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[Securities code: 3086]
May 2, 2019

To Our Shareholders

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

Notice of Convocation of the 12th Annual Shareholders Meeting

You are cordially invited to attend the 12th Annual Shareholders Meeting of J. FRONT RETAILING Co., Ltd. (hereinafter the “Company”). The meeting will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing or via the Internet. In each case, you are requested to exercise your voting rights so that your vote is received by 6:00 p.m. on Wednesday, May 22, 2019 (JST).

Details

1. **Date and time:** Thursday, May 23, 2019, at 10:00 a.m. (JST) (Reception opens at 9:00 a.m.)
2. **Venue:** NEW PIER HALL, 11-1, Kaigan 1-chome, Minato-ku, Tokyo
3. **Purpose of the meeting:**
Matters to be reported:
 1. Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements for the 12th fiscal year (from March 1, 2018 to February 28, 2019)
 2. Audit reports of the Accounting Auditor and the Audit Committee on Consolidated Financial Statements for the 12th fiscal year*Matters to be resolved:* Proposal: Election of Thirteen (13) Directors
4. **Decisions made for convocation:**
Please refer to Guide to the Exercise of Voting Rights on pages 3 to 4.

* If you are attending the meeting in person, please submit the enclosed voting form at the reception of the meeting. Please note that persons who are not shareholders who can exercise voting rights, such as proxies who are not shareholders, and accompanying persons, will not be admitted. (The accompanying persons of shareholders with disabilities are exempt and will be admitted.)

- Of the documents attached to Notice of Convocation of the Annual Shareholders Meeting, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements are provided on the Company's website in accordance with relevant laws and regulations and Article 16 of the Company's Articles of Incorporation, hence are not indicated on this Notice of Convocation.
- Consolidated Financial Statements and Non-consolidated Financial Statements, which have been audited by the Audit Committee and the Accounting Auditor, shall include not only the documents stated in this Notice of Convocation, but also Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements, which are provided on the Company's website.
- If any amendments to Reference Materials for Shareholders Meeting, Business Report, Consolidated Financial Statements or Non-consolidated Financial Statements are made, the revised version will be provided on the Company's website.

The Company's website: <https://www.j-front-retailing.com/>

Please note that no gift will be provided at the Shareholders Meeting or in the live relay venues in Osaka and Nagoya. The Company appreciates your understanding.

Guide to the Exercise of Voting Rights

Attending the Shareholders Meeting in Person

Please submit the enclosed voting form at the reception of the meeting.

*You do not need to exercise your voting rights either by postal mail or via the Internet.

Attending a live relay venue

The live relay venues are not recognized as the venue of the shareholders meeting under the Companies Act. Please exercise your voting rights either by postal mail or via the Internet before arriving.

If you are unable to attend the meeting in person, please exercise your voting rights by either of the following methods.

Exercising voting rights by postal mail

Please indicate on the enclosed voting form whether you approve or disapprove of the proposal, and return the completed form to us.

Exercise due date: Received by 6:00 p.m. on Wednesday, May 22, 2019 (JST)

To institutional investors

To exercise voting rights at this meeting, institutional investors can use the electronic voting rights exercise platform for institutional investors operated by ICJ, Inc.

Exercising voting rights via the Internet

Please read the following items before exercising voting rights via the Internet.

Exercise due date: Received by 6:00 p.m. on Wednesday, May 22, 2019 (JST)

(Instructions concerning the exercise of voting rights via the Internet)

How to scan QR code

You can log in to the voting website without entering your login ID and temporary password printed on the voting form.

1. Scan QR code printed on the voting form (at right).
*“QR code” is a registered trademark of DENSO WAVE INCORPORATED.
2. Follow the directions that appear on the screen to input approval or disapproval to each proposal.
The QR code can be used for login only one time.
If you need to exercise your voting rights again or exercise your voting rights without using the QR code, see “How to enter login ID and temporary password.”

How to enter login ID and temporary password

Voting website: <https://evote.tr.mufg.jp/>

1. Access the voting website.
 2. Enter the “Login ID” and the “Temporary password” shown on the voting form and click the “Login” button.
 3. Set a new password.
 4. Follow the directions that appear on the screen to input approval or disapproval to each proposal.
- To prevent unauthorized access by parties other than shareholders and the alteration of shareholder votes, shareholders voting via the Internet will be asked to change their “temporary password” on the voting website.
 - You will receive a new “Login ID” and a new “temporary password” with each convocation notice for a Shareholders Meeting.
 - If you exercise your voting rights both in writing and via the Internet, we will only accept the exercise of your voting rights via the Internet as effective.
 - If you exercise your voting rights more than once via the Internet, we will only accept the last exercise of your voting rights as effective. If you exercise your voting rights more than once by using your personal computer, smartphone and mobile phone, we will only accept the last exercise of your voting rights as effective.

- * Fees for accessing the voting website (Internet access fees, telephone charges, packet communication fees, etc.) shall be borne by the shareholder.
- * Exercising voting rights via the Internet may not be possible depending on your Internet environment, and settings, including the use of firewall and anti-virus software.

For inquiries about the system, please contact:

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

Reference Materials for Shareholders Meeting

Proposal and Reference Information

Proposal: Election of Thirteen (13) Directors

The terms of office of all 13 Directors will expire at the conclusion of this Annual Shareholders Meeting.

Accordingly, based on the decision of the Nomination Committee, the Company has made the number of Director candidates 13, and proposes the election of those candidates. The candidates for the Directors are as follows.

Furthermore, of the candidates for Director, please refer to “3. Matters relating to corporate officers,” “6. Operation of the Board of Directors,” and “7. Operations of each Committee” in the Business Report regarding issues such as the status of activities of five Outside Directors who are proposed for reappointment and status of operations of the Board of Directors and each committee.

The Company’s approach to the composition of the Board of Directors

In selecting candidates for the Board of Directors, the Company takes the perspective of strengthening management supervision functions, and, within the scope of the Articles of Incorporation, considers the number and balance of supervisors and executives. With regard to the composition of the Board of Directors by the proposed candidates for Director, the Company has decided to maintain a total of 13 Directors. In order to promote management from a stronger shareholder-oriented perspective and to strengthen the functions of the Company’s statutory three committees (nomination, audit, and remuneration committees), the Company has increased the number of Outside Directors by one, resulting in seven Internal Directors and six Outside Directors.

In selecting candidates for Outside Director, the Company selects persons from the point of view of Board diversity who have experience as managers not in the retailing 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 global perspective, and M&A experience. With regard to the Audit Committee in particular, the Company has decided to commission the role of Committee Chairperson, previously served by an internal Non-executive Director, to an Outside Director. In selecting new candidates for Director, the Company will prioritize the financial sector experience that is one of the human asset requirements for members of the Audit Committee, as well as abundant knowledge of compliance and ESG.

With regard to candidates for internal Non-executive Directors, wide-ranging practical experience within the Group and specialized knowledge in fields such as finance are standards set by the Company. As for candidates for Directors who engage in business execution, the Company has selected a President and Representative Executive Officer, a person responsible for the Group’s core business which is the Department Store and PARCO Businesses, and a Senior Executive General Manager of Financial Strategy Unit who has a high level of knowledge that will enable the execution of strategic financial policies demanded by our shareholders and investors.

No.	Name					Committee to belong (The “◎” mark indicates the candidates of Chairperson.)		
				Nomina- tion	Audit	Remunera- tion		
1	KOBAYASHI Yasuyuki	Reappointment	Non-executive		○		○	
2	TSUTSUMI Hiroyuki	Reappointment	Non-executive			○		
3	MURATA Soichi	New	Non-executive			○		
4	TACHIBANA FUKUSHIMA Sakie	Reappointment	Non-executive	Outside	Independent	◎	○	
5	OTA Yoshikatsu	Reappointment	Non-executive	Outside	Independent	○	◎	
6	ISHII Yasuo	Reappointment	Non-executive	Outside	Independent	○	○	
7	NISHIKAWA Koichiro	Reappointment	Non-executive	Outside	Independent		◎	
8	SATO Rieko	Reappointment	Non-executive	Outside	Independent		○	
9	UCHIDA Akira	New	Non-executive	Outside	Independent		○	
10	YAMAMOTO Ryoichi	Reappointment	Executive			○	○	
11	YOSHIMOTO Tatsuya	Reappointment	Executive					
12	MAKIYAMA Kozo	Reappointment	Executive					
13	WAKABAYASHI Hayato	Reappointment	Executive					

- (Notes) 1. SATO Rieko is recorded under the name of KAMATA Rieko in the family register.
2. The Company plans to elect ten Executive Officers who do not concurrently serve as Directors at a Board of Directors meeting that is to be held after this Annual Shareholders Meeting.

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

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

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

- (i) Person who executes business in the J. Front Retailing Group (the “Group”)
- (ii) Major shareholder of the Company (including person who executes business thereof; the same applies with items (iii) to (vi) below)
- (iii) Major business partner of the Group
- (iv) Person affiliated with a law office, audit firm, consultancy or other entity that receives payment other than executive compensation of more than a certain amount from the Group
- (v) Recipient of donations of more than a certain amount contributed by the Group
- (vi) Related party in cases where the party is engaged in an arrangement involving a reciprocal officer appointment with the Group
- (vii) Person with respect to whom any of items (i) to (vi) has applied at any point over the last five years
- (viii) Spouse or relative within the second degree of consanguinity of a person with respect to whom any of the items (i) to (vii) applies

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

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
1	<p>KOBAYASHI Yasuyuki (March 30, 1951)</p> <p>Gender: Male</p> <p>Number of the Company's shares owned (shares): 35,800</p> <p>Number of other shares as stock-based remuneration not yet granted (shares): 10,037</p> <p>Special interests between the Company and the Candidate: None</p> <p>Number of attendance at the Board of Directors meetings for the 12th fiscal year: 14/14</p> <p>Tenure as Director (at the conclusion of this Meeting): approx. 6 years</p>	<p>April 1973 May 2003 January 2004 September 2007 January 2008</p> <p>March 2010</p> <p>May 2010 May 2012 April 2013 May 2013 May 2015 May 2016 May 2017</p>	<p>Joined The Daimaru, Inc. Corporate Officer, General Manager of Sapporo Store General Manager of Tokyo Store Corporate Officer of J. Front Retailing Co., Ltd. Director and Corporate Officer of The Daimaru, Inc. Deputy Executive General Manager of Department Store Operations Headquarters and Executive General Manager of Merchandising Management Unit, Head Office Director and Corporate Officer, Senior Executive General Manager of Sales and Marketing Headquarters and Senior General Manager of Merchandising Strategy Promotion Unit of Daimaru Matsuzakaya Department Stores Co. Ltd. Director and Corporate Executive Officer Director of Parco Co., Ltd. (present) Managing Executive Officer and Senior Executive General Manager of Affiliated Business Unit of J. Front Retailing Co., Ltd. Director, Managing Executive Officer Director, Senior Managing Executive Officer Representative Director Director, Chairperson of Board of Directors (present)</p>

Reasons for nomination as candidate for Director

-KOBAYASHI Yasuyuki has extensive experience and insight related to the Group business overall. This has involved ensuring the success of the Daimaru Sapporo store opening project in a Department Store Business company, and demonstrating his ability as a facilitator in promoting merchandising strategy. Furthermore, he served as Senior Executive General Manager of the Affiliated Business Unit of the Company from April 2013 and was in charge of the Wholesale Business, the Credit Business and other business areas besides the Department Store Business. Since May 2017, he has striven to further improve corporate governance as the Chairperson of the Board of Directors. As such, the Company has judged that an Internal Director with thorough knowledge of the roles and expectations of individual businesses with respect to the Group's strategy serving as the Chairperson of the Board of Directors and conducting supervisory operations that consider all stakeholders will lead to the improved corporate value and sustained growth of the Group and has accordingly appointed him as a candidate to continue serving as Director.

-The Company has entered into an agreement with KOBAYASHI Yasuyuki to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
2	<p>TSUTSUMI Hiroyuki (February 3, 1958)</p> <p>Gender: Male</p> <p>Number of the Company's shares owned (shares): 16,398</p> <p>Number of other shares as stock-based remuneration not yet granted (shares): 5,855</p> <p>Special interests between the Company and the Candidate: None</p> <p>Number of attendance at the Board of Directors meetings for the 12th fiscal year: 14/14</p> <p>Tenure as Director (at the conclusion of this Meeting): approx. 2 years</p>	<p>April 1980</p> <p>March 1993</p> <p>March 2001</p> <p>September 2007</p> <p>March 2010</p> <p>May 2013</p> <p>March 2016</p> <p>May 2017</p>	<p>Joined The Daimaru, Inc.</p> <p>General Manager of Accounting Division of HONG KONG DAIMARU LIMITED</p> <p>General Manager of Finance Headquarters of The Daimaru, Inc.</p> <p>General Manager of Finance Division, Administration Headquarters of J. Front Retailing Co., Ltd.</p> <p>General Manager of Finance Division, Administration Unit of Daimaru Matsuzakaya Department Stores Co. Ltd.</p> <p>Executive Officer, Senior General Manager of Finance Division, Administration Unit of J. Front Retailing Co., Ltd.</p> <p>Executive Officer, Senior General Manager of Finance and Accounting, Financial Strategy Unit</p> <p>Director of J. Front Retailing Co., Ltd. (present)</p> <p>Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)</p>

Reasons for nomination as candidate for Director

-TSUTSUMI Hiroyuki has abundant insight in relation to finance and accounting, having consistently accumulated experience in the fields of finance since March 1989. He is highly knowledgeable of the business characteristics and financial positions through the guidance he provided in regard to the consolidated settlement of accounts to each business operating subsidiary in cooperation with the accounting auditors after his appointment as Senior General Manager of Finance Division in May 2013. He has also been instrumental in guiding the preparation for the Company's voluntary adoption of IFRS as Senior General Manager of Finance and Accounting, Financial Strategy Unit since March 2016. As such, the Company has judged that he is a competent professional who is capable of helping ensure the improved corporate value and sustained growth of the Group by utilizing his abundant experience related to finance and accounting in his supervision as a Director, which is essential for the Company's sound operations, and has accordingly appointed him as a candidate to continue serving as Director.

-The Company has entered into an agreement with TSUTSUMI Hiroyuki to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
3	<p data-bbox="252 286 386 313">New Candidate</p> <p data-bbox="252 331 450 394">MURATA Soichi (September 9, 1956)</p> <p data-bbox="252 434 379 461">Gender: Male</p> <p data-bbox="252 474 491 551">Number of the Company's shares owned (shares): 12,689</p> <p data-bbox="252 564 491 667">Special interests between the Company and the Candidate: None</p>	<p data-bbox="517 273 625 300">April 1980</p> <p data-bbox="517 309 635 336">March 2000</p> <p data-bbox="517 362 676 389">September 2002</p> <p data-bbox="517 425 647 452">January 2005</p> <p data-bbox="517 461 647 488">January 2006</p> <p data-bbox="517 524 647 551">January 2010</p> <p data-bbox="517 560 616 586">May 2010</p> <p data-bbox="517 622 622 649">April 2013</p> <p data-bbox="517 707 616 734">May 2013</p> <p data-bbox="517 743 616 770">May 2017</p>	<p data-bbox="718 273 963 300">Joined The Daimaru, Inc.</p> <p data-bbox="718 309 1410 362">Senior Manager of Men's Wear & Accessory Division of Osaka Umeda Store</p> <p data-bbox="718 371 1410 425">Senior Manager of Business Planning Department of Business Planning & CS Promotion Division of Osaka Umeda Store</p> <p data-bbox="718 434 1187 461">Deputy General Manager of Osaka Umeda Store</p> <p data-bbox="718 470 1401 524">Deputy General Manager of Osaka Umeda Store and General Manager of Planning Office for New Umeda Store of Head Office</p> <p data-bbox="718 533 1129 560">Executive Store Manager of Osaka Umeda</p> <p data-bbox="718 568 1362 622">Corporate Officer and Executive Store Manager of Daimaru Osaka Umeda</p> <p data-bbox="718 631 1410 707">Corporate Executive Officer, Executive General Manager of Sales & Marketing Headquarters and Senior General Manager of Merchandising Strategy Promotion Unit</p> <p data-bbox="718 716 1117 743">Director and Corporate Executive Officer</p> <p data-bbox="718 752 1401 824">Managing Executive Officer, Senior Executive General Manager of Administration Unit and in charge of Compliance of J. Front Retailing Co., Ltd. (present)</p>
<p data-bbox="181 833 692 860">Reasons for nomination as candidate for Director</p> <p data-bbox="181 860 1410 1079">-MURATA Soichi has broad insight based on abundant experience in the field of department store sales. He has led new store planning for, and served as Executive Store Manager of Daimaru Osaka Umeda store, as serving on the management team of a department store operator, and Executive General Manager of Sales & Marketing Headquarters, the core of the Department Store Business. Moreover, after being appointed as Managing Executive Officer of the Company in May 2017, he served as Senior Executive General Manager of the Administration Unit and mainly in charge of compliance and the entire Group's shared services. As such, the Company has judged that he is a competent professional who is capable of helping ensure the improved corporate value and sustained growth of the Group by fulfilling appropriate management supervisory function, utilizing his abundant knowledge based on his experience, and has accordingly appointed him as a new candidate serving as Director.</p> <p data-bbox="181 1079 1410 1133">-The Company plans to enter into an agreement with MURATA Soichi to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.</p>			

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
4	<div style="border: 1px solid black; padding: 2px; width: fit-content;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; width: fit-content;">Independent</div> <p>TACHIBANA FUKUSHIMA Sakie (September 10, 1949)</p> <p>Gender: Female</p> <p>Number of the Company's shares owned (shares): 5,500</p> <p>Number of other shares as stock-based remuneration not yet granted (shares): 1,933</p> <p>Special interests between the Company and the Candidate: None</p> <p>Number of attendance at the Board of Directors meetings for the 12th fiscal year: 14/14</p> <p>Tenure as Outside Director (at the conclusion of this Meeting): approx. 7 years</p>	<p>June 1980</p> <p>September 1987</p> <p>August 1991</p> <p>June 1993</p> <p>May 1995</p> <p>September 2000</p> <p>May 2001</p> <p>September 2007</p> <p>May 2009</p> <p>March 2010</p> <p>July 2010</p> <p>August 2010</p> <p>June 2011</p> <p>May 2012</p> <p>June 2013</p> <p>June 2016</p>	<p>Joined Braxton International</p> <p>Joined Bain & Company, Inc.</p> <p>Principal Consultant of Japan Branch Office of Korn/Ferry International</p> <p>Partner</p> <p>Member of the Board of Korn/Ferry International (Global Headquarters)</p> <p>Regional Managing Director of Korn/Ferry International-Japan</p> <p>Member of the Board of Korn/Ferry International (Global Headquarters)</p> <p>President and Representative Director of Korn/Ferry International-Japan</p> <p>Member of the Board of Korn/Ferry International (Global Headquarters)</p> <p>President and Representative Director of Korn/Ferry International-Japan</p> <p>Chairman and Representative Director</p> <p>Outside Director of Bridgestone Corporation</p> <p>President and Representative Director of G&S Global Advisors Inc. (present)</p> <p>Asia Pacific Senior Advisor of Korn/Ferry International</p> <p>Outside Director of Ajinomoto Co., Inc. (present)</p> <p>Outside Director of J. Front Retailing Co., Ltd. (present)</p> <p>Outside Director of Mitsubishi Corporation</p> <p>Outside Director of USHIO INC. (present)</p>

Reasons for nomination as candidate for Outside Director and special notes regarding the candidate

-TACHIBANA FUKUSHIMA Sakie has broad insight based on her abundant experience in internal and external governance as a director at a U.S. company's global headquarters and as an outside director at numerous Japanese companies. In addition, she has gained corporate management experience as the President of a foreign-owned human resource consulting company's local Japanese branch, and accordingly possesses in-depth knowledge regarding global human resources. Based on that, she has contributed to ensuring more effective meetings of the Board of Directors since being appointed as Outside Director of the Company in May 2012, by adequately providing advice and oversight with respect to the direction of overall management and other such matters, from the independent and objective viewpoint. From May 2017, she has contributed to improving corporate value and sustained growth from a professional perspective as the chairperson of the Nomination Committee in areas such as adequate selection of management personnel. In light of her track record, the Company has judged that in acting as an Outside Director she is likely to contribute greatly to management of the Group. As such, she has been appointed as a candidate to continue serving as Outside Director.

-TACHIBANA FUKUSHIMA Sakie is an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.

-The Company has entered into an agreement with TACHIBANA FUKUSHIMA Sakie to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
5	<div style="border: 1px solid black; padding: 2px; width: fit-content;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; width: fit-content;">Independent</div> <p>OTA Yoshikatsu (December 28, 1941)</p> <p>Gender: Male</p> <p>Number of the Company's shares owned (shares): 8,300</p> <p>Number of other shares as stock-based remuneration not yet granted (shares): 1,933</p> <p>Special interests between the Company and the Candidate: None</p> <p>Number of attendance at the Board of Directors meetings for the 12th fiscal year: 14/14</p> <p>Tenure as Outside Director (at the conclusion of this Meeting): approx. 4 years</p>	<p>April 1964</p> <p>June 1991</p> <p>July 1994</p> <p>June 1995</p> <p>June 1999</p> <p>August 2003</p> <p>October 2003</p> <p>April 2006</p> <p>April 2009</p> <p>June 2012</p> <p>April 2013</p> <p>June 2014</p> <p>May 2015</p> <p>June 2017</p>	<p>Joined Minolta Camera Co., Ltd.</p> <p>Director, General Manager of Copying Machine Business Division and General Manager of Copying Machine Sales Division</p> <p>Director of Minolta Co., Ltd.</p> <p>Executive General Manager of Information Device Business Management Unit and Executive General Manager of Information Device Sales Unit</p> <p>Managing Director</p> <p>President and Representative Director</p> <p>Director and Vice President, Representative Executive Officer of Konica Minolta Holdings, Inc.</p> <p>President and CEO of Konica Minolta Business Technologies, Inc.</p> <p>Director, President and CEO of Konica Minolta Holdings, Inc.</p> <p>Director, Chairman of the Board of Directors</p> <p>Outside Director of YAMAHA CORPORATION</p> <p>Director, Chairman of the Board of Directors of KONICA MINOLTA, INC.</p> <p>Special Advisor</p> <p>Outside Director of J. Front Retailing Co., Ltd. (present)</p> <p>Honorary Advisor of KONICA MINOLTA, INC. (present)</p>

Reasons for nomination as candidate for Outside Director and special notes regarding the candidate

-OTA Yoshikatsu has abundant insight gained through his extensive experience acting as a manager of a company that is a holding company. In that capacity, he promoted the corporate merger between Minolta Co., Ltd. and Konica Corporation, and has served as a chairman of the board of directors of a company with committees (currently a company with three committees (nomination, audit and remuneration committees)). Accordingly, since being appointed as Outside Director of the Company in May 2015, he has contributed to ensuring more effective meetings of the Board of Directors by adequately providing advice and oversight with respect to promoting Group management, change in the form of corporate organization of the Company, and other such matters, from the independent and objective viewpoint. From May 2017, he has contributed to fair and objective operation of the executive remuneration system, including the stock-based remuneration system, as the chairperson of the Remuneration Committee. In light of his track record, the Company has judged that in acting as an Outside Director he is likely to contribute greatly to management of the Group. As such, he has been appointed as a candidate to continue serving as Outside Director.

-OTA Yoshikatsu is an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.

-The Company has entered into an agreement with OTA Yoshikatsu to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
6	<div style="border: 1px solid black; padding: 2px; display: inline-block;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Independent</div>	April 1970	Joined Yamanouchi Pharmaceutical Co., Ltd.
	ISHII Yasuo	June 2000	Director of the Board, Director of Ethical Products Marketing
	(September 4, 1947)	January 2001	Department of Sales & Marketing Division
	Gender: Male	March 2003	Director of the Board of Yamanouchi Pharmaceutical Co., Ltd. and
	Number of the Company's shares owned (shares):	June 2003	Chairman of Yamanouchi Europe B.V.
	2,700	June 2004	Director of the Board of Yamanouchi Pharmaceutical Co., Ltd.,
	Number of other shares as stock-based remuneration not yet granted (shares):	April 2005	Chairman of Yamanouchi U.K. Limited and Chairman of Yamanouchi Europe B.V.
	1,933	June 2008	Managing Director of the Board of Yamanouchi Pharmaceutical Co., Ltd.
	Special interests between the Company and the Candidate:	June 2011	Senior Corporate Executive
	None	June 2013	Senior Corporate Executive of Astellas Pharma Inc. and Chairman & CEO of Astellas Pharma Europe Ltd.
	Number of attendance at the Board of Directors meetings for the 12th fiscal year:	May 2015	Executive Vice President and Representative Director of Astellas Pharma Inc.
	14/14	May 2017	Vice Deputy Chairman and Representative Director
Tenure as Outside Director (at the conclusion of this Meeting):	May 2018	Retired from the office of Vice Deputy Chairman and Representative Director	
approx. 2 years		Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd. Outside Director of J. Front Retailing Co., Ltd. (present) Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)	

Reasons for nomination as candidate for Outside Director and special notes regarding the candidate

-ISHII Yasuo has long-standing overseas work experience and possesses insight based on his abundant experience in the field of global corporate management outside the retail industry, such as special familiarity with business development in overseas countries. Since May 2017, he has served as an Outside Director of the Company and contributed to ensuring more effective meetings of the Board of Directors by actively and assertively furnishing advice with respect to overall management strategy such as strengthening the holding company functions aimed at swift decision making for business execution. Furthermore, in the Audit Committee, he has contributed to maintaining and strengthening the Company's governance through providing suitable advice as required based on his abundant experience and in-depth knowledge. In light of his track record and abundant insight, the Company has judged that in acting as an Outside Director he is likely to contribute greatly to management of the Group. As such, he has been appointed as a candidate to continue serving as Outside Director.

-ISHII Yasuo is an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.

-The Company has entered into an agreement with ISHII Yasuo to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
7	<div style="border: 1px solid black; padding: 2px; width: fit-content;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; width: fit-content;">Independent</div> <p>NISHIKAWA Koichiro (July 12, 1947)</p> <p>Gender: Male</p> <p>Number of the Company's shares owned (shares): 1,300</p> <p>Number of other shares as stock-based remuneration not yet granted (shares): 1,933</p> <p>Special interests between the Company and the Candidate: None</p> <p>Number of attendance at the Board of Directors meetings for the 12th fiscal year: 14/14</p> <p>Tenure as Outside Director (at the conclusion of this Meeting): approx. 2 years</p>	<p>April 1970</p> <p>August 1995</p> <p>June 2001</p> <p>April 2003</p> <p>June 2003</p> <p>January 2006</p> <p>April 2007</p> <p>April 2010</p> <p>April 2012</p> <p>March 2014</p> <p>May 2015</p> <p>May 2017</p> <p>May 2018</p>	<p>Joined Hitachi, Ltd.</p> <p>Vice President of Hitachi America, Ltd.</p> <p>Managing Officer, General Manager of Global Business Development Division of Hitachi, Ltd.</p> <p>Managing Officer, Manager of Business Development Division</p> <p>Executive Officer, Manager of Business Development Division</p> <p>Vice President and Executive Officer, in charge of Business Development</p> <p>Senior Vice President and Executive Officer, in charge of Business Development</p> <p>Senior Vice President and Executive Officer of Hitachi Cable, Ltd.</p> <p>Senior Advisor of Hitachi Research Institute</p> <p>Outside Director of Kyowa Hakko Kirin Co., Ltd.</p> <p>Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd.</p> <p>Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.</p> <p>Outside Director of J. Front Retailing Co., Ltd. (present)</p> <p>Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)</p>

Reasons for nomination as candidate for Outside Director and special notes regarding the candidate

-NISHIKAWA Koichiro possesses suitably useful insight even with respect to financial matters from his practical experience in business alliances, M&A, business reforms, and his involvement in numerous important international negotiations. Since May 2017, he has served as an Outside Director and contributed to ensuring more effective meetings of the Board of Directors by actively and assertively furnishing advice to the Board of Directors with respect to matters such as taking risks regarding new business and M&As, advancing progress management and results verification for corporate management strategies, and the suitability of numerical-target based planning. Furthermore, in the Audit Committee, he has contributed to maintaining and strengthening the Company's governance through providing suitable advice as required based on his abundant experience and in-depth knowledge. In light of his track record and abundant insight, the Company has judged that in acting as an Outside Director he is likely to contribute greatly to management of the Group. As such, he has been appointed as a candidate to continue serving as Outside Director.

-NISHIKAWA Koichiro is an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.

-The Company has entered into an agreement with NISHIKAWA Koichiro to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
8	<p data-bbox="252 275 405 297">Outside Director</p> <p data-bbox="252 306 368 329">Independent</p> <p data-bbox="252 344 464 409">SATO Rieko (November 28, 1956)</p> <p data-bbox="252 450 400 472">Gender: Female</p> <p data-bbox="252 488 491 564">Number of the Company's shares owned (shares): 300</p> <p data-bbox="252 580 491 678">Special interests between the Company and the Candidate: None</p> <p data-bbox="252 694 491 822">Number of attendance at the Board of Directors meetings for the 12th fiscal year: 11/11</p> <p data-bbox="252 837 491 936">Tenure as Outside Director (at the conclusion of this Meeting): Approx. 1 year</p>	<p data-bbox="517 271 624 293">April 1984</p> <p data-bbox="517 302 643 324">August 1989</p> <p data-bbox="517 333 612 356">July 1998</p> <p data-bbox="517 365 617 387">June 2004</p> <p data-bbox="517 396 617 418">June 2012</p> <p data-bbox="517 427 617 450">June 2015</p> <p data-bbox="517 459 651 481">October 2016</p> <p data-bbox="517 490 617 512">May 2018</p>	<p data-bbox="718 271 995 293">Registered as attorney at law</p> <p data-bbox="718 302 970 324">Shearman & Sterling LLP</p> <p data-bbox="718 333 1070 356">Partner of Ishii Law Office (present)</p> <p data-bbox="718 365 1385 387">External Audit & Supervisory Board Member of Ajinomoto Co., Inc.</p> <p data-bbox="718 396 1390 418">Outside Corporate Auditor of NTT DATA CORPORATION (present)</p> <p data-bbox="718 427 1366 450">Outside Director of The Dai-ichi Life Insurance Company, Limited</p> <p data-bbox="718 459 1273 481">Outside Director of Dai-ichi Life Holdings, Inc. (present)</p> <p data-bbox="718 490 1262 512">Outside Director of J. Front Retailing Co., Ltd. (present)</p>

Reasons for nomination as candidate for Outside Director and special notes regarding the candidate

- SATO Rieko possesses abundant experience as an outside director and outside audit & supervisory board member at other companies, in addition to having made a career in handling many projects with in-depth and specialized knowledge as an attorney at law specializing in corporate legal affairs. At the Board of Directors and each committee of the Company, she has contributed to maintaining and strengthening the Company's governance through providing active advice and recommendations mainly regarding corporate legal affairs from an objective perspective. In light of her track record, the Company has judged that in acting as an Outside Director she is likely to contribute greatly to management of the Group. As such, she has been appointed as a candidate to continue serving as Outside Director.
- SATO Rieko is an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.
- The Company has entered into an agreement with SATO Rieko to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
9	<div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">New Candidate</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; width: fit-content; margin-bottom: 5px;">Independent</div> <p>UCHIDA Akira (October 4, 1950)</p> <p>Gender: Male</p> <p>Number of the Company's shares owned (shares): 1,000</p> <p>Special interests between the Company and the Candidate: None</p>	<p>April 1975</p> <p>June 1996</p> <p>June 2000</p> <p>June 2004</p> <p>June 2005</p> <p>June 2009</p> <p>June 2012</p> <p>June 2016</p> <p>March 2019</p>	<p>Joined Toray Industries, Inc.</p> <p>Executive Vice President of Toray Industries (America), Inc.</p> <p>General Manager on Special Assignment of Corporate Strategic Planning Division 1, General Manager on Special Assignment of Corporate Communications Dept. of Toray Industries, Inc.</p> <p>Counsellor of Corporate Strategic Planning Division, and Counsellor of Investor Relations Dept.</p> <p>Member of the Board, General Manager of Finance and Controller's Division</p> <p>President, Toray Holding (USA), Inc.</p> <p>Senior Vice President (Member of the Board), General Manager of Finance and Controller's Division</p> <p>President, Toray Holding (USA), Inc.</p> <p>Senior Vice President (Member of the Board), in charge of CSR; General Manager of General Administration and Legal Division, Investor Relations Dept., Corporate Communications Dept., and Advertising Dept., Tokyo Head Office</p> <p>Adviser</p> <p>Retired from Adviser</p>
<p>Reasons for nomination as candidate for Outside Director and special notes regarding the candidate</p> <p>-UCHIDA Akira possesses broad experience and knowledge in the corporate division, as a manager in charge of management planning and IR, and as the person responsible for the finance and accounting division. In addition, as a member of the Council of Experts Concerning the Corporate Governance Code for which the Financial Services Agency and Tokyo Stock Exchange act as secretariat, and as a member of follow-up committees, he has been involved in formulation and promotion of said code, and possesses a high level of expertise in corporate governance. The Company has judged that he will be able to perform a role in overseeing management, and has appointed him as a new candidate serving as Outside Director.</p> <p>- The Company plans to register UCHIDA Akira as an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.</p> <p>-The Company plans to enter into an agreement with UCHIDA Akira to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.</p>			

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
10	<p>YAMAMOTO Ryoichi (March 27, 1951)</p> <p>Gender: Male</p> <p>Number of the Company's shares owned (shares): 79,366</p> <p>Special interests between the Company and the Candidate: None</p> <p>Number of attendance at the Board of Directors meetings for the 12th fiscal year: 14/14</p> <p>Tenure as Director (at the conclusion of this Meeting): approx. 11 years and 9 months</p>	<p>April 1973 May 2003 September 2007 March 2008 March 2010 September 2012 April 2013 May 2017</p>	<p>Joined The Daimaru, Inc. President and COO and General Manager of Department Store Operations, Group Headquarters Director of J. Front Retailing Co., Ltd. In charge of Sales Reform and Out-of-Store Sales (gaisho) Reform Promotion Executive General Manager of Department Store Operations Headquarters and Planning Office for New Umeda Store, Head Office of The Daimaru, Inc. Director of Matsuzakaya Co., Ltd. Executive General Manager of Sales Headquarters, Head Office of The Daimaru, Inc. President of Daimaru Matsuzakaya Department Stores Co. Ltd. President of Daimaru Matsuzakaya Department Stores Co. Ltd. and President of Daimaru Matsuzakaya Sales Associates Co. Ltd. President and Representative Director of J. Front Retailing Co., Ltd. Director, President and Representative Executive Officer (present)</p>

Reasons for nomination as candidate for Director

-YAMAMOTO Ryoichi possesses broad-based insight and a high-level overview gained through his abundant experience spanning overall retail operations. Since being appointed as President of the Company in 2013, he has been precisely and efficiently managing business of the Group overall. In addition to formulating a new Group Vision that showed the direction of management strategies that is necessary considering the external environment surrounding the Group and leading its permeation, he has been demonstrating strong leadership in positioning the corporate governance code at the center of change and reform of corporate management toward realizing where the overall Group strives to be in ten years. In light of his track record, the Company has judged that he is a competent professional who is capable of helping ensure the improved corporate value and sustained growth of the Group by executing business acting as a Director, and has accordingly appointed him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
11	<p>YOSHIMOTO Tatsuya (April 13, 1956)</p> <p>Gender: Male</p> <p>Number of the Company's shares owned (shares): 49,459</p> <p>Special interests between the Company and the Candidate: None</p> <p>Number of attendance at the Board of Directors meetings for the 12th fiscal year: 14/14</p> <p>Tenure as Director (at the conclusion of this Meeting): approx. 6 years</p>	<p>April 1979</p> <p>March 2000</p> <p>January 2008</p> <p>May 2008</p> <p>January 2010</p> <p>March 2010</p> <p>May 2012</p> <p>April 2013</p> <p>May 2013</p> <p>May 2017</p>	<p>Joined The Daimaru, Inc.</p> <p>Senior Manager of Preparatory Office for Opening Sapporo Store of Planning Office for Sapporo Store, Head Office</p> <p>General Manager of Tokyo Store</p> <p>Corporate Officer, General Manager of Tokyo Store</p> <p>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.</p> <p>Corporate Officer of Daimaru Matsuzakaya Department Stores Co. Ltd. Senior General Manager of Management Planning Division</p> <p>Director and Corporate Officer</p> <p>President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present) and President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd. (present)</p> <p>Director of J. Front Retailing Co., Ltd. (present)</p> <p>Representative Managing Executive Officer (present)</p>

Reasons for nomination as candidate for Director

-YOSHIMOTO Tatsuya serves as Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd., and has abundant experience and insight related to the Department Store Business overall, particularly encompassing areas such as business management, planning and store operations. He has been involved in executing existing high-quality department store business strategy taking the roles and expectations of the Department Store Business with respect to the Group's strategy into account, and formulating a new Department Store Business Strategy in reaction to the massive changes in the external environment. He has been demonstrating swift and resoundingly effective leadership based on a strong results-oriented approach aimed at realizing these initiatives. In light of his track record, the Company has judged that he is a competent professional who is capable of helping ensure the improved corporate value and sustained growth of the Group in acting as a manager of a major business subsidiary, and has accordingly appointed him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
12	<p>MAKIYAMA Kozo (August 28, 1958)</p> <p>Gender: Male</p> <p>Number of the Company's shares owned (shares): 17,100</p> <p>Special interests between the Company and the Candidate: None</p> <p>Number of attendance at the Board of Directors meetings for the 12th fiscal year: 14/14</p> <p>Tenure as Director (at the conclusion of this Meeting): approx. 6 years</p>	<p>April 1981</p> <p>March 2004</p> <p>March 2007</p> <p>March 2008</p> <p>May 2008</p> <p>March 2009</p> <p>March 2010</p> <p>March 2011</p> <p>May 2011</p> <p>May 2013</p> <p>May 2017</p>	<p>Joined Parco Co., Ltd. Executive Officer, Executive General Manager of Store Operation Division</p> <p>Managing Executive Officer, Executive General Manager of Store Management Division</p> <p>Senior Executive Officer, Senior Executive General Manager of Store Operation Headquarters and Executive General Manager of Store Management Division</p> <p>Director and Senior Executive Officer</p> <p>Supervisor of Store Operation Division</p> <p>In charge of Store Management</p> <p>In charge of Business Management</p> <p>Director and President and Representative Executive Officer (present)</p> <p>Director of J. Front Retailing Co., Ltd. (present)</p> <p>Managing Executive Officer (present)</p>

Reasons for nomination as candidate for Director

-MAKIYAMA Kozo serves as Representative Executive Officer of PARCO Co., Ltd., and has abundant experience and insight related to the business management and store operations of PARCO. Drawing on a sufficient understanding of PARCO business roles and expectations with respect to Group's strategy, he promotes the management vision leveraging attributes of the PARCO Business, and while demonstrating resoundingly effective leadership based on his ability to act as a unifying force within the organization, he proactively continues taking on the challenges of expanding into business fields. In light of his track record, the Company has judged that he is a competent professional who is capable of helping ensure the improved corporate value and sustained growth of the Group in acting as a manager of a major business subsidiary, and has accordingly appointed him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
13	<p>WAKABAYASHI Hayato (August 31, 1961)</p> <p>Gender: Male</p> <p>Number of the Company's shares owned (shares): 6,359</p> <p>Special interests between the Company and the Candidate: None</p> <p>Number of attendance at the Board of Directors meetings for the 12th fiscal year: 14/14</p> <p>Tenure as Director (at the conclusion of this Meeting): approx. 3 years</p>	<p>April 1985</p> <p>April 1998</p> <p>April 2007</p> <p>February 2009</p> <p>July 2013</p> <p>May 2015</p> <p>September 2015</p> <p>March 2016</p> <p>May 2016</p> <p>March 2017</p> <p>May 2017</p> <p>May 2018</p>	<p>Joined Matsushita Electric Industrial Co., Ltd. (present Panasonic Corporation)</p> <p>President of Panasonic Financial Center Malaysia Co., Ltd.</p> <p>Director and Chief Executive Officer of Matsushita Electric (China) Finance Limited</p> <p>Finance Planning Team Leader (Manager), Headquarters Finance & IR Group of Panasonic Corporation</p> <p>General Manager, Finance & IR Group, Corporate Strategy Division and Finance Planning Team Leader (Director)</p> <p>Joined J. Front Retailing Co., Ltd. In charge of Finance Policy, Administration Unit</p> <p>Executive Officer In charge of Financial Strategy and Policy, Administration Unit</p> <p>Senior Executive General Manager of Financial Strategy Unit (present) and in charge of Finance Policy</p> <p>Director (present)</p> <p>In charge of Financing and Finance Policy</p> <p>Managing Executive Officer (present)</p> <p>Senior General Manager of Financing and Finance Policy Division (present)</p>

Reasons for nomination as candidate for Director

-WAKABAYASHI Hayato has pursued a career mainly in the financial realm of Panasonic Corporation and its group companies, and as such has adequate insight and sufficient experience related to financial policy with respect to enhancing financial standing, improving levels of cash management and other such initiatives. As such, he was invited into the Group in May 2015 and has established and promoted a financial strategy encompassing the entire Group. From 2016, he has led the transition to IFRS with an eye to the future, and began its application during the current Medium-term Business Plan. In addition to such achievements and in-depth financial insight, he has the commensurate abilities as a management professional in terms of his strategic and transformation-minded leadership, strong results-oriented approach and other such attributes. As such, the Company has judged that he is a competent professional who is capable of helping ensure the improved corporate value and sustained growth of the Group by executing business acting as a Director, and has accordingly appointed him as a candidate to continue serving as Director.

[Reference Document for the 12th Annual Shareholders Meeting]

Business Report (From March 1, 2018 to February 28, 2019)

1. Current status of the corporate group

(1) Business summary and results

In the fiscal year under review, although the Japanese economy remained on a gradual track of recovery due to increased capital investment and improvement in the employment environment mainly fueled by the robust momentum of domestic corporate earnings, there was lack of stability in the second half of the year as exemplified by corporate earnings improvement which has stalled due to increased concerns about economic slowdown on the back of growing uncertainty in the overseas economy. There were up and down trends in personal spending. The upturn reflects positive signs such as robust luxury goods consumption amidst continued improvement in the employment and income environments. On the other hand, unease as to what lies ahead brought about by the increased burden of social security, as well as the impact of unseasonable weather and large-scale natural disasters, negatively affected personal spending.

Promote initiatives for the transformation of our business portfolio and realize discontinuous growth

Amid this environment, the J. Front Retailing Group (hereinafter the “Group”) has worked to realize its Group Vision, “Create and Bring to Life ‘New Happiness,’” by undertaking the initiatives for the second year of the “FY 2017–FY 2021 Medium-term Business Plan.” Such initiatives included, in pursuit of reform of our business portfolio, (i) the “Multi Service Retailer Strategy” to expand business fields; (ii) the “Urban Dominant Strategy” to grow along with the community centered on stores; (iii) the “ICT (Internet, Communication, and Technology) Strategy, which looks toward the IoT era,” when all manner of things will be connected to the Internet; (iv) innovation of existing business including the Department Store Business and the PARCO Business, (v) rebuilding of corporate social responsibility (CSR) from the perspective of environment, society, and governance (ESG); and (vi) strengthening of our foundations of business that support growth.

- (i) As part of the initiatives to expand business fields under the “Multi Service Retailer Strategy,” we proceeded with the preparations for opening of unlicensed preschools that provide high-quality infant childcare service. In addition, in the three key businesses with high management efficiency (the Credit and Finance Business, the personnel recruitment business and the design and construction contracting business), we formulated new plans for the achievement of the Medium-term Business Plan under the new management system, and at the same time, worked to strengthen the personnel and organizational foundations that allow for the steady promotion of the strategy in terms of both proactive and defensive aspects.
- (ii) Under the “Urban Dominant Strategy,” we worked to increase the charm of the communities through such efforts as development of areas surrounding the flagship stores based on each area strategy in addition to holding of events in collaboration with the communities. We also worked to expand the real estate leasing business taking advantage of the Group’s favorable locations in the urban areas. In addition, we steadily promoted redevelopment of the new main building of the Daimaru Shinsaibashi store planned to open in fall 2019 and new Shibuya PARCO, with an eye towards the success of the large-scale redevelopment projects following GINZA SIX and Ueno Frontier Tower.
- (iii) Under the “ICT Strategy, which looks toward the IoT era,” we started building a customer database to utilize customer data held by each Group company integrally as the Group’s common asset in order to establish the “Lifetime Service Hub concept” under which we aim to strengthen lifetime relationships with customers and maximize their lifetime value through provision of new products and services. At the same time, we continued with IT infrastructure development efforts at each Group company with a primary focus on improved security, whereby promoted the ICT Strategy in terms of both proactive and defensive aspects.
- (iv) As part of the initiatives to innovate the Group’s core Department Store Business and PARCO Business, we not only developed new arranging sales areas in the Department Store Business and

worked to improve profitability through such efforts as expanding the product and service lineup to respond to inbound tourism demand and the affluent customer market, but also promoted development of the new main building of the Daimaru Shinsaibashi store to realize the new department store business model. In addition, in the PARCO Business, we promoted initiatives to bring in new tenants in response to the changes of the times including experience-focused consumption and services and to improve communication with customers with the smartphone app “POCKET PARCO” serving as the starting point, while continuing with projects for developing new Shibuya PARCO, Kinshicho PARCO, etc.

- (v) As part of our ESG initiatives, namely “environment, society and governance,” toward realization of sustainable society, we positioned ESG as the concept of the highest priority in the Group’s business activities and formulated the “Sustainability Policy” as the overall ESG policy. In addition, we identified five priority issues toward “realization of sustainable society” such as “contribution to low-carbon society” and started Group-wide initiatives including formulation of action plans to achieve medium- to long-term goals.
- (vi) As part of our initiatives to strengthen our foundations of business and in terms of the financial policy, we continuously worked to conduct operation management based on separate balance sheet for each of the flagship department stores and realize capital optimization at each operating company, with the aim of building the management structure with high capital efficiency. In addition, we worked to increase free cash flows by taking steps to boost investment efficiency and improve earnings through business management based on investment criteria and business withdrawal criteria. Furthermore, we took measures to prepare for the new lease accounting standards based on the International Financial Reporting Standards (IFRS) in the interest of implementing effective management based on appropriate asset evaluation.

In the Group’s administrative systems innovation which aims for improved management efficiency, we promoted automation of processes in the sales and back-office divisions by expanding the application of robotic process automation (RPA). We also worked on infrastructure development in the office environment including enhanced information security and introduction of business tools for improved productivity.

In reforming personnel affairs with respect to the Group’s organizations, the Human Resources Strategy Unit was newly established in May to transform the central concept of its personnel affairs policy into the “human resource power” that generates new value toward achievement of discontinuous growth and further strengthen the Group-wide initiatives to that end. In addition, with an eye toward achievement of the goals set in the Medium-term Business Plan, we continued with efforts to acquire specialized human resources who are capable of playing a leading role in new business fields, optimally allocate each of the human resources within the Group depending on their capabilities, competence, aspiration and motivation and foster organizational culture that enables transformation into an inventive makeup.

We worked to strengthen the compliance system by, for example, creating manuals for preventing recurrence of incidents of violation of laws and regulations and providing training as part of our compliance management initiatives. Efforts have also been made to strengthen the operational aspects and thoroughly implement improvement measures based on the regular and real-time activity reports.

As a result of various measures including those mentioned above, consolidated revenue for the fiscal year under review was ¥459,840 million, down 2.1% year on year, due mainly to the effect of the sales decline from sale of a consolidated subsidiary in the previous fiscal year and the weak sales in the wholesale business and the design and construction contracting business, despite the sales increase in the Department Store Business, the Real Estate Business and the Credit and Finance Business. Both revenue and profit declined with operating profit amounting to ¥40,891 million, down 17.5% year on year, due to an increase in selling, general and administrative expenses including expenses for renewal of POS cash registers in the Department Store Business and recording of loss following the decision to cease operations of a rural store in the PARCO Business, in addition to the decline as a pullback after recording of gain on sales of non-current assets and proceeds from sales of shares of a consolidated subsidiary in the previous fiscal year, despite a profit increase in the Real Estate Business. Profit before tax was ¥42,126 million, down 12.7% year on year, and profit attributable to owners of parent was ¥27,358 million, down 4.0% year on year. In addition, profit/shareholders’ equity (ROE) was 6.8%,

down 0.7 percentage points year on year, and the ratio of equity attributable to owners of parent to total assets was 40.1%, up 1.4 percentage points year on year.

J. Front Retailing Co., Ltd. (hereinafter the “Company”) has decided to pay year-end dividend of ¥18 per share. As a result, the annual dividend with the addition of an interim dividend of ¥17 per share is ¥35 per share, marking eight consecutive years of ordinary dividend increases excluding commemorative dividends (¥1 each for the interim and year-end dividends) paid in the previous fiscal year.

Revenue and operating profit by business segment of the corporate group

(Millions of yen)

Business segment	11th fiscal year (Fiscal 2017)				12th fiscal year (Current fiscal year) (Fiscal 2018)			
	Revenue		Operating profit		Revenue		Operating profit	
	Results	Composi- tion	Results	Composi- tion	Results	Composi- tion	Results	Composi- tion
		%		%		%		%
Department Store Business	274,308	58.4	26,659	53.8	275,441	59.9	24,194	59.2
PARCO Business	91,621	19.5	11,752	23.7	89,969	19.6	5,445	13.3
Real Estate Business	13,427	2.9	4,131	8.3	16,995	3.7	4,664	11.4
Credit and Finance Business	10,176	2.2	2,742	5.5	10,573	2.3	2,360	5.8
Total	389,534	83.0	45,285	91.4	392,979	85.5	36,665	89.7
Other	117,845	25.0	4,744	9.6	104,250	22.7	3,507	8.6
Adjustments	(37,465)	(8.0)	(483)	(1.0)	(37,389)	(8.2)	717	1.7
Consolidated total	469,915	100.0	49,546	100.0	459,840	100.0	40,891	100.0

Results by segment are as follows.

<Department Store Business>

We have set the cornerstones of the store strategy as strengthening of ability to attract many customers and expansion of the customer base and worked to increase value provided by stores and to heighten their profitability. As part of the initiatives to strengthen the ability to attract many customers, we opened “KiKiYOCOCHO” as a new arranging sales area comprised of “Cosmetics,” “Foods” and “Goods” on the women’s clothing floor of the Daimaru Sapporo store. Moreover, under the “Urban Dominant Strategy,” we worked to increase the charm and create the lively atmosphere of the areas in which each of the stores is located through such efforts as development of areas surrounding the stores with particular focus on the priority areas in addition to holding of events in collaboration with the communities and the local governments.

The initiatives to expand the customer base included prior introduction of a mobile app to the Daimaru Tokyo store to increase the number of ID customers and building of a foundation for the new customer strategy to strengthen the relationships with customers. We also continued efforts to acquire new customer accounts in response to the expanding affluent customer market and promoted building and maintenance of the operation support system that utilizes ICT with an eye toward establishment of a new out-of-store sales (gaisho) business model. In addition, we worked to strengthen the ability to attract many customers through expansion of the cosmetic sales space in a flagship store, information distribution utilizing social networking services (SNSs) and expansion of sales areas able to handle mobile payment to ensure handling of the increased number of overseas visitors to Japan.

It should be added that we decided to cease operations of the Daimaru Yamashina store as of March 31, 2019, based on the judgment of it being difficult to anticipate improvement in its earnings amidst recent changes in the economic environment and fiercer competitions.

Despite various measures including those mentioned above, revenue saw only a slight increase to ¥275,441 million, up 0.4% year on year, due mainly to shortened operating hours and/or temporary store closing necessitated by frequent occurrence of natural disasters, etc. in the areas where the stores are located and struggles in the clothing sales. Operating profit was ¥24,194 million, down 9.2% year on year, due to depreciation associated with the redevelopment of the Daimaru Shinsaibashi store, investment for the purpose of securing safety and peace of mind, including investment in store facilities such as renewal of POS cash registers, air-conditioning systems and elevators, and an increase in the selling, general and administrative expenses following the up-front investment aimed at future growth, in addition to the decline as a pullback after recording of gain on sales of non-current assets in the previous fiscal year.

Net sales by product and by company and store of the Department Store Business (Japanese GAAP) are as follows.

Net sales by product of the Department Store Business

(Millions of yen)

Product	Amount	Composition	Year-on-year changes
		%	%
Men's clothing and haberdashery	50,528	6.8	(0.8)
Ladies' clothing and haberdashery	216,897	29.2	(1.2)
Children's clothing and haberdashery	14,741	2.0	(5.6)
Kimono, bedding and other clothing	10,029	1.3	(6.2)
Personal belongings	66,399	8.9	(2.3)
Furniture	5,886	0.8	(3.9)
Home appliances	532	0.1	(6.4)
Household goods	22,286	3.0	(4.2)
Food products	170,790	23.0	(1.3)
Food halls and cafes	21,585	2.9	(1.8)
General goods	140,284	18.9	11.7
Services	2,804	0.4	(1.7)
Other	20,628	2.7	(8.4)
Elimination	(54)	(0.0)	—
Total	743,340	100.0	0.4

Net sales by company and store of the Department Store Business

(Millions of yen)

Company / Store	Amount	Composition	Year-on-year changes
		%	%
Daimaru Matsuzakaya Department Stores Co. Ltd.			
Daimaru			
Osaka Shinsaibashi store	87,723	11.8	4.4
Osaka Umeda store	66,054	8.9	1.5
Tokyo store	81,305	10.9	2.8
Kyoto store	68,732	9.3	(0.0)
Yamashina store	3,634	0.5	(3.7)
Kobe store	78,354	10.5	(5.0)
Suma store	8,399	1.1	(5.4)
Ashiya store	6,605	0.9	(2.3)
Sapporo store	66,906	9.0	2.7
Sub total	467,716	62.9	0.6
Matsuzakaya			
Nagoya store	119,170	16.0	1.3
Toyota store	7,134	1.0	(4.6)
Ueno store	39,969	5.4	1.5
Shizuoka store	21,143	2.8	(1.0)
Takatsuki store	8,389	1.1	(2.5)
Sub total	195,807	26.3	0.7
Sub total	663,523	89.2	0.6
The Hakata Daimaru, Inc.	54,831	7.4	(0.0)
The Shimonoseki Daimaru, Inc.	13,352	1.8	(3.6)
Kochi Daimaru Co., Ltd.	11,687	1.6	(4.2)
Elimination	(54)	(0.0)	—
Total	743,340	100.0	0.4

<PARCO Business>

We promoted renovation to strengthen the growth areas such as food products and wining and dining, health and beauty and the areas related to experience-focused consumption in the store business, with an eye toward strengthening of the PARCO store brands. We also promoted introduction of “UP NEXT,” a space for cultivating and fostering new shops and brands. The customer relationship management (CRM) strategy has been in constant motion through such efforts as enhancement of the functions of the “POCKET PARCO” smartphone app in pursuit of further strengthened relationships with customers. In addition, we opened Harajuku ZERO GATE and Sannomiya ZERO GATE and continued working on development projects for the opening of Kinshicho PARCO, new Shibuya PARCO, SAN-A Urasoe West Coast PARCO CITY, north wing of the Daimaru Shinsaibashi store, among others, with an eye toward realization of a new commercial facility model.

It should be added that we decided to cease operations of Utsunomiya PARCO as of May 31, 2019, in light of, among others, changes in the commercial environment surrounding the store; we also decided to cease operations of Kumamoto PARCO as of February 29, 2020, the expiration date of the building lease agreement, in light of, among others, aging of the building and changes in the commercial environment surrounding the store.

Despite various measures including those mentioned above, revenue was ¥89,969 million, down 1.8% year on year, due mainly to closing of unprofitable stores in the specialty store business and struggles in the clothing sales and rural and suburban stores. Operating profit was ¥5,445 million, down 53.7% year on year, due to a decrease in gross profit following the decrease in revenue and recording of loss, etc. following the decision to cease operations of the above two stores.

<Real Estate Business>

We worked to strengthen the real estate lease business through efforts to increase the leased floor area mainly in the priority areas such as Ueno, Nagoya, Kyoto, Shinsaibashi and Kobe. GINZA SIX and Ueno Frontier Tower opened in FY 2017 as part of the large-scale redevelopment projects performed well and contributed to the improvement of the business results throughout this fiscal year. We also worked to develop the areas surrounding the Daimaru Kyoto store and the Daimaru Kobe store. In addition, we steadily worked on initiatives to effectively utilize assets and expand business by, for example, commercial development of Nippon Life Sakaemachi Building (provisional name) with the aim of contributing to the increased charm of the Nagoya Sakae area and joint promotion of the development of Nishiki 3-chome District 25 with Nagoya City Government.

As a result of various measures including those mentioned above, revenue was ¥16,995 million, up 26.6% year on year and operating profit was ¥4,664 million, up 12.9% year on year, despite the decline as a pullback after recording of gain on sales of non-current assets in the previous fiscal year.

<Credit and Finance Business>

We proactively worked on acquisition of new cardholders and initiatives to increase the credit card utilization rate and the transaction volume. As a result of these efforts, revenue was ¥10,573 million, up 3.9% year on year, due to increases in revenues from the affiliated store fees and interest income from installment sales. However, operating profit was ¥2,360 million, down 13.9% year on year, due to increased costs to renew issued cards and payment commissions as well as increases in expenses for up-front investment in strengthening of the system to realize medium- to long-term growth centered around payment and financial services and recruitment of specialized human resources.

<Other>

Personnel recruitment business Dimples' recorded increases in both revenue and profit thanks to increases in sales and gross profit associated with increased outsourcing contracts from non-Group customers, while design and construction contracting business J. Front Design & Construction recorded decreased revenue due mainly to an impact from the decline as a pullback after recording of large projects in the previous fiscal year, but recorded increased profit thanks to thorough profit management. However, wholesale business Daimaru Kogyo recorded significant decreases in both revenue and profit due to struggles in the mainstay electronic devices division. As a result, revenue in the Other was ¥104,250 million, down 11.5% year on year, and operating profit was ¥3,507 million, down 26.1% year on year.

(2) Status of capital investment

The basic approach taken regarding the Group's recurring capital investment is to keep such investment within the scope of the amount of depreciation. In the current fiscal year total capital investment was ¥39,873 million, which was a result of recurring investment combined with proactive implementation of strategic investment.

(i) Major facilities completed during the current fiscal year

The main investments in the PARCO Business included asset purchases associated with new store opening of the Kinshicho PARCO, Sannomiya ZERO GATE and Harajuku ZERO GATE.

(ii) New establishments and expansions of major facilities with ongoing construction works during the current fiscal year

Mainly, in the Department Store Business this included ¥10,956 million for rebuilding of the main building of the Daimaru Shinsaibashi store, and in the PARCO Business this included the construction of a new building associated with the redevelopment project of the Shibuya PARCO.

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

Not applicable.

(3) Status of procurement

The Group's basic policy is to source funds needed for business activities using internally generated funding. Moreover, when the need arises for business investment or other expenditures, such funds are procured mainly by issuing bonds and borrowing from financial institutions, with consideration placed on maintaining financial soundness.

As a general rule, Group subsidiaries do not procure funds from financial institutions, but instead we promote centralized and streamlined means of procuring funds by means of intra-Group financing using a cash management system.

For the current fiscal year, based on the above policy, we have procured ¥20.3 billion via long-term borrowings from financial institutions. However, the balance of interest-bearing liabilities was ¥174.3 billion, down ¥9.8 billion compared with February 28, 2018, as a result of repayment of borrowings.

[Reference]

Consolidated Statement of Cash Flows (Summary)

(From March 1, 2018 to February 28, 2019)

(Millions of yen)	
Item	Amount
Cash flows from operating activities	34,870
Cash flows from investing activities	(26,836)
Cash flows from financing activities	(21,274)
Net increase in cash and cash equivalents	(13,240)
Cash and cash equivalents at beginning of period	38,883
Effect of exchange rate changes on cash and cash equivalents	16
Cash and cash equivalents at end of period	25,659

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

(4) Issues to be addressed

In an environment that continues to change at a speed that has never been seen before, the Group has changed the direction of its business operations significantly toward discontinuous growth and has been promoting the "FY 2017-FY 2021 Medium-term Business Plan" for two years since its launch to realize the Group Vision "Create and Bring to Life 'New Happiness.'"

Looking back these two years, we opened unprecedented new types of commercial complexes, such as GINZA SIX and Ueno Frontier Tower, and have otherwise steadily promoted initiatives for the

transformation of business portfolio. However, we have seen some deviations between achievements and the initial plan in businesses other than the Department Store Business and the Real Estate Business and recognize the need to further improve the execution capability in order to realize future growth of the Group as a whole.

In Fiscal 2019, we expect that the environment in which the Group operates will be tougher as uncertainty in the global economy will increase and a consumption tax hike is scheduled in the domestic market. Moreover, we have to face not only an increased competition within the industry and business category on the back of digital technology evolution and changing values toward consumption, but also changes in the environment occurring at a more-than-anticipated speed, including the appearance of new products, services, and industries that did not exist in the past and are now replacing existing markets and industries that are declining.

Fiscal 2019 is the third year under the current Medium-term Business Plan, and we recognize the need for faster implementation of growth strategy designed to realize discontinuous growth and transform our business portfolio, in order to make sure that we achieve the performance targets set forth in the Medium-term Business Plan. In addition, ESG initiatives aiming to realize sustainable society and sustainable business growth at the same time are a core management issue, and we recognize that we are required to incorporate such initiatives in all business activities.

Based on the recognition outlined above, we will implement growth strategies steadily to realize sustainable growth of the Group and medium- to long-term enhancement of corporate value. First of all, we schedule a successful completion of major redevelopment projects, such as the new main building of the Daimaru Shinsaibashi store and new Shibuya PARCO, which are scheduled to open this fall. We also plan to expand the three key businesses including the Credit and Finance Business as well as new business areas and will take concrete steps to realize the “lifetime service hub concept” designed to maximize lifetime values of customers. In addition, we will promote the corporate-wide implementation of a new customer strategy and revamping of the gaisho business model in the Department Store Business and the rebuilding of the PARCO brand through store business reform in the PARCO Business.

To strengthen the business foundation to support these growth strategies, we will also work on, among others, human resource development to promote strategies, management structure improvements through the more efficient use of capital, and productivity improvements through the reform of the Group business operation system. We look forward to the continued support and guidance of all our shareholders.

Group Growth Strategy

a. Multi Service Retailer Strategy

We will strengthen the three key businesses that we consider to be highly efficient and have a high growth potential. At the same time, we will accelerate the expansion of new business areas to realize the Group Vision.

- 1) Business area expansion and revenue growth in the three key businesses
 - In the Credit and Finance Business, we will work on the provision of new settlement services including the development of card products designed to further fortify customer relationship and the diversification of settlement methods anticipated in the future including cashless settlement, to realize medium- to long-term growth. In addition, leveraging the strengths of the Group such as a premier customer base and store assets, we will work on the provision of new financial services that fit different life stages of customers.
 - In the personnel recruitment business, we will strengthen the employment agency business due to its high growth expectations and expand business areas, such as the provision of solutions to the globalization of labor markets.
 - In the design and construction contracting business, we will expand business areas by, for example, strengthening the design business. At the same time, we will strive to increase the number orders received for interior construction works from inside and outside the Group including the new main building of the Daimaru Shinsaibashi store. We will also continue to work on strict revenue management through business structure improvement.
- 2) Expansion involving new fields of business toward making the Group Vision a reality
 - We will work to deliver new services that cater to “increasing diversity of lifestyles” and “increasing

diversity in means of seeking enjoyment” and to expand new business areas to transform our business portfolio. We will also develop businesses including alliances with other companies to cater to changing values of consumers, such as sharing services.

b. Urban Dominant Strategy

Leveraging Group resources to a maximum extent, we will move toward forging a “business model for growth along with regions, with the stores at its core.” This initiative will be primarily led by flagship stores of the Department Store Business and the PARCO Business and their real estate divisions.

- 1) Promoting urban development centered on flagship stores
 - We will promote the development of areas surrounding stores, focusing particularly on key areas, to increase the charm of the communities and strengthen the competitiveness of the area against other areas. In addition, we will work on the creation of a lively urban environment, for example, by holding events in coordination with local communities and governments.
- 2) Realization of a new commercial facility model
 - At the new main building of the Daimaru Shinsaibashi store, we will strive to achieve revenue growth through the realization of a new department store model.
 - At new Shibuya PARCO, we will work to realize the evolution of the PARCO store brand. At the same time, we will steadily promote new format development, particularly at Kinshicho PARCO, San-A Urasoe West Coast PARCO CITY, and Kawasaki ZERO GATE (tentative name).

c. ICT Strategy in the IoT Era

We will take concrete steps to realize the “lifetime service hub concept,” which is a mechanism designed to solidify the lifetime relationship with customers and to maximize their lifetime values. We will also work on the development of ICT infrastructure to support the strategies of Group companies.

- 1) Construction of a customer database to maximize lifetime values of customers
 - We will continue to work on the construction of an integrated database to aggregate the customer data held by each Group company and centrally manage them and use the integrated data base effectively to realize the provision of new products and services and business development.
- 2) Development of ICT infrastructure to support the strategies of each Group company.
 - We will assist each Group company in the development and implementation of business strategies designed to take advantage of digital technologies. In addition, we will work to develop ICT infrastructure that will enable the Group to promote growth strategies and ensure the soundness of Group IT at the same time, including the enhancement of information security responses that fits the situation of each company.

d. Innovating the Department Store Business and the PARCO Business (Department Store Business)

We will strive to strengthen the competitiveness and profitability of the Department Store Business through the implementation of a new department store business model at the new main building of the Daimaru Shinsaibashi store, corporate-wide implementation of a new customer strategy, and revamping of the gaisho business model.

- 1) Realization of a new department store business model
 - At the new main building of the Daimaru Shinsaibashi store scheduled to open in fall 2019, we will work to realize a new store operation model that can achieve growth and profit at the same time.
- 2) Expanding the customer base and strengthening CRM through the implementation of a new customer strategy
 - We will strive to expand the customer base by introducing mobile apps and also to provide customized products and services that fit different life stages of customers by using customer data effectively.
- 3) Customer base expansion by revamping the gaisho business model
 - We will strive to expand our customer base by offering information about new products and services that take advantage of digital technologies and promoting most suitable sales activities that fit the needs and purchasing traits of customers.

(PARCO Business)

We will work to restructure the store business and the real estate business, while striving to create new revenue sources by entering into new business areas including businesses related to existing businesses as well as new businesses.

- 1) Rebuilding the PARCO brand through the execution of store business reform
 - We will strengthen PARCO's 50th anniversary events as well as anniversary events at individual PARCO stores. We will also promote renovation works in major stores to strengthen store business.
- 2) Successful opening of new development projects in Fiscal 2019
 - We will make steady efforts to ensure a successful opening of new development projects ranging over four different formats, including new Shibuya PARCO, Kinshicho PARCO, San-A Urasoe West Coast PARCO CITY, and Kawasaki ZERO GATE (tentative name).
- 3) Re-strengthening related businesses that contribute to store business and infrastructure improvement
 - We will re-strengthen the entertainment business in conjunction with the opening of new Shibuya PARCO and help the space engineering and management business to win contracts for the management of new PARCO development projects.

e. ESG Strategy

Under the newly formulated sustainability policy, we will promote initiatives to meet the goals set in the five areas of materiality (key issues) that will contribute to the realization of "sustainable society" and "sustainable corporate growth." We will also aim to realize sustainable growth of the Group and medium- to long-term enhancement of its corporate value through ongoing efforts to strengthen corporate governance functions.

- 1) Promotion of initiatives to meet the goals set in the areas of materiality (key issues)
 - We will make steady progress in the initiatives to meet the goals set in the five areas of materiality, while holding explanatory meetings and offering information externally to promote the internal and external understanding of our ESG activities.
 - * The five areas of materiality identified by the Company: (i) contribution to low-carbon society, (ii) management of the entire supply chain, (iii) local community involvement, (iv) promotion of diversity, and (v) a better work-life balance.
 - We will promote store development from the ESG perspective at the new main building of the Daimaru Shinsaibashi store and new Shibuya PARCO.
 - We will review the business continuity plan (BCP) for disasters and other emergencies for possible improvements and also develop measures for the contribution and support to local communities.
- 2) Further strengthening the Group governance functions
 - We will continuously ensure managerial transparency, soundness and compliance as the core of corporate governance of the Group, while strengthening corporate governance by speedy decision-making at each Group company aiming execution of its strategy and improving the accuracy of internal controls.

Strengthening Business Foundation

<Group human resources policy>

- With the aim of becoming a company with human resource development excellence to achieve sustainable growth, we will work on the reconstruction of human resource management, including the hiring of diverse workforce and the development of experts, transformation to a human resource system that encourages creation and challenge, realization of a better work-life balance, and responses to workstyle diversity.

<Group financial policy>

- To construct a management structure with high capital efficiency that is consistently above the cost of equity, we will promote a balanced capital policy that is designed to simultaneously satisfy the needs for strategic investments, shareholders' return enhancement, and equity capital enhancement. We will also ensure appropriate accounting and reporting under the new IFRS lease accounting standards that were introduced in January 2019.

<Innovating the Group's administrative systems>

- To build a foundation to support growth strategy, we will strive to improve productivity by promoting business automation through the expansion of the application of RPA at each Group

company, particularly in the Department Store Business, and by expanding the use of shared services in the back office operations of each Group company, particularly in the wholesale business.

<Implementation and strengthening of compliance management>

- We will endeavor to further strengthen group compliance management by raising awareness about compliance through education and training, improving and strengthening the compliance checking system, and developing and enforcing of measures to prevent recurrence of misconducts.

(5) Status of assets and profit or loss

Changes in assets and profit or loss of the corporate group

(Millions of yen, unless otherwise stated)

Japanese GAAP			International Financial Reporting Standards (IFRS)			
Category	9th fiscal year (Fiscal 2015)	10th fiscal year (Fiscal 2016)	Category	10th fiscal year (Fiscal 2016)	11th fiscal year (Fiscal 2017)	12th fiscal year (Fiscal 2018)
Net sales	1,163,564	1,108,512	Gross sales	1,134,342	1,138,981	1,125,153
–	–	–	Revenue	452,505	469,915	459,840
Operating profit	48,038	44,580	Business profit	44,898	46,247	45,514
Ordinary profit	47,910	44,425	–	–	–	–
–	–	–	Operating profit	41,727	49,546	40,891
Operating profit/net sales	4.1%	4.0%	Operating profit/ revenue	9.2%	10.5%	8.9%
Profit before income taxes	34,698	40,550	Profit before tax	42,608	48,271	42,126
Profit attributable to owners of parent	26,313	26,950	Profit attributable to owners of parent	27,052	28,486	27,358
Total assets	1,019,146	1,050,109	Total assets	1,005,069	1,022,348	1,029,573
Net assets	440,594	465,839	Total equity	421,444	450,887	468,485
Equity	383,699	406,336	Equity attributable to owners of parent	368,571	395,519	412,700
Equity ratio	37.6%	38.7%	Ratio of equity attributable to owners of parent to total assets	36.7%	38.7%	40.1%
Cash flows from operating activities	36,799	36,239	Cash flows from operating activities	33,764	57,079	34,870
Cash flows from investing activities	(39,741)	(30,353)	Cash flows from investing activities	(27,952)	(19,030)	(26,836)
Free cash flows	(2,942)	5,886	Free cash flows	5,812	38,048	8,034
Cash flows from financing activities	(1,041)	(2,189)	Cash flows from financing activities	(2,097)	(31,048)	(21,274)
Cash and cash equivalents at end of period	28,147	31,846	Cash and cash equivalents at end of period	31,867	38,883	25,659
Return on equity (ROE)	6.9%	6.8%	Profit/shareholders' equity (ROE)	7.6%	7.5%	6.8%
Return on assets (ROA)	4.7%	4.3%	Operating profit/total assets (ROA)	4.2%	4.9%	4.0%
Basic earnings per share (EPS) (Yen)	100.42	103.04	Basic earnings per share (EPS) (Yen)	103.43	108.92	104.55
Net assets per share (Yen)	1,467.05	1,553.60	Equity attributable to owners of parent per share (Yen)	1,409.20	1,511.91	1,576.68
Price earnings ratio (PER)	13.10%	16.75%	Price earnings ratio (PER)	16.69%	17.91%	11.79%
Interim dividend (Yen)	13.00	14.00	Interim dividend (Yen)	14.00	16.00	17.00
Year-end dividend (Yen)	14.00	14.00	Year-end dividend (Yen)	14.00	19.00	18.00
Dividend payout ratio	26.9%	27.2%	Dividend payout ratio	27.1%	32.1%	33.5%
Ratio of dividends to net assets	1.8%	1.9%	Ratio of dividends attributable to owners of parent	2.0%	2.3%	2.2%

- (Notes) 1. The type of profit used for the calculation of ROE under IFRS is profit attributable to owners of parent, and the type of profit used for the calculation of ROA under IFRS is operating profit.
The type of profit used for the calculation of ROE under Japanese accounting standards is profit attributable to owners of parent.
2. Gross sales are calculated by converting certain transactions recognized as revenue under IFRS on a net basis to amounts on a gross basis. Specifically, we converted sales from purchase recorded at the time of sale (*shoka shiire*) of the Department Store Business and Other (Daimaru Kogyo) to a gross amount and the net amount transactions of the PARCO Business to tenant sales (gross basis). Business profit is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.
3. Ratio of dividends to net assets is calculated using equity.

(6) Status of significant parent company and subsidiaries**(i) Relationship with the parent company**

No items to report.

(ii) Status of major subsidiaries

(Millions of yen, unless otherwise stated)

Name	Capital (Millions of yen unless otherwise stated)	Ratio of ownership by the Company (%)	Major business
Daimaru Matsuzakaya Department Stores Co. Ltd.	10,000	100.0	Department Store Business
The Hakata Daimaru, Inc.	3,037	69.9	Department Store Business
The Shimonoseki Daimaru, Inc.	480	100.0	Department Store Business
Kochi Daimaru Co., Ltd.	300	100.0	Department Store Business
PARCO Co., Ltd.	34,367	65.2	PARCO Business
Parco (Singapore) Pte Ltd	S\$4 million	65.2	PARCO Business
NEUVE A Co., Ltd.	490	65.2	PARCO Business
PARCO SPACE SYSTEMS Co., Ltd.	490	65.2	PARCO Business
PARCO Digital Marketing Co., Ltd.	10	65.2	PARCO Business
JAPAN RETAIL ADVISORS Co., Ltd.	10	65.2	PARCO Business
JFR Card Co., Ltd.	100	100.0	Credit and Finance Business
Daimaru Kogyo, Ltd.	1,800	100.0	Wholesale Business
Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	US\$2 million	100.0	Wholesale Business
Daimaru Kogyo (Thailand) Co., Ltd.	THB202 million	99.9	Wholesale Business
Taiwan Daimaru Kogyo, Ltd.	NT\$60 million	100.0	Wholesale Business
J. Front Design & Construction Co., Ltd.	100	100.0	Design and construction contracting and manufacture and sale of furniture
Dimples' Co., Ltd.	90	100.0	Staffing service
J. Front Foods Co., Ltd.	100	100.0	Restaurant
Consumer Product End-Use Research Institute Co., Ltd.	100	100.0	Merchandise test and quality control
Angel Park Co., Ltd.	400	50.2	Parking
JFR Service Co. Ltd.	100	100.0	Commissioned back-office service, leasing and parking management
JFR Information Center Co., Ltd.	10	100.0	Information service
Daimaru Matsuzakaya Sales Associates Co. Ltd.	90	100.0	Commissioned sales and store management operations
Daimaru Matsuzakaya Tomonokai Co., Ltd.	100	100.0	Specified prepaid transaction service

(iii) Matters relating to specified wholly-owned subsidiaries

(Millions of yen)

Name	Address	Total book value	Total assets of the Company
Daimaru Matsuzakaya Department Stores Co. Ltd.	18-11, Kiba 2-chome, Koto-ku, Tokyo	222,130	415,927

(7) Major businesses

The Department Store Business, the PARCO Business, the Real Estate Business, the Credit and Finance Business, and Other including wholesale business, design and construction contracting, manufacture and sale of furniture, parking, and leasing.

(8) Major sales offices

(Department Store Business)

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

(PARCO Business)

Name	Location	Name	Location
PARCO Co., Ltd.			
Headquarters	Toshima-ku, Tokyo	Shizuoka PARCO	Aoi-ku, Shizuoka
Shibuya Head Office	Shibuya-ku, Tokyo	Nagoya PARCO	Naka-ku, Nagoya
Sapporo PARCO	Chuo-ku, Sapporo	Hiroshima PARCO	Naka-ku, Hiroshima
Sendai PARCO	Aoba-ku, Sendai	Fukuoka PARCO	Chuo-ku, Fukuoka
Utsunomiya PARCO	Utsunomiya, Tochigi	Kumamoto PARCO	Chuo-ku, Kumamoto
Urawa PARCO	Urawa-ku, Saitama	Sapporo ZERO GATE	Chuo-ku, Sapporo
Shintokorozawa PARCO	Tokorozawa, Saitama	Harajuku ZERO GATE	Shibuya-ku, Tokyo
Ikebukuro PARCO	Toshima-ku, Tokyo	Nagoya ZERO GATE	Naka-ku, Nagoya
PARCO_ya Ueno	Taito-ku, Tokyo	Kyoto ZERO GATE	Shimogyo-ku, Kyoto
Shibuya PARCO	Shibuya-ku, Tokyo	Shinsaibashi ZERO GATE	Chuo-ku, Osaka
Hibarigaoka PARCO	Nishi-Tokyo, Tokyo	Dotonbori ZERO GATE	Chuo-ku, Osaka
Kichijoji PARCO	Musashino, Tokyo	Sannomiya ZERO GATE	Chuo-ku, Kobe
Chofu PARCO	Chofu, Tokyo	Hiroshima ZERO GATE	Naka-ku, Hiroshima
Tsudanuma PARCO	Funabashi, Chiba	PediSHIODOME	Minato-ku, Tokyo
Matsumoto PARCO	Matsumoto, Nagano		
NEUVE A Co., Ltd.	Shibuya-ku, Tokyo	PARCO SPACE SYSTEMS Co., Ltd.	Shibuya-ku, Tokyo
PARCO Digital Marketing Co., Ltd.	Shibuya-ku, Tokyo	Parco (Singapore) Pte Ltd	Singapore

(Note) The Shibuya PARCO was closed temporarily for rebuilding. We plan to reopen it in 2019.

(Real Estate Business)

Name	Location
Daimaru Matsuzakaya Department Stores Co. Ltd. Real Estate Business Division GINZA SIX Ueno Frontier Tower and others	Koto-ku, Tokyo Chuo-ku, Tokyo Taito-ku, Tokyo

(Credit and Finance Business)

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

(Other subsidiaries)

Head Office: Osaka 9, Nagoya 1, Shanghai 1, Thailand 1, Taiwan 1

(9) Status of employees

(i) Employees of the corporate group

Category	Number of employees
J. FRONT RETAILING Co., Ltd.	132
Department Store Business	2,421
PARCO Business	1,541
Real Estate Business	51
Credit and Finance Business	133
Other	2,417
Total	6,695

(Note) Other than the employees above, the number of dedicated employees is 1,697 and the number of fixed-term employees is 1,884.

(ii) Employees of the Company

Number of employees	Average age
132	46.1

(Note) Other than the employees above, the number of dedicated employees is one and the number of fixed-term employees is 18.

(iii) Employees of major subsidiaries

Name	Number of employees	Average age
Daimaru Matsuzakaya Department Stores Co. Ltd.	1,981	47.3
PARCO Co., Ltd.	471	42.0

(10) Status of major creditors

Major creditors of the corporate group

(Millions of yen)

Creditor	Amount payable	Creditor	Amount payable
MUFG Bank, Ltd.	29,103	Mizuho Bank, Ltd.	11,220
Sumitomo Mitsui Banking Corporation	15,161	Sumitomo Mitsui Trust Bank, Limited	8,978

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

No items to report.

2. Matters relating to shares of the Company

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

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

(3) Number of shareholders: 117,086

(4) Major shareholders

Name of shareholders	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	23,913	9.05
Japan Trustee Services Bank, Ltd. (Trust Account)	13,822	5.23
Nippon Life Insurance Company	9,828	3.72
Japan Trustee Services Bank, Ltd. (Trust Account 9)	6,822	2.58
J. Front Retailing Kyoei Supplier Shareholding Association	6,129	2.32
The Dai-ichi Life Insurance Company, Limited	5,732	2.17
MUFG Bank, Ltd.	4,998	1.89
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,941	1.87
JP Morgan Securities Japan Co., Ltd.	4,693	1.77
JP MORGAN CHASE BANK 385151	3,861	1.46

(Note) Shareholding ratio is calculated by deducting treasury shares (6,587 thousand shares). Treasury shares do not include shares of the Company owned by the officer remuneration BIP trust.

3. Matters relating to corporate officers

(1) Names, etc. of Directors

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company	Attendance at the meetings of the Board of Directors (Note 2)	Limited liability agreements (Note 3)
Director	KOBAYASHI Yasuyuki	Chairperson of the Board of Directors Member of Nomination and Remuneration Committees Director of PARCO Co., Ltd.	100% 14/14	Yes
Director	DOI Zenichi	Chairperson of Audit Committee Outside Director of Hakuyosha Co., Ltd.	100% 14/14	Yes
Director	TSUTSUMI Hiroyuki	Member of Audit Committee Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.	100% 14/14	Yes
Director (Outside)	TACHIBANA FUKUSHIMA Sakie	Chairperson of Nomination Committee and member of Remuneration Committee President and Representative Director of G&S Global Advisors Inc. Outside Director of Ajinomoto Co., Inc.; Outside Director of USHIO INC.	100% 14/14	Yes
Director (Outside)	OTA Yoshikatsu	Chairperson of Remuneration Committee and member of Nomination Committee Honorary Advisor of KONICA MINOLTA, INC.	100% 14/14	Yes
Director (Outside)	ISHII Yasuo	Member of Audit Committee Director of Daimaru Matsuzakaya Department Stores Co. Ltd.	100% 14/14	Yes
Director (Outside)	NISHIKAWA Koichiro	Member of Audit Committee Director of Daimaru Matsuzakaya Department Stores Co. Ltd.	100% 14/14	Yes
Director (Outside)	SATO Rieko (Note 1)	Member of Nomination, Audit and Remuneration Committees Attorney at law Outside Corporate Auditor of NTT DATA CORPORATION Outside Director of Dai-ichi Life Holdings, Inc.	100% 11/11	Yes
Director (President and Representative Executive Officer)	YAMAMOTO Ryoichi	Member of Nomination and Remuneration Committees	100% 14/14	
Director (Representative Managing Executive Officer)	YOSHIMOTO Tatsuya		100% 14/14	
Director (Managing Executive Officer)	MAKIYAMA Kozo		100% 14/14	
Director (Managing Executive Officer)	SAWADA Taro	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. Director of PARCO Co., Ltd.	100% 11/11	
Director (Managing Executive Officer)	WAKABAYASHI Hayato		100% 14/14	

- (Notes)
1. SATO Rieko is recorded under the name of KAMATA Rieko in the family register.
 2. Number of the meetings of the Board of Directors attended / Number of the meetings of the Board of Directors held during the individual's tenure this fiscal year (Details of attendance at each committee meeting are given in the following item (2).)
 3. The Company enters into agreements limiting liability for damages such that are stipulated in Paragraph 1, Article 423 of the Companies Act, pursuant to Paragraph 1, Article 427 of the said Act, with the relevant individuals (marked as "Yes" in the "Limited liability agreements" column). These agreements limit the amount of their

- liability for damages to the higher of either ¥12,000,000 or the minimum amount of liability such that is stipulated in Paragraph 1, Article 425 of the said Act.
4. Audit Committee member TSUTSUMI Hiroyuki gained cross-the-board experience into finance and accounting and due insight into finance and accounting matters between 1981, his second year since joining The Daimaru, Inc., and his appointment as Director of the Board in May 2017.
 5. Audit Committee member NISHIKAWA Koichiro has due insight into financial matters, having been involved in areas such as business alliances, M&A and management reform, and also through his experience in multiple important international negotiations.
 6. Chairperson of Audit Committee DOI Zenichi and Audit Committee member TSUTSUMI Hiroyuki are full-time Audit Committee members. We aim to improve the effectiveness of supervisory roles by having as full-time Audit Committee members two Directors from in-house who are Directors who do not execute business and who have specialist knowledge of specific areas of our business based on a thorough understanding of in-house organizations and business operations. The Chairperson of Audit Committee has been chosen from among internally promoted Directors who do not execute business from the standpoint of achieving a smooth transition from the Audit & Supervisory Board system.

(2) Attendance at the meetings of each committee

Name	Nomination Committee	Audit Committee	Remuneration Committee
KOBAYASHI Yasuyuki	100% (13/13)		100% (7/7)
DOI Zenichi		◎100% (17/17)	
TSUTSUMI Hiroyuki		100% (17/17)	
TACHIBANA FUKUSHIMA Sakie	◎100% (13/13)		100% (7/7)
OTA Yoshikatsu	100% (13/13)		◎100% (7/7)
ISHII Yasuo		100% (17/17)	
NISHIKAWA Koichiro		100% (17/17)	
SATO Rieko	100% (10/10)	100% (12/12)	100% (5/5)
YAMAMOTO Ryoichi	100% (13/13)		100% (7/7)

(Note) The “◎” mark indicates Chairperson. (**/**) indicates number of the meetings of each committee attended / number of the meetings of each committee held during the individual’s tenure this fiscal year.

(3) Names, etc. of Executive Officers

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company
President and Representative Executive Officer	YAMAMOTO Ryoichi	
Representative Managing Executive Officer	YOSHIMOTO Tatsuya	President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd.
Managing Executive Officer	MAKIYAMA Kozo	Director, President and Representative Executive Officer of PARCO Co., Ltd.
Managing Executive Officer	SAWADA Taro	Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management
Managing Executive Officer	WAKABAYASHI Hayato	Senior Executive General Manager of Financial Strategy Unit and Senior General Manager of Financing and Finance Policy Division
Managing Executive Officer	FUJINO Haruyoshi	Senior Executive General Manager of Business Development Unit
Managing Executive Officer	ARISAWA Hisashi	Senior Executive General Manager of Affiliated Business Unit
Managing Executive Officer	MURATA Soichi	Senior Executive General Manager of Administration Unit and in charge of Compliance
Executive Officer	TADATSU Takehiko	Senior Executive General Manager of Human Resources Strategy Unit and Senior General Manager of Group Human Resources Development Division Executive Officer and Executive General Manager of Human Resources Development Division of Daimaru Matsuzakaya Department Stores Co. Ltd.
Executive Officer	MAKITA Takayuki	Senior General Manager of Management Planning Division and Group Communication Promotion Division, Management Strategy Unit
Executive Officer	NAKAYAMA Takashi	Senior General Manager of Group Digital Strategy Division and New Business Division, Management Strategy Unit
Executive Officer	IWATA Yoshimi	Senior General Manager of Budget and Management Support Division, Financial Strategy Unit
Executive Officer	NINOBE Mamoru	President and Representative Director of JFR Card Co., Ltd.
Executive Officer	KONDO Yasuhiko	President and Representative Director of J. Front Design & Construction Co., Ltd.
Executive Officer	ONO Keiichi	President and Representative Director of Dimples' Co., Ltd.

(Reference) Executive Officers' areas of responsibility in the Company and important concurrent positions outside the Company have been changed on March 1, 2019 as follows:

Name	Areas of responsibility in the Company and important concurrent positions outside the Company
SAWADA Taro	Senior Executive General Manager of Management Strategy Unit, in charge of Risk Management, and Senior General Manager of New Business Division
FUJINO Haruyoshi	In charge of Special Assignments from President
NAKAYAMA Takashi	Senior General Manager of Group Digital Strategy Division, Management Strategy Unit

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

	Number of payees	Total amount of remuneration, etc. (Millions of yen)	Totals by category of remuneration, etc. (Millions of yen)			
			Basic remuneration	Bonuses	Performance-linked stock-based remuneration	Non-performance-linked stock-based remuneration
Director	9	207	155	–	–	51
[of which, Outside Director]	[6]	[88]	[72]	–	–	[15]
Executive Officer	15	556	236	138	181	–
Total	24	763	392	138	181	51

- (Notes)
- Other than the above, the total amount of remuneration, etc. received by Outside Directors from subsidiaries of the Company in the current fiscal year is ¥5 million.
 - In the above table, the remuneration, etc. for Directors of ¥207 million includes ¥3 million (including ¥3 million for an Outside Director) paid to one Director (one of whom is an Outside Director) who held the post between March 1 and May 24, 2018.
 - Sums of remuneration, etc., for performance of duties paid to Directors who concurrently hold other posts are given in the Executive Officer row.
 - Beginning in the fiscal year ended February 28, 2018, to ensure steady execution of the Medium-term Business Plan for realizing the Group Vision, the Company has adopted the stock-based remuneration system using a trust for officers (a system of granting the Company's shares to officers (in certain cases, the Company's shares are converted into cash within the trust and cash in the amount equivalent to their conversion value is paid) in accordance with the officers' rank and level of achievement of the Medium-term Business Plan, etc.) The stock-based remuneration in the above chart is the total recorded as expenses for the period under review according to Japanese accounting standards. It is divided into performance-linked stock-based remuneration corresponding to degree of achievement of single fiscal year results and degree of achievement of the Medium-Term Business Plan targets, as well as non-performance-linked stock-based remuneration for Directors who do not execute business.
 - Figures in the "bonuses" and "performance-linked stock-based remuneration" columns represent amounts recognized as provisions (expenses) (standard amounts) before adjustment for the results of performance evaluation for the fiscal year ended February 2019. The actual amounts to be paid will be determined by a meeting of the Remuneration Committee scheduled for or after April 2019.

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

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

Beginning in the fiscal year ended February 28, 2018, to ensure steady execution of the Medium-term Business Plan for realizing the Group Vision, the Company has formulated the Officer Remuneration Policy including the introduction of a stock-based remuneration system for officers.

<Basic policy for officer remuneration>

The officer remuneration system of the Company is operated under the following basic policy with a view to realizing the Group Vision. The same basic philosophy is also established by Daimaru Matsuzakaya Department Stores, which is one of the major subsidiaries of the Group.

- Contribute to the sustainable growth of the Group and medium- to long-term enhancement of corporate value.
- A highly performance-based remuneration system that provides incentives to Executive Officers both for accomplishing objectives set under management strategies and business plans, and for achieving targets with respect to corporate performance.
- Remuneration levels that can secure and retain human resources who have the desirable managerial talent qualities required by the Company.
- Increase shared awareness of profits with shareholders and awareness of shareholder-focused management.
- Enhanced transparency and objectivity in the remuneration determining process.

<How to determine remuneration levels>

To make quick responses to changes in the external environment and the market environment, the Company adopts officer remuneration levels of companies in the same industry (department store, retailer) and companies of a comparable size (selected based on market capitalization and consolidated operating profit) in other industries as a benchmark and compares the remuneration levels of its Executive Officers and Directors with the benchmark annually. The same treatment shall apply to the Directors and Executive Officers of Daimaru Matsuzakaya Department Stores.

<Composition of remuneration>

[Executive Officers]

Remuneration for Executive Officers shall comprise (i) basic remuneration (monetary remuneration) in accordance with rank (position), (ii) bonuses (monetary remuneration) based on individual evaluations conducted each business year, and (iii) performance shares linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan as a stock-based remuneration system.

Type of remuneration	Payment basis			Payment method	Composition of remuneration		
					President	Officers other than President	
Basic remuneration (fixed)	Determined separately for each rank (position)			Monthly payment in cash	38.5%	45.4%	
Bonuses (variable)	Base amount by rank (position) × Evaluation factor *1 *1 Determined based on the following quantitative and qualitative evaluation using a balanced scorecard.			Annual payment in cash	23.0%	27.3%	
	Details		Evaluation weights				
	Quantitative evaluation 70%	Financial perspective	Consolidated revenue				21%
			Consolidated operating profit				28%
Qualitative evaluation 30%	Customer perspective		30%				
	Process perspective						
	Organizational and human resource perspective						
Performance-linked stock-based remuneration (variable)	[Short-term: 40%] Base amount by rank (position) × Performance achievement factor *2 *2 Calculated based on the following measures of achievement*3			Annual payment in stocks	38.5%	27.3%	
	Details		Evaluation weights				
	Consolidated operating profit		20%				
	Basic earnings per share		20%				
	[Medium-term: 60%] Base amount by rank (position) × Performance achievement factor *4 *4 Calculated based on the following measures of achievement *3 If free cash flow and ROE targets are not met, the amount paid will be cut by 50% (if only one of the targets is not met, by 25%).			At the expiration of the term of each Medium-term Business Plan in stocks			
	Details		Evaluation weights				
Consolidated operating profit		30%					
Basic earnings per share		30%					

*3 The performance-linked factor for performance-linked stock-based remuneration is calculated by the following calculation method:

Performance target achievement	Performance-linked factor
150% or more	2.0
50% or more, but less than 150%	$(\text{Actual results} \div \text{Target} - 0.5) \times 2$
Less than 50%	0

(Reference) Financial performance for the previous fiscal year (March 2017 to February 2018) and the payment status of performance-linked remuneration for Executive Officers

Type of remuneration			Target	Results
Bonuses	Financial perspective	Consolidated revenue	¥472,000 million	¥469,915 million
		Consolidated operating profit	¥49,000 million	¥49,546 million
		ROE	7.5%	7.5%
Performance-linked stock-based remuneration	Short-term	Consolidated operating profit	¥44,500 million	¥49,546 million
		Basic earnings per share	¥101.32	¥108.92
	Medium-term	Consolidated operating profit	¥56,000 million	—
		Basic earnings per share	¥141.47	—

Regarding bonuses and performance-linked stock-based remuneration paid to Executive Officers as part of their remuneration, etc., the amount of bonuses provisioned for in the previous fiscal year was ¥118 million and the total target amount of performance-linked stock-based remuneration (short-term) was ¥55 million, whereas the total actual bonuses paid based on performance results was ¥115 million and the total amount of performance-linked stock-based remuneration (short-term) paid was ¥65 million.

[Directors who do not execute business]

Remuneration for Directors who do not execute business shall consist only of fixed remuneration, which shall be (i) basic remuneration (monetary remuneration) in accordance with rank (position) and (ii) non-performance-linked stock-based remuneration, which is not linked to performance.

<Stock acquisition and holding>

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

(ii) Procedures for determining remuneration for Directors and Executive Officers

To ensure the appropriateness of the level and amount of remuneration, and the transparency of decision-making processes, independent Outside Directors account for the majority, and decisions are made by deliberation and resolution of a Remuneration Committee headed by an independent Outside Director. The Remuneration Committee determines the policy on deciding the contents of individual remuneration to management personnel of the Company and Daimaru Matsuzakaya Department Stores, and these contents themselves.

It is planned that the Remuneration Committee shall meet at least four times a year. Future revisions of the officer remuneration system will be undertaken based on Medium-Term Business Plan periods.

In addition, the Company appoints external remuneration consultants with a view to introducing objective viewpoints from outside the Company and expertise on officer remuneration systems. With their support, the Company reviews its remuneration levels and remuneration system in light of external data, economic environment, industry trend and business conditions, among others.

(6) Matters relating to Outside Directors

<p>TACHIBANA FUKUSHIMA Sakie <u>Independent</u> (Note)</p>	Important concurrent positions	President and Representative Director of G&S Global Advisors Inc. Outside Director of Ajinomoto Co., Inc. Outside Director of USHIO INC.	
	Relationships between the Company and organizations where important concurrent positions are held	No special relationships exist	
	Relationship with specified affiliated business operator	No items to report	
	Attendance at the meetings of the Board of Directors	100% (Attended all 14 meetings held during tenure this fiscal year)	
	Attendance at the meetings of Committees to which she belongs	Nomination	100% (Attended all 13 meetings held during tenure this fiscal year)
Remuneration		100% (Attended all 7 meetings held during tenure this fiscal year)	
<p>[Major activities during current fiscal year]</p> <p>Tachibana Fukushima Sakie contributes to ensuring more effective meetings of the Board of Directors by drawing on points of view and perspectives that vary from those of the Internal Directors in providing advice and oversight through such activities as serving as a leader in executive sessions that consist only of Outside Directors. She does so based on her abundant experience and knowledge in governance both in Japan and abroad gained as a director at a U.S. company's global headquarters and as an outside director at numerous Japanese companies, and using her corporate management experience and in-depth knowledge regarding global human resources gained as the president of a foreign-owned human resource consulting company's local Japanese branch.</p> <p>She also serves as the Chairperson of the Nomination Committee and a Remuneration Committee member. As the Chairperson of the Nomination Committee, she endeavors to strengthen the management personnel function by promoting the deliberation on the succession plan and the Board of Director structure that should be adopted by the Company and its major subsidiaries, the determination of officer personnel change proposals, and the confirmation of the pooling status of senior management candidates for the future.</p>			
<p>OTA Yoshikatsu <u>Independent</u> (Note)</p>	Important concurrent positions	Honorary Advisor of KONICA MINOLTA, INC.	
	Relationships between the Company and organizations where important concurrent positions are held	No special relationships exist	
	Relationship with specified affiliated business operator	No items to report	
	Attendance at the meetings of the Board of Directors	100% (Attended all 14 meetings held during tenure this fiscal year)	
	Attendance at the meetings of Committees to which he belongs	Nomination	100% (Attended all 13 meetings held during tenure this fiscal year)
Remuneration		100% (Attended all 7 meetings held during tenure this fiscal year)	
<p>[Major activities during current fiscal year]</p> <p>Ota Yoshikatsu contributes to ensuring more effective meetings of the Board of Directors by drawing on points of view and perspectives that vary from those of the Internal Directors in providing advice and oversight with respect to promoting Group management, holding company functions for a company with three committees (nomination, audit and remuneration committees) and other such matters. He does so based on his extensive experience and abundant knowledge as a corporate manager, underpinned by his background which includes promoting the corporate merger between Minolta Co., Ltd. and Konica Corporation, acting as a manager of a company that, like this Company, is a holding company, and serving as a chairman of the board of directors of a company with three committees (nomination, audit and remuneration committees).</p> <p>He also serves as the Chairperson of the Remuneration Committee and a Nomination Committee member. As the Chairperson of the Remuneration Committee, he endeavors to strengthen the management personnel function by promoting the improvement of the policy for the determination of officer remuneration amounts and the calculation method thereof, the determination of specific remuneration amounts to be paid, and the review and revision of the evaluation system to determine officers' bonuses.</p>			

<p style="text-align: center;">ISHII Yasuo <u>Independent</u> (Note)</p>	Important concurrent positions	Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
	Relationships between the Company and organizations where important concurrent positions are held	Daimaru Matsuzakaya Department Stores Co. Ltd. is a wholly-owned subsidiary of the Company.
	Relationship with specified affiliated business operator	No items to report
	Attendance at the meetings of the Board of Directors	100% (Attended all 14 meetings held during tenure this fiscal year)
	Attendance at the meetings of Committees to which he belongs	Audit 100% (Attended all 17 meetings held during tenure this fiscal year)
<p>[Major activities during current fiscal year]</p> <p>Ishii Yasuo contributes to ensuring more effective meetings of the Board of Directors by drawing on points of view and perspectives that vary from those of the Internal Directors in providing advice and oversight with regard to management activities in general including optimal strategic organization and views on securing and educating internal human resources on which such an organization is based, coordination between strategy-setting departments and strategy-execution departments, and points to be noted when embedding strategies in line departments. He does so based on his global management experience in the areas other than the retail sector and advanced knowledge developed through broad experience in the field of management planning. In particular, he has long-standing work experience abroad and thorough knowledge of overseas business development.</p> <p>He also serves as an Audit Committee member and endeavors to strengthen the audit function by engaging in exchange of opinions and consultation from the perspectives of legal compliance and appropriateness on the business execution of Directors and Executive Officers as well as matters submitted to the Board of Directors for deliberation or matters requiring monitoring as determined by the Audit Committee.</p>		
<p style="text-align: center;">NISHIKAWA Koichiro <u>Independent</u> (Note)</p>	Important concurrent positions	Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
	Relationships between the Company and organizations where important concurrent positions are held	Daimaru Matsuzakaya Department Stores Co. Ltd. is a wholly-owned subsidiary of the Company.
	Relationship with specified affiliated business operator	No items to report
	Attendance at the meetings of the Board of Directors	100% (Attended all 14 meetings held during tenure this fiscal year)
	Attendance at the meetings of Committees to which he belongs	Audit 100% (Attended all 17 meetings held during tenure this fiscal year)
<p>[Major activities during current fiscal year]</p> <p>Nishikawa Koichiro contributes to ensuring more effective meetings of the Board of Directors by drawing on points of view and perspectives that vary from those of the Internal Directors in providing advice and oversight with regard to the identification of uncertainties associated with new businesses and M&A projects and the appropriateness of the testing of risk scenