARCO flagship stores. The strengths of the Group, which has locations in core cities throughout Japan, will be demonstrated one after another.



*Source: Government statistics "Population estimates by prefecture" (as of October 1, 2023)

Department Store Business — Major Renovation of Nagoya Sore

Overwhelming Presence in the Area

Artist's impression for the 3rd floor of the main building of the Matsuzakaya Nagoya store

Make our strengths stronger – Major renovation of the Matsuzakaya Nagoya store

Founded in Nagoya in 1611, Matsuzakaya originated as a kimono merchant that was highly valued by the Owari Tokugawa clan and was an official supplier to the feudal domain. It is said that the method of doing business by visiting the residences of loyal customers at that time became today's "gaisho." It can be said that the department store has been able to grow with the community because of the customer base it has built up over generations by gaining the trust of wealthy local people and loyal customers based on the knowledge and experience gained in gaisho over its long history.

The Matsuzakaya Nagoya store's gaisho sales account for approximately half of its total sales, making it the store with the highest percentage of gaisho sales among our department stores. Recently, our continued efforts to strengthen and expand our luxury content have proved successful, and the share of young people is also on the rise. This trend is not limited to Nagoya but can be seen across our department stores, and it could be said that we are at a turning point.

The Matsuzakaya Nagoya store will undergo a major renovation on a total of eight floors in the main building and the north wing, which are scheduled to open in stages from November 2024 to fall 2025. By enhancing content, services, and store environment, the store will not only deepen its relationships with existing customers, but will also strategically work to develop new customers with an eye to the future. While making our strengths stronger, we hope to realize our vision of a new department store.

Strategically develop next-generation customers

The essential challenges for department stores include how to restructure the traditional women's fashion floors, and furthermore, how to attract the next generation of customers. The Matsuzakaya Nagoya store will strategically address these themes through its current major renovation.

The main fashion floor will house the area's largest collection of luxury creator brands. And, aiming to create a new look for the women's clothing zone, we will create a floor that proposes "fashion × lifestyle" centered on the independently operated sales area, particularly targeting wealthy young customers.

On the lifestyle floors, we will strengthen the zone themed on "locality," which is an expanding market regardless of age. And for furniture, we will shift it to a high-end line and restructure the zone to be more conscious of affluent customers, including gaisho customers.

In addition, we will renovate the entire one floor under the concept of art with the aim of achieving the largest scale of art sales of any department store. A remodeled gallery café will also help provide a cozy art space.

Matsuzakaya Nagoya store floors to be renovated

Floors to be renovated

	Main building		North wing
10F	Restaurants		—
9F	Restaurants		
8F	**Art**		
7F	**Event Art salon**	**Interior & lifestyle (furniture)**	
6F	**Interior & lifestyle (household goods)**		**Luxury Beauty salon**
5F	**Kids & ladies fashion**		GENTA THE WATCH
4F	**Ladies fashion**		Golf/sport
3F	**Luxury**		Men's clothing & accessories
2F	Luxury		Men's clothing
1F	Luxury		Luxury
B1	Food		**Sake/restaurants**
B2	Food		—

Provide overwhelming space value

The COVID-19 pandemic has provided an opportunity to reevaluate what the value of real stores is. What are the irreplaceable touch point values that can only be obtained in the real world? We believe that one of them is space value. With this major renovation, the Matsuzakaya Nagoya store will create an overwhelming store space that will stir customer emotions.

Specifically, we have invited NAGAYAMA Yuko to be the store space designer, and will incorporate a modern design while creating a space that simultaneously conveys cultural value based on the history that the Matsuzakaya Nagoya store has woven over the years.

The main materials used are "copper," which is characterized by its visual calmness and elegance, and "brass," which is soft and heavy. These two materials were often used for the roofs and decorations of the buildings when the Matsuzakaya Nagoya store was built as a department store. Their characteristics, which will gain flavor over time, are superimposed on the future of the Matsuzakaya Nagoya store, which will shine brighter with time.

Design partner

NAGAYAMA Yuko
Architect

Born in Tokyo. After graduating from the Department of Human Life and Design of Showa Women's University, worked at Jun Aoki & Associates, and in 2002, founded Yuko Nagayama & Associates.

Artist's impression for the 3rd floor of the main building of the Matsuzakaya Nagoya store

Pursue group synergies in the area

In addition to efforts to make the strengths of the Matsuzakaya Nagoya store stronger, renovation of the nearby Nagoya PARCO is underway, and The Landmark Nagoya Sakae is scheduled to open in 2026, the commercial area of which we will develop and operate. Not only will the Sakae area be home to a concentration of distinctive retail businesses in which the Group is involved, but also as other development projects progress in the Sakae area, it is expected that the trade area will expand to the Tokai region, significantly improving the area's competitiveness.

As we are currently consolidating the Group's card issuers, we believe that this will enable us to increase the benefits for customers by allowing them to get around the area. We will also promote new projects to evolve group synergies, thereby contributing to drawing new crowds to the area.

Major reorganization for the next generation

Taking the opportunity of this major renovation, the Matsuzakaya Nagoya store has drastically changed its organizational structure in September 2024 to create an environment that will enable the store to achieve even greater growth. Specifically, the organization, which previously consisted of six divisions, has been reorganized into three divisions: the CX Promotion Division, the Content Strategy Division, and the Store Strategy and Operations Division. By strengthening the linkage between gaisho, which plays a key role in customer sales, and in-store sales, as well as the development function that constantly provides fresh content, we will build stronger relationships with customers and further enhance the attractiveness of the store. Resources will be allocated to the CX Promotion Division and the Content Strategy Division on an inclined basis, while efficient operational and logistical support will be designed.

By achieveing concrete results through this initiative at the Nagoya store, we hope to gradually expand it to other stores.

Department Store Business — GINZA SIX

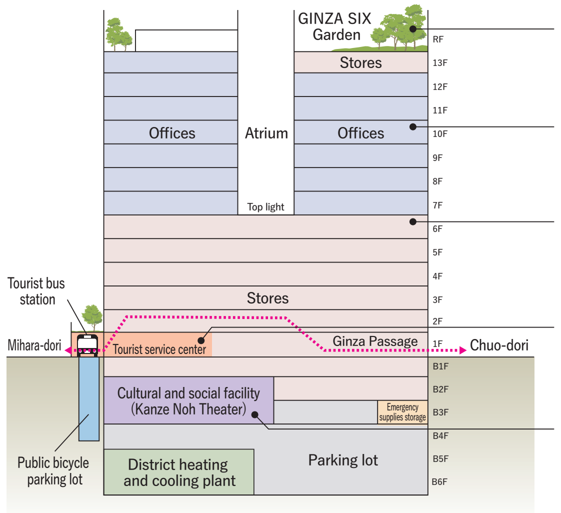
Luxury Mall That Continues to Evolve

GINZA SIX, a distinctive new retail model

GINZA SIX, a luxury mall that can now be said to be one and only in Japan, 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." In the world-class Ginza area, with the option of "not operating as a department store," it stands out as a "retail innovation" that was born by bringing together the diverse wisdom of four companies (at the time of its opening). The luxury brands' duplex boutiques that constitute the facade form the dominant image of GINZA SIX, which is conscious of global standards.

In 2021, four years after its opening, and right in the midst of the COVID-19 pandemic, it underwent a major renovation, replacing approximately 50% of the brands housed when it opened. While adapting to the changing times, we have further improved its freshness and succeeded in developing a new customer base. In fiscal 2023, further growth has been achieved, due to robust spending by wealthy domestic consumers as well as a significant increase in spending by inbound tourists.

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 approx. 240 brands of world class quality

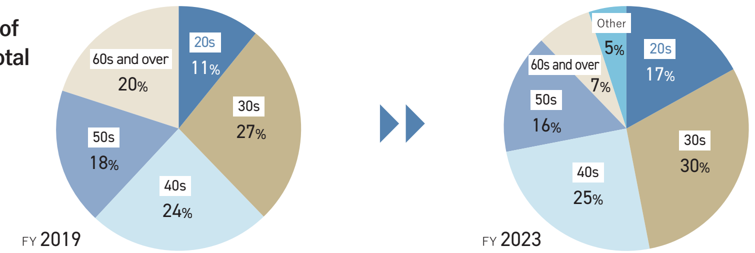
Tourist center [1F]
Tourist service center, which also serves as a tourist information center for the Ginza area. It has TERMINAL GINZA and the first tourist bus station in Ginza.

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.

High popularity among 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, and with regular renovations from 2021 onwards, the customer base has changed, and in fiscal 2023, the share is nearly half, at about 47%. Although affluent young people have been showing strong purchasing power in recent years at department stores, considering that customers aged 60 or older account for more than half of transaction volume, we can see further potential for the customers with profiles to whom the current department stores cannot reach out. It can be said that GINZA SIX offers an important insight toward solving the structural issues that department stores face.

Changes in the ratio of each generation to total transaction volume



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 space in the center of the facility, 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 elevator halls in the south and north and corridors on the 3rd through 5th floors, and living wall art spanning 12 meters in height.

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.

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

《BIG CAT BANG》 by YANOBE Kenji in the central atrium (Photo by Yasuyuki Takai)

Create group synergies

As part of the entire Group's efforts to consolidate card issuance to strengthen its customer base, a new GINZA SIX card was issued in April 2024. This will ensure steady progress in the Group customer strategy.

In particular, for department store gaisho customers in the Tokyo metropolitan area, the use of GINZA SIX will enable them to access a much wider selection of luxury goods. To achieve this, we will actively utilize tools such as "connaissligne," a closed website for gaisho customers, to strengthen information communication and coordinate various sales promotions.

Having multiple unique retail models is a major advantage for the Group. We will work to create synergies that are unique to the Group by enhancing our presence in the Tokyo metropolitan area through the Group's "triangle," which includes GINZA SIX, Daimaru Matsuzakaya Department Stores, and Parco.

Department Store Business — Gaisho Business

Gaisho Evolves and Expands

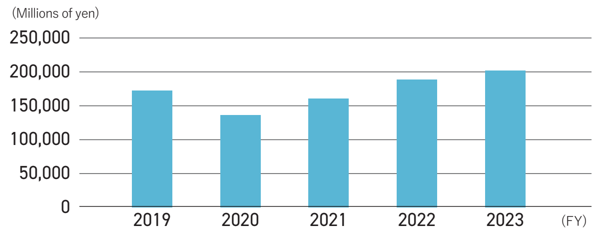
Expansion of young affluent consumers

The Department Srores has continued to see strong consumption of high-end items since reopening following the COVID-19 pandemic. We believe that this is due not only to asset effects and polarization of consumption, but also to changes in the quality of consumption triggered by the COVID-19 pandemic. In other words, we may be seeing a growing trend toward consumer behavior that places greater emphasis on intrinsic value.

In particular, gaisho customers are active in their purchasing behavior. Gaisho sales of the Department Store Business in fiscal 2023 exceeded 200.0 billion yen, a 7.0% increase compared to the same period last year. Our strength lies in having flagship stores in each area from Sapporo to Hakata, and having a gaisho organization in each area that connects us with affluent customers. In fiscal 2023, gaisho sales accounted for about 26% of department store sales, and the growth in recent years has been particularly strong among young shoppers in their 20s to 40s. In the same year, sales by young affluent consumers accounted for about 30% of total gaisho sales. We see that the increase in household income due to the rise of power couples that stand out in downtown and other areas also has an impact. In addition to the success of expanding its lineup of luxury and art items that suit the younger people and providing lounge services, promoting online sign-up has also proven effective.

We have approximately 300,000 gaisho customers. By skillfully combining human and digital touch points to stay close to our customers, we will respond to a wide range of needs and wants, and work to further expand LTV.

Trends in gaisho sales of the Department Store Business



Deepen “semi-gaisho” customers

The number of our app users continues to increase every year, reaching 2.20 million as of the end of fiscal 2023. According to an analysis of customers using the app, we have found that there is a significant number of customers who do not have our cards but spend more than one million yen per year at our department stores, and sales from them reached approximately 36.0 billion yen in fiscal 2023.

Classifying these customers as “semi-gaisho customers,” we have decided to further promote purchasing from them. We are building our systems and operations, including a personalized approach based on data obtained from the app and collaboration with the credit card company. When we invited them to a trial event for gaisho customers in May, we received more purchases than expected.

We hope to build strong relationships by strengthening our approach to loyal customers through the digital touch point of the app.

Establish next-generation gaisho communication

Daimaru Matsuzakaya Department Stores operates gaisho’s own closed website called “connaissligne,” which introduces special merchandise unique to gaisho and provides a variety of information. In fiscal 2023, we gained over 13,000 new members, bringing the total membership to over 110,000. The members of connaissligne account for 36.8% of all gaisho customers, which means that we have digital touch points with about 40% of all gaisho customers. In the future, we plan to use the Daimaru Matsuzakaya app as a starting point to guide semi-gaisho customers to become connaissligne members, thereby creating an environment in which we can provide existing gaisho services.

In addition, in fiscal 2023, by identifying potential customers through the analysis of gaisho customer data and approaching prospective customers through data analysis, we were able to achieve sales of 2.4 billion yen. Going forward, we will further improve the accuracy of our analysis, enrich customer information, and identify latent needs using AI to provide even more detailed services than ever before.

Strengthen collaboration between GINZA SIX and department store gaisho

Daimaru Matsuzakaya Department Stores has started a new collaboration between its gaisho and GINZA SIX in September 2023. Although we have been involved in gaisho collaboration efforts in the past, the new gaisho collaboration dramatically increases the number of tenants from which customers can receive services unique to gaisho, such as point benefits at GINZA SIX.

Daimaru Matsuzakaya Department Stores not only provides information about GINZA SIX through the closed website for its gaisho customers “connaissligne,” but also has its gaisho staff encourage gaisho customers using various tools to shop at GINZA SIX. We believe that these efforts will also contribute to increasing the presence of gaisho in the Tokyo metropolitan area.

In addition, for GINZA SIX, attracting more gaisho customers will increase sales and rental income for the entire building, and will lead to new affluent customers becoming app users. For tenants, this will also create a new point of contact with an affluent class of gaisho customers.

Approach to wealthy overseas people

Capturing global demand has become an important issue in order to compensate for the shrinking domestic demand caused by the declining population. In the FY2024-FY2026 Medium-term Business Plan, we are working to increase spending by inbound tourists and build relationships with wealthy overseas customers.

Daimaru Matsuzakaya Department Stores signed a business alliance agreement with Central Pattana Public Company Limited, a member of Central Group in Thailand, and since June 2023, has been offering a reciprocal customer transfer program for the Daimaru Shinsaibashi store and Central World, offering preferential treatment to each other’s VIP customers. In April 2024, the Daimaru Sapporo store and Central Phuket were added to the list of participating stores.

In addition, in April 2024, we entered into a comprehensive business alliance agreement with WealthPark Real Estate Technologies, Inc. (“WPRET”), a subsidiary of WealthPark Co., Ltd. This will enable us to approach WPRET’s customers, such as wealthy overseas people who own real estate in Japan, with support from the company, including language support.

We believe that a variety of approaches are necessary to attract wealthy overseas customers. We will continue to strengthen our overseas customer base, including through alliances with business partners.

Central World
(Bangkok, Thailand)

Daimaru Shinsaibashi
store
(Chuo-ku, Osaka)

Co-creation Is Also a Challenge for the Future.

When we look at our core retail business, we can clearly see that we are positioned between our suppliers and creators and our customers. In other words, we play a role in creating added value by connecting content and customers. Developing and discovering content and redefining it in the context of the times is an important factor in updating our customers' lives and society, and it is also a process that reaffirms the significance of our existence.

Our network of suppliers and creators, which utilizes our connoisseurship, and our strong ties rooted in local communities are truly a treasure trove of possibilities. It is also essential to try to acquire new strengths through alliances and M&A. Co-creation leading to the future has begun one after another toward the creation of three values: Co-creation of Excitement, Co-prosperity with Communities, and Co-existence with the Environment.

Subscribe to fashion. A sustainable model that connects valuable resources.

AnotherADdress, a fashion subscription business we operate, 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.

In 2024, the project was selected by the Ministry of the Environment to receive subsidies for projects to promote the spread of environmentally conscious behavior and for projects to reduce carbon dioxide emissions, which are named "Decokatsu (National Movement for New and Prosperous Lifestyles toward Decarbonization)."

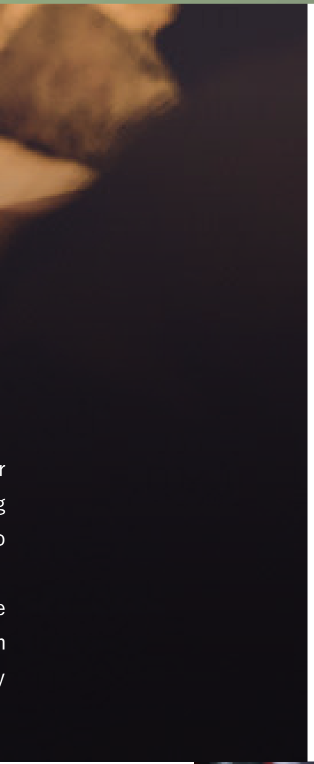
The "roop" is a clothing circulation upcycling project promoted by AnotherADdress, in which valued clothing collected from customers is reborn as "reADdress" (upcycled items). They are produced by fashion students and designers who will lead the future of fashion. The items that have been given new life will be available for rent at AnotherADdress beginning in the spring of 2025.

Believing in the life-changing power of fashion, we hope to create a new form of clothing circulation by encouraging consumers to change their behavior under the themes of "reducing clothing waste," "extending the life of clothing," and "passing on the skills and will for clothing."

Clothing Circulation Upcycling Project
roop
REDUCE WASTE
LONGER LIFE
PASSING ON SKILLS

Ministry of the Environment

AnotherADdress



Kyoto tradition and Italian aesthetics are beautifully fused together. Exclusive value is created based on co-existence with the local community.

MATSUZAKI Riku, a Kyoto indigo dyer, and Milan-based bag brand Valextra co-created an art-like piece clad in the beautiful ancient Japanese blue. The fusion of Kyoto tradition and Italian aesthetics creates truly exclusive value.

MATSUOKA Riku is working hard every day to revive Kyoto indigo, which died out about 100 years ago, in its original production area, and to pass on the existence and value of Kyoto indigo to the next generation. He has unraveled the history of indigo dyeing, which is popularly known as Japan Blue, and does everything by hand by himself, from growing the plants to dyeing, following the traditional technique handed down from the Muromachi period. Respect for tradition is a uniquely Japanese identity—it is this very idea that he embodies as he takes on challenges that transcend time and national borders.

This project started when a staff member at the Daimaru Kyoto store, who is connected to MATSUZAKI Riku, introduced Valextra to the wonders of Kyoto indigo dyeing. The Valextra design team from Italy visited Mr. Matsuzaki's workshop in April 2023. After about a year of trial and error, the product finally took shape. This bag will be sold exclusively at CASA VALEXTRA in Kyoto, but we expect that this story has the potential to expand as a suggestion for the future.

Reaching the MZ generation. Esports, which has a high affinity with digital technologies, co-creates excitement.

We believe that one of our important missions is to unearth the seeds of the next generation and provide new experiences and excitement. Esports, which is gaining popularity especially among the younger generation, is one of the categories to watch.

Therefore, we acquired a 50.8% stake in XENOZ Co., Ltd., which owns the esports team SCARZ, and made it a subsidiary. By making a full-scale entry into the esports business, we are working to create new value through synergies with existing businesses such as Parco and the Department Stores.

XENOZ has been a leader in the esports industry since its inception, not only with its long-established professional team SCARZ, which has achieved many good results in major esports tournaments, but also by running its own tournaments. We entered the esports industry from its early days and will develop it into a future pillar of our entertainment business.

Esports is characterized by a high level of interest among the younger generation, including the Z generation. By reaching out to these next-generation customers, we will improve awareness and brand value.

In addition, since esports has a high affinity with businesses that utilize digital technologies such as the metaverse and NFTs, we would like to expand our business into the digital domain.

Desire to use with care for a long time. It is transformed into art through outstanding craftsmanship.

Kintsugi is a traditional Japanese technique of gluing broken ceramics or lacquerware with lacquer and decorating the joints beautifully with gold or other metal powders. While it is highly regarded in Japan as a technique for repairing pottery, it is also gaining recognition overseas as an art form, as seen in the recent release of works inspired by *kintsugi* by luxury brands.

Against this backdrop, the Daimaru Kyoto store opened the Daimaru Kintsugi Salon in March 2024, offering *kintsugi* services.

We cannot fulfill our responsibility simply by selling products as a retailer. *Kintsugi* also has great potential in terms of how to connect the items we sell to the future and upcycle them.

Each item that is important to our customers has its own story that has been woven over time. We not only sell products, but also create the future beyond with our customers. We connect beloved things to the future. *Kintsugi* reflects the value of "using things carefully until the end," which has been handed down from generation to generation by the people of Kyoto, and is also attractive as a story.

We believe that there is great significance in our efforts to breathe new life into the traditional culture while passing it on, taking advantage of the strengths that the Department Stores has cultivated over the years, such as the trust, customer service skills, and connoisseurship.

Connect content loved by local people to the future. Established the Pride Fund, a business succession fund.

There are many companies in Japan that provide excellent products loved by local communities. On the other hand, the closure of businesses due to lack of successors, funds, and management know-how has had a significant impact on local economies.

In light of this, we have established the Pride Fund, a business succession fund, in collaboration with the Development Bank of Japan Inc. and Ignition Point Venture Partners Inc. By leveraging the strengths of each of the three companies to support business succession, we will pass on content to future generations and contribute to local communities.

This country has a culture that has been cultivated over a long history and has been passed down to the present day. There are craftsmen who continue to do their work with care, using their ingrained skills and refined sensibilities. By bringing innovation to tradition, we will continue to connect and deliver that value for the next 100 years.

We believe that preserving the culture that has been carefully nurtured over time means protecting not only the pride of the creators, but also the pride of communities and Japan. We will not only help with business succession, but also support business growth and take on challenges together with local companies, such as developing new products and brands that can be expanded overseas.

Pride Fund

SC Business-Evolution of Real Stores

Create a New Era with Individuality and Value

“PARCO”brand increases its value from Shibuya

Parco operates shopping centers PARCO throughout Japan, from Sapporo in Hokkaido to Fukuoka in Kyushu, with a different store concept for each market in which PARCO operates. We are building a solid revenue base by quickly responding to market changes at each store and optimizing our product mix and operational methods. In addition, based on the principle of equal partnership with tenants, we aim to increase each tenant’s sales by refreshing their premises through renovations, attracting customers through advertising and promotion activities, and providing meticulous tenant support. Furthermore, since our establishment, we have not only sold goods, but have also worked to create a unique culture by serving as an information dissemination base that produces and proposes new ways of spending time and enjoying new lifestyles.

It is Shibuya PARCO, which continues to evolve as the “one and only” next-generation commercial space, that strongly communicates the PARCO brand. Through re-branding with Shibuya as the starting point, we continue to work on evolving our value proposition 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 the relationships that we have built with tenant companies over the years, we embody our corporate image of "taking on new challenges.” In recent years, the inbound market has expanded rapidly, and Shibuya PARCO’s estimated overseas sales have soared. The store continues to grow as a presence that is attracting global attention.

Allocate resources to four key stores

In the Medium-term Business Plan that began this fiscal year, Shibuya PARCO, Nagoya PARCO, Ikebukuro PARCO, and Shinsaibashi PARCO have been positioned as four key stores, and resources will be allocated to them on a priority basis. We aim to further improve profitability by promoting comprehensive renovations and strengthening our IP content. Shibuya PARCO and Shinsaibashi PARCO, which lead Parco with strong performance, are planning large-scale renovations and will ensure results through selection and concentration based on investment effects.

Of these, Nagoya PARCO will undergo a major renovation of its West and East Buildings to create the largest concentration of pop culture shops in the Tokai region and rebuild the fashion zone for the MZ generation in order to attract customers from a wider area. In addition, by participating in the development project “The Landmark Nagoya Sakae,” we will contribute to maximizing group synergies in the Sakae area in Nagoya.

Produce software content

Parco is actively involved in developing content and promotions. We create commercial added value by presenting cultural information from theater, movies, and other sources, and content materials that reflect the times in a multifaceted way, and by producing collaborations between different materials to create hit projects. Parco’s unique resources make it possible to create diverse content, which gives rise to various forms of culture and contact points with stakeholders, which then leads to further content production.

The Opanchu Usagi Exhibition, which promotes the appeal of Opanchu Usagi, a highly popular character drawn by the artist Kawaisouni!, was held starting at Ikebukuro PARCO in March 2023 and traveled to PARCO stores in Nagoya, Shinsaibashi, Shizuoka, Hiroshima, Sendai, Sapporo, Fukuoka, Matsumoto, and Urawa as well as SAN-A Urasoe West Coast PARCO CITY in Okinawa.

©KAWAISOUNI!

Communication using digital technology

Parco uses digital technology as a way to communicate with customers. This includes shop staff members themselves communicating online through Shop News, the e-commerce site ONLINE PARCO, the “secret function” in which sales are made only to select customers, and POCKET PARCO, its official smartphone app, that offers services for various scenarios during a customer’s visit—various functions connect customers with shop staff online and provides sales opportunities to shops.

The latest technology is also being utilized in advertising, such as the Happy Holidays campaign consisted of fashion advertisements that used visual generative AI to enliven the holiday season at PARCO. No photoshoot of models was conducted; everything from the people to the backgrounds was created with generative AI, including the graphics, movie, narration, and music. The campaign won an Excellence Prize at the Digital Contents of the Year ’23/29th AMD Awards held by the Digital Media Society.

Medical wellness mall Welpa

Welpa is a medical wellness mall that provides services that support the habituation of selfcare by making lifestyle proposals and providing value in the field of wellness. Currently, we have two locations, Shinsaibashi PARCO and Urawa PARCO, where we mainly offer clinics. Women undergo significant change both physically and mentally depending on their stage of life, and Welpa provides opportunities for women to “learn” about healthcare and an environment for “enriching” experiences.

The second location, Welpa Urawa, opened in February 2024 on the 7th floor of Urawa PARCO. Japan ranks extremely low among developed countries for breast cancer screening and nearly 60% of women do not get screened. Welpa aims to contribute to an enriched society primarily by supporting solutions to medical and health-related problems facing women in their 20s to 40s, the main customer segment at PARCO stores.

Opened Welpa Urawa in February 2024

Crowd funding service BOOSTER

BOOSTER, a crowd funding service, is a mechanism for fundraising and support where people who wish to take on challenges can communicate that fact via the Internet. We contribute to local revitalization and fan generation by partnering with the areas where PARCO, Daimaru, and Matsuzakaya stores are located. In fiscal 2023, around 160 projects were conducted, with support being provided to people taking on challenges and local communities.

Project to erect a “statue of HIJIKATA Toshizo” in Mibu, Kyoto to mark 160 years since the formation of the Shinsengumi swordfighters

Partnering with Daimaru Kyoto store, a statue of HIJIKATA Toshizo, the second in command of the Shinsengumi swordfighters, was erected using crowd funding in order to vitalize tourism in the Mibu area, Kyoto, the “birthplace of the Shinsengumi.” Mibudera temple, where the statue was erected, has seen a host of Shinsengumi fans and history-lovers visit the site.

SC Business-Entertainment

Create the Passion of the Times Together

STAGE


Audience seats in PARCO Theater(Photo: OSAKO Futoshi)

ART

We live in an age where experiential value is more important than ever. There is a sense of touch and warmth that cannot be obtained virtually. Sharing joy, anger, sorrow, and happiness in a creative space. The emotions we feel in that real moment may be of irreplaceable value. The heat emitted by art and culture can be a source of inspiration 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 enriching lifestyles. We produce a variety of attractive content.

Under the Medium-term Business Plan that began this fiscal year, we will conduct research and development through collaboration in the J. Front Retailing Group in the growth markets of content fields such as entertainment and culture, and build the foundation for new businesses.

Create new communication in the game business

Since its establishment, Parco has actively introduced various forms of culture, including fashion primarily, but also music, art, theater, and movies. We have identified new talent and together opened up new avenues for the future. In September 2023, we established the new dedicated game department to create new communication and launched a game business.

“Games” are positioned as a new form of communication that goes beyond language and national borders. The passion that is then created will be delivered to the world as a new life culture.


Public viewing of esports event（PARCO Theater）

As Parco’s game business, we held a public viewing in June 2023 of VCT ASCENSION PACIFIC 2023, the Asian tournament for VALORANT, featuring the esports team SCARZ, which represented Japan.

“Rabbit Hole,” part of a series commemorating the 50th anniversary of PARCO Theater

PARCO Theater celebrated its 50th anniversary in 2023 and staged a series to commemorate the milestone. There was a play with a director at the center of Japan’s theater world, an experimental work with fresh talent, and a cutting-edge director and playwright from overseas. It was an impressive lineup that attracted a large audience. “Rabbit Hole,” staged in April, won the Outstanding Performance Awards at the Yomiuri Theater Awards.

SHIBUYA CLUB QUATTRO 35TH ANNIV. “NEW VIEW”

From June to November 2023, Parco held SHIBUYA CLUB QUATTRO 35TH ANNIV. "NEW VIEW" to celebrate the music venue’s 35th anniversary. Over 30 original shows were performed by a total of 50 groups of artists. In addition, recycled goods were sold from among the artists’ personal items, and reusable cups were introduced, as SDGs projects were implemented aiming to create a new image for the club scene.

Theater

Plays, musicals, dance performances, and other productions are staged at PARCO Theater and other theaters around the country. Quality works are produced with talented creators and highly appealing cast members.

Music

CLUB QUATTRO books up-and-coming Japanese and international artists and provides a top-quality live music experience. We also operate QUATTRO LABO, a music café and bar.

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.

Gallery/café

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

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, publishing books on contemporary, cutting-edge artists and creators in Japan and overseas as well as books linked to various events.

Games

“Games” are a new form of culture and a ground for communication that connects the world. By introducing esports and indie games, we are creating a new movement in games together with creators and collaborators.

Management Strategy

Payment and Finance Business

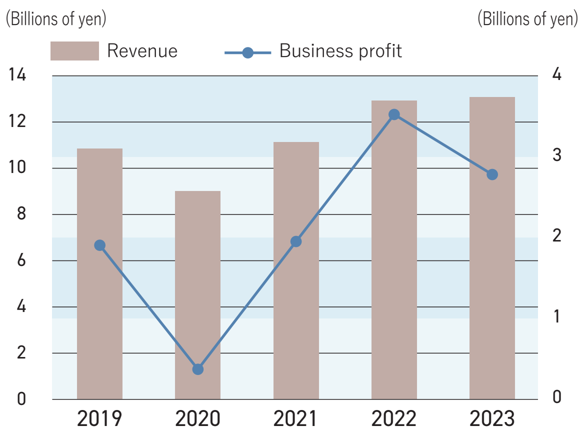
Promote Consolidation of Cards to Promote the Group Customer Strategy

Upfront investment phase for card consolidation

In the Payment and Finance Business, under the previous Medium-term Business Plan, we completely renewed the Daimaru Matsuzakaya Card in January 2021 and introduced a unique point program to improve customer convenience while also working to improve our revenue structure, including annual membership fees. We have also decided to consolidate the card issuance operations of PARCO, GINZA SIX, and Hakata Daimaru, which are commercial facilities within the Group but had different issuers due to historical reasons, into the Group, and have them issued by JFR Card in turn.

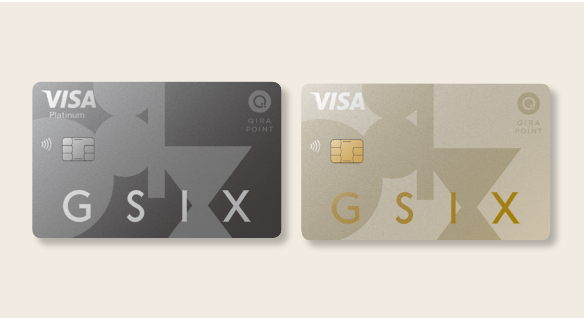
Therefore, the first half of the current Medium-term Business Plan will be an upfront investment phase for card consolidation, but we expect to see an increase in profits in the final year. Through these efforts, we will advance the Group customer strategy and strengthen the profitability of the Payment and Finance Business.

JFR Card earnings trends



Issued new GINZA SIX Card in April this year

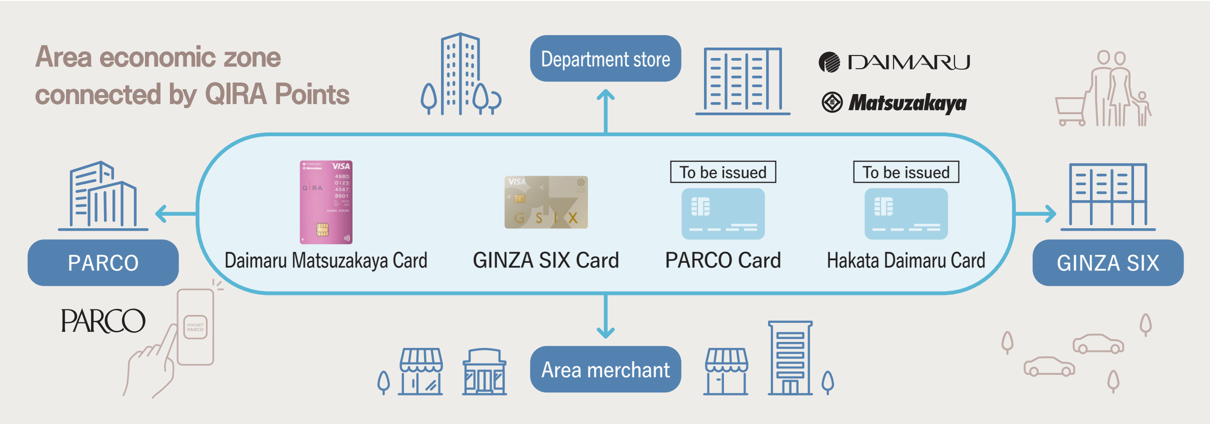
As the first step in consolidating cards within the Group, a new GINZA SIX Card was issued in April 2024. With "The same GINZA, but farther ahead" as the value provided, in addition to existing services, the card offers new types of points that can be earned at GINZA SIX, as well as benefits and services that will change experiences in the Ginza area. Through the issuance of the GINZA SIX Card, we will also work to provide customers with valuable experiences and create services and systems that will enhance the appeal of the Ginza area over the medium to long term.



Establishment of area economic zone

JFR Card has signed license agreements with VISA and Mastercard, and is working to acquire merchants in the seven key areas on which we focus in the Medium-Term Business Plan. Using our unique point program, QIRA Points, we will encourage mutual customer referrals between the Group's facilities and customer circulation within the area.

For example, in the development of the Sakae area, Nagoya, which is prioritized in the Group's Medium-term Business Plan, we aim to establish an area economic zone where customers can shop around the department store, PARCO, and The Landmark Nagoya Sakae, which will be newly opened in summer 2026, and buy products and use services at area merchants around them, which will allow customers to earn QIRA Points and save money, and also benefit the merchants.



Improve customer experience value

JFR Card offers "special experiences" as one of the QIRA Point redemption options, while promoting point redemption in the Group.

In 2024, we held events such as renting out the Kyoto City KYOCERA Museum of Art for an evening to view the exhibition "Takashi Murakami Mononoke Kyoto," playing a round of golf with professional golfers in a professional-amateur tournament, and viewing the Yamahoko float procession at the Gion Festival, one of Japan's three major festivals, from the FUKUJUEN Kyoto Flagship Store.

In the future, we will utilize the Group's assets to provide special experience opportunities where customers can "encounter 'new excitement' they have never seen before" using QIRA Points, thereby communicating the appeal of the area, maximizing the value of the area, and improving the value of the customer experience.

Toward a medium- to long-term growth stage

We believe that "rebuilding and strengthening the business foundation" is essential for further business growth in the Payment and Finance Business. Under the current Medium-term Business Plan, we will focus on "increasing the number of cardholders" through card consolidation and product enhancement, and "promoting card usage" by increasing the number of merchants around the Group stores.

In particular, we believe that the card consolidation will lead to diversification in the age composition and financial needs of cardholders as younger customers who use PARCO become cardholders, and we aim to grow our business by "expanding our financial domain" to meet customer needs over the medium to long term. In addition, by positioning the cards as the Group's payment infrastructure and aligning them with the "area value improvement" and "the Group customer strategy" in the Group's Medium-term Business Plan, we will further accelerate the expansion of the number of cardholders and the promotion of card usage.

Through the above efforts, we aim to achieve business profit of 3.5 billion yen in fiscal 2026 and strive for further profit growth toward 2030.

Digital Strategy

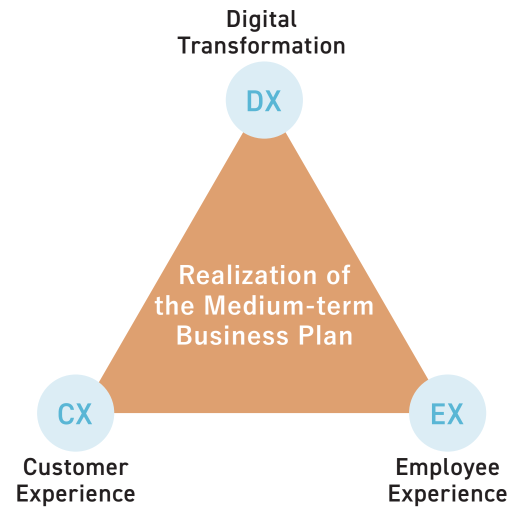
Demonstrate the Power of Digital Technologies by Linking CX and EX

Promote the Group's common infrastructure with an awareness of EX

In March 2024, the Company merged the Group Digital Unit and the Group System Unit to establish the new Digital Strategy Unit. By coordinating digital actions that have been executed "aggressively" and "defensively," we will achieve a digital transformation unique to the Group by leveraging group synergies.

First, we will work to integrate the business systems throughout the Group to deepen cooperation and communication within the Group. Specifically, we will integrate the accounting systems, payment systems, groupware, and human resources systems.

By standardizing business systems across the Group, we will be able to further increase the effectiveness of human resource exchanges within the Group. These efforts to foster EX will be the driving force behind creating CX.



Promote customer-driven management with an awareness of CX

The engine of our customer-driven management is the Group's integrated database, JCDP. By accumulating and analyzing data from within the Group, including the Department Stores and Parco, we are able to provide insights that could not be found through data analysis by each operating company alone, thereby supporting the activities of these operating companies. We are working with stores to jointly consider data utilization measures in collaboration with the Daimaru Sapporo store and Sapporo PARCO, as well as to conduct customer analysis and utilize data in areas such as Nagoya (Matsuzakaya and PARCO) and Shinsaibashi (Daimaru and PARCO).

In addition to the traditional focus on luxury watches, the scope of specific initiatives is expanding to include identifying customers likely to purchase furniture and analyzing purchasing factors.

Furthermore, we have begun providing the generative AI chat service, JFR Group Gen AI, to all employees. From fiscal 2024 onward, we will actively use it to promote business efficiency and aim to apply it to value-creating work in staff departments.

Strengthen IT governance

Strengthening IT governance is important to facilitate digital transformation. We implement appropriate management of various IT resources, establish regulations, and manage medium-term IT cost control.

As part of our IT-related risk management, we have strengthened our information security organization to ensure the safe operation and robust security of our information systems. Specifically, we are introducing new management tools to ensure safe computer operation even in a telework environment, as well as switching to a Wi-Fi environment with enhanced security within the building. At the same time, we are striving to improve employee security awareness and literacy by conducting incident response training for IT staff, and continuing to provide information security e-learning and targeted e-mail attack training for all employees.

Develop new content using digital technologies

We are promoting various initiatives to develop new content using digital technologies such as the metaverse (XR) and web 3.

Daimaru Matsuzakaya Department Stores began selling avatars intended for use in the metaverse in October 2023. Based on the creator network cultivated there, it is also supporting other companies in entering the metaverse.

In addition, the Kyushu Tankentai (Kyushu expedition team), which aims to revitalize the entire Kyushu region by discovering "people, things, and events" throughout the region and providing them to customers, has launched a new regional revitalization model, the Future Co-prosperity Project, with the cooperation of Financie, Inc., in which we invested in April 2023. This project supports the dreams that producers and businesses want to achieve by helping them raise funds for new activities and build communities through token sales.

During Parco's huge sale, Grand Bazar, the Matsuken AR Parade was held at PARCO stores nationwide, in which actor MATSUDAIRA Ken, also known as Matsuken, appeared in the sky. Additionally, in urban areas where it is difficult to actually set off fireworks, we held a first-of-its-kind fireworks event, MIRAI HANABI, at Shibuya PARCO, utilizing AR technology. We are working to expand the value of stores and spaces using digital technologies.

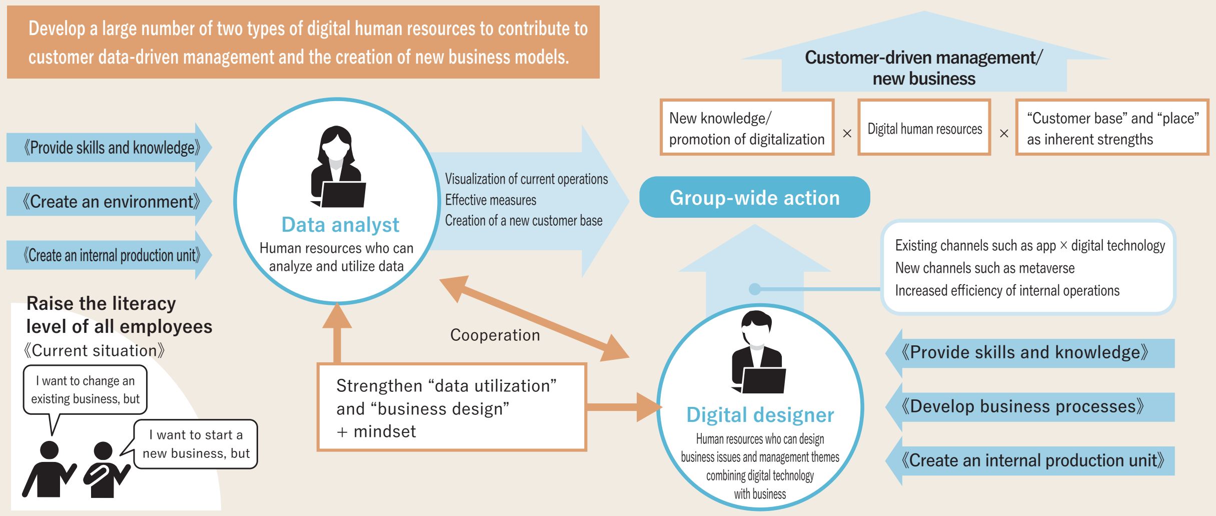
Original 3D avatars sold by Daimaru Matsuzakaya Department Stores

AR event held at Shibuya PARCO

Develop core digital human resources

In order to execute these digital strategies, it is essential to develop core digital human resources. We have developed our own digital human resources development program and have begun developing "data analysts" and "digital designers," as our core human resources. As of the end of August 2024, we have achieved our initial target of developing 100 core digital human resources. We will continue our efforts to develop 1,000 people by fiscal 2030, as well as to create an environment for core human resources to work and to create group-wide actions.

At the same time, in order to raise the level of digital skills of all employees, we launched a program for employees, held seminars and workshops nationwide, mainly in the areas where our stores are located, and opened a dedicated learning website to provide an environment where employees can learn through original videos. In fiscal 2024, we completed the program for the management level at the holding company, the Department Stores, and Parco. In the future, we will expand the scope of the program to include other Group companies, thereby contributing to the execution of our digital strategies.



Human Resources Strategy

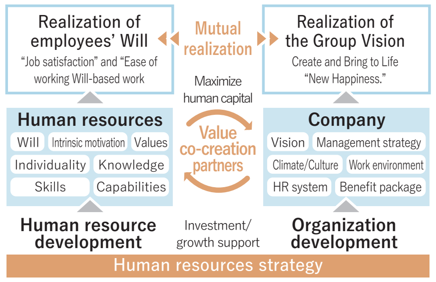
Using “Will” as the Driving Force to Raise the Quality of Our Output

Approach to Human Capital

Uncertainty is on the rise as technology and other elements surrounding the Company advance and change at ever-increasing speeds. Amid such circumstances, we believe our human resources are the only ones who can pave the way for the Group’s future.

We consider JFR Group employees to be our most important partner in value co-creation. Accordingly, we aim to achieve the Group vision by making the “realization of employee Will” the driving force of the Company’s growth through the provision of systems and environments that support the full expression of each employee’s Will (will, drive, and intrinsic motivation) and by providing career development and other growth support to maximize their potential.

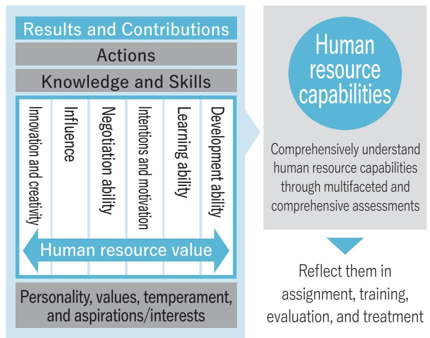
Concept of JFR’s human capital management



Personnel Management Based on the "Principle of Human Resource Capabilities"

In fiscal 2019, we departed from a duty-based personnel system and began operating one based on the principle of “human resource capabilities.” Our distinct human resource management system promotes personal growth through work by properly assigning and evaluating our employees based on their abilities, which we refer to as human resource capabilities. These capabilities encompass visible aspects such as results, behavior, knowledge, and skills, as well as intangible abilities, including human capital value, personality, values, temperament, aspirations, and interests.

“Human capital value” comprises the perspective of reproducibility and versatility that leads to steady results and contributions under any circumstances (intention and motivation, learning ability, innovation and creativity, influence, negotiation ability, and development ability), and we have set the required level for each stage.



(i) Governance

Specific policies on sustainability initiatives, including responses to environmental and social issues, are discussed and approved by the Group Management Meeting, the highest decision-making body for business execution. Matters approved by the Group Management Meetings are shared with all operating companies via the Sustainability Committee, an advisory body to the President and Representative Executive Officer. In addition, the Sustainability Committee monitors the implementation plans and progress of each operating company to enhance the effectiveness of Group-wide initiatives.

(ii) Risk Management

In the future, if competition for human resources intensifies due to a shortage of workers caused by the shrinking of the working population and the increased mobility of talent, resulting in an increase in the outflow of human resources or difficulty in acquiring talented people, it may not only affect our business performance but also our evolution into the “Value Co-Creation Retailer Group” that we aim to become in 2030.

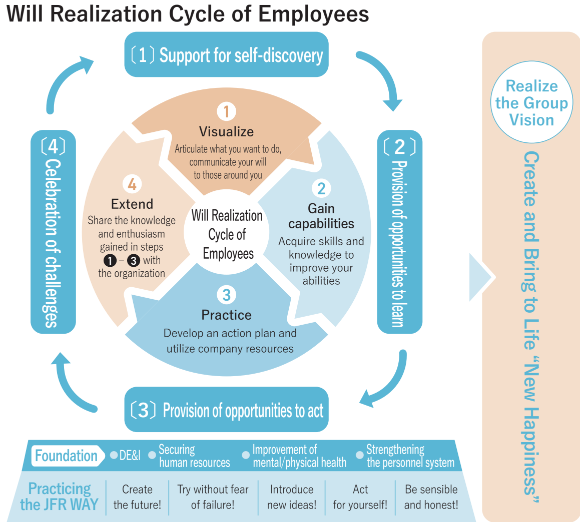
Our human resource strategy will develop change leaders, support voluntary learning by employees, and promote diversity, equity, and inclusion to establish an environment where employees can experience growth and job satisfaction. We will also create a comfortable work environment while standing behind every employee so that everyone can work with vigor in good physical and mental health.

(iii) Strategy

Human resource development policy

We support and accompany employees in learning and taking on challenges through the four processes of “Visualize,” “Gain Capabilities,” “Practice,” and “Extend” in the Will Realization Cycle, which starts from the will, drive, and intrinsic motivation of employees, and by implementing effective personnel measures for each of these processes. In addition, we will accelerate this cycle by practicing the JFR WAY—our important approach to achieving our vision.

Will Realization Cycle of Employees



(1) Support for self-discovery

Through high-quality one-on-one dialogues, we help every employee discover and express their inherent will and develop their skills and careers in line with their characteristics and aspirations. In addition, by educating managers who are our employees’ main supporters, we will promote the creation of a workplace with a high level of psychological safety, enhance dialogue skills to share true thoughts and feelings, and improve their capabilities to maximize the strengths and individuality of employees.

(2) Provision of opportunities to learn

We will expand open-type training programs, subsidize education and training expenses, and operate JFR College—a self-learning portal site available to all Group employees—to support the autonomous career and skills development of employees. These measures aim to create an environment where employees can learn by their own initiative and choice, without being limited by job description or work location.

We will also engage in “Transformation Leader Development Training (T3 Training)” to nurture human resources who will lead the transformation of their own organizations and the entire Group by working to realize their Will through practical work situations.

(3) Provision of opportunities to act

We provide various means for employees to take on challenges and put their Will into practice. Specifically, we will promote the use of RED, in which employees work together with management to create new ideas, and establish a variety of mechanisms (e.g., secondment to investee companies and others outside the Group, and open recruitment for Group companies) for exploring completely new business domains for the Company.

(4) Celebration of challenges

We believe that “taking on challenges” is a crucial factor in the process of growth for human resources. If a challenge is achieved, this will give employees confidence and energy to take on new challenges. Even if the expected outcome is not realized, however, we believe that the insights and discoveries gained along the way will become important learning experiences that lead to the next challenge.

For this reason, while the Company focuses on results and achievements, we celebrate and value “the courage of our employees to take on challenges.” We also believe that when an employee displays this attitude and enthusiasm for challenges, it will inspire those around them to do the same. By spreading this attitude widely throughout the company, the Will Realization Cycle for Employees will continue in a powerful way.

Improvement of internal environment

● Diversity, equity, and inclusion

We believe that incorporating a diverse range of individuality and converting it into organizational strengths will lead to the realization of sustainable growth. To this end, we promote excellent young employees, stimulate middle- and senior-level employees, and otherwise create an environment where all employees can utilize their unique strengths and flourish. Given that a majority of Group employees are women, it is essential for us to further promote their participation. In addition to our efforts to improve the workplace environment and reform working styles, we will also strengthen the formulation of development plans tailored to individual employees and promote regular follow-up after appointment to management positions. We will also eliminate unconscious bias stemming from age, sex, work styles, and other factors, and promote and assign roles in line with people’s strengths and aspirations.

● Securing human resources

Securing and expanding the human resources capable of creating the three co-creation values is essential for our evolution into a “Value Co-creation Retailer Group.” Toward this end, we are striving to strengthen the personnel system and expand paths to employment at the Company, such as through alumni and referrals, to enhance its recruiting capabilities.

Specifically, in addition to new graduates and young people, we have expanded our hiring targets to proactively acquire people with advanced expertise in real estate, banking and finance, and other areas. In the retail business, we will focus on hiring people who can create new content and services by grasping customer needs, and digital human talent who can lead our digital transformation.

In parallel, we are also working on wage policies and work environment improvements to support the retention of human resources.

● Promotion of physical and mental health

Physical and mental health are prerequisites for employees to remain energetic and take on challenges. We support the high output of our employees' creativity and productivity by conducting periodic surveys, sharing the results with management, departments, and employees, and carefully implementing the PDCA cycle of planning and executing actions that lead to improvement.

● Strengthening the personnel systems

The role of the HR department in maximizing the potential of every employee is more important than ever before. We are enhancing the expertise of the department and promoting operational efficiency to help them respond quickly and appropriately to hiring, placement, training, evaluation and other real-world tasks. We are also striving to create a system that can contribute as a business partner to management and business unit managers.

(iv) Metrics and targets

Metrics		FY2023 results	FY2026 targets
Ratio of women in management positions		22.5%	31%
Gender wage gap	All employees	65.3%	Reduce the gap by strengthening efforts to prevent career loss, including career development and training for women and management positions
	Regular employees	74.4%	
	Non-regular employees	72.7%	
Ratio of men taking childcare leave		87.5%	95%
Turnover rate		5.4%	5.3%or less

*1 Ratio of women in management positions and gender wage gap calculated based on the provisions of the Act on the Promotion of Women’s Active Engagement in Professional Life (Act No. 64 of 2015).
*2 Group totals, unless otherwise indicated.
*3 Gender wage gap shows the wages of female employees as a percentage of the wages of male employees.
*4 Metrics and targets as of May 2024; subject to addition or revision to align with future human resource strategy.

People Who Co-create.

Combining homogeneous things does not produce anything more than addition.
In today's highly uncertain times, when there are no right answers, what is needed is innovation.
Its essence is nothing less than the creation of new value from heterogeneous combinations.
The diversity of its human resources is a source of pride for the Group and will be a major strength in the future.
We will face challenges while placing importance on our on-site smell and feel, seek solutions to multiplication together with stakeholders, and carve out a new future.

Aim to create interesting synergies in the Tokyo metropolitan area by updating our store.

OGATA Michinori
Executive Officer, Executive Store Manager of Daimaru Tokyo
Daimaru Matsuzakaya Department Stores Co. Ltd.

Until last fiscal year, as store manager of Shinsaibashi PARCO, I was able to achieve concrete results by exchanging various ideas with the store manager of Daimaru Shinsaibashi, which is directly connected by passageways, while always being conscious of maximizing synergy effects. And since this March, as store manager of Daimaru Tokyo, I have been working to expand synergies in the Tokyo metropolitan area.

In Shinsaibashi, the two stores have the advantage that their buildings themselves are directly connected to each other, but in the Tokyo metropolitan area, there is no such advantage. It is essential to update the store and create a system that will make customers of the Tokyo store, which attracts 30 million customers a year, want to visit Shibuya PARCO and GINZA SIX as well.

I feel once again that the Daimaru Tokyo store has great potential. Furthermore, redevelopment around Tokyo Station has shifted its focus to the Yaesu side, making this an area that I look forward to seeing more of in the future. The Tokyo store took its current form 12 years ago. Consumption has changed dramatically since then, and there are many updates we would like to make. We are already in discussions with PARCO to see if we can create some kind of synergy in the area of art and entertainment content, for example. Creating a community may also be an important key. We want to incorporate "Will" more and more into the building as an addictive and interesting department store while also attracting new customers.

When we understand each other better, there is more we can do.

UCHIYAMA Yuki
Promotion Department, Parco Co., Ltd.

I worked at Shinsaibashi PARCO until last fiscal year, and I had the opportunity to be involved in the "FOOD Meets CAMP," a joint project led by young people from Shinsaibashi PARCO and the Daimaru Shinsaibashi store, with the aim of demonstrating synergies. What I felt at that time was that even though the two stores were connected by passageways, we really didn't know what was beyond these passageways. However, by talking with individual employees through this project, our understanding of the Daimaru Shinsaibashi store has quickly progressed. Getting to know the other person through practical work rather than through documents and other means. The process of inexperienced staff discussing and working toward a common goal also fostered mutual respect. I hope that this kind of thing will spread more throughout the Group.

The reality is that there are still many people who do not know that GINZA SIX and Shibuya PARCO are part of the same group. I feel that the value of the Group is not adequately communicated. As an opportunity for people to know that we are part of the same group, it might be a good idea to not only create voluntary collaboration projects for each store, but also to activate the Group as a whole. It is not enough that only upper management should exchange information, but I believe that if younger staff who actually work are included in the exchange of information and the project progresses in all areas, a more varied virtuous circle will be created.

Create new value for the local community by "weaving connections."

HONDA Daisuke
Expert Manager of Food, Merchandising Content Development Division II
Daimaru Matsuzakaya Department Stores Co. Ltd.

For 21 years, I have lived in Hokkaido and worked as a food buyer for Daimaru. Hokkaido is blessed with an abundance of nature, and is also home to many excellent chefs and pastry chefs who make the most of these ingredients. By working with local people on things made locally and "weaving connections," so to speak, I am creating new value and discovering new attractions. I believe it would be ideal if this leads to solutions to local issues.

In recent years, the effects of climate change have been strongly observed in primary commodities, not only in agricultural products but also in marine products. It often seems that large numbers of yellowtail are caught in fixed nets for catching salmon. What used to be caught is no longer being caught, and conversely, what used to be uncaught is now being caught. In other words, the standard is changing, and this is becoming a challenge. It is possible that things will have changed even more when we draw a future projection of what they will be like in three or five years. I would like to work with local people to come up with such a future standard, a new kind of specialty, five years from now.

Having our own Will, getting others involved, and working together with them to do so. It is very important to foster the joy of doing so together with local people. I hope that such activities will progress in each community.

Connect with the Group and local communities to enhance the appeal of the "area."

MATSUI Emi
Building Project Division of Building Unit
J. Front City Development Co., Ltd.

I had previously worked in the commercial development division of a railroad company, but due to childbirth and childcare, I had to move to a different field. At that time, I was offered a position at Daimaru Matsuzakaya Department Stores when they were launching their real estate division, and at the same time I was told about a new initiative called Mother Recruitment, which gave me the opportunity to join the company mid-career. As someone who is interested in commercial development, I was very attracted to the Urban Dominant Strategy that was proposed at the time, that is, the idea of increasing the appeal of an area rather than a single facility, or an area rather than a point, and I was eager to be involved as a member of the team.

I have collaborated with other companies on several development projects, and have realized once again that the Group's expertise in the development and operation of commercial facilities is a definite strength. With this as a focal point, it is important for us to pursue what kind of added value we can provide to customers visiting the area. For this to happen, it is essential for the Group to work together. I am very happy to see that the Group is now making a major change in this direction.

I am currently in charge of several projects mainly in the Shinsaibashi area of Osaka, and as evidenced by the recent announcement that the company that owns the south wing of the Daimaru Shinsaibashi store will become a wholly owned subsidiary of Daimaru Matsuzakaya Department Stores, this area is full of potential for future development. I look forward to building stronger connections with the Group companies and with local communities to create facilities that will be chosen by our customers.

Pile up facts with data to maximize LTV.

KOMIYA Naoki
Staff, Group Digital Promotion Division
J. Front Retailing Co., Ltd.

Through the Group's data platform, JCDP, I analyze the purchasing trends of customers at Daimaru Matsuzakaya Department Stores and PARCO, and by doing so, I am working digitally to maximize customer lifetime value (LTV).

The data clearly shows that customers who shop at both the Department Stores and PARCO have higher average spend per customer, visit frequency, and set rates than customers who shop at only the Department Stores or only PARCO. By breaking down these factors, we have found that in the Nagoya area, where great synergies are expected in the future, a certain number of people shop at both Matsuzakaya and PARCO, particularly with cosmetics and food as a bridge connecting the two stores. Data are facts, and several hypotheses are derived by piling them up. I believe that digital technology will play a significant role in maximizing performance in 2026, when The Landmark Nagoya Sakae will open in the same area.

The Group Customer Strategy Project has been launched group-wide, and I am involved as a member of its promotion team. The consolidation of card issuers, which is being carried out in parallel, will not only benefit customers but also dramatically improve the quality of data that can be used in the area. First, we would like to produce clear results through the Group collaboration in Nagoya, and then hope to see synergies in other areas.

Stay close to our customers and customize their experience.

SEO Nozomi
Gaisho Manager, Sales Planning Division
Daimaru Matsuzakaya Department Stores Co. Ltd.

I am responsible for "gaisho," or out-of-store sales, which has been steadily growing in department stores in recent years. Gaisho is a form of building deep relationships with customers in department stores and accounts for about a quarter of department store sales. How close can we be to our customers and how much can we draw out their latent needs? We are now promoting the use of digital technology, but human power is still essential for a truly trusting relationship with our customers. I think the balance between analog and digital is very important.

As the name suggests, gaisho activities used to mainly involve visiting homes and companies to do business. Now that we are digitally connected, we are often able to respond quickly to customer requests through LINE communications. This has probably changed the image of gaisho for young people and gaisho has gained their support as one of the touch points. I believe that this, as well as the enhancement of content, is behind the growing share of younger people among gaisho customers.

It has long been said that department stores are becoming more homogeneous, but I believe that the difference can be made by what and how we propose to our customers and how close we can be to them at the end of the day. To that end, we will share goals and information with our stores and suppliers, and work on alliances and other initiatives, so that together we can continue to provide special shopping experiences.

Bring a breath of fresh air as an alumnus who has seen both "inside and outside."

SHIKURI Yasuaki
Senior General Manager, Group Human Resources Policy Division
J. Front Retailing Co., Ltd.

I left the Group five years ago, but after working for an AI software company and a foreign-affiliated company, I decided to rejoin it.

After five years, the Company has changed a lot and appears to be about to change even more. Diversity has increased dramatically, with more people coming from outside. This has likely been helped by the shift to hybrid and flexible working styles.

On the other hand, I have the impression that our diverse human resources are not yet fully mixed. Conversely, it can be said that there is still room for growth in the Company, and I feel that we need to create more communication mechanisms.

Co-creation requires deepening such communication as well as creating a more even relationship between the company and its employees and between employees. For example, if they have a business they want to do as an individual, they can use a company. In employee-to-employee terms, they should reinforce "involving" and "having fun." What I would like to encourage them to do is to first communicate their own Will to their superiors and demonstrate the power to involve. However, not everyone is that type of person, and I believe that it is equally important to have fun and to get involved in the process, which requires energy.

It is also necessary to provide opportunities for interaction with the outside world. Training in different industries and experiencing tough situations will definitely help people grow. I would like to create a place where employees can feel their strengths and weaknesses and think about their careers through their original experiences.

Sustainability

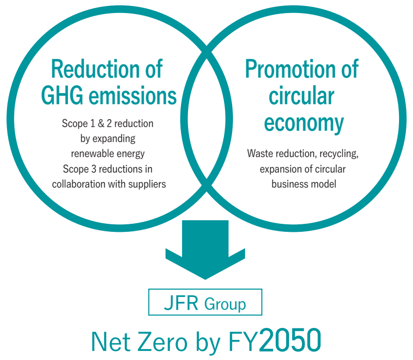
Aiming for Net Zero in 2050

Recently, climate change has progressed to an extremely serious level, endangering not only future generations, but all people, including all of us alive today. Recognizing that the risks and opportunities associated with climate change will have a significant impact on the Group's business strategy, we are working to achieve net zero greenhouse gas emissions*1 across the entire value chain by 2050.

Direction of efforts towards net zero emissions

To achieve net-zero emissions by 2050, the Group will focus on both "Reduction of GHG emissions" and "Promotion of circular economy."

Specifically, we will work to reduce Scope 1 and 2 GHG emissions (hereafter: Scope 1 and 2 emissions) through extensive energy conservation and increased use of renewable energy in our stores. Scope 3 GHG emissions (hereafter: Scope 3 emissions) will be reduced by collaborating with our suppliers and customers as well as promoting resource recycling through the enhancement of 3Rs and expansion of circular business.

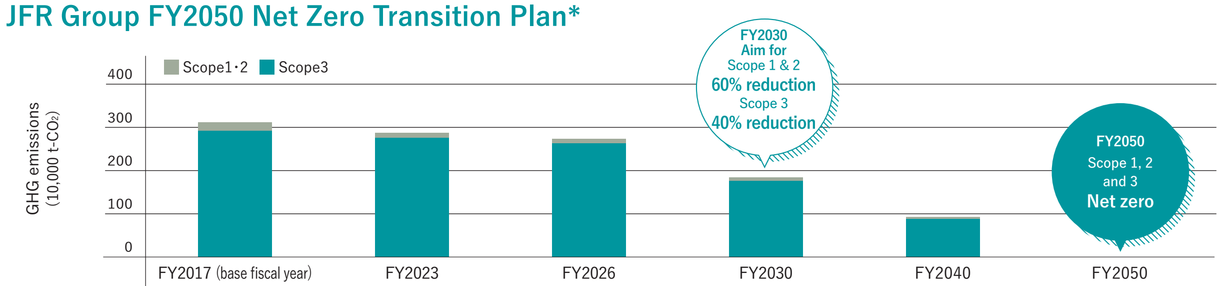


Targets

The Company recognizes that setting ambitious medium- and long-term reduction targets and developing a roadmap to achieve them is a prerequisite for promoting climate change action throughout the Group. Based on this, we obtained certification through the Science Based Targets (SBT) initiative*2 in 2019 for our Scope 1, 2, and 3 GHG emissions reduction targets. In 2021, we reacquired SBT certification with a "1.5°C target," raising our 2030 Scope 1 and 2 GHG emissions reduction targets from 40% to 60% (vs. base year 2017). In February 2023, we obtained SBT certification for net zero emissions of Scope 1, 2, and 3 by 2050.

*1. A thorough reduction of GHG emissions, with the remaining emissions being reduced to practically zero after subtracting the amount removed through forest absorption, CCS (CO_2 capture and storage), etc.
*2. CDP was jointly established in 2014 by CDP, the UN Global Compact, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF) to enable companies to set ambitious emission reduction targets in line with the latest climate science.

JFR Group FY2050 Net Zero Transition Plan*



Phase	Results (FY2017 to FY2023)		Short term (to FY2026)	Medium term (to FY2030)	Long term (to FY2050)
Results and reduction targets for GHG emissions (vs. FY2017)	Scope 1 & 2 FY2017 194,154t-CO_2	Scope 1 & 2 FY2023 57.4% reduction	Scope 1 & 2 FY2030 60% reduction		Scope 1 & 2 FY2050 Net zero
	Scope 3 FY2017 2,927,320t-CO_2	Scope 3 FY2023 1.0% 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 in collaboration with suppliers and by promoting a circular economy
- Scope 3 (Categories 1, 4, 5, 9) reduction through expansion of circular business models such as sharing and upcycling
- Scope 3 (Category 5) reduction by decreasing amount of waste disposal, such as food waste, and improving recycling rates
- Dialogues and explanatory meetings with suppliers towards obtaining data on their GHG emissions

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
- Offsets through tree planting activities to absorb CO_2

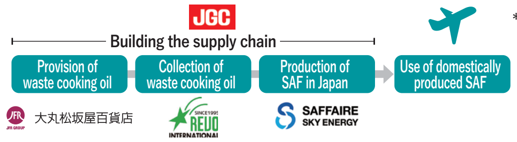
*The plan is current as of the end of May 2024 and may be revised depending on future business strategies.

Major Environmental Initiatives

Resource recycling of waste cooking oil ～ Fry to Fly Project

In September 2023, Daimaru Matsuzakaya Department Stores joined the "Fry to Fly Project," an initiative for recycling waste cooking oil to achieve the first large-scale production of sustainable aviation fuel (SAF) in Japan.

As of August 2024, Daimaru Matsuzakaya is providing waste cooking oil from restaurants and side dish shops in seven of its stores. These seven stores generate approximately 73 tons of waste cooking oil per year (FY2023 results), which accounts for about 47% of the total generated by all stores. We will continue to consider expanding the number of participating stores and will communicate the importance of resource recycling to our customers by holding events that will serve as opportunities to raise awareness and spread the use of domestically produced SAF.

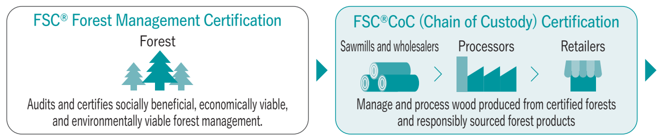


*Revo International will collect waste cooking oil from our stores and deliver it to SAFFAIRE SKY ENERGY for SAF manufacturing planned at Japan's first large-scale domestic SAF production plant under construction in Sakai City, Osaka Prefecture. Saffaire aims to start production in the second half of fiscal 2024 or early fiscal 2025. JGC HD will establish the entire supply chain for the SAF manufacturing business using waste cooking oil as raw material.

Acquisition of FSC®-CoC Certification

J. Front Design & Construction manufactures a large amount of custom-made furniture and store fixtures to meet the needs of its customers, mainly hotels, commercial facilities, and offices. In October 2023, as proof that it properly manages and processes products made of wood from forests that have acquired forest management certification (FM certification) or from other low-risk wood, the company acquired FSC®-Chain of Custody (CoC) certification* for its Osaka factory and its sales department, which serves as the customer contact point for its products.

*Chain of Custody (CoC) certification guarantees the processing and distribution process of products made from FSC®-certified wood until they reach the hands of consumers.



New upcycling brand "reADdress" to build a recycling-oriented model

AnotherADdress is a fashion subscription business launched in March 2021 by Daimaru Matsuzakaya Department Stores. AnotherADdress emphasizes the intrinsic value of fashion and sustainable initiatives, with the aim of shifting to a business model that is highly sustainable for society and the environment.

In December 2023, we launched the upcycling brand "reADdress" in the hope of giving new value to clothing and other items that have become difficult to rent due to stains, dirt, scratches or other reasons, in order to enjoy them once again by extending their life. Going forward, we will continue to build a circular business model for the realization of a sustainable society.

reADdress

By cooperating with Kyoto Montsuki, which boasts a 100-year history, we have realized upcycled products using deep black dyeing.

Initiatives for reducing Scope 3 emissions

Since more than 90% of our Scope 3 emissions are from Category 1 (procured products and services), it is extremely difficult for us to control and reduce our Scope 3 emissions through our own efforts. Therefore, Daimaru Matsuzakaya will encourage its suppliers through dialogue to calculate their GHG emissions. For suppliers who have already done so, Daimaru Matsuzakaya will ask them to set reduction targets and promote step-by-step initiatives.

Past initiatives for the value chain

Dissemination of policy	Briefing session for suppliers (253 companies participated)
Understanding current situation	Survey on CO_2 emissions (sent to 330 companies)
Requests to calculate / reduce	Continuous direct dialogue and onsite visits

Introduction of Internal Carbon Pricing

Internal Carbon Pricing (ICP) was introduced in February 2024. By converting internal CO_2 emissions into monetary values, the Company aims to visualize the effect of CO_2 reductions and the cost of reductions to foster awareness of decarbonization, and to promote decision-making linked to decarbonization investments. We believe that anticipating future carbon taxes and other incurred costs, and taking proactive measures to address them, will lead to cost reductions from a long-term perspective and opportunities for business creation.
(Internal carbon price: 10,000 yen per ton of CO_2/t-CO_2)

Information Disclosures in Line with TCFD / TNFD Recommendations

In May 2019, the Company endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Furthermore, in November 2023, we endorsed the principles of the Taskforce on Nature-related Financial Disclosures (TNFD) and joined the TNFD Forum. Based on the frameworks for both recommendations, we will disclose information in line with the four categories of governance, risk management, strategy, and metrics and targets. Additionally, we will continue to work toward comprehensive solutions, recognizing that climate change and biodiversity loss are inseparable issues.

Governance TCFD TNFD

To promote sustainability management across the entire JFR Group, the Company is responding to environmental issues (including climate and nature-related matters; same applies below) and incorporating initiatives that will lead to solutions to these issues in our business strategy. These are then deliberated and approved by the Group Management Meeting, the highest decision-making body for business execution. Furthermore, policies on environmental issues deliberated and approved by the Group Management Meeting are shared within the Sustainability Committee, which meets at least twice a year, and the Committee formulates action plans for the Group's environmental issues and monitors the progress.

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 or her direct control. The President thus bears final responsibility for management decisions related to environmental issues, including climate-related issues. The content deliberated and approved by the Group Management Meeting and the Sustainability Committee is ultimately reported to the Board of Directors.

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

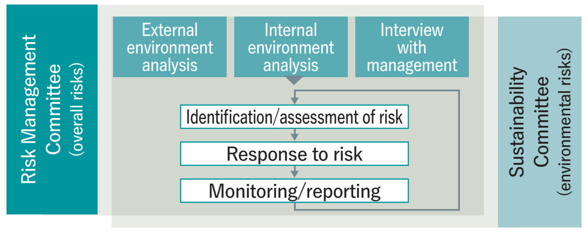
In selecting candidates for the Board of Directors, we use a skill matrix to clarify the expertise and experience we expect from directors, and "environment" is one of the items. By appointing directors capable of providing appropriate oversight of specific action plans and regular reviews, and of monitoring the status of initiatives for continual improvement of environmental plans, we are enhancing the effectiveness of our efforts to address environmental issues.

Risk Management TCFD TNFD

The Group considers risk to be the starting point of strategy. We have defined risk as "uncertainty, both positive and negative, that affects the achievement of corporate management goals."Recognizing that environmental risk management is extremely important for management, we have established a Risk Management Committee to manage various risks, including environmental risks, in an integrated manner across the entire company."

Environment-related risks and opportunities are examined in more detail by the Sustainability Committee and shared with each operating company. Each operating company incorporates environment-related initiatives into action plans and confirms the progress of the initiatives through discussions at meetings headed by the president of each operating company.

JFR Group risk management process



Strategy TCFD

The Company considers it important to examine climate-related risks and opportunities at the appropriate milestone occasions because of the potential impact on its business activities over the long term. Accordingly, the Company has positioned the implementation period of the Medium-term Business Plan up to FY2026 as the short term; the period up to FY2030, which is the short-term target year 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 Company conducts scenario analysis to understand the risks, opportunities, and impact of climate change on the group, and to examine the resilience of its strategies and the necessity of further measures by envisioning the world in fiscal 2030.

In the 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 of striving to limit the increase in the global average temperature to below 2˚C above pre-industrial levels; and the 4˚C scenario that envisages a world in which no new climate-related policies or regulations are introduced.

Existing scenarios referenced

Possible world	Existing scenarios
Below 1.5˚C / 2˚C scenario	Net-Zero Emissions by 2050 Scenario (NZE) (IEA, 2023)
	Representative Concentration Pathways (RCP2.6), (IPCC, 2014)
4˚C scenario	Stated Policy Scenario (STEPS), (IEA, 2023)
	Representative Concentration Pathways (RCP8.5), (IPCC, 2014)

The Company assessed the importance of the identified climate-related risks and opportunities based on two assessment criteria: the "importance to the Group (degree of impact × urgency)" and "importance to stakeholders." For items that were evaluated to be of particular importance, we assessed the financial impact of two scenarios, a 1.5˚C/less than 2˚C scenario and a 4˚C scenario, from both quantitative and qualitative perspectives for FY2030, and developed countermeasures for each scenario. Risks and opportunities for which it is difficult to obtain information to quantitatively assess the financial impact have been evaluated qualitatively, and the results are indicated in three levels according to the slope of the arrow.

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 finances expected to be very large
↗ : Impact on JFR Group's business and finances expected to be somewhat large
→ : Impact on JFR Group's business and finances expected to be negligible

Type of climate-related risks and opportunities		Timing of emergence: Short-term	Medium-term	Long-term	Climate-related risks and opportunities of particular importance to the JFR Group	Financial impact: Below 1.5˚C/2˚C scenario	4˚C scenario	Measures
Risks	Transition risks	●	●		• Increase in costs associated with introduction of carbon tax, etc.	Approx. ¥1,500 million*1	Approx. ¥1,300 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
		●	●	●	• Increase in costs associated with the development of properties with high environmental performance and the installation of equipment	↑	↑	• Financing through Green Bonds, etc. • Introduction of cost-effective equipment
		●	●	●	• Increase in investment for introduction of high-efficiency energy-saving equipment	↗	↗	• Introduction of internal carbon pricing • Cost-effective and well-planned investment considerations
		●	●		• Increase in renewable energy procurement costs due to increased demand for electricity derived from renewable energy	Approx. ¥700 million*2	Approx. ¥300 million*2	• Introduction of internal carbon pricing • 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.
	Physical risks	●	●		• Decrease in revenue due to store closures caused by natural disasters	Approx. ¥5,200 million*3	Approx. ¥10,300 million*3	• Increased resilience of stores and business sites through BCP preparation • Improvement of disaster prevention performance of stores
Opportunities	Energy sources	●	●	●	• Decrease in energy procurement cost due to introduction of high-efficiency energy-saving equipment	Approx. ¥400 million*4		• Upgrade to high-efficiency energy-saving equipment at the appropriate time
	Products and services	●	●		• Decarbonization of the entire supply chain and expansion of earnings by responding to increased demand for environmentally friendly products and services	↑	↗	• Expansion of environmentally friendly products and services handled • Recycling of waste cooking oil as domestically produced SAF • Collaboration with suppliers to reduce food waste through the use of AI demand forecasting systems, etc. • Dialogue with suppliers toward decarbonization, including encouraging suppliers to calculate GHG emissions and holding briefing sessions to link Scope 3 emissions data
	Markets	●	●	●	• Expansion of new growth opportunities through new entry into the circular businesses • Expansion of profits through acquisition of new customers by proposing sustainable lifestyles	↑	↗	• Expansion of circular businesses such as sharing and upcycling, including the fashion subscription business "Another ADdress" • Launch of circular businesses through effective use of M&A and CVC* investments
		●	●	●	• Expansion of profits due to increased opportunities to acquire new tenants through conversion to stores with high environmental value	Approx. ¥2,500 million*5	–	• Acquisition of environmental certifications for newly developed properties (ZEB, CASBEE, etc.) • Promotion of energy conservation in stores toward realization of 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 in FY2030**)
*1 Calculated by multiplying JFR Group Scope 1 and 2 GHG emissions as of FY2030 by the carbon price per t- CO2 (parameters: 1.5˚C scenario 140$/t-CO2, 4˚C scenario 120$/t-CO2)
*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 lost sales due to store closures caused by past natural disasters by the frequency of future flooding (Source: "Representative Concentration Pathways (RCP2.6)(RCP8.5)" (IPCC, 2014)).
*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.

Based on the above scenarios, we have analyzed the impact of climate change and examined our countermeasures and have confirmed that the measures the Group has already implemented and planned are effective and flexible enough to reduce risks and contribute to the realization of opportunities under any of the scenarios. We will continue to work to enhance the resilience of our management.

Metrics & Targets TCFD

The Company 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.

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

		FY2017 Results	FY2022 Results	FY2023 Results	FY2023 vs. FY2017 (comparison with base year)	2030 Target	2050 Target
Total Scope 1 and 2 emissions		194,154	109,785	82,757	-57.4 %	60% reduction (vs. FY2017)*2	Net zero*2
Breakdown	Scope 1 emissions	16,052	13,714	14,021	-12.7 %		
	Scope 2 emissions	178,102	96,071	68,736	-61.4 %		
Scope 3 emissions*2		2,927,320	2,761,669	2,898,436	-1.0 %	40% reduction (vs. FY2017)*2	
Ratio of renewable energy (%)		–	33.6%	52.9%	–	60%	100%*3

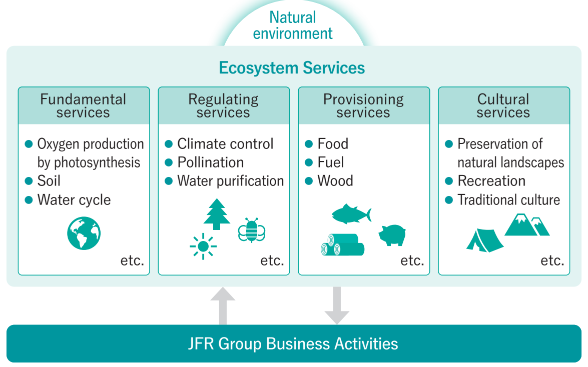
*1. Obtained third-party assurance from LRGA *2. Certified by SBT *3. Joined RE100 in 2020

Strategy TNFD

As a retailer with its main business in department stores and shopping centers, the JFR Group is in contact with a wide range of stakeholders, including business partners, customers, and local communities. We will leverage this connection to promote nature-positive initiatives through our business, such as procuring environmentally friendly products, proposing lifestyles that are conscious of coexistence with nature, and developing stores with high environmental performance.

Our Group is dependent on the many blessings of nature (ecosystem services), such as soil, forests, and a climate with four seasons, in addition to agricultural products, livestock products, marine products, wood, water and other resources. On the other hand, our business activities impact the natural environment in various ways, such as GHG emissions, waste emissions, and water discharge. The Company recognizes the importance of understanding and responding to the relationship between our business activities and the natural environment, specifically the "dependency" and "impact" of both.

Relationship between business activities and ecosystem services



LEAP*3 based assessment of nature-related issues

The LEAP approach is an integrated process recommended by TNFD for assessing nature-related issues, including locating your interface with nature, evaluating dependencies and impacts on nature, and assessing risks/opportunities.

In FY2023, Daimaru Matsuzakaya Department Stores, one of the Group's main operating companies, identified and assessed nature-related issues (dependencies/impacts, risks/opportunities) based on the LEAP approach for its 15 department stores located throughout Japan.

*3 LEAP: stands for the four-step process of Locate, Evaluate, Assess, and Prepare

(i) Appearance of dependencies and impacts (Locate)

The dependencies and impacts of the entire value chain in the department store business and the degree of dependency/impact on natural capital in direct operations (store operations and store development) and the upstream value chain (procurement) were determined based on ENCORE, a tool recommended by TNFD for creating heatmaps and identifying dependency/impact on nature.

Dependency Heatmap

Business	Value chain	Sector	Provisioning services: Textiles and other materials	Provisioning services: Surface water	Provisioning services: Groundwater	Regulating services: Pollination mediation	Regulating services: Soil quality	Regulating services: Water quantity regulation	Regulating services: Water quality	Regulating services: Mass flow mitigation	Regulating services: Climate regulation	Regulating services: Controlling spread of disease	Regulating services: Flood and storm control	Regulating services: Landform stabilization and erosion control	Regulating services: Control spread of pests
Department store operations	Direct operations	Store operations												L	
		Store development		H	M								VL	L	
	Upstream (procurement)	Apparel	M	VH	VH			M	L				M	L	
		Household goods		M	M			M	L		VL		M	VL	
		Agricultural products	M	H	VH	H	H	H	H	H	H	H	VH	VH	H
		Livestock products	VH	VH	VH	VL	H	M	M	L	M	M	M	L	L
		Marine products	VH	M	VL		VL	H	H	M	H	M	H	H	M
		Paper products	M	VH	VH			M			VL				
		Store development		H	M								VL	L	

Impact Heatmap

Business	Value chain	Sector	Land/freshwater/ocean-use change: Use of terrestrial ecosystem	Land/freshwater/ocean-use change: Use of freshwater ecosystem	Land/freshwater/ocean-use change: Use of marine ecosystem	Pollution/depollution: Air pollution	Pollution/depollution: Soil pollution	Pollution/depollution: Water pollution	Pollution/depollution: Waste	Resource usage: Water usage	Climate change: GHG emissions
Department store operations	Direct operations	Store operations				M	H	H	M	H	
		Store development	VH			M	M	M	H		H
	Upstream (procurement)	Apparel	H			H	M	M	M	VH	
		Household goods				M	H	H	H	H	H
		Agricultural products	VH	VH			H	H		VH	
		Livestock products	VH				M	M		VH	H
		Marine products		VH	H		H	H			
		Paper products				M	H	H		VH	
		Store development	VH			M	M	M	H		H

VH Very High　H High　M Medium　L Low　VL Very Low

(ii) Identification of stores to evaluate for risks/opportunities (Locate)

Using the Risk Filter Suite (ecosystem and water risk analysis tool) from WWF, Aqueduct (water risk analysis tool) from WRI, and other tools, we verified the state of ecosystems in areas where our stores are located. In addition, we evaluated the importance of each store location based on our own criteria (land and building ownership, sales size, etc.). As a result, Daimaru Shinsaibashi was identified as a store of particular importance for biodiversity conservation.

(iii) Sorting out the factors behind dependencies and impacts on nature (Evaluate)

Of the business activities at Daimaru Shinsaibashi, we have sorted out the factors with significant dependencies and impacts on the ecosystem services in the value chain: "Store Development," "Clothing and Food," and "Packaging Materials."

(iv) Assessment and response to risks and opportunities (Assess, Prepare)

Based on the sorting out of dependencies and impacts on ecosystem services at Daimaru Shinsaibashi in steps (i) to (iii), we identified and evaluated nature-related risks and opportunities that could affect our business activities and discussed activities to address them. In addition, we qualitatively evaluated the impacts to our business activities on three levels (major, medium, minor) based on two criteria: "importance to our company" and "importance to our stakeholders."

Assessment and response to risks and opportunities

Item			Details of risks/opportunities	Impact	Details of activities
Risk	Physical	Acute	• Decrease in revenues due to store closures caused by extreme weather and increased natural disasters	Large	• Strengthening the resilience of stores and offices through BCP development • Improvement in disaster prevention performance of stores
		Chronic	• Increase in energy costs due to rising temperatures	Medium	• Upgrading to high-efficiency energy-saving equipment at the right time
			• Earnings instability due to a decrease in the number of agricultural and marine products handled owing to crop failures, lower quality, and reduced harvests • Decrease in number of customers visiting stores and changes in sales owing to rising temperatures and changing rainfall patterns	Medium	• Discussion and strategy development for the procurement risks of critical food raw material
	Transition	Policy and regulations	• Increase in costs due to tighter regulations on GHG emissions	Medium	• Reduction of GHG emissions through aggressive energy-saving measures in stores and increased switchover to renewable energy sources
		Market	• Increased difficulty in store development (exterior and interior design,including additions and renovations) and higher construction-related costs due to a shortage of building materials	Small	• Greater use of domestically produced thinned lumber
			• Decrease in profits due to inability to meet growing consumer demand for sustainable products	Large	• Expansion of environmentally friendly products such as certified products • Switchover to environmentally friendly packaging materials such as FSC certified products • Promotion of smart wrapping and simplified packaging options
		Reputation	• Loss of reputation due to inadequate sourcing of sustainably produced goods	Medium	• Expansion of certified products • Smart delivery (reduction in the number of deliveries)
			• Loss of reputation due to increased waste and lack of proper disposal	Medium	• Introduction of AI demand forecasting service to reduce food waste • Composting community activities by employees to reduce food waste • Appropriate response to the Plastic Resource Circulation Act
Opportunity	Resource efficiency		• Reduction in costs associated with efficient water usage	Small	• Usage of rainwater and graywater • Usage of water-saving equipment
	Products and services		• Increase in the property value of buildings due to real estate development with sustainable sourcing of materials and reduced energy use	Large	• Promoting the development of procurement rules and acquisition of various certifications (CASBEE, ZEB, etc.) and emphasizing them externally.
			• Increase in revenues due to increased handling of certified/sustainably produced goods	Large	• Expansion of certified products • Raising awareness and educating customers about certified products
	Markets		• Continuation and maintenance of store operations due to mitigation of storms, typhoons, etc.	Large	• Establishment of environment for the enjoyment of ecosystem services (e.g., establish rules based on an understanding of location, vegetation, and climate characteristics)
			• Increase in customer traffic due to real estate development and retail operations (land use) that take biodiversity and landscape into consideration	Medium	• Implementation of rooftop greening and rooftop urban beekeeping
	Capital flow and financing		• Increase in financing capacity due to higher environmental value of buildings	Large	• Acquisition of environmental certification for newly developed properties • Raising of funds through green bonds, etc.
	Reputation		• Improvement in reputation by providing rooftop gardens and other places for relaxation	Medium	• Rooftop greening and rooftop urban beekeeping
			• Improvement in reputation by promoting recycling-oriented business	Medium	• Establishment of partnerships with other companies for resource recycling of waste plastics and food waste (e.g., POOL project, domestic SAF project, etc.)
	Ecosystem protection, restoration, rehabilitation		• Reduction of compliance costs by improving traceability of products (especially risk commodities)	Small	• Strengthening of supplier engagement by conducting assessments, etc.
	Sustainable use of natural resources		• Improvement in store brand value through reduced use of paper products and increased use of alternative materials	Small	• Switching to environmentally friendly packaging materials such as FSC certified packaging • Promotion of paperless packaging

Metrics and Targets TNFD

The Company recognizes that biodiversity loss and climate change are inseparable issues and has established metrics and targets to comprehensively resolve both issues and promote efforts to achieve them.

Going forward, the Company will continue to improve the effectiveness of our nature-positive initiatives by prioritizing and expanding the scope of our efforts and engaging in active communication, such as by conducting biodiversity assessments of major business partners. We will also work to raise customer awareness by expanding our lineup of certified products.

Metrics and targets used to manage nature-related risks and opportunities for the JFR Group

Target	Year	Details
GHG emissions	2050	Scope 1, 2, 3 Net zero GHG emissions*1
	2030	60% reduction of Scope 1, 2 GHG emissions (vs. FY2017)*1 Aim for 40% reduction of Scope 3 GHG emissions (vs. FY2017)*1
Ratio of renewable energy	2050	100% of energy used in business activities from renewable electricity*2
	2030	60% of energy used in business activities from renewable electricity
Food recycling rate	2030	Food recycling rate of 85%
Development of environmentally friendly products	2030	Expand transaction volume of environmentally-friendly products, including certified products
Percentage of newly developed properties with environmental certification	2030	100% acquisition rate of environmental certification for newly developed properties

*1 Obtained SBT certification　*2 Joined RE100 in 2020

*Details are disclosed in the TCFD Report and TNFD Report.

Human Rights

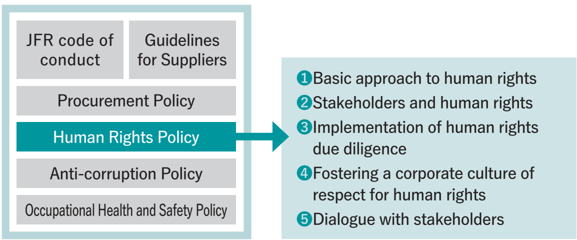
Concern is growing about forced labor, discrimination, and other human rights issues that occur in the supply chain. We are committed to respecting human rights as the foundation of all our business activities in accordance with the Guiding Principles on Business and Human Rights established by the United Nations. By continuously engaging in human rights due diligence, we aim to work with our suppliers to realize business activities that respect human rights.

Human Rights Policy

We established our Human Rights Policy in 2019 in accordance with international human rights guidelines.* The policy outlines our approach to ensure that all officers and employees have a deep understanding of the various human rights issues that are relevant across all of our activities in the business, and that they respond appropriately and with respect for human rights.

*International Bill of Human Rights, the Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the Ten Principles of the United Nations Global Compact

JFR Principles of Action / JFR Principles of Action for Suppliers



Human Rights Due Diligence

The Company conducts human rights due diligence to identify and assess human rights risks in our corporate activities and to prevent and mitigate such risks.

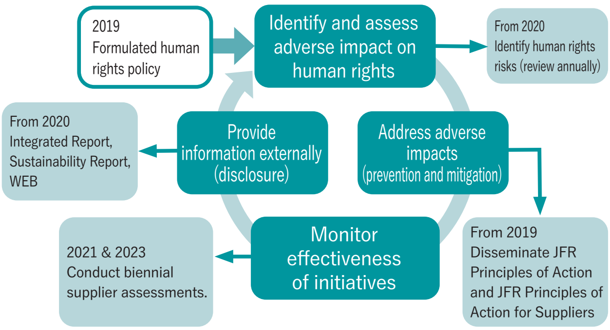
①Identification and assessment of human rights risks

The Company has used the following process to identify and assess the human rights risks (potential negative impact on human rights) of stakeholders who may be affected in relation to the Group's business activities. Through the participation of external experts, including lawyers and the departments in charge at the operating companies, we were able to identify and evaluate human rights risks in a more substantive manner.

Organizing the entire business value chain and exhaustively identifying the human rights issues that can be anticipated for each business line

Evaluate the identified human rights issues in terms of depth (scale, scope, and difficulty of remedy) and likelihood of occurrence, and identify human rights risks that are of high importance to the Group

Human rights due diligence cycle



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 parttime 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 ● Child labor ● Foreign labor conditions ● Long working hours ● 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

②Prevention and mitigation initiatives

〔Penetration of the JFR Principles of Action for Suppliers〕

In 2019, we established the "JFR Principles of Action for Suppliers" including the Human Rights Policy, and we encourage our suppliers to understand and comply with them. By ensuring compliance from our suppliers, including those from whom we procure goods and raw materials, we aim to link the chain of responsibility and build a sustainable supply chain.

〔Employee Training〕

In 2020, the Group adopted a Declaration on the Elimination of Harassment and is striving to eliminate and prevent harassment, which it considers as one of the human rights risks. We conduct an annual harassment survey of employees, including part-time and temporary employees, and implement human rights training for managers based on the results of the survey. In 2023, we also carried out an e-learning course on business and human rights for all Group employees (participation rate: 88.7%). We will continue to provide ongoing education so that every employee can deepen their knowledge of respect for human rights and make it a personal issue in their lives.

③Implementation of human rights assessment

Since 2021, the Group has been conducting supplier assessments to check the status of their efforts concerning matters that must be addressed throughout the supply chain. (In principle, assessments are conducted every other year.)

The second assessment was conducted in 2023 with an emphasis on respect for human rights.

〔Summary〕

Implementing company	10 operating companies including Daimaru Matsuzakaya Department Stores, PARCO, J. Front City Development
Target	Primary suppliers (1st tier) 3,281 *Narrowed down from multiple perspectives such as human rights risk, sales size, etc.
Period	10/2023 to 12/2023
Questions	Five themes*, Total of 27 questions. *Status of human rights policy and human rights DD efforts, status of understanding of human rights issues in business, status of efforts to address human rights issues, issues in promoting efforts, and penetration status of the JFR Principles of Actions for Suppliers

〔Assessment Results〕

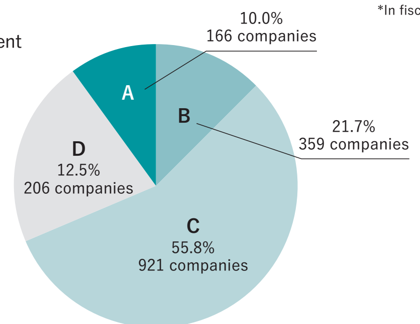
Responses were received from 1,652 companies, for a response rate of 50.4% (+9.8 percentage points from the previous survey). Of the total, 31.7% of the companies were rated A or B, 55.8% (the largest share) were rated C, and 12.5% (206 companies) were rated D, making them a candidate for dialogue.

	No. of companies surveyed	No. of companies responding	Response rate
2023	3,281	1,652	50.4%
2021	7,415	3,012	40.6%

A/B: Making efforts in line with the Guiding Principles on Business and Human Rights
C : Some degree of commitment has been made
D : Candidate for dialogue

Evaluation	Score
A	41～50 points
B	31～40 points
C	16～30 points
D	0～15 points

Full score: 50 points



● **Penetration status of JFR Principles of Actions for Suppliers**

Of the respondents, 78% answered "Yes" to the question "Do you understand and comply with the JFR Principles of Action for Suppliers (including Human Rights Policy) in your daily business activities?" (60.9% in the previous survey).

〔Response going forward〕

In the results of this assessment, many companies cited a lack of knowledge, such as "Do not know what to do to respect human rights" and "Do not understand the basic framework of business and human rights" as reasons for the lack of progress in their efforts related to business and human rights.

Based on this, we intend to hold expert-led seminars and provide reference information to our suppliers. In addition, we will also provide opportunities for dialogue with our suppliers as necessary to share assessment results, to gain their understanding of the importance of business and human rights initiatives, to understand their situation, and to encourage them to make improvements.

Establishment of Harassment Consultation Desk and Whistleblowing System

● **Harassment Consultation Desk**

In order to eradicate and prevent harassment, we have established a "Harassment Prevention Committee" and a "Harassment Consultation Desk" at each Group company and are working to respond promptly to any problems that arise and prevent them from recurring.

*In FY2023, there were 41 consultations regarding harassment.

● **Whistleblowing System**

The Group's Whistleblowing System allows all directors, officers, employees, and anyone working for the Company (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. In addition to internal reporting, we have also set up an external reporting system (legal counsel). 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.

*In fiscal 2023, there were 61 reports to the JFR Group Compliance Hotline

Progress on 2023 Materiality Targets

Materiality	Metrics	FY2030 target	FY2023 results and major initiatives
Realization of decarbonized society	● Scope 1 and 2 GHG emissions	● 40% reduction (vs. FY2017)	● 57.4% reduction in Scope 1 and 2 emissions (vs. FY2017) ● Renewable energy rate 52.9% ● Renewable energy usage 157,454MWh (purchased and generated)
	● Renewable energy rate in total electricity used in business activities	● 40%	
	● Energy creation	● Expansion of onsite generation and consumption of renewable energy in collaboration with new power companies	
Promotion of circular economy	● Waste disposal volume (including food)	● 15% reduction (vs. FY2019)	● 30.8% reduction in waste disposal volume (vs. FY2019) ● Weight of items collected via ECOFF for recycling: approx. 377t *Cumulative total approx. 1,845 tons from 2016 to 2022 ● Added men's line for "AnotherADdress" and launched upcycled brand "reADdress" (Daimaru Matsuzakaya Department Stores) ● Participation in the "Fry to Fly Project," which aims to produce domestically produced sustainable aviation fuel (SAF) from waste food oil (Daimaru Matsuzakaya Department Stores)
	● Total weight of items collected via ECOFF for recycling	● 1,500t in total	
	● Recycling and reuse	● Expansion of recycling and remanufacturing of used products in collaboration with business partners and consumers	
	● Businesses including sharing, subscription, and upcycling	● New entry into businesses such as sharing and upcycling through collaboration with business partners	
Management of the entire supply chain	● Scope 3 GHG emissions	● 10% reduction (vs. FY2017)	● 1.0% reduction in Scope 3 emissions (vs. FY2017) ● Conducted assessment on respect for human rights (response rate: 50.4%, penetration rate of Principles of Action: 78%) ● Revision of human rights risks in FY2023 ● Conducted e-learning on businesses and human rights
	● Dissemination of JFR Principles of Action for Suppliers	● Assessment response rate 80%, penetration rate 25%	
	● Business activities in which human rights are respected	● Expansion of human rights due diligence ● 100% implementation rate of human rights education for employees	
Promotion of diversity & inclusion	● Share of women in management positions	● 26%	● Share of women in management positions 22.5% ● Employment rate of people with a disability 2.89% (June 2023) ● Career Forum held for female manager candidates ● LGBT-related events (Daimaru Tokyo, Shibuya PARCO)
	● Extension of retirement age	● Expansion of operating companies introducing retirement age of 65 years	
	● Employment rate of people with a disability	● 2.6%	
	● Fostering a corporate culture of diversity	● 100% employee penetration of diversity & inclusion ● Development of products, services, and sales areas for LGBT and other diverse customers	
Realization of work-life integration	● Turnover rate due to childcare and nursing care	● Less than 1.0%	● Turnover due to childcare and family care 2.0% ● Percentage of male employees taking paternity leave 87.5% ● Conducted employee satisfaction survey (satisfaction rate 67.7%)
	● Paternity leave usage rate	● 100%	
	● Work style	● Establishment of systems and evaluations to build an organization that can work anytime, anywhere	
	● Employee satisfaction	● 60%	
Realization of customers' healthy/safe/secure life	● Ethical consumption	● Started to strengthen the handling of certified products related to food safety and environmental preservation	● Sale of certified products ● Opening of Welpa in Urawa PARCO (Feb 2024) ● Strengthening of the "Hair Evaluation Testing" business area for hair care products (Consumer Science Laboratory) ● Revision of manual on overseas safety
	● Mental and physical health	● Expansion of entertainment business fields such as culture, art, and traditional culture ● Launch of wellness business	
	● Rate of customer awareness and empathy for sustainable activities	● 30%	
	● BCP, disaster prevention, epidemic prevention	● Increased sophistication of BCP and strengthening of epidemic prevention measures ● Strengthening of contactless customer touch points through communication using digital technology	
Coexistence with local communities	● Community development	● Development that contributes to improving the attractiveness of cities and creating lively towns by taking advantage of local characteristics such as culture and history ● Shift to CSV in stores (making stores sustainable) throughout the Group	● Opening of HAB@KUMAMOTO (Apr 2023) ● Concluded comprehensive partnership agreement with Kumamoto Pref. (Hakata Daimaru) ● Signed agreement with Taito City and Local Food Cycling Co., Ltd. for shifting to a recycling-oriented lifestyle (Daimaru Matsuzakaya) ● Implemented plan to support the development of sales channels for SMEs using Booster (crowdfunding) ● Presentation of "Future Co-Prosperity Project" by Kyushu Expedition and FiNANCiE (Hakata Daimaru) ● "Think LOCAL" initiative for coexistence with local communities (Daimaru Matsuzakaya Department Stores)
	● Collaboration with local communities	● Promotion of regional revitalization through collaboration with government, educational institutions, NGOs, and NPOs ● Promotion of regional revitalization through the discovery and dissemination of local content, such as local production for local consumption	

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 a 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: Osaka City Building Environmental Planning System Earned A ranking (FY2019) ・Shibuya PARCO: Tokyo Metropolitan Building Environmental Planning System Earned Grade 3 ranking (2021) ● Electric power reduction ・Daimaru Shinsaibashi Main Building 2,166MWh increase (vs. FY 2014*) ・Shibuya PARCO 2,500MWh reduction (vs. FY 2014*) ● Scope 1 & 2 GHG reductions ・Daimaru Shinsabashi Main Building 7,836t-CO_2 reduction (vs. FY 2014*) ・Shibuya PARCO 875t-CO_2 reduction (vs. FY2014*) *Estimated for 2014, the last full year before reconstruction (due to reconstruction, the building structure is not identical)	Leading a decarbonized society and creating a global environment for future generations	Total allocation: ¥6,000 million
Renewable energy	● Purchased renewable energy-sourced electricity 157,443MWh	● Share of electricity derived from renewable energy sources in total electricity consumption: 52.9% (up 19.3 ppt YoY)		Total allocation: ¥3,040 million
Green procurement	● No. of leased EVs: 21 in 2023 (177 in total, 47.6%)	● Reduction in CO_2 emissions by electrifying corporate fleet: approx. 389t-CO_2 a year (Calculated by comparison with the emissions of gasoline vehicles in the same category.)		Total allocation: ¥261 million
Energy efficiency	● No. of LEDs installed for replacement: Approx. 19,500 in FY2023 (189,700 in total)	● Reduction in CO_2 emissions by switching to LED lighting: approx. 9,485t-CO_2 a year		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: 52 at end of FY2023	● Initiatives to revitalize communities ・Kobe Market to introduce and sell attractive local products from Hyogo and Kobe ・Under the theme of "Old Settlement Valentine's Day," the "Valentine Chocolat Promenade," an event involving local businesses and the entire Old Settlement, was held under the symbol of "Chocolate covered BE KOBE" ・Promotion and sales of attractive products from the local Hyogo city of Kobe, "Handmade Souvenirs Close-up" and "Hyogo Koku" ・Utilizing bus stop waiting areas in Pascal Mita, Mita Flower Town, Takataya Kahei Park in Awaji and Sumoto Bus Center to directly sell items from department store basement food markets to distant customers. ● Customer traffic to Daimaru Kobe store: 9,903,000 people	Together with local people, creating prosperous, future-oriented communities where people gather centering on our stores	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 FY2023) ● Cost of Mother Recruitment ¥13,302,000 in FY2023	● Status of appointment of women to management positions (consolidated) Share of women in management positions in FY2023: 22.5% ● No. of participants in JFR Women's School (annual): 33 people in FY2023 ● No. of people employed through Mother Recruitment (annual): 6 people in FY2023	Realizing a highly diverse society in which everyone recognizes each other's diversity and flexibly demonstrates his/her individuality	Total allocation: ¥29 million
<Status of asset allocation:> Amount of issue:15,000 million; amount already allocated: ¥15,000; amount allocated in FY2023: ¥0				Total amount allocated: ¥15,000 million

External Assessment

Selected as a constituent of Dow Jones Sustainability Asia/Pacific Indexes for first time	Selected as a constituent of MSCI Japan ESG Select Leaders Index* (GPIF selected index)	Selected as a constituent of MSCI Japan Empowering Women Index (WIN) for seventh consecutive years (GPIF selected index)	Selected as a constituent of FTSE Blossom Japan Index for second consecutive year (GPIF selected index)
Selected as a constituent of FTSE Blossom Japan Sector Relative Index for third consecutive year (GPIF selected index)	Selected as a constituent of FTSE4Good Index Series for second consecutive year	Selected as a constituent of S&P/JPX CARBON EFFICIENT INDEX (GPIF selected index)	Selected as a constituent of Morningstar Japan ex-REIT Gender Diversity Tilt Index (GPIF selected index)
Selected as an A-list Company in the CDP Climate Change Survey 2023 for fourth consecutive year	Recognized as an Eco-First Company by Ministry of the Environment	Selected as an Environmentally Sustainable Company at the 5th ESG Finance Awards Japan	Received "Gold" rating in the PRIDE Index for third consecutive year

*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.

Discussion among Outside Directors

Entrust Aggressive Management to the Next Generation of Leaders.

UCHIDA Akira
Independent Outside Director
Chairperson of Remuneration Committee

KOIDE Hiroko
Independent Outside Director
Chairperson of Board of Directors

YAGO Natsunosuke
Independent Outside Director
Chairperson of Nomination Committee

Execution of succession plan

Yago: Discussions regarding the recent change of President, or succession, began in earnest three years ago when I became Chairperson of Nomination Committee. What we paid particular attention to in this process was transparency and fairness, meaning that anyone is eligible to be a candidate for President. Even more important is continuity. A succession is not a one-time event; every time the President changes, another succession process begins.

The prerequisite for whether or not succession will be successful is whether or not a pool of managerial talent exists. If a pool exists, we can first select multiple candidates from the pool, and then select the best person by checking their characteristics and way of thinking. In this respect, the fact that J. Front Retailing has a Business Management School, which provided a certain level of understanding of the capabilities and experience of its managerial talent, was an important factor in making this process successful.

In addition, in changing Presidents, it is important, broadly speaking, to switch between “aggressive” and “defensive” human resources as appropriate. I believe it is necessary to determine whether the thinking of top management, that is, what is ingrained in them, is aggressive or defensive. If an organization continues to be aggressive, it will become exhausted, and in that case, it is not uncommon for organizations to fail. While appreciating that the former President had focused on getting the Company back on a growth trajectory again consolidating its defenses partly due to the timing of COVID-19, we decided that at this time, when the Company has begun to return to a growth trajectory, we should select a person who can go on the aggressive.

Koide: It depends on what phase the company is in, but I think the type of industry is one factor. Considering the nature of the Group, which has retail business at its core, it would be preferable for the current top management to be in an age group that is sensitive to changes in the world and can respond to the speed of such changes. In the sense that we managed to get through COVID-19 and now want to do something new again, I thought that a young person with a high energy level would be ideal.

I feel that Mr. Ono has excellent communication skills. He conveys what he wants to say in a very clear and easy-to-understand manner, which I think is an absolute strength. What is important as a top executive is to clearly verbalize and communicate his message. A top executive cannot do everything by himself, and he must motivate people by communicating his ideas. In that sense, I think the clarity of the message is a great strength.

In addition, while up until now the Presidents of the holding company have all had the common experience of having served as Presidents of the Department Stores, this is not the case this time. On the contrary, there is hope in the fact that he did not come up through the so-called typical route. It means that he may be able to think differently, has different experiences, and therefore can do different things.

Uchida: Mr. Ono has excellent communication skills, and I think he is also very honest in what he says and does. If he believes the other person’s opinion is correct, he will accept it relatively flexibly, but if he believes he is right, he will firmly assert his opinion. I would say that he has an axis of what is right and is honestly acting accordingly.

On the other hand, I also feel that he has some very strong leadership qualities. He has become the leader at such a young age, so if all goes well, there is a possibility that he could become a long-term leader. One of the challenges he faces going forward is whether he can create a system in which those around him can speak their minds frankly. I think it is necessary for him to have a balanced approach to management.

As for being young, I think young people are more willing to take on challenges and have the ability to adapt to changes in the environment. When I look back at my younger days, I wonder how I could do such things. After all, younger people are able to react more quickly to changes in the environment and have the ability to overcome difficult challenges. If we want to make non-linear changes to the Group in the future, it is probably better to have younger people.

Expectations for challenges

Yago: What I expect from Mr. Ono in the future is creativity. I look forward to his willingness to take on challenges and go all out without fear of failure. He should not be overly concerned about what is going on around him. I think that will be a factor in determining whether or not he is growing as a President. He may become obsessed with the idea that failure could lower his market value, and he may suddenly try to get on the defensive. Instead, he should take on bold challenges, and the Board of Directors should closely monitor the details of those challenges to ensure that the challenges don’t get out of control. Without challenges, it may be difficult to foresee the future of the industry itself and the Company.

Koide: In connection with this, I would like him to set out a more ambitious long-term vision that shows, for example, how he will change the Company in 10 years’ time. Currently, I feel like he is still in a leadership role in supporting the improvements that everyone is working so hard to make. It may be that he is being cautious because everyone else is working hard, but it may also be necessary to deny the status quo and declare that we are going in different direction. I believe that the Company will not grow unless he comes up with a new future that no one has yet conceived of, while respecting workers, and I hope that he can quickly come up with a concrete vision for this. I would like to see him demonstrate his strength in envisioning a strategy.

Uchida: For example, the Company is trying to develop content in the current Medium-term Business Plan. As was discussed at board meetings, various ideas for merchandise content development were listed and explained, but none of them had been initiated. I think we should speed up to put them into action, but they were only reported as ideas.

When we try to start something new, it is natural to fail, so we need to do a lot anyway. It would be nice if we would take on more and more challenges, but I have the impression that we are moving somewhat slowly. If we fail, we can learn from it. The Department Stores and Parco have some categories that are performing well, such as luxury goods and Japan content, but they are not fully meeting the expectations of the largest group of customers. If developing content is the solution to this problem, then I think it would be good to continue the challenge and see even 10% or 20% of it succeed.

It will not be easy to get out of the conventional habit of buying and

What I expect is creativity.
I look forward to his willingness to take on challenges without fear of failure.

selling products and services all at once. However, if we enter the field of content development and ownership, we may need to be aware that sometimes we may need to be involved in production as well. I would like the Company to make such a leap of thought and think non-linearly, which will lead to concrete results.

Koide: First of all, we need to be a little clearer about who our real "competition" is. It does not mean a close competitor in the same industry. Consumers have a limited amount of money in their wallets, so it is important to know where and how much to allocate it. If less money is being spent on our products and services, we need to think more broadly about where else it is being spent instead, what our competitors are, and where we can take market share from. If we are bound by frameworks such as the Department Stores or Parco, our ideas will not expand. Looking at the broader picture, I would like the Company to clearly identify its real competitors based on consumer purchasing behavior and what advantages it has over them.

Yago: The President expresses his will to do this, and we support him in doing so, and stop him if he gets out of line. This is the way I think, and I would say that I am a supporter of the "passive outside director theory." In other words, unless the President stands up to bat and hits the ball, I cannot come up with the next strategy.

Even if we take on new business challenges at the Company, which has department stores and shopping centers at its core, we are unlikely to lose the foundation we have built up thus far, so we should be proactive and give it a try. So it is important to be aware of what we call serendipity. If we think it is not going to work, we give up on it right away. I would like the Company to take on new challenges with the awareness that creating new business is a repetition of the process.

Challenges for the managerial talent pool

Yago: In implementing succession, the Company had a Business Management School run by top management as a process for developing managerial talent, but this approach itself may not be very current. In other words, this can be seen as an opportunity for managers to show "their way of doing things" or "what they want to do," which can lead to an easy thinking that the right thing to do is to go along with that. If this is repeated, there is a concern that we will end up with a succession, like matryoshka dolls that look the same but are smaller and smaller inside. In this succession process, we used the data obtained from the Business Management School to a certain extent as the evaluation criteria, so I can say that I have not yet determined my evaluation of the new President.

Koide: I get the impression that Japanese companies prefer a style in which top management acts as the "principal" and develops the next generation of human resources. I haven't heard of this very often in the Western companies I have worked for. Of course, there are occasions where CEOs talk about the future, but in training or development, I rarely see them say things like, "This is my school." I think many companies make effective use of groups of experts specializing in training to suit their purposes.

If the Company is looking for professional development, there are many different training approaches with different characteristics. I think there is a lot of room for improvement in terms of the quality and variety of training. Rather than simply learning business skills through classroom lectures, it may be worth considering introducing more essential training that fundamentally changes how they think about leadership or enhances their creativity, in order to seriously think about the future of the Company.

Uchida: There are many business schools in the U.S. that offer MBA degrees, and many people become CEOs after earning an MBA. On the other hand, in Japan, I hear that when people return to their companies after completing their MBA, they often find that there is no suitable place for them to utilize their achievements. For this reason, sometimes a kind of alternative school to the MBA is created within a company, but in the absence of excellent lecturers, I don't think it actually works very well. Also, while it is necessary for the President to speak to motivate employees prior to the training, I don't think it is a good idea for he or she to be present at training sessions as a lecturer. I don't think it will be very effective unless the school brings in external lecturers who are close to MBA level and packs students in a classroom for a certain period of time, such as six months.

Yago: I think the reason why management professionals are not developed or stand out in Japan is that companies themselves have not sought to do so. Conversely, if the company clearly expresses its intention, it can create a specialized group that can do it. It really depends on the company's intention.

I also think that some Japanese training programs are implemented without clearly defining their objectives. For example, we could make it clear that this is a process of selecting a President, and make it a tournament of sorts: even if a participant loses in the first or second round, he or she will definitely benefit from this experience. Sometimes they end up wanting to work together and team up. In other words, it's a place to find members to make their own team and to make their mark. I think it will be important for them to think about how they can best utilize human resources other than themselves to become the next President.

In terms of diversity, some women are not given the opportunity to gain sufficient experience. If these women can use the training as an opportunity to make significant changes and assess their own abilities, I believe it will be useful in promoting the appointment of female officers.

What lies ahead beyond the evolved governance system

Koide: In May of this year, I became the first Outside Director of the Company to serve as Chairperson of Board of Directors. Governance is well evolved externally, with the percentage of Outside Directors already exceeding the majority. However, I believe we need to evolve further in terms of real quality and substance.

The most recent evaluation of the effectiveness of the Board of Directors pointed out that the monitoring of the medium-term plan was not being done sufficiently and that solid discussions on growth strategies in a true sense were not being held. Of course, this will not work unless we improve the quality of both the Board of Directors and executives, but I believe there is still room for improvement in the relationship between oversight and execution in a true sense.

Although a variety of agenda items are set and actively discussed at board meetings, I sometimes wonder if the agenda is the right one to begin with, or if we should spend so much time on such trivial matters. Setting the agenda is an important role of the chairperson, so I would like to change it so that we can have substantive discussions that will help the Company grow in the future. If too much time is spent on details, time will not be available for longer-term strategic discussions.

On the other hand, while it is easy to come up with a strategic agenda, for example, human resources strategy or digital strategy, it is a matter of trial and error as to how to make the discussion meaningful and not merely abstract. Even a strategic agenda is meaningless if it ends up being an abstract argument that will get us nowhere. We need to have discussions that can be applied to our future growth strategy.

As was mentioned earlier, it's also important not to leave it unreviewed. It's okay to fail, but if you fail 100 times, it is meaningless to leave it as it is without any verification or analysis. The worst thing would be to just let it disappear without reflecting on it or thinking about how to make use of it next time. I would like the Company to proactively try new businesses and M&A going forward, but at the same time, unless a system is put in place to regularly review the results, evaluations, and lessons and challenges for the future, the Board of Directors will not be able to properly oversee the Company.

Uchida: The evaluation of the effectiveness of the Board of Directors also pointed out a perception gap between the executive side and Outside Directors. In other words, even if the same words are used, the answer that comes out may not be as expected due to the difference in perception between the two parties. For example, in the deliberation of the medium- to long-term strategy, when asked what they would like to be in 10 years, the executive side came up with the idea of becoming a "culture-creating company." That is one idea, but it is more of a philosophy or vision. We expected to hear how the business portfolio would be structured, but their statement was not as we had expected.

The same words can be interpreted differently. This is because the DNA, culture, and upbringing of a company are different from the backgrounds and careers of its outside directors. It is important to maintain close communication between the executive side and Outside Directors and to ensure that they are on the same page. The reason why our vision for what the Company will look like in 10 years was not clarified is that discussions on this topic did not mesh well, and I regret that we did not discuss it sufficiently.

Koide: I believe that the key to the Board of Directors is the relationship of trust between executives and Directors. It is important for the executive side to have a flexible mindset, not to simply accept all the opinions of Directors at face value, but to take into account the various perspectives and opinions and gain new insights. Trust cannot be built unless both parties respect each other and feel that it is worth listening to each other. It may seem like a basic idea, but I have come to feel that we

We need to identify who our real competitors are and what advantages we have.

We have revised the Officer Remuneration Policy and adopted ROIC and TSR to align ourselves with shareholders.

need to build up that kind of trust. I hope that by doing so, we will be able to have more constructive dialogue.

Yago: Communication is important, but I don't think off-site meetings are a good idea. I believe it is important for Outside Directors to communicate at board meetings based on their own knowledge and experience. What is the benefit of exchanging opinions with each other, given that Outside Directors value their independence? I think that if we think too much about such things, we may not be able to fulfill our original role as Outside Directors.

After all, it is the executives who are responsible for running the business, and I think that their "intention" is extremely important. Since Outside Directors are ultimately outsiders, I feel that it is not normal for them to lead discussions. That is why I want the executives to clearly express their views.

In this sense, when a President follows precedents and does nothing but caters to those around him or her, it could be that the President needs to be replaced. The criteria for changing the President are very difficult, and it may be the case that, for example, ROE has fallen below a certain level for five consecutive years, but I think the biggest reason is responsibility for inaction. We need to judge such things objectively and constantly discuss under what circumstances it would be appropriate to hand over the baton to new management.

Uchida: From the perspective of strengthening governance, in conjunction with the start of the current Medium-term Business Plan, the Company has revised the Officer Remuneration Policy with the aim of further increasing motivation to contribute to improving corporate value over the medium to long term and sharing interests with shareholders. Among other things, we have adopted ROIC and TSR as evaluation indicators, which is a sign that all officers will be even more aware of the need to improve capital efficiency and align themselves with shareholders.

ROE remains an important indicator. At the same time, however, ROE is an indicator of the efficiency of capital attributable to shareholders, and it is an indicator that can be addressed in the short term by significantly increasing shareholder returns, even if profits don't improve. It is doubtful whether this alone shows the true capital efficiency of a company. ROIC is an indicator to see how much profit is earned from the total invested capital, so I think we have made a step forward.

Basically, if ROIC by business is below WACC and there is no prospect of improvement, it should be exited. This is also an indicator to judge such things, so I would like the Company to be aware of this and use it accordingly. However, I think ROIC should be viewed over a three- or five-year range rather than a single fiscal year. For example, it may temporarily decline during the upfront investment phase. Taking this into consideration, we should look at each business segment and invest capital and resources in the businesses that are most profitable. It is also important to break down ROIC into targets for each site and manage them accordingly.

The adoption of TSR indicates the Company's intention to manage its business with a greater awareness of its share prices. I think share prices are a report card for management. Although share prices can move when earnings or Medium-term Business Plans are announced, it is also important that their details are properly communicated to the capital markets and that they are understood and supported, and management must be proactive in that regard. They are expected to communicate effectively with the market and engage in activities to gain the support of shareholders, even more so than Executive Officers. Since we use TSR relative to TOPIX as an indicator, if it exceeds TOPIX, I believe that it will mean that we have communicated with the market regarding our strategies and results, and gained their understanding and support.

Message from Newly Appointed Outside Director

OMURA Emi

Independent Outside Director
Member of Audit Committee

When I registered as an attorney-at-law in 2002, I mainly handled cases on the labor side, including death from overwork and relief for workplace harassment. Together with a senior attorney who specializes in gender law, I once represented a woman on a fixed-term contract whose employment was terminated after she applied for childcare leave, and we won the case. At the time, childcare leave was not granted to fixed-term workers, and I was able to develop critical thinking about the existing legal system.

I then had the opportunity to study the U.S. legal system through studying abroad at New York University School of Law and an internship at an NGO. Hoping to get more involved in international work, I took on the challenge of working at the Geneva headquarters of the International Labour Organization (ILO), a specialized agency of the United Nations, in 2010. I worked for three years in a department responsible for core labor standards (international standards on the elimination of discrimination in employment, etc.).

After working at the ILO, which is a tripartite organization consisting of government, labor, and management, I realized the importance of approaching the employer side (companies).

Currently, I advise companies in a variety of industries on topics such as work style reform, occupational health and safety, and measures to eliminate the gender wage gap, which has been identified as a major issue for Japan by the international community. This is because aligning with core labor standards will lead to corporate sustainability.

When I saw the Company's materialities, I thought that I could make use of my expertise in human rights due diligence and sustainability. Human rights due diligence refers to the process by which a company properly understands and addresses the negative impact of its business activities on the subjects of human rights, and is becoming a point of focus for investors.

I think the Company's policymaking regarding the environment and human rights is a strength. There are probably not many companies that go so far as to clearly describe their approach and efforts regarding sustainability in their securities reports and other documents. I can see their proactive approach to disclosure in accordance with the latest framework.

On the other hand, as an Outside Director, I need to closely monitor whether the reality is aligned with the stated goals. From the perspective of the workplace, I want to see whether there are any situations where people think, "They're saying cool things, but that's not true." In order to verify this, I want to hear stories and opinions from as many diverse employees as possible. Attorneys gather facts through interviews and other means, and develop the skills to analyze and discern what is important from those facts in their daily work. At the Company, too, I would like to take an approach that involves understanding the situation and gathering facts.

In addition, I believe that it is my role as a person who has been involved in labor law to monitor whether management is always aware of creating an environment in which people who work hard every day can work without losing motivation.

I feel that everyone on the Board of Directors proactively expresses their opinions. From the perspective of governance, oversight of execution is the number one priority, but at the same time, I am always asking myself whether they have the foundation to make swift and decisive decisions on strategic investments and new business projects, whether I am putting too much pressure, and what the execution side's true intensions are. I would like them to respond to the points raised by Outside Directors by explaining in detail how they relate to the vision that the Company is aiming for.

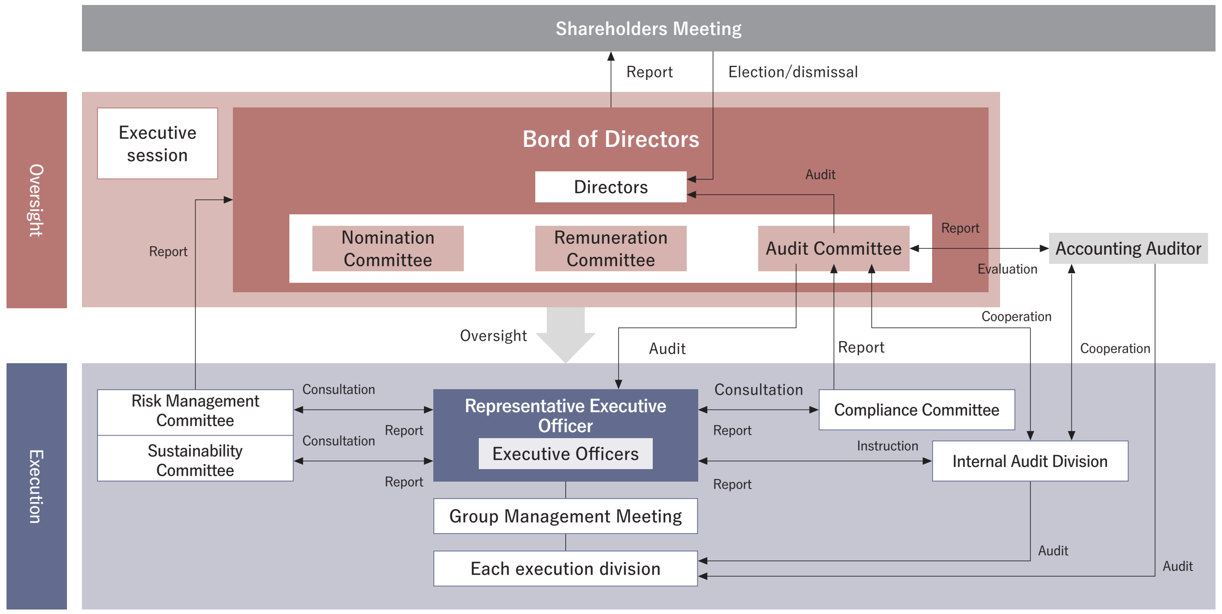
I would like the Company, which operates businesses that are rooted in the "lifestyles" of its customers and the local communities, to continue to send out messages that lead the evolution of society through the spaces it creates. In comparison with my experience abroad, I would say that there are still quite a few areas in Japan that are not equal, even though the importance of women's empowerment is emphasized. There must also be difficulties for ethnic and sexual minorities to live. There is still much that the Company can do to realize DE&I throughout society. As an Outside Director, I have high expectations for this, and I intend to make constructive recommendations and proposals to achieve this.

Corporate Governance

J. Front Retailing, which is a holding company, is responsible for ensuring the transparency, soundness, and legal compliance of the management of the entire Group, acting as the central focus of corporate governance for the Group, to realize the Group Mission Statement. We strive to build trust relationships with stakeholders 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. Under the new management structure that launched in fiscal 2024, we aim to achieve sustainable growth for the Group and improve its corporate value over the medium to long term by accelerating management decision-making and execution, as well as by enhancing governance, including strengthening the oversight function of the Board of Directors.

Corporate governance system diagram



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.

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 the Sustainability Policy 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 risk management system for the entire Group;
- 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 make decisions on important matters of business execution relating to the management of the Group; and
- To provide advice and approval for management policy and management strategy of respective operating subsidiaries and to oversee and evaluate the progress thereof.

We have also established six supervisory units (Management Strategy Unit, CRE Strategy Unit, Digital Strategy Unit, Financial Strategy Unit, Human Resources Strategy Unit, and 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.

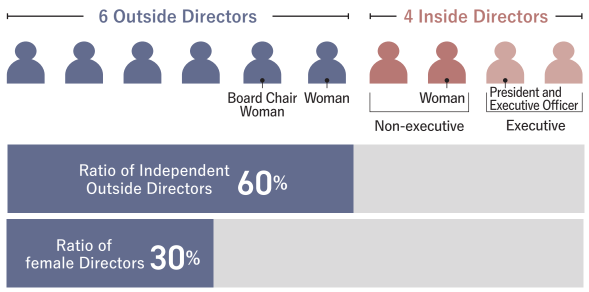
Board of Directors

(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, etc. based on their fiduciary responsibility and accountability to shareholders.

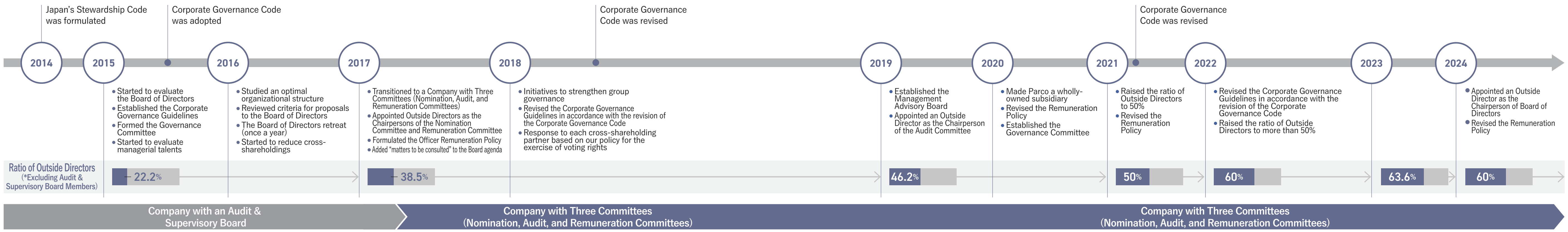
- To indicate the overall direction that the Group management is to take, by engaging in constructive discussions with respect to the Group Vision, the Sustainability Policy, the Group Medium-term Business Plan, the Group Management Policy for the fiscal year, and other basic management policies and 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 offensive 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 the Board of Directors, the Company selects persons with experience and knowledge necessary to appropriately oversee the promotion of sustainability management in order to allow the Board of Directors to effectively fulfill its roles and responsibilities. In selecting candidates for Outside Director, the Company selects persons from the point of view of board diversity who have experience as managers not only in the retail industry that forms the core of the Company's business but in manufacturing and other non-retail industries, and who have expertise in legal and other fields, a marketing perspective, and extensive experience related to finance and

History of the Company's corporate overnance



accounting. With regard to candidates for Non-executive Inside Director, wide-ranging practical experience within the Group and knowledge in fields such as auditing are sought by the Company. As for candidates for Director who concurrently serves as Executive Officer, the Company selects persons responsible for the finance division whose high level of knowledge will facilitate the execution of the strategic financial policies demanded by its shareholders and investors, as well as by the President and Representative Executive Officer of the Company.

Skill matrix (Skills expected of Directors)

Name		Attribute	Corporate management	Finance & accounting	Marketing	Human resource & organization development	Legal affairs & compliance	IT & digital	E: Environment	S: Society	G: Governance
KOIDE Hiroko	Chairperson of Board of Directors Nomination Committee Member Remuneration Committee Member	Non-executive, Independent, Outside	○		○	○					○
YAGO Natsunosuke	Chairperson of Nomination Committee Remuneration Committee Member	Non-executive, Independent, Outside	○						○		○
HAKODA Junya	Chairperson of Audit Committee	Non-executive, Independent, Outside	○	○							○
UCHIDA Akira	Chairperson of Remuneration Committee Nomination Committee Member	Non-executive, Independent, Outside	○	○							○
SEKI Tadayuki	Audit Committee Member	Non-executive, Independent, Outside		○			○			○	○
New OMURA Emi	Audit Committee Member	Non-executive, Independent, Outside					○	○		○	○
YOSHIMOTO Tatsuya	Nomination Committee Member Remuneration Committee Member	Non-executive	○		○				○		○
HAMADA Kazuko	Audit Committee Member	Non-executive				○				○	○
New ONO Keiichi		Executive (President and Representative Executive Officer)	○		○				○		○
WAKABAYASHI Hayato		Executive (Managing Executive Officer)	○	○		○					○

*Non-executive: Director who does not concurrently serve as Executive Officer, Executive: Director who concurrently serves as Executive Officer, Independent: Independent officer whose status as such is registered with the stock exchange, Outside: Outside Director

Corporate management	Management experience as well as knowledge and experience related to corporate management, such as strategy planning toward enhancement of corporate value, and method for identifying issues for formulating the Medium-term Business Plan
Finance & accounting	A wide range of knowledge and experience related to finance and accounting, such as enhancement of corporate value through establishment of a solid financial base and financial strategy planning that factors in the cost of capital
Marketing	Knowledge and experience in activities that bring about customer satisfaction and continuous enhancement of corporate value through identifying customers' problems and creating products and services to solve them, communicating information, and providing added value
Human resource & organization development	Knowledge and experience in human capital management that brings out individuality and abilities of diverse employees and induces new value creation
Legal affairs & compliance	Advanced and specialized knowledge of corporate legal affairs and knowledge and experience in promoting compliance management, in order to ensure lawful and appropriate corporate management, which is the foundation for sustainable enhancement of corporate value
IT & digital	Knowledge and experience for overseeing ICT utilization support and new business development from the customer's perspective and with a good grasp of the latest IT trends, with aim to promote digital transformation of existing businesses
E: Environment	Knowledge and experience in appropriately overseeing business activities conscious of solving environmental issues and the JFR Group's efforts toward "co-existence with the environment," such as environmental plans including setting of the medium- to long-term targets
S: Society	Knowledge and experience in appropriately overseeing the JFR Group's efforts toward "co-prosperity with communities" and realization of a sustainable society
G: Governance	Knowledge and experience in corporate governance for improving the effectiveness of the oversight function of the Board of Directors, in order to establish an appropriate governance system, which is the foundation for sustainable enhancement of corporate value

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

In fiscal 2023, the final year of the FY2021 to FY2023 Medium-term Business Plan, the Board of Directors placed the following items on its agenda and discussed them.

Major agenda items

- Amendment 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
- Next Medium-term Business Plan
- Selection of the Group key risks in preparation for the formulation of the next Medium-term Business Plan
- Direction of sustainability
- Growth strategy for the Payment and Finance Business
- Growth strategy for interior design business and BM/FM business
- Human capital management
- Validation of rationale for cross-shareholdings
- Matters related to financial results

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

- Succession plan
- 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

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 election 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 report and 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 the Accounting Auditor
- Evaluation and reappointment of the Accounting Auditor
- Training session for audit & supervisory board members of the Group companies
- Key Audit Matters (KAM)
- 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

- Review of officer remuneration system
- Verification of officer remuneration levels and composition using external data
- Revision of the Officer Remuneration Policy, officer remuneration rules, etc.
- Results of officer evaluations, amount of officer bonuses
- The performance-linked coefficient and number of points provided for a stock-based remuneration system for officers
- Individual officer remuneration amount

Number of meetings in FY2023 (March 2023 to February 2024)

	Board of Directors	Nomination Committee	Audit Committee	Remuneration Committee
Number of meetings	15	15	24	13
Attendance rate	98.8%	100%	97.3%	100%
Average duration per meeting	2 hours 28 minutes	1 hour 23 minutes	1 hour 18 minutes	55 minutes

Executive session

Executive sessions are exclusive meetings of independent Outside Directors for free exchange of opinions and sharing of information. Participants debate on matters that need to be watched from a position of oversight, such as issues in the Board of Directors or problems to be addressed in order to improve the effectiveness of the Board of Directors. (The lead director is independent Outside Director SEKI Tadayuki.) 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 one Non-executive Inside Director.

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 the JFR Group managerial talent" and the "Discernible capabilities required of JFR's President and Representative Executive Officer" in accordance with the Basic Mission Statement and the Group Vision.

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

Discernible capabilities required of JFR's 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 has 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.

Following this process, a new President and Representative Executive Officer was appointed in March 2024.

For more information about the new President and Representative Executive Officer, please see page 12 (Top Message) and page 74 (Discussion among Outside Directors).

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.

〔Items evaluated〕

About 40 items, including the Board of Directors' contribution to the entire Group, the Board of Directors' composition, its operational status, the content of deliberations, and the effectiveness of activities of the Nomination, Remuneration, and Audit Committees

〔Evaluation methodology〕

- Preliminary questionnaire for Directors
- "Individual interviews" conducted by the third-party organization based on the preliminary questionnaire (approx. one hour)
- Direct observation of deliberations by attending the Board of Directors and committee meetings
- Access to discussion materials of the Board of Directors meetings, etc.

The method used was based on the results of which were collated and analyzed in the form of a report, which was then deliberated by the Board of Directors.

In the ninth evaluation of the effectiveness of the Board of Directors, conducted between August and September 2023, it was reported by the third-party organization that the Board of Directors of the Company had improved its effectiveness through means that include transitioning to a Company with Three Committees (Nomination, Audit, and Remuneration Committees), establishing an advanced governance structure with a majority of independent Outside Directors, etc., and strengthening the functions of the three statutory committees. Although the formal establishment of these systems is almost complete, from the perspective of improving corporate value over the medium to long term, "monitoring of the Medium-term Business Plan" and "thorough preparation and analysis for discussion of growth strategies" were identified as substantive issues to be addressed. In response to these issues, we will continue to share issues based on the evaluation of the effectiveness of the Board of Directors to enhance the substantive effectiveness of the Board of Directors.

Officer remuneration system

The Company established and published its Officer Remuneration Policy in April 2017, and furthermore, changed its officer remuneration system in accordance with its Medium-term Business Plan as from May 27, 2021. And the Company has revised its officer remuneration system and Officer Remuneration Policy in accordance with the Medium-term Business Plan that commenced in fiscal 2024. In the revision, a new calculation method for officer remuneration has been introduced in order to further enhance the objectivity and transparency of the overall remuneration level and system, utilizing research conducted by a third-party organization. From the perspective of further increasing the desire to contribute to improving corporate value over the medium to long term and sharing profits with shareholders, we have reviewed the ratio of performance-linked remuneration and of stock-based remuneration as well as the evaluation indicators and evaluation weights for bonuses that reflect the performance of individual officers and stock-based remuneration linked to the Group's consolidated performance. Additionally, the Company has designed officer remuneration to function as an incentive for realizing and promoting sustainability management.

Regarding disclosure of remuneration, etc. of the reporting company's officers (including remuneration, etc. received as the officers of major consolidated subsidiaries, if any, and hereinafter called "consolidated remuneration, etc.") in the annual securities reports, in principle, 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 Group's major subsidiaries: the Directors and Executive Officers of Daimaru Matsuzakaya Department Stores and Parco and the Representative Directors of J. Front City Development, JFR Card, and J. Front Design & Construction (hereinafter called "eligible officers of major subsidiaries of the Group").

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

(2) Process for determining remuneration

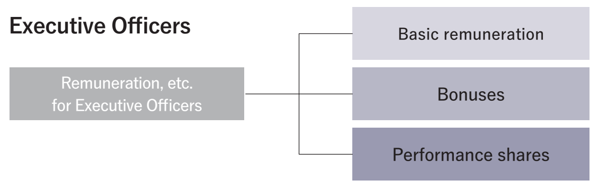
In order to ensure the appropriateness of the level and amount of remuneration and the transparency of the decision-making process, the specific remuneration amount is decided by resolution of the Remuneration Committee, which consists of four members, including three independent Outside Directors and one Non-executive Inside Director, and is chaired by an independent Outside Director. The Company seeks to ensure comprehensive coordination in activities related to the areas of nomination and remuneration of management, including the eligible officers of major subsidiaries of the Group, by having the same members serve on both the Remuneration Committee and the Nomination Committee, and using the same evaluation sheet for both committees. In the event of contingencies, changes arising in the external environment, or other such developments unforeseen at the time of formulating the Medium-term Business Plan, the Company shall conduct a review of remuneration levels, and of evaluation methods for bonuses and performance shares (performance-linked stock-based remuneration).

〔Forfeiture of remuneration〕(clawback and malus)

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

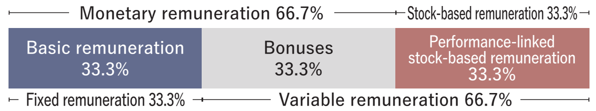
(3) Remuneration composition for Executive Officers and Non-executive Directors

Remuneration for Executive Officers shall comprise (i) "basic remuneration" (monetary remuneration) in accordance with job size, (ii) "bonuses" (monetary remuneration) based on individual evaluations conducted each fiscal year, and (iii) "performance shares (performance-linked stock-based remuneration)" (trust-type stock-based remuneration) linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan. Non-executive Directors' remuneration shall consist only of fixed remuneration, which shall be (i) "basic remuneration" (monetary remuneration) in accordance with responsibilities and (ii) "restricted stock (non-performance-linked stock-based remuneration)" (trust-type stock-based remuneration), which is not linked to performance, as part of the stock-based remuneration system.



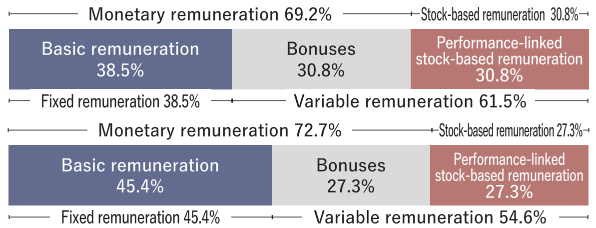
Proportion of remuneration by type for Executive Officers

〔President and Representative Executive Officer〕



〔Executive Officers excluding the Representative Executive Officer〕

One of the following applies in accordance with responsibilities



Note:The above figure represents the case of a bonus for a standard ranking where the performance achievement rate for stock-based remuneration was 100%.

Note:The same remuneration composition as above is also to apply in accordance with job size with regard to eligible officers of major subsidiaries of the Group.

(a) Basic remuneration (monetary remuneration)

Executive Officers' basic remuneration is positioned as fixed remuneration and is decided for each job size based on the size (weight) of each officer's responsibility. Non-executive Directors' basic remuneration is positioned as fixed remuneration and is decided based on a table according to the size (weight) of each officer's responsibility.

(b) Bonuses (monetary remuneration)

Bonuses are paid to Executive Officers as performance-linked remuneration to facilitate the achievement of goals set for each fiscal year as milestones for the Medium-term Business Plan, and evaluation for the bonuses is carried out using the "fiscal year's financial indicators," serving as quantitative evaluation, and the "fiscal year's non-financial indicators," which include qualitative evaluation.

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

As performance share, the Company issues its shares to Executive Officers linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan to help the Group achieve sustainable growth and increase corporate value over the medium to long term. Under this system, 40% of the entire amount of performance-linked stock-based remuneration is to be issued in shares each year in order to promote management from the shareholders' perspective, and the remaining 60% is to be issued in shares in a single issuance at the end of the Medium-term Business Plan.

Target figures for performance-linked stock-based remuneration

KPI		Target figures	Weight
Financial	Consolidated business profit	¥52.0 billion (FY2026)	100%

KPI			Target figures	Weight
Financial	(i)	ROE	8% or more (FY2026)	40%
Financial	(ii)	Consolidated ROIC	5% or more (FY2026)	20%
Stock price	(iii)	r-TSR (dividend-inclusive TOPIX growth rate)	Dividend-inclusive TOPIX growth rate	20%
Non-financial	(iv)	GHG reductions (Scope 1 & 2 emissions)	-58% (vs. FY2017)	10%
Non-financial	(v)	Ratio of women in management positions	31% (FY2026)	10%

Note:The fluctuation range for remuneration in accordance with the performance achievement rate is between 0% and 200%. For each key performance indicator, a performance-linked coefficient is established based on the degree of goal achievement.

Non-executive Directors

Remuneration, etc. for non-executive Directors	
	Basic remuneration
	Restricted stock

(d) Restricted stock (non-performance-linked stock-based remuneration)

Restricted stock is a system for issuing the Company's shares in a way that is not linked to performance, with the objective of involving Non-executive Directors in management with a medium- to long-term view in order that they should strengthen offensive and defensive governance of the Company from a different standpoint to the executives as representatives of stakeholders. 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, in consideration of the business environment and measures for addressing risks, the Company promotes a capital policy that takes a balanced approach to "undertaking strategic investment," "enhancing shareholder returns," and "increasing shareholders' equity." Moreover, in procuring funds through interest-bearing liabilities, we aim to achieve an optimal structure of debt to equity in a manner cognizant of our funding efficiency and cost of capital, carried out on the basis of having taken into consideration our capacity for generating free cash flows and our balance of interest-bearing liabilities. A "business strategy" where higher sales are accompanied by profits and a "financial strategy (encompassing the capital policy)" that heightens profitability of invested capital are essential elements with respect to improving free cash flows and ROE. In addition, we believe it is crucial that we achieve maximization of the operating profit and sustainable improvement of the operating profit margin by strengthening our core businesses and concentrating management resources on initiatives such as business field expansion and active development of new businesses. In monitoring our key financial indicators used in achieving the objectives of the Medium-term Business Plan, we focus primarily on ROE for capital efficiency, consolidated business profit and ROIC for business profitability, free cash flows for profitability and stability, and ratio of equity attributable to owners of parent to total assets (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 purchase treasury shares flexibly, taking profit levels, future capital investment, free cash flow trends, and other such factors into consideration.

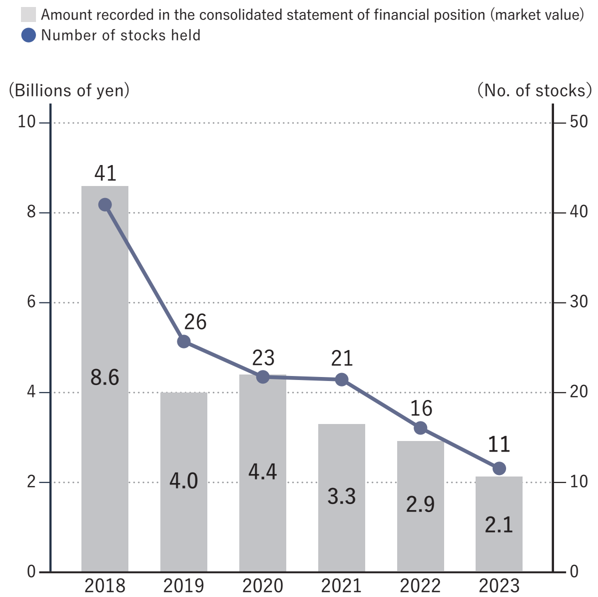
In accordance with this policy, the Company will strive to optimize shareholders' equity by providing dividends with a targeted consolidated dividend payout ratio of 40% or more and purchasing treasury shares during the period of its current Medium-term Business Plan (FY2024 to FY2026).

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 strategy, 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 such shares already held (listed/unlisted) that have been judged as not being rational in the validation result, we negotiate with companies whose shares we hold, and appropriately reduce them upon reaching a consensus regarding sale method, period, etc.

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

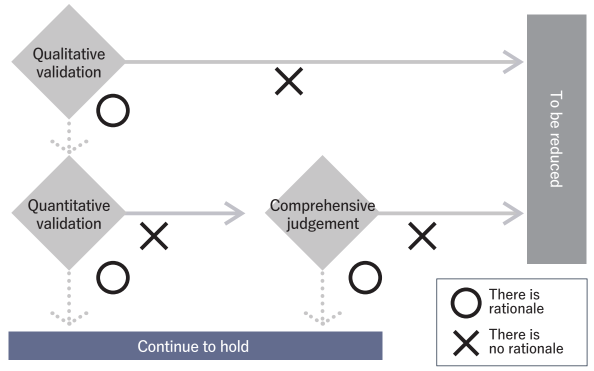


(2) Validation of rationale for holding

Every year, the Board of Directors validates the rationale of holding individual issues from both quantitative and qualitative perspectives. The qualitative perspective relates to business strategies such as maintaining harmonious and favorable business relationships with companies with which the Company makes up a community, corporate customers, and business partners, and securing supply chains. The quantitative perspective relates to whether profitability by holding shares, including related trading profits and dividends, exceed 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 company officers), proposals relating to shareholder return (appropriation of surplus), and proposals that have an effect on shareholder value (introduction of takeover defense measures), we establish policies upon which to base judgment of our exercise of voting rights, and acting as the Group as a whole, we take a response that is in line with such policies. We engage in dialogue with companies whose shares we hold, if necessary, when we exercise voting rights.



Improvement of Shareholders Meetings

In order to engage in constructive dialogue with shareholders, we ensure that there is adequate time for our shareholders to consider matters with respect to which they will exercise their voting rights. To that end, we post informational materials for the Shareholders Meeting on the websites of the Company, financial instruments exchanges, etc. as early as practicably possible before the Electronic Provision Measures Commencement Date stipulated in the Companies Act (three weeks prior to the date on which a Shareholders Meeting is to be held or the day that the notice of convocation is sent, whichever is earlier). The materials for the 17th Annual Shareholders Meeting were disclosed on the websites of the Company and financial instruments exchanges approximately five weeks prior to the date of the meeting. Giving consideration to ensuring that our shareholders are able to conveniently exercise their voting rights, including domestic and overseas institutional investors, we have adopted online and other means of exercising voting rights and otherwise use an electronic platform for exercising voting rights. In addition, we have prepared English translations of the materials of the Shareholders Meetings and made them available on the Company's website and electronic voting platform so that foreign shareholders can exercise their voting rights appropriately. We also strive to ensure that all shareholders, including those who reside in distant locations, have opportunities to participate in or listen to the Shareholders Meetings through means such as live streaming of the Shareholders Meetings and accepting questions in advance on our website.

Dialogue activities with investors in FY2023

Dialogue opportunity	No. of times	Remarks
Financial results presentation (Q2, Q4)	2	Held online and by phone. 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 call (Q1, Q3)	2	Held by phone. The summaries of their Q&A sessions are also available in both Japanese and English.
Small meeting	10	Held both physically and by phone for the sell side, online for others.
Outside Directors small meeting	1	Held online.
Business strategy presentation	1	Held online. 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	1	Held online. 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	19	Held physically and online.
Conference for overseas investors hosted by securities companies	35	Held physically, hosted by five securities companies.
Individual IR meeting	150	Some held physically, but mainly online and by phone.
Individual SR meeting	11	Some held physically, but mainly online.
Store tour	4	Daimaru Shinsaibashi store, Shinsaibashi PARCO, and GINZA SIX
Presentation for individual investors	2	Held physically and online.

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, the Company promotes IR activities for the purpose of maintaining and developing relations of trust with stakeholders including shareholders and investors. By accurately and plainly disclosing important information about the Company in a fair, timely and appropriate manner, we aim to improve management transparency and help stakeholders better understand the Company. The Company discloses important company information to which the timely disclosure rules apply through the Timely Disclosure Network (TDnet) system provided by the Tokyo Stock Exchange, while posting the same information on the Company's website, etc. as quickly as possible.

With respect to any information that is deemed to help stakeholders better understand the Company, even where the timely disclosure rules do not apply to it, the Company works to publicize such information on its website as well as by publishing Integrated Reports and other means. The Company releases information in a timely and appropriate manner by making use of the TDnet and EDINET platforms, Sustainability Reports, the Company's website, and other means according to the attributes of the information to be disclosed. Moreover, to ensure that we disclose information in an impartial manner, we prepare and make available English translations of our Notices of Convocation of Shareholders Meeting, Integrated Reports, Annual Securities Reports, timely disclosure information, financial information, Sustainability Reports, and website.

We disclose on our website as soon as possible presentation videos, materials, and summary texts of Q&A sessions for financial results presentations, business strategy presentations, ESG presentations, etc. and summary texts of Q&A sessions 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

Through its IR activities, the Company received the Award for Excellence at the 3rd NIKKEI Integrated Report Award (sponsored by Nikkei Inc.), and was also selected for the seventh time as one of the Excellent Integrated Reports Selected by GPIF's Asset Managers.

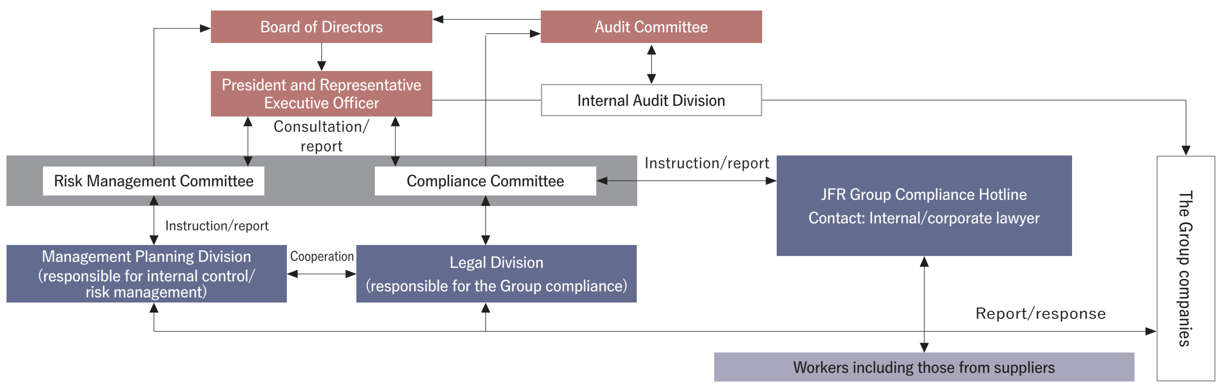
The Company was selected as one of the Greatest IR Improvement Premium Companies at the 2023 IR Award (sponsored by the Japan Investor Relations Association). The Company was also chosen as the third place in the retail category of the Award for Excellence in Corporate Disclosure (sponsored by the Securities Analysts Association of Japan), following the second place in fiscal 2022.

Risk management

The Company defines risk as "uncertainties that have both potential positive and negative sides that could have an impact on the achievement of business management goals." The Company has positioned risk management as "activity that increases corporate value by managing risks by reasonable and optimal methods from a company-wide perspective" to achieve sustainable corporate growth by addressing the positive side and the negative side of risk properly. The Company has established the Risk Management Committee as an advisory body to the President and Representative Executive Officer. The committee discusses important matters, including risk identification and evaluation, and determination of risks to be reflected in strategies, and utilizes risk management for management decision-making. The committee also reports details of its deliberations to the Board of Directors in a timely manner. Furthermore, in order to effectively perform risk management, we have established the following three lines.

- First line: Operating divisions such as operating subsidiaries. These divisions identify risks and take the necessary measures on their own.
- Second line: The holding company's divisions. Each division provides support, guidance and monitoring regarding risk management from a perspective which is independent of the operating divisions.
- Third line: The internal audit division. This division oversees the validity of the risk management functions and the internal control system from a perspective which is independent of the operating divisions and each division of the holding company.

Risk management and compliance system diagram



While identifying the JFR Group Key Risks (see page 26), which serve as the starting point for the FY2024 to FY2026 Group Medium-Term Business Plan, we have broken down and detailed them into the JFR Group Annual Risks, and implement measures to deal with them according to priority.

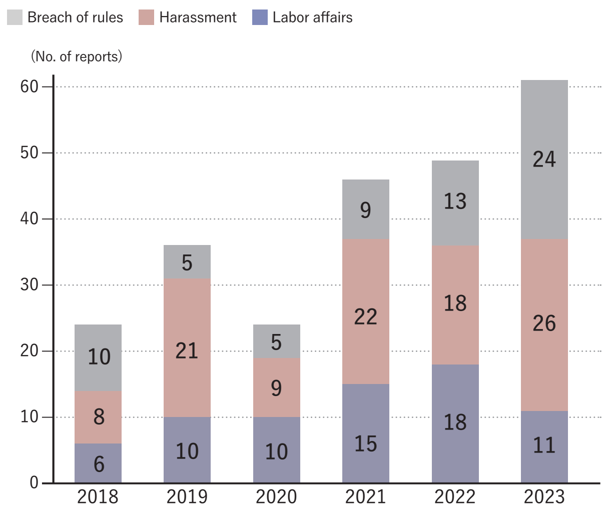
Compliance

The Company has established the Compliance Committee, whose membership includes a corporate lawyer, for the purpose of properly addressing issues of the Group's compliance management. The committee is chaired by the President and Representative Executive Officer and continuously oversees development of the foundations of compliance system and the status of implementation through enhanced collaboration with the divisions responsible for promoting compliance of each Group company, and promotes compliance with laws and regulations, corporate ethics, and other such standards. It also draws up a policy for addressing matters involving serious compliance-related violations. The committee also reports details of its deliberations to the Audit Committee regularly and in a timely manner.

JFR Group Compliance Hotline

The Company has established a whistleblowing system that enables all the Group's officers and employees as well as all individuals working at the Group (including part-timers and workers seconded from suppliers) to notify the Compliance Committee directly with respect to compliance-related issues, and to seek corrective action. The Company has set up points of contact for whistleblowers both internally and outside the Company (a corporate lawyer). The Group's internal company rules rigorously provide for the whistleblowing system in terms of protecting the confidentiality of whistleblowers and prohibiting disadvantageous treatment thereof.

Types of reports



List of the JFR Group Annual Risks

Strategy risk	1	Growing uncertainty in geopolitics and geoeconomics
	2	Uncertainty about the safety of overseas locations
	3	Fluctuations in the economy, interest rates, exchange rates, prices, etc.
	4	Diversification of consumer behaviors and values
	5	Raising presence of wealthy foreign tourists to Japan
	6	Emergence of new businesses using technology
	7	Increased effectiveness of data utilization
	8	Progress in streamlining operations through DX
	9	Growing importance of the Basic Mission Statement and the Group Vision
	10	Progress of corporate governance reform
	11	Growing demand to address environmental issues
	12	Increasing impact of social issues such as human rights risks
	13	Shrinking consumer market
	14	Intensifying competition due to increased number of channels
	15	Changes in earnings structure and declining profitability
	16	Widening disparity between cities
	17	Penetration of diversified work styles
	18	Intensifying competition in attracting human resources and rising labor costs
	19	Need for placement and utilization of strategically-fit professional human resources
	20	Growing importance of corporate communications activities
Finance risk	21	Increased attention to management indicators
	22	Rising financing costs
	23	Progress in selection of borrowers by financial institutions
	24	Trend toward stricter financial statement audits
Hazard risk	25	Increased likelihood of natural disasters
	26	Increasing demand for preventive measures against accidents, breakdowns, and injuries for which a company is liable
	27	Increased threat of system failure due to cyberattacks, etc.
	28	Need for security literacy
	29	Need to prepare for serious incidents
Operation risk	30	Growing importance of labor management
	31	Aggravated operation of retirement benefits and pension systems
	32	Increased impact of ethics and compliance cases
	33	Growing importance of information management
	34	Importance of quality control and procurement cost control of products and services
	35	Importance of the management of business partners (including outsourcing partners) and customers

Management Directors

As of May 23, 2024 *The numbers of the Company's shares held by Directors are as of February 29, 2024.

1 KOIDE Hiroko Outside Director

Number of the Company's shares held: 2,810
Number of other shares as stock-based remuneration not yet granted: 5,942

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

Sep 1986	Joined J. Walter Thompson Japan K.K. (present VML Japan)
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
Apr 2018	Director of Vicela Japan Co., Ltd.
Jun 2019	Outside Director of Honda Motor Co., Ltd. Outside Director of J-Oil Mills, Inc.
May 2021	Outside Director of J. Front Retailing Co., Ltd. (present)

2 YAGO Natsunosuke Outside Director

Number of the Company's shares held: 8,400
Number of other shares as stock-based remuneration not yet granted: 7,875

● 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
May 2020	Outside Director of J. Front Retailing Co., Ltd. (present)
May 2021	Director of Parco Co., Ltd.

3 HAKODA Junya Outside Director

Number of the Company's shares held: 2,811
Number of other shares as stock-based remuneration not yet granted: 5,942

● 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

4 UCHIDA Akira Outside Director

Number of the Company's shares held: 6,217
Number of other shares as stock-based remuneration not yet granted: 9,808

● 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)

5 SEKI Tadayuki Outside Director

Number of the Company's shares held: 4,083
Number of other shares as stock-based remuneration not yet granted: 7,875

● 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.)
Apr 2017	Advisory Member of Itochu Corporation
Jun 2017	Outside Director of JSR Corporation
Jul 2017	Outside Statutory Auditor of Asahi Mutual Life Insurance Company (present)
May 2020	Outside Director of J. Front Retailing Co., Ltd. (present) and Director of Parco Co., Ltd.
May 2022	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)

6 OMURA Emi Outside Director

Number of the Company's shares held: None

● Audit Committee Member

Oct 2002	Registered as attorney at law Joined Minerva Law Office
Mar 2007	Registered as attorney at law of New York State, U.S.A.
Jul 2008	Partner of Athena Law Office
Sep 2010	Associate Expert, International Labour Standards Department, International Labour Organization in Geneva, Switzerland
Sep 2013	Partner of Athena Law Office
Jan 2014	Director, Office of International Affairs, Japan Federation of Bar Associations
Sep 2014	Outside Director of Digital Garage, Inc.
Jun 2019	Counsel of Kamiyacho International Law Office
Apr 2021	Counsel of CLS Hibiya Tokyo Law Office
Nov 2021	Outside Director, Audit and Supervisory Committee Member of Valuence Holdings Inc. (present)
Jan 2022	Partner of CLS Hibiya Tokyo Law Office (present)
Dec 2022	External Director (Audit & Supervisory Committee Member) of FOOD & LIFE COMPANIES LTD. (present)
Jun 2023	Auditor of Japan Association for Women's Education (present)
May 2024	Outside Director of J. Front Retailing Co., Ltd. (present)

7 YOSHIMOTO Tatusya

Number of the Company's shares held: 108,150

● Nomination Committee Member ● Remuneration Committee Member

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 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
Mar 2024	Executive Officer of the same company

8 HAMADA Kazuko

Number of the Company's shares held: 1,851
Number of other shares as stock-based remuneration not yet granted: 15,428

● 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)

9 ONO Keiichi

Number of the Company's shares held: 8,907

● President and Representative Executive Officer

Apr 1998	Joined The Daimaru, Inc.
Apr 2007	Planning Office for New Umeda Store, Department Store Business Division, Head Office of the same company
Sep 2010	In charge of Sales Promotion and Advertising of Business Promotion Division of Daimaru Umeda Store, Daimaru Matsuzakaya Department Stores Co. Ltd.
Nov 2012	Store Planning Department, Head Office of Parco Co., Ltd.
Nov 2013	In charge of Inbound Business of Sales Planning Unit of Sales & Marketing Headquarters, Head Office of Daimaru Matsuzakaya Department Stores Co. Ltd.
Sep 2015	General Manager of Inbound Business, Merchandising and Channel Development Division, Head Office of the same company
Sep 2016	General Manager of Business Promotion Division of Daimaru Kyoto Store of the same company
Mar 2018	Executive Officer of J. Front Retailing Co., Ltd. and President and Representative Director of Dimples' Co., Ltd.
Oct 2020	Senior General Manager of Structural Reform Promotion Division of Financial Strategy Unit of J. Front Retailing Co., Ltd.
Mar 2022	Managing Executive Officer and Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management of the same company
May 2022	Director of Parco Co., Ltd.
Mar 2024	President and Representative Executive Officer and Senior Executive General Manager of CRE Strategy Unit of J. Front Retailing Co., Ltd. (present)

10 WAKABAYASHI Hayato

Number of the Company's shares held: 20,064

● Managing Executive Officer

Apr 1985	Joined Matsushita Electric Industrial Co., Ltd. (present Panasonic Corporation)
Apr 1998	President of Panasonic Financial Center Malaysia Co., Ltd.
Apr 2007	Director and Chief Executive Officer of Matsushita Electric (China) Finance Limited
Feb 2009	Finance Planning Team Leader (Manager) of Headquarters Finance & IR Group of Panasonic Corporation
Jul 2013	General Manager of Finance & IR Group of Corporate Strategy Division and Finance Planning Team Leader (Director) of the same company
May 2015	Joined J. Front Retailing Co., Ltd. In charge of Finance Policy of Administration Unit of the same company
Sep 2015	Executive Officer and in charge of Financial Strategy and Policy of Administration Unit of the same company
Mar 2016	Senior Executive General Manager of Financial Strategy Unit (present) and in charge of Finance Policy of the same company
May 2016	Director of the same company (present)
Mar 2017	In charge of Financing and Finance Policy of the same company
May 2017	Managing Executive Officer of the same company (present)
May 2018	Senior General Manager of Financing and Finance Policy Division of the same company
May 2020	Director of Parco Co., Ltd.
May 2023	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)

Reasons for Appointment of Outside Directors

● KOIDE Hiroko

She has extensive knowledge based on her rich experience in the fields of global management and marketing, having served as an officer at foreign companies for many years, and having been engaged in corporate management as the head of marketing at the head office of a U.S. company, as well as a wealth of knowledge gained as an Outside Director at several listed companies. She has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight with respect to a wide range of matters including the importance of strategies for evolving existing core businesses, clarifying and delving into customer targets based on marketing thinking, and synchronizing medium- to long-term management strategies with human resources strategies.

As a Nomination Committee Member, she conducts discussions that ensure objectivity, transparency, and continuity and deliberates on the decision process for the new President and Representative Executive Officer based on the succession plan. As a Remuneration Committee Member, she revises the officer remuneration system in conjunction with the next Medium-term Business Plan and provides necessary advice at suitable times on the introduction of a new calculation method for officer remuneration and reviews of remuneration standards, composition, and performance evaluation indicators, etc., and contributes to strengthening the management personnel functions.

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.

● HAKODA Junya

He has been involved in accounting audits, management consulting, and internal audits of auditing firms, etc. for many years at PricewaterhouseCoopers, and has also served as an eminent professor teaching internal audit theory in the Graduate School of Keio University, and therefore has a wealth of experience and high-level expertise in corporate auditing. He also has a high level of expertise in corporate governance and management auditing, having served as the Chairperson of the Audit Committee of Yamaha Corporation when the company changed its organizational design to a Company with Three Committees (Nomination, Audit, and Remuneration Committees). He has also contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight regarding a wide range of matters including KPI perspectives necessary for monitoring the Medium-term Business Plan, consideration of financial policies in light of the macro environment, utilization of internal human resources in new business development, and approaches to the appointment of human resources in times of change.

Moreover, as the Chairperson of Audit Committee, he has endeavored to strengthen the audit function by fulfilling his roles of auditing the execution of duties by Directors and Executive Officers of a Company with Three Committees (Nomination, Audit, and Remuneration Committees), while exchanging opinions and engaging in discussions from the perspective of legality and appropriateness, etc. related to items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee, which he is expected to promote. He is also simultaneously working to enhance the governance of the Group as a whole.

In light of his track record, abundant experience, and high level of insight, the Company expects him to contribute greatly to management of the Group and has accordingly appointed him as an Outside Director.

The Company has no interest in or relationship with him.

● YAGO Natsunosuke

He has been involved in top-level corporate management for many years, and has a wealth of experience in compliance management and strengthening financial bases. He also possesses a high level of expertise in internal control and corporate governance gained through his experience in transitioning to a Company with Three Committees (Nomination, Audit, and Remuneration Committees). He has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice in many areas, including on the formulation of the Medium-term Business Plan with an awareness of overall optimization, the approach to cross-shareholdings, overseas business expansion based on past experiences and reflections, and approaches to human resource investment and human resource evaluation.

As the Chairperson of Nomination Committee, he conducts discussions that ensure objectivity, transparency, and continuity and resolves on the new President and Representative Executive Officer based on the succession plan. As a Remuneration Committee Member, he revises the officer remuneration system in conjunction with the next Medium-term Business Plan and provides necessary advice at suitable times on the introduction of a new calculation method for officer remuneration and reviews of remuneration standards, composition, and performance evaluation indicators, etc., and contributes to strengthening the management personnel functions.

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

He 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 with respect to a wide range of matters including the importance of identifying issues and addressing risks when formulating the Medium-term Business Plan, aligning sustainability management policies with business strategies, digital strategies that also utilize stores, and the Company's approach to human capital management.

As the Chairperson of Remuneration Committee, he revises the officer remuneration system in conjunction with the next Medium-term Business Plan and introduces a new calculation method for officer remuneration and reviews remuneration standards, composition, and performance evaluation indicators, etc. As a Nomination Committee Member, he conducts discussions that ensure objectivity, transparency, and continuity and provides necessary advice at suitable times regarding deliberation on the decision process for the new President and Representative Executive Officer based on the succession plan, and contributes to strengthening the management personnel functions.

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.

● SEKI Tadayuki

He has many years of experience in international business management and risk management at a general trading company, and has extensive knowledge and experience in finance and accounting as CFO, as well as broad knowledge as an outside director and outside statutory auditor of multiple companies. He has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice on a wide range of matters including the promotion of business strategies with an awareness of the cost of capital, the importance of responding to stores and businesses facing challenges in the transformation of business portfolios, and the risks involved in entering new businesses and how to respond to those risks.

As an Audit Committee Member, he is working to strengthen audit functions by fulfilling expectations of him in terms of exchanging and discussing opinions from the perspective of legality, appropriateness, etc. on items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee, while auditing the execution of duties by Directors and Executive Officers of a Company with Three Committees (Nomination, Audit, and Remuneration Committees). He is also simultaneously working to enhance the governance of the Group as a whole.

In light of his track record, 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.

● OMURA Emi

In addition to her global experience in handling abundant cases in international organizations and specialized insights in labor law as an attorney, she has extensive experience as an outside director (audit & supervisory board member) at listed companies (B to C business). In particular, she is well versed in the practical aspects of sustainability and ESG legal fields such as human rights due diligence, and has extensive experience in providing objective advice and oversight on various issues that companies face, including diversity management.

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.

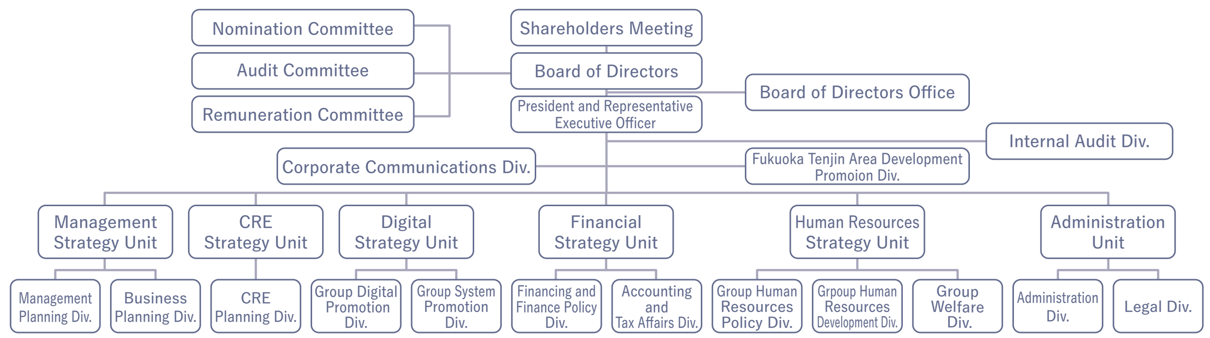
Executive Officers

As of September 1, 2024

Title	Name	Position
President and Representative Executive Officer	ONO Keiichi	Senior Executive General Manager of CRE Strategy Unit
Managing Executive Officer	WAKABAYASHI Hayato	Senior Executive General Manager of Financial Strategy Unit and Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
Managing Executive Officer	HAYASHI Kenichi	Senior Executive General Manager of Management Strategy Unit, Senior General Manager of Fukuoka Tenjin Area Development Promotion Division, and in charge of Risk Management, and Director of Parco Co., Ltd.
Managing Executive Officer	HAYASHI Naotaka	Senior Executive General Manager of Digital Strategy Unit and Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
Managing Executive Officer	MATSUDA Hirokazu	Senior Executive General Manager of Human Resources Strategy Unit and Administration Unit and in charge of Compliance, and Director of Parco Co., Ltd.
	UMEBAYASHI Akira	Senior General Manager of Board of Directors Office
	OCHIAI Isao	Senior General Manager of Management Planning Division of Management Strategy Unit and in charge of Group Customer Strategy
	MORITA Kosuke	Senior General Manager of Business Planning Division of Management Strategy Unit
	NOMURA Taiichi	Senior General Manager of Group System Promotion Division of Digital Strategy Unit
	NOGUCHI Hideki	Senior General Manager of Accounting and Tax Affairs Division of Financial Strategy Unit
	IMAZU Takako	Senior General Manager of Group Human Resources Development Division and Group Welfare Division of Human Resources Strategy Unit

Organization Chart of J. Front Retailing

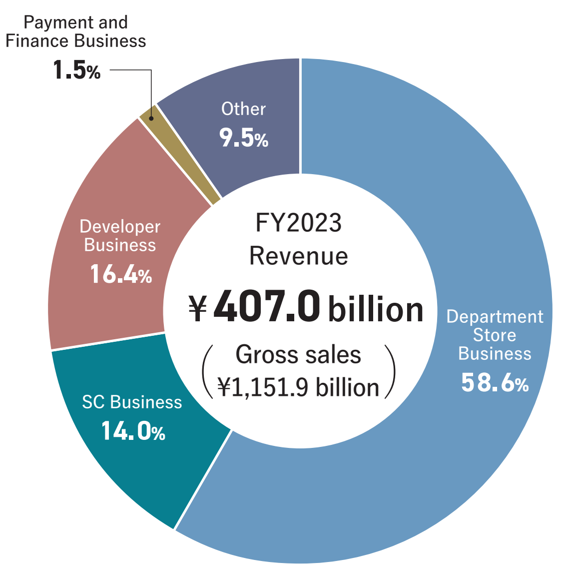
As of September 1, 2024



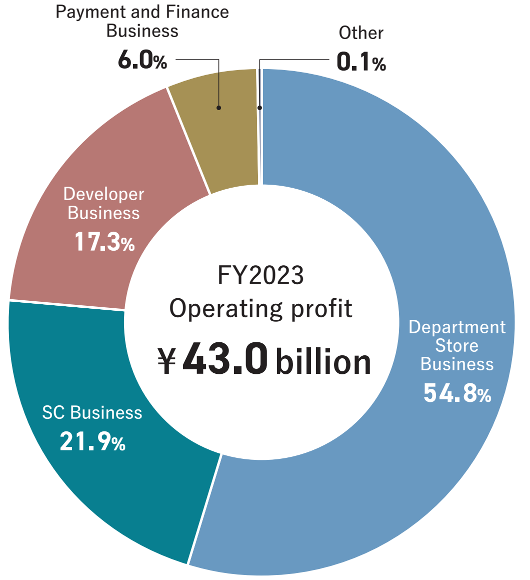
Financial Information

At a Glance

Revenue



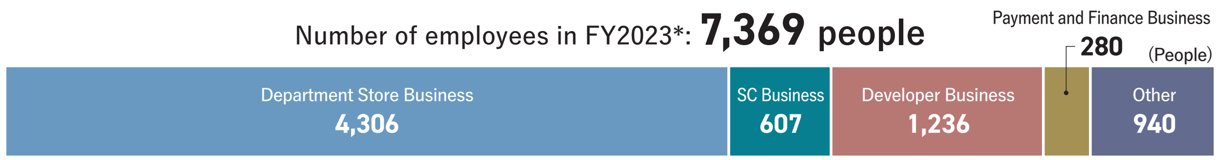
Operating Profit



*Operating profit in Other includes adjustments.

Number of Employees

Number of employees in FY2023*: **7,369** people



*Total number of regular employees, dedicated employees, and fixed-term employees as of February 29, 2024

■ Department Store Business

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

■ SC Business

Operates 16 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

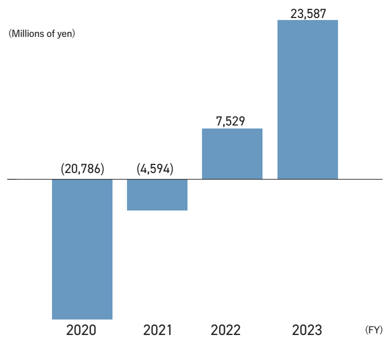
Issues Daimaru Matsuzakaya Card, Daimaru Matsuzakaya Otokuisama Gold Card, etc. Recently, also handles financial products such as insurance.

■ Other

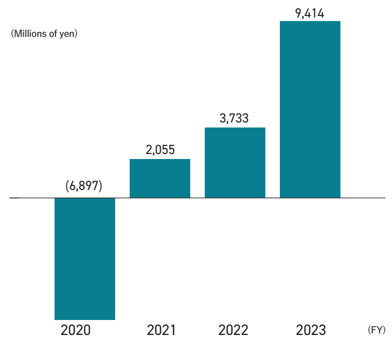
Composed of a wholesaler Daimaru Kogyo and the Group's shared service companies.

Operating Profit Trends and Forecasts by Segment

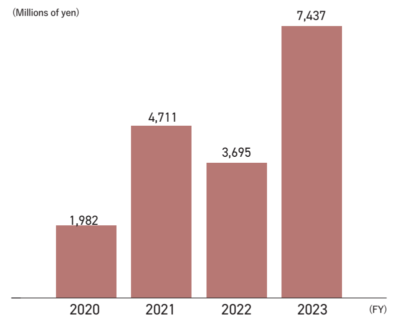
Department Store Business



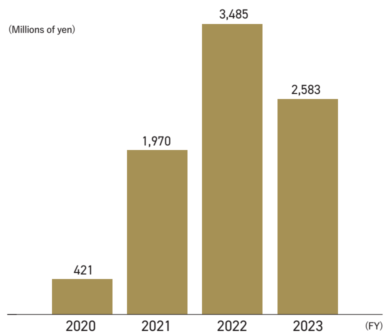
SC Business



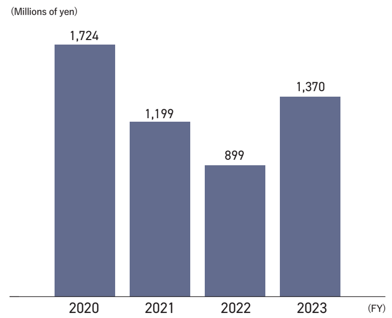
Developer Business



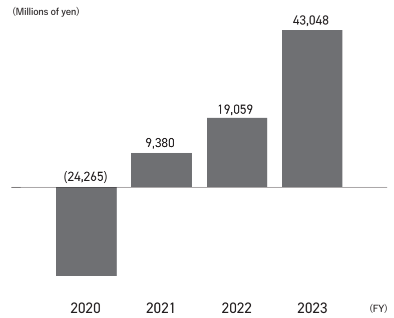
Payment and Finance Business



Other

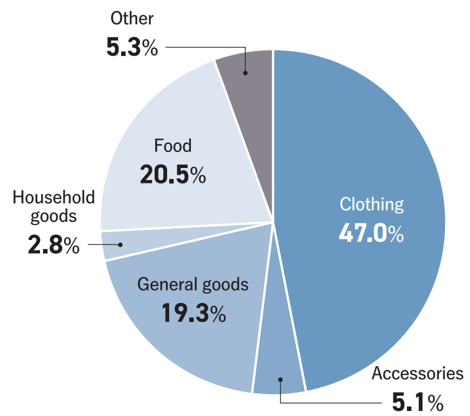


Consolidated total



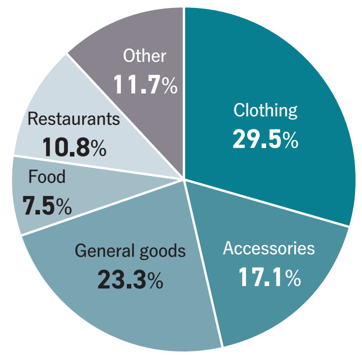
Sales/Transaction Volume Composition (by product/gaisho/inbound)

FY2023 Daimaru Matsuzakaya Department Stores sales composition by product



Gaisho **26.5%**
Inbound **9.8%**

FY2023 Parco tenant transaction volume composition by product

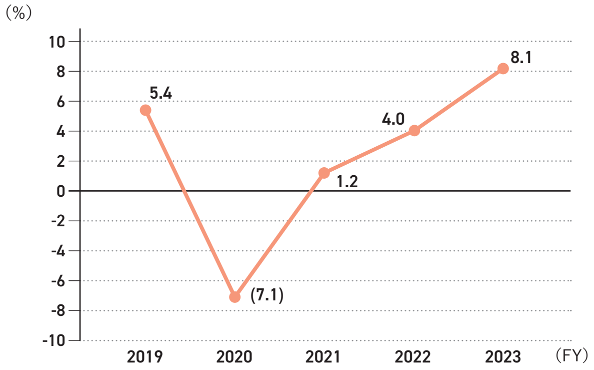


Inbound **8.9%**

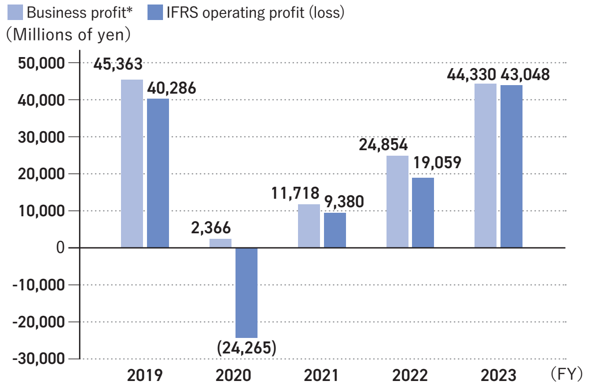
Data

Financial/Non-financial Highlights

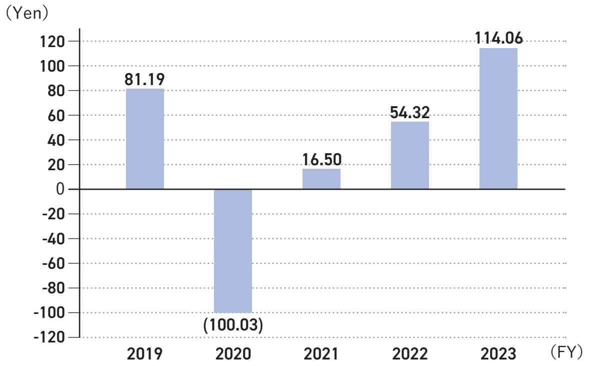
ROE



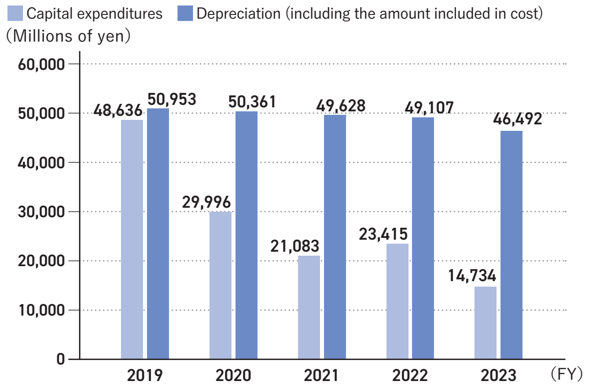
Consolidated business profit/IFRS operating profit (loss)



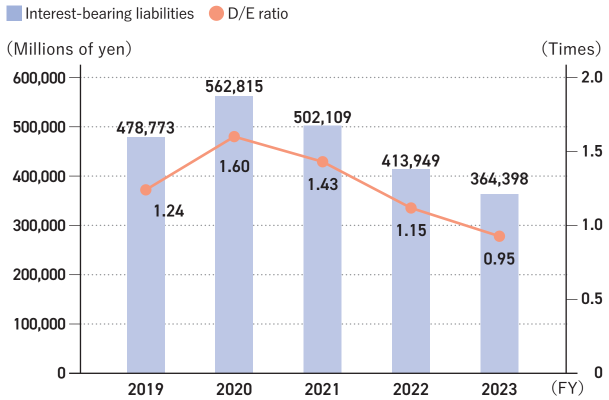
EPS



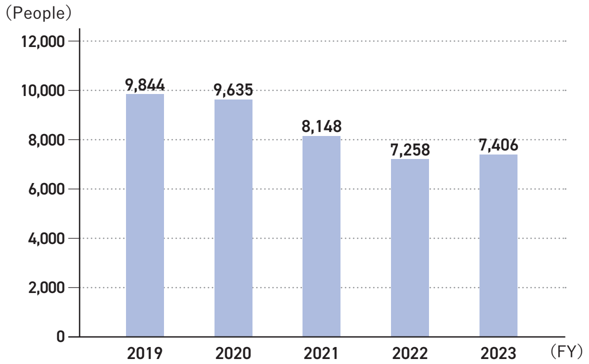
Capital expenditures/Depreciation (including the amount included in cost)



Interest-bearing liabilities and D/E ratio

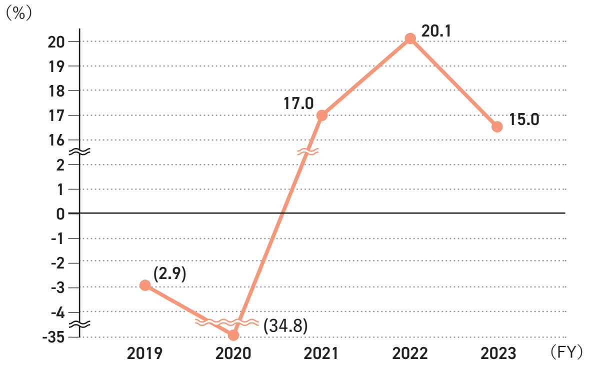


Consolidated number of employees

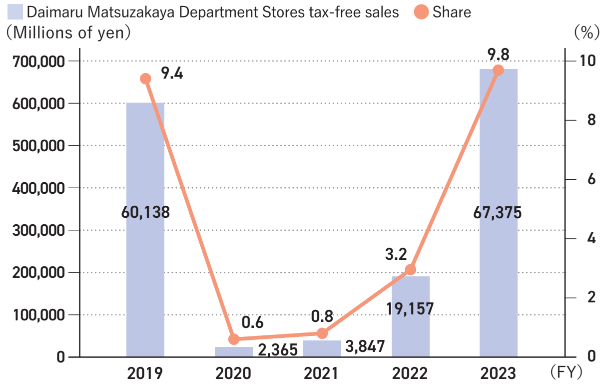


*The Company has adopted the International Financial Reporting Standards (IFRS) since FY2017.
*The Company has adopted IFRS 16 since FY2019. Accordingly, operating leases are recognized as right-of-use assets and lease liabilities, which caused significant changes in capital expenditures, depreciation,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

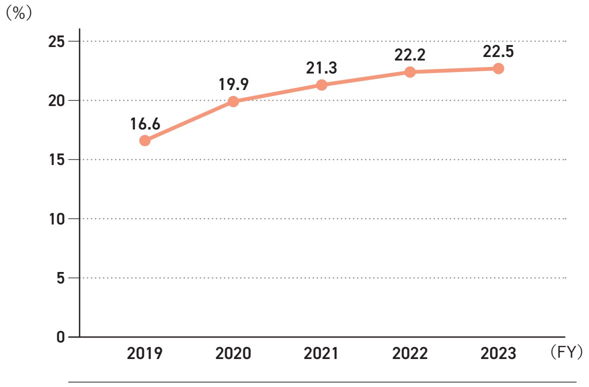
Daimaru Matsuzakaya Department Stores comparable store sales (YoY %)



Daimaru Matsuzakaya Department Stores tax-free sales and share

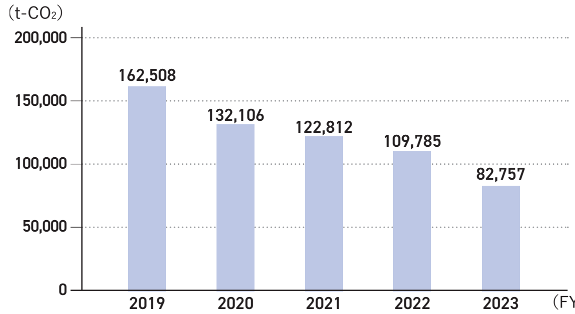


Ratio of women in management positions (consolidated)

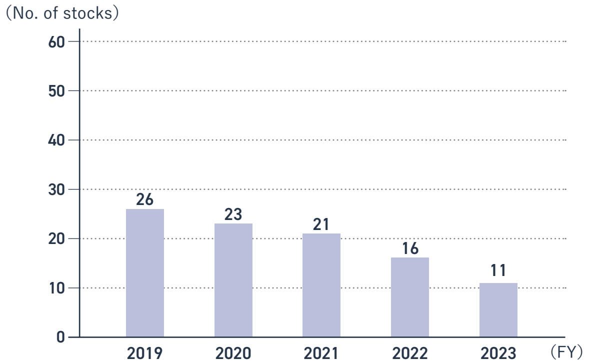


【Scope 1 and 2】GHG emissions (consolidated)

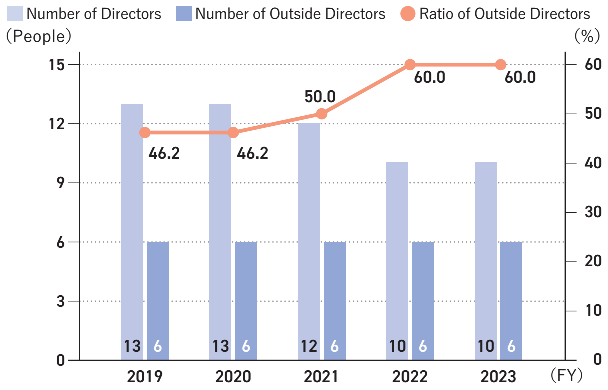
*Data have been compiled and disclosed on a consolidated basis since FY2017.
They have received an independent assurance statement from LRQA Limited.



Year-end number of stocks of cross-shareholdings



Number of Directors and Outside Directors and ratio of Outside Directors



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

10-Year Data (Financial/Non-financial)

Millions of yen (except where otherwise indicated)

	FY2014 (JGAAP)	FY2015 (JGAAP)	FY2016 (JGAAP)	FY2016 (IFRS)	FY2017 (IFRS)	FY2018 (IFRS)	FY2019 (IFRS)	FY2020 (IFRS)	FY2021 (IFRS)	FY2022 (IFRS)	FY2023 (IFRS)
Consolidated PL											
Gross sales	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	1,151,972
Revenue	—	—	—	452,505	469,915	459,840	480,621	319,079	331,484	359,679	407,006
Gross profit	243,663	245,532	234,785	212,567	212,935	212,396	206,953	134,368	147,842	169,536	195,516
Selling, general and administrative expenses (SGA)	201,572	197,494	190,205	167,668	166,688	166,882	161,590	132,001	136,123	144,682	151,185
Business profit	—	—	—	44,898	46,842	45,514	45,363	2,366	11,718	24,854	44,330
Operating profit (loss)	42,091	48,038	44,580	41,727	49,546	40,891	40,286	(24,265)	9,380	19,059	43,048
Profit (loss) / Profit (loss) attributable to owners of parent	19,918	26,313	26,950	27,052	28,486	27,358	21,251	(26,193)	4,321	14,237	29,913
(Business profit by segment)											
Department Store Business	—	—	—	24,592	26,453	25,154	26,461	(4,899)	1,798	12,834	26,265
SC Business	—	—	—	—	—	—	—	—	3,844	5,382	8,379
Parco Business	—	—	—	12,520	10,284	8,723	8,582	2,062	—	—	—
Developer Business	—	—	—	—	—	—	—	—	3,134	2,947	7,546
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	2,777
Other Business	—	—	—	4,410	4,490	3,605	4,926	3,204	1,252	924	965
Adjustments	—	—	—	211	(440)	629	(873)	(1,035)	(217)	(722)	(1,602)
(Operating profit by segment) *Operating profit for years prior to 2016 is based on JGAAP.											
Department Store Business	23,115	28,786	24,592	—	26,659	24,194	17,625	(22,199)	(4,594)	7,529	23,587
SC Business	—	—	—	—	—	—	—	—	2,055	3,733	9,414
Parco Business	12,255	12,582	12,520	—	11,752	5,445	10,823	(6,895)	—	—	—
Developer Business	—	—	—	—	—	—	—	—	4,711	3,695	7,437
Real Estate Business	—	—	—	—	4,131	4,664	6,725	1,986	—	—	—
Payment and Finance Business	3,424	2,703	2,844	—	2,742	2,360	1,908	421	1,970	3,485	2,583
Other Business	3,485	4,122	4,410	—	4,744	3,507	4,700	2,852	1,199	899	1,370
Adjustments	(190)	(156)	211	—	(483)	717	(1,496)	(430)	4,039	(283)	(1,343)
(SGA)											
Personnel expenses	71,059	69,470	67,879	—	62,989	62,692	56,880	48,627	49,944	47,284	50,067
Advertising expenses	30,319	27,733	26,544	—	10,534	10,364	11,729	7,996	9,189	10,489	10,639
Packing and transportation costs	7,631	7,053	6,456	—	4,992	3,837	3,664	2,985	2,849	2,872	2,626
Rent expenses	28,366	28,682	28,637	—	24,372	23,418	2,389	2,105	997	542	—
Depreciation	16,023	16,194	14,843	—	10,944	11,580	30,601	25,135	25,971	26,915	25,053
Operational costs	16,567	16,338	15,621	—	8,148	8,296	9,296	6,117	6,677	9,581	11,274
Other	31,604	32,020	30,222	—	44,705	46,692	47,029	39,033	40,494	46,996	51,523
(Capital expenditures / depreciation)											
Capital expenditures	24,277	37,110	44,999	—	27,021	39,873	37,912	22,922	12,616	15,014	14,734
Right-of-use assets	—	—	—	—	—	—	10,723	7,073	8,467	8,400	1,460
Total investment	—	—	—	—	—	—	48,636	29,996	21,083	23,415	16,194
Depreciation (including the amount included in cost)	17,963	18,345	17,189	—	18,683	19,907	50,953	50,361	49,629	49,107	46,492
Consolidated BS											
Total assets	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	1,114,726
Shareholders' equity / Equity attributable to owners of parent	376,091	383,699	406,336	368,571	395,519	412,700	387,188	352,171	350,368	359,385	381,898
Interest-bearing liabilities	168,458	180,922	187,799	205,952	184,202	174,378	478,773	562,815	502,109	413,949	364,398
Consolidated CF											
Cash flows from operating activities	44,650	36,799	36,239	33,764	57,079	34,870	73,358	56,471	49,866	65,480	90,692
Cash flows from investing activities	(16,272)	(39,741)	(30,353)	(27,952)	(19,030)	(26,836)	(49,559)	(20,870)	(5,289)	(13,371)	13,429
Cash flows from financing activities	(27,587)	(1,041)	(2,189)	(2,097)	(31,048)	(21,274)	(14,829)	58,727	(80,392)	(105,694)	(72,746)
Per share information											
Basic earnings (loss) per share (Yen)	75.47	100.42	103.04	103.43	108.92	104.55	81.19	(100.03)	16.50	54.32	114.06
Equity attributable to owners of parent per share (Yen)	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	1,453.71
Dividend per share (Yen)	25.00	27.00	28.00	28.00	35.00	35.00	36.00	27.00	29.00	31.00	36.00
Dividend payout ratio (%)	33.1	26.9	27.2	27.1	32.1	33.5	44.3	—	175.7	57.1	31.6
Financial indicators (%)											
Ratio of profit to equity attributable to owners of parent (ROE)	5.3	6.9	6.8	7.6	7.5	6.8	5.4	(7.1)	1.2	4.0	8.1
Return on total assets (ROA)	4.2	4.7	4.3	4.2	4.9	4.0	3.2	(1.9)	0.8	1.6	3.9
Return on invested capital (ROIC)	—	—	—	—	—	—	—	—	—	—	5.1
Return on investment (ROI)	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)	0.45	0.47	0.46	0.56	0.47	0.42	1.24	1.60	1.43	1.15	0.95
Non-financial information related to operating companies											
Daimaru Matsuzakaya Department Stores sales floor area (㎡)	529,460	498,460	498,460	—	495,331	495,331	489,023	512,935	494,715	494,715	494,715
Parco business area (㎡)	451,000	456,000	409,000	—	389,000	401,000	435,800	461,000	462,000	462,000	439,000
Daimaru Matsuzakaya Department Stores customer traffic (1,000 people)	220,411	207,512	197,250	—	200,966	202,066	194,879	101,336	119,883	149,974	176,297
Daimaru Matsuzakaya Department Stores average spend per customer (Yen)	4,215	4,414	4,420	—	4,676	4,841	4,979	4,737	5,003	5,560	6,343
Number of proprietary cards issued (Daimaru Matsuzakaya Department Stores) (1,000 cards)	4,595	4,217	4,062	—	4,029	3,939	4,017	3,629	3,753	4,281	4,661
Number of users of proprietary cards (Parco) (1,000 people)	1,754	1,885	1,990	—	2,031	2,018	1,939	1,771	1,612	1,474	1,270

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 SGA from revenue, and roughly corresponds to "operating profit" under JGAAP.

10-Year Data (Sustainability)

Item	Category	Measure	Boundary	Unit	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Society														
Number of employees			Consolidated	People	11,149	11,023	10,732	10,429	10,276	9,844	9,635	8,148	7,258	7,369
Regular employees			Consolidated	People	7,190	7,038	6,871	6,723	6,695	6,579	6,528	5,589	5,115	5,277
Dedicated employees			Consolidated	People	—	—	—	1,573	1,697	1,739	1,688	1,444	1,195	1,170
Fixed-term employees			Consolidated	People	3,959	3,985	3,861	2,133	1,884	1,526	1,419	1,115	948	922
Ratio of female employees			Consolidated	%	—	—	—	57.2	56.8	57.0	56.3	55.6	52.9	53.45
Ratio of women in management positions∗*1			Consolidated	%	—	10.4	12.2	14.3	14.7	16.6	19.9	21.3	22.2	22.5
Number of new graduate hires			Consolidated	People	—	69	58	79	94	76	94	68	107	92
Men			Consolidated	People	—	32	24	36	44	38	41	33	38	34
Women			Consolidated	People	—	37	34	43	50	38	53	35	69	58
Ratio of female new graduate hires			Consolidated	%	—	53.6	58.6	54.4	53.2	50.0	56.4	51.5	64.5	63.04
Employment rate of disabled people∗*2			Consolidated	%	—	—	—	—	2.21	2.21	2.21	2.66	2.93	2.89
Number of foreign employees			Consolidated	People	—	—	—	—	15	14	40	42	50	50
Ratio of foreign employees			Consolidated	%	—	—	—	—	0.1	0.1	0.4	0.5	0.7	0.7
Employee turnover rate*3			Consolidated	%	—	—	—	3.6	3.3	3.9	1.9	10.5	5.3	5.4
Involuntary turnover rate			Consolidated	%	—	0	0	0	0	0	0	0	0	0
Number of employees taking childcare leave∗			Consolidated*4	People	—	—	—	175	203	161	139	88	75	81
Female return rate after childcare leave∗			Consolidated*5	%	—	—	—	93.0	97.4	89.5	94.4	95.3	93.4	94
Ratio of male employees taking childcare leave∗			Consolidated	%	—	—	—	—	—	—	18.8	43.6	68.0	87.5
Wage differences between men and women*6 (all workers)			Consolidated	%	—	—	—	—	—	—	—	—	—	65.3
Regular workers*7			Consolidated	%	—	—	—	—	—	—	—	—	—	74.4
Non-regular workers*8			Consolidated	%	—	—	—	—	—	—	—	—	—	72.7
Number of employees working shorter hours for childcare			Daimaru Matsuzakaya Department Stores	People	—	148	135	137	166	157	209	304	298	276
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	95
Number of employees taking family care leave			Daimaru Matsuzakaya Department Stores	People	—	4	2	2	10	3	2	5	8	8
Number of employees taking family care time off			Daimaru Matsuzakaya Department Stores	People	—	16	20	31	42	30	30	4	40	52
Number of employees working shorter hours for family care			Daimaru Matsuzakaya Department Stores	People	—	0	1	0	1	0	0	1	4	18
Percentage of employees earning minimum wage by region*9			Daimaru Matsuzakaya Department Stores	%	—	0	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	100
Stress check response rate			Daimaru Matsuzakaya Department Stores	%	—	85.3	94.0	95.9	96.4	96.5	97.4	97.1	96.3	97.2
Number of labor accidents (work accidents)			Consolidated*10		—	36	31	40	38	68	81	51	40	50
Number of labor accidents (commutation accidents)			Consolidated*10		—	16	25	26	17	23	38	31	31	30
Lost time injury frequency rate (employees)*11			Consolidated	%	—	—	—	—	—	—	—	1.85	0.88	0.79
Number of work-related fatalities (employees)∗			Consolidated	People	—	—	—	—	—	—	—	0	0	0
Number of harassment consultations			Consolidated		—	14	16	14	22	50	40	37	47	41
Number of usages of JFR Group Compliance Hotline			Consolidated		—	24	22	28	24	36	24	46	49	61
Data security: number of data breaches*12			Consolidated		—	0	0	0	0	0	0	0	1	0
Amount donated to communities			Consolidated	Millions of yen	—	—	—	—	—	—	—	75	87	35.93
Political contribution expenses			Consolidated	Millions of yen	—	—	—	2.2	0.2	0.3	0.07	0.04	0.17	0.17
Penalty for corruption			Consolidated	Millions of yen	—	—	—	0	0	0	0	0	0	0
Punishment/dismissal for anti-corruption violations			Consolidated	People	—	—	—	0	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	61,488
	A type heavy oil	Usage	Consolidated	MWh	—	—	—	70	70	70	65	49	65	52
	Gasoline	Usage	Consolidated	MWh	—	—	—	6,805	6,295	5,368	2,929	3,011	2,126	1,916
	Kerosene	Usage	Consolidated	MWh		—	—	—	—	—	—	—	—	0.1
	Natural gas	Usage	Consolidated	MWh	—	—	—	13	14	11	1	0	0	0
	Light oil	Usage	Consolidated	MWh	—	—	—	—	—	88	88	105	101	28
	Electricity	Usage	Consolidated	MWh	—	—	—	333,514	328,900	327,851	288,691	305,752	305,287	297,828
	Steam / cold water / hot water	Usage	Consolidated	MWh	—	—	—	64,758	65,969	68,730	54,133	54,500	59,344	60,848
	Total	Usage	Consolidated	MWh	—	—	—	475,513	468,366	466,214	403,973	428,049	430,439	422,160
Renewable energy∗		Usage	Consolidated	MWh	—	—	—	—	—	13,046	29,647	62,156	102,676	157,454
	Renewable energy ratio to total electricity usage		Consolidated	%	—	—	—	—	—	4.0	10.3	20.3	33.6	52.9
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	11,459
	Hydrofluorocarbon (HFC)	Emissions	Consolidated	t-CO_2	—	—	—	1,504	2,137	2,140	813	1,636	1,756	2,562
	Scope 1	Emissions	Consolidated	t-CO_2		—	—	—	—	—	—	—	—	14,021
Scope 2 GHG∗	CO_2	Emissions (market base)	Consolidated	t-CO_2	—	—	—	178,102	166,605	147,294	120,123	108,808	96,071	68,736
		Emissions (location base)	Consolidated	t-CO_2				184,047	177,987	174,094	147,820	149,690	146,810	142,935
Scope 1 and 2 GHG∗		Emissions	Consolidated	t-CO_2	—	—	—	194,154	182,566	162,508	132,106	122,812	109,785	82,757
	vs. SBT base year (FY2017)		Consolidated	%	—	—	—	—	(6.0)	(16.3)	(32.0)	(36.7)	(43.5)	(57.4)
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	2,898,436
	vs. SBT base year (FY2017)		Consolidated	%	—	—	—	—	—	—	—	(17.3)	(5.7)	(1.0)
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	0.07
Water∗	Tap water	Usage	Consolidated*14	m^3	—	—	—	—	1,317,230	1,260,594	1,407,531	1,719,788	1,796,295	1,880,316
	Groundwater	Usage	Consolidated*14	m^3	—	—	—	—	480,731	452,702	459,054	570,760	613,303	625,066
	Gray water	Usage	Consolidated*14	m^3	—	—	—	—	136,804	125,989	198,882	158,848	151,017	140,709
	Total	Usage	Consolidated*14	m^3	—	—	—	—	1,934,765	1,839,285	2,065,467	2,449,396	2,560,615	2,646,091
		Emissions*13	Consolidated*14	m^3	—	—	—	—	1,934,765	1,839,285	2,065,467	2,449,396	2,560,615	2,646,091
Waste (including food waste)∗*15		Emissions	Consolidated*14	t	—	—	19,885	18,532	17,202	17,597	21,694	26,637	29,855	29,814
		Amount recycled	Consolidated*14	t	—	—	11,644	10,863	9,938	10,453	12,479	12,845	15,421	16,176
		Final disposal amount	Consolidated*14	t	—	—	8,241	7,669	7,264	7,144	9,216	13,792	14,434	13,638
		Recycling ratio	Consolidated*14	%	—	—	58.6	58.6	57.8	59.4	57.5	48.2	51.7	54.3
Food waste∗		Emissions	Consolidated*5	t	—	—	4,540	4,497	4,312	4,379	2,886	4,394	4,753	4,943
		Amount recycled	Consolidated*5	t	—	—	2,716	2,416	2,477	2,610	1,857	3,027	3,598	3,934
		Final disposal amount	Consolidated*5	t	—	—	1,824	2,081	1,835	1,769	1,029	1,367	1,155	1,009
		Recycling ratio	Consolidated*5	%	—	—	59.8	53.7	57.4	59.6	64.3	68.9	75.7	79.6
Specified hazardous waste*16		Emissions	Consolidated	t	—	—	—	—	—	—	—	6	0.2	0
Packaging materials usage*17		Usage	Daimaru Matsuzakaya Department Stores	t	—	—	2,409	2,370	2,236	2,030	1,075	1,129	1,200	1,221

∗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 Wage differences between men and women = Average annual wage for women / Average annual wage for men × 100 % (excluding commuting allowance)
*7 Regular employees (including employees seconded outside the company)
*8 Dedicated employees, fixed-term employees, contract employees, retirees rehired on a contract basis
*9 Grade 1 and 2 dedicated employees of Daimaru Matsuzakaya Department Stores paid according to a wage table by region
*10 Boundaries for the years up to FY2018 are Daimaru Matsuzakaya Department Stores.
*11 Lost time injury frequency rate: The frequency of lost time injuries occurring in a workplace per one million hours worked
*12 Confidential information breaches and personal data breaches
*13 Water usage and emissions are the same volume.
*14 Boundaries for the years up to FY2019 are Daimaru Matsuzakaya Department Stores.
*15 Waste includes general waste, industrial waste, and food waste.
*16 (i) Waste PCB, etc.; (ii) PCB contaminated materials; (iii) PCB processed materials; (iv) waste mercury, etc.; (v) waste mercury and other processed materials; (vi) specified sewage sludge; (vii) waste asbestos; and (viii) burnt residue, sludge, slag, dust, waste acid, waste alkali, etc. exceeding the limits
*17 Weight of wrapping paper, shopping bags, paper bags, plastic bags for food products, etc.

Financial Position and Operating Results (fiscal 2023)

Overview of operating results

In fiscal 2023, the Japanese economy continued to experience a moderate recovery driven mainly by growth in service consumption and inbound demand in the context of the progressive normalization of social and economic activities, while uncertainty is growing due to the increasingly unstable international situation and slowdowns in overseas economies.

Regarding personal spending, as improvements in the employment and income environments continued, in-person services and the like grew, but price increases pushed down real wages, preventing the recovery from gaining momentum as the rally in consumption appeared to stall.

Since fiscal 2021 the Company has been promoting the Medium-term Business Plan (FY2021–FY2023), which positions sustainability at the core of management. During this Medium-term Business Plan, we have achieved a "full recovery" from the COVID-19 pandemic, positioned the period beginning in fiscal 2024 as a time of "renewed growth," and focused mainly on our three key strategies including Real× Digital Strategy, Prime Life Strategy, and Developer Strategy, on management restructuring, and on strengthening the management foundation to support medium- to long-term growth.

In fiscal 2023, the final fiscal year under the Medium-term Business Plan, we steadily promoted the key strategies and measures established by the Medium-term Business Plan to achieve "renewed growth" from fiscal 2024 onward, having created a strong foothold for "full recovery" to ensure that we captured domestic consumption, which is continuing to recover, and inbound demand.

As a result, revenue was 407,006 million yen (up 13.2% year on year). Business profit was 44,330 million yen (up 78.4% year on year), as a result of improvement in revenue, along with the effects from reduced fixed costs and expenses. Operating profit was 43,048 million yen (up 125.9% year on year), partly due to the transfer of shares of equity method associates while impairment losses were recorded at some branches of our department stores. Profit before tax was 41,343 million yen (up 145.0% year on year), and profit attributable to owners of parent was 29,913 million yen (up 110.1% year on year), demonstrating a large increase in profit.

Business results by segment

〈Department Store Business〉

With social and economic activities progressively normalizing, in addition to the results of strategies and measures aimed mainly at the solid affluent market, we also saw further growth in revenue from foreign tourists visiting Japan, resulting in a significant expansion of net sales.

By store, the Daimaru Shinsaibashi and Daimaru Kyoto stores, which had particularly strong sales from foreign tourists visiting Japan, and the Daimaru Tokyo and Daimaru Sapporo stores, which are on terminal sites, saw significant improvements in customer numbers and net sales.

In terms of executing key strategies, as well as programs centered on flagship stores involving renovations and the strengthening of key categories, such as luxury brands and high-end watches, we worked to build a higher quality shopping experience through the introduction of lounges for loyal customers and other measures. In addition, to strengthen the online business, we worked on the creation of new customer experiences using digital technologies, such as expanding subscription services for fashion, art, and food. To achieve our goal of building strong relationships with customers, we also moved steadily forward with the digitalization of customer contact points through the use of the Daimaru Matsuzakaya app, as well as implementing measures for real stores.

As a result of the measures mentioned above, revenue increased to 239,125 million yen (up 10.8% year on year). Operating profit significantly increased to 23,587 million yen (up 213.3% year on year) despite an increase in variable costs associated with the improvement of revenue.

〈SC Business〉

The number of customers visiting stores and tenant transaction volume increased primarily due to the effects of strategic remodeling centering on flagship stores and promotions such as unified plans for all stores, and an increase in the number of foreign tourists visiting Japan, including those visiting Shibuya PARCO and Shinsaibashi PARCO.

To increase the attractiveness of stores based on our key strategies, we promoted strategic renovations such as the creation of zones that integrate a number of high-profile entertainment shops at Ikebukuro PARCO, and the expansion of unisex and women's elements and the revamp of common areas at Nagoya PARCO. We also welcomed tenants at Urawa PARCO under the themes of "proposing charming and quality lifestyles" and "comfortable daily living." Furthermore, to increase the value of visiting stores, we worked on Parco's own promotion, such as by developing large-scale mobilization events for popular TV anime, and for Shibuya PARCO, which is celebrating its 50th anniversary, we held an exhibition titled "The Advertisements (Advertising PARCO) 1969–2023" covering the history of creative advertising spanning over half a century. We ceased operations of Shintokorozawa PARCO at the end of February 2024.

As a result of the measures mentioned above, revenue was 57,944 million yen (up 7.7% year on year). Operating profit significantly increased to 9,414 million yen (up 121.8% year on year) due to the improved revenue and a gain on sales of our properties.

〈Developer Business〉

Under our new business promotion framework launched in fiscal 2023, we worked on formulating medium- to long-term development plans centered in the key areas of seven cities in which the Group maintains its business foundation, from the standpoints of group-wide optimization. Specifically, we promoted redevelopment plans slated for completion and opening in 2026 for The Landmark Nagoya Sakae in Nagoya's Sakae area, and the Shinsaibashi Project (tentative name) in Osaka's Shinsaibashi area, as well as in Fukuoka's Tenjin area. In terms of development of non-commercial facilities using our assets, we completed the construction of three residential properties.

In the construction and interior design business, we seized investment opportunities for redevelopment and store expansion in urban areas, participated in development projects for hotels and other facilities, and worked to strengthen marketing capabilities by growing orders mainly from luxury brands.

As a result of the measures mentioned above, revenue was 78,418 million yen (up 41.9% year on year), due to increases in interior and facilities work inside and outside the Group, facilities management contracting, and the sale of developed properties to a fund formed by the Company itself. As a result of the above, operating profit increased to 7,437 million yen (up 133.5% year on year).

〈Payment and Finance Business〉

In the payment business, in addition to gaining members through cooperation with the Department Stores, we implemented special events aimed at raising awareness of our unique point program (QIRA Point). We also worked to strengthen the merchant business through such measures as improving the payment environment in the Group's commercial facilities, and collaborating with the facilities of other companies in areas where the Group stores are located. In the finance business, we promoted the development of new services for members through cooperation and collaboration with other companies.

As a result of the above efforts, revenue increased to 13,115 million yen (up 1.8% year on year), but due in part to increases in investment expenses, etc. aimed at expanding the business foundation, and costs associated with an increase in unauthorized credit card use, operating profit fell to 2,583 million yen (down 25.9% year on year).

〈Other〉

At Daimaru Kogyo, which is engaged in the wholesale business, a fall in orders in the mainstay electronic components department, declining sales in the overseas business, and other factors led to revenue falling to 51,925 million yen (down 7.1% year on year). However, operating profit increased to 1,370 million yen (up 52.3% year on year), due mainly to foreign exchange gain and gain on sale of assets held.

Financial position

Total assets as of February 29, 2024 were 1,114,726 million yen, down 6,227 million yen compared with February 28, 2023. Total liabilities were 720,494 million yen, a decrease of 29,048 million yen compared with February 28, 2023. Interest-bearing liabilities (including lease liabilities) were 364,398 million yen, down 49,551 million yen compared with February 28, 2023. Total equity was 394,232 million yen, an increase of 22,822 million yen compared with February 28, 2023. As a result, the ratio of operating profit to total assets (ROA) was 3.9%, the ratio of profit to equity attributable to owners of parent (ROE) was 8.1%, and the ratio of equity attributable to owners of parent to total assets was 34.3%.

Cash flows

The balance of cash and cash equivalents (hereinafter "cash") as of February 29, 2024, was 71,342 million yen, up 31,468 million yen compared with February 28, 2023.

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

Net cash provided by operating activities was 90,692 million yen. In comparison with the previous fiscal year, cash provided increased by 25,212 million yen, largely due to an increase in profit before tax.

Net cash provided by investing activities was 13,429 million yen. In comparison with the previous fiscal year, cash provided increased by 26,800 million yen despite making capital investments, mainly due to proceeds from sales of shares of entities accounted for using equity method and of investment property.

Net cash used in financing activities was 72,746 million yen. In comparison with the previous fiscal year, cash used decreased by 32,948 million yen despite ongoing repayment of interest-bearing liabilities during the fiscal year under review.

Dividend policy

The Company's basic policy is to maintain and enhance its sound financial standing while appropriately returning profits by providing stable dividends and enlisting a flexible and agile approach to purchasing its treasury shares in a manner that involves taking profit levels, future capital investment, free cash flow trends, and other such factors into consideration.

In accordance with this policy, during the period of the current Medium-term Business Plan (FY2024–FY2026), the Company aims to optimize the amount of equity by maintaining a consolidated dividend payout ratio of 40% or more and conducting purchases of treasury shares.

With respect to internal reserves, the Company intends to enhance corporate value by using them for such purposes as investing in store refurbishments to further strengthen the retail business, upfront investment in the Developer Business to realize group synergies, and growth investment.

The Company has paid an annual dividend of 36 yen per share for the fiscal year under review, comprising an interim dividend of 16 yen per share and a year-end dividend of 20 yen per share.

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

Consolidated Financial Statements

Consolidated Statement of Financial Position

J. Front Retailing Co., Ltd. and its consolidated subsidiaries
As of February 28, 2022, February 28, 2023 and February 29, 2024

(Millions of yen)

	FY2021	FY2022	FY2023
Assets			
Current assets			
Cash and cash equivalents	93,278	39,874	71,342
Trade and other receivables	112,262	129,121	143,321
Other financial assets	11,929	10,836	11,439
Inventories	12,459	16,932	15,193
Other current assets	4,954	5,094	5,203
Total current assets	234,884	201,860	246,501
Non-current assets			
Property, plant and equipment	480,380	469,401	458,623
Right-of-use assets	140,470	119,501	107,623
Goodwill	523	995	560
Investment property	189,688	187,247	181,985
Intangible assets	7,289	7,797	7,886
Investments accounted for using equity method	38,761	41,402	23,531
Other financial assets	79,977	79,711	72,034
Deferred tax assets	8,209	3,137	3,636
Other non-current assets	12,721	9,897	12,343
Total non-current assets	958,022	919,092	868,225
Total assets	1,192,907	1,120,953	1,114,726
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	108,152	63,530	57,330
Trade and other payables	116,107	133,835	151,230
Lease liabilities	28,554	28,411	27,222
Other financial liabilities	29,915	29,975	28,362
Income taxes payable	4,485	1,527	7,183
Provisions	954	2,397	2,487
Other current liabilities	59,243	58,276	57,445
Total current liabilities	347,413	317,953	331,261
Non-current liabilities			
Bonds and borrowings	209,562	185,593	156,618
Lease liabilities	155,839	136,414	123,228
Other financial liabilities	36,741	35,290	34,798
Retirement benefit liability	19,416	16,754	15,980
Provisions	9,553	8,699	6,746
Deferred tax liabilities	51,697	48,366	51,439
Other non-current liabilities	563	469	419
Total non-current liabilities	483,373	431,589	389,232
Total liabilities	830,787	749,542	720,494
Equity			
Share capital	31,974	31,974	31,974
Capital surplus	188,894	189,068	189,172
Treasury shares	(14,780)	(14,466)	(14,231)
Other components of equity	9,574	10,654	7,383
Retained earnings	134,705	142,153	167,600
Total equity attributable to owners of parent	350,368	359,385	381,898
Non-controlling interests	11,751	12,025	12,333
Total equity	362,120	371,410	394,232
Total liabilities and equity	1,192,907	1,120,953	1,114,726

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

J. Front Retailing Co., Ltd. and its consolidated subsidiaries
Consolidated financial years ended February 28, 2023 and February 29, 2024

(Millions of yen)

Consolidated Statement of Profit or Loss	FY2022	FY2023
Revenue	359,679	407,006
Cost of sales	(190,142)	(211,490)
Gross profit	169,536	195,516
Selling, general and administrative expenses	(144,682)	(151,185)
Other operating income	4,540	3,673
Other operating expenses	(10,336)	(4,955)
Operating profit	19,059	43,048
Finance income	871	1,609
Finance costs	(5,218)	(4,847)
Share of profit (loss) of investments accounted for using equity method	2,161	1,532
Profit before tax	16,873	41,343
Income tax expenses	(2,611)	(11,096)
Profit	14,262	30,247
Profit attributable to:		
Owners of parent	14,237	29,913
Non-controlling interests	25	333
Profit	14,262	30,247
Earnings per share		
Basic earnings per share (Yen)	54.32	114.06
Diluted earnings per share (Yen)	54.30	114.06

Consolidated Statement of Comprehensive Income	FY2022	FY2023
Profit	14,262	30,247
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	823	(1,638)
Remeasurements of defined benefit plans	1,176	2,276
Share of other comprehensive income of investments accounted for using equity method	(7)	(75)
Total of items that will not be reclassified to profit or loss	1,992	562
Items that may be reclassified to profit or loss		
Cash flow hedges	(1)	20
Exchange differences on translation of foreign operations	144	103
Share of other comprehensive income of investments accounted for using equity method	4	1
Total of items that may be reclassified to profit or loss	147	126
Other comprehensive income, net of tax	2,140	688
Comprehensive income	16,402	30,935
Comprehensive income attributable to:		
Owners of parent	16,384	30,561
Non-controlling interests	18	373
Comprehensive income	16,402	30,935

Consolidated Statement of Changes in Equity

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

Consolidated financial years ended February 28, 2023 and February 29, 2024

(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, 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
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	105	20	(1,647)
Total comprehensive income	—	—	—	105	20	(1,647)
Purchase of treasury shares	—	—	(7)	—	—	—
Disposal of treasury shares	—	(0)	0	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	104	240	—	—	—
Change due to capital increase of consolidated subsidiaries	—	—	—	—	—	—
Changes in ownership interests in subsidiaries	—	0	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(1,749)
Total transactions with owners	—	103	234	—	—	(1,749)
Balance at February 29, 2024	31,974	189,172	(14,231)	314	17	7,050

	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, 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
Profit	—	—	29,913	29,913	333	30,247
Other comprehensive income	2,169	648	—	648	40	688
Total comprehensive income	2,169	648	29,913	30,561	373	30,935
Purchase of treasury shares	—	—	—	(7)	—	(7)
Disposal of treasury shares	—	—	—	0	—	0
Dividends	—	—	(8,386)	(8,386)	(64)	(8,450)
Share-based payment transactions	—	—	—	344	—	344
Change due to capital increase of consolidated subsidiaries	—	—	—	—	6	6
Changes in ownership interests in subsidiaries	—	—	—	0	(7)	(6)
Transfer from other components of equity to retained earnings	(2,169)	(3,919)	3,919	—	—	—
Total transactions with owners	(2,169)	(3,919)	(4,466)	(8,048)	(65)	(8,113)
Balance at February 29, 2024	—	7,383	167,600	381,898	12,333	394,232

Consolidated Statement of Cash Flows

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

Consolidated financial years ended February 28, 2023 and February 29, 2024

(Millions of yen)

	FY2022	FY2023
Cash flows from (used in) operating activities		
Profit before tax	16,873	41,343
Depreciation and amortization expense	49,107	46,492
Impairment loss	5,900	2,310
Finance income	(871)	(1,609)
Finance costs	5,218	4,847
Share of loss (profit) of investments accounted for using equity method	(2,161)	(1,532)
Loss (gain) on sale of non-current assets	(771)	(757)
Loss on disposals of non-current assets	2,102	1,302
Decrease (increase) in inventories	(2,185)	3,748
Decrease (increase) in trade and other receivables	(16,898)	(13,010)
Increase (decrease) in trade and other payables	17,599	18,001
Increase (decrease) in retirement benefit liabilities	(2,661)	(773)
Decrease (increase) in retirement benefit assets	3,360	(2,306)
Other, net	1,944	(812)
Subtotal	76,558	97,245
Interest received	123	150
Dividends received	170	899
Interest paid	(5,172)	(4,803)
Income taxes paid	(8,282)	(4,679)
Income taxes refund	2,083	1,880
Net cash flows from (used in) operating activities	65,480	90,692
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(8,641)	(7,030)
Proceeds from sale of property, plant and equipment	190	241
Purchase of investment property	(3,043)	(1,594)
Proceeds from sale of investment property	1,599	4,014
Purchase of intangible assets	(3,099)	(2,863)
Purchase of investment securities	(1,946)	(1,885)
Proceeds from sale of investment securities	2,072	22,179
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(207)	—
Proceeds from refund of guarantee deposits	2,342	2,422
Other, net	(2,638)	(2,054)
Net cash flows from (used in) investing activities	(13,371)	13,429
Cash flows from (used in) financing activities		
Net increase (decrease) in current borrowings	(24,000)	(9,100)
Net increase (decrease) in commercial papers	(15,002)	—
Proceeds from non-current borrowings	5,500	3,400
Repayments of non-current borrowings	(15,150)	(29,530)
Redemption of bonds	(20,000)	—
Repayments of lease liabilities	(29,138)	(29,088)
Purchase of treasury shares	(9)	(8)
Dividends paid	(7,832)	(8,362)
Dividends paid to non-controlling interests	(64)	(64)
Other, net	2	6
Net cash flows from (used in) financing activities	(105,694)	(72,746)
Net increase (decrease) in cash and cash equivalents	(53,585)	31,375
Cash and cash equivalents at beginning of period	93,278	39,874
Effect of exchange rate changes on cash and cash equivalents	181	92
Cash and cash equivalents at end of period	39,874	71,342

Group Companies (as of September 1, 2024)

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: +81-50-1781-0000 Opened (present location): November 1726

Daimaru Osaka Umeda Store
Location: 1-1, Umeda 3-chome, Kita-ku, Osaka 530-8202
Phone: +81-50-1780-0000 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: +81-50-1790-3000 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: +81-50-1780-6000 Opened: March 2003

Matsuzakaya Nagoya Store
Location: 16-1, Sakae 3-chome, Naka-ku, Nagoya, Aichi 460-8430
Phone: +81-50-1782-7000 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: +81-50-1783-0000 Opened: November 1932

Matsuzakaya Takatsuki Store
Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone: +81-50-1783-3000 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 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%

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%

J. Front Design & Construction Co., Ltd.
(Construction contracting, furniture manufacturing and sales)
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: US$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/

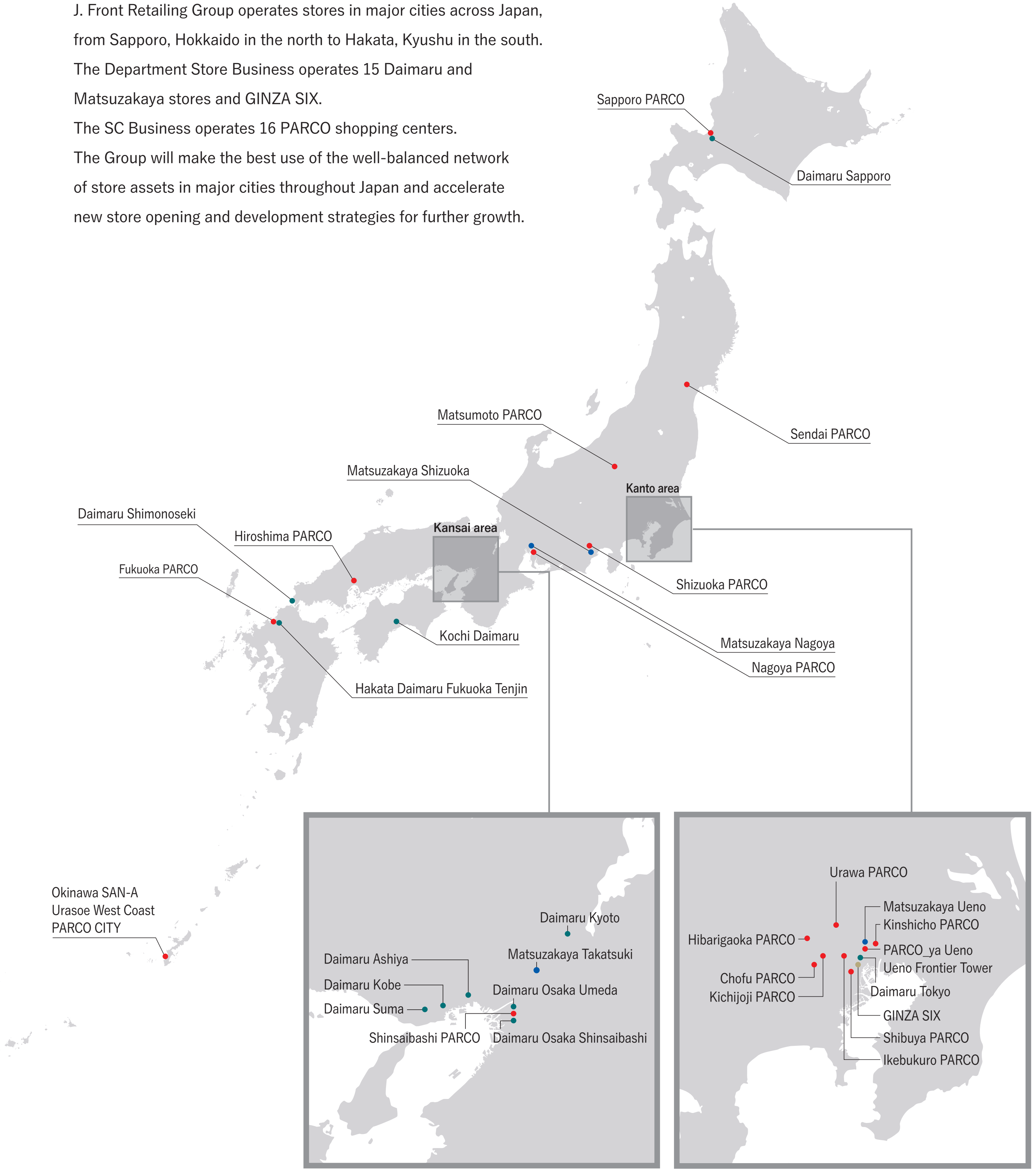
Daimaru Matsuzakaya Tomonokai Co., Ltd.
(Specified prepaid transaction service)
Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Capital: ¥100 million Investment ratio: 100%
http://www.dmtomonokai.co.jp

XENOZ Co., Ltd.
Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
Capital: ¥100 million Investment ratio: 51.6%
https://xenoz.co.jp/

Stores

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 16 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.



Daimaru and Matsuzakaya Stores (as of June 30, 2024)


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


Daimaru Kyoto
(Floor space: 50,830 m²)


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


Daimaru Kobe
(Floor space: 50,656 m²)


Daimaru Tokyo
(Floor space: 46,000 m²)


Daimaru Sapporo
(Floor space: 45,000 m²)


Daimaru Suma
(Floor space: 13,076 m²).


Daimaru Shimonoseki
(Floor space: 23,912 m²)


Daimaru Ashiya
(Floor space: 3,395 m²)


Kochi Daimaru
(Floor space: 16,068 m²)


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


Matsuzakaya Nagoya
(Floor space: 86,758 m²)


Matsuzakaya Takatsuki
(Floor space: 17,387 m²)


Matsuzakaya Ueno
(Floor space: 21,759 m²)


Matsuzakaya Shizuoka
(Floor space: 25,452 m²)


GINZA SIX
(Floor space: 47,000 m²)

PARCO Stores (as of June 30, 2024)

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
B1F-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


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

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

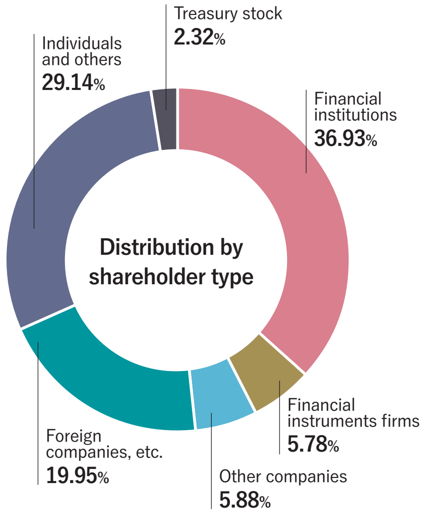
Share Information and Corporate Information (as of February 29, 2024)

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 : 176,971 people

Name of shareholder	Number of shares held (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	45,154	17.09
Custody Bank of Japan, Ltd. (Trust Account)	22,542	8.53
Nippon Life Insurance Company	9,828	3.72
J. Front Retailing Kyoei Supplier Shareholding Association	6,295	2.38
SMBC Nikko Securities Inc.	4,261	1.61
JP Morgan Securities Japan Co., Ltd.	3,628	1.37
The Dai-ichi Mutual Life Insurance Company	3,439	1.30
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	3,401	1.29
SMBC TRUST BANK LTD. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	3,204	1.21
JUNIPER	2,871	1.09

*Shareholding ratio is calculated by deducting treasury stock (6,277,000 shares). The said treasury stock does not include the Company's shares held by the BIP Trust.



Distribution by shareholder type	Number of shareholders (People)	Number of shares (1,000 shares)	Ratio (%)
Government and local public entities	—	—	—
Financial institutions	68	99,936	36.93
Financial instruments firms	43	15,633	5.78
Other companies	1,091	15,918	5.88
Foreign companies, etc.	586	53,969	19.95
Individuals and others	175,182	78,831	29.14
Treasury stock	1	6,277	2.32

*Unit shareholders

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; merchandise inspection and consulting; and others
Number of employees (consolidated) : 5,277 people (as of February 29, 2024)
Note: In addition to the above, there are 2,092 dedicated employees and fixed-term employees.
URL : https://www.j-front-retailing.com/english/

Naturally, there are failures in the process of promoting change. Not all M&As and new businesses, for example, have been successful. In this era of such rapid change, it is essential to try a variety of different things. Bouncing diverse knowledge off each other, fusing it together, and creating innovation. There is no denying that we were rather conservative and have often been unable to take a step forward. However, the foundation was laid for the Group to move on to the next phase. The problem is not to blame failure, but to do nothing for fear of failure. That's the kind of culture we want to change. Whether or not we can break out of the shell we have been in. The real test for us is still whether we have improved our corporate value. As we look toward 2030, we hope to clarify our vision for the future through these three years of change to raise expectations.

Create and Bring to Life
"New Happiness."

J. FRONT RETAILING

MIX
Paper | Supporting responsible forestry
FSC® C010191
www.fsc.org

Printed with vegetable oil ink on FSC®-certified paper.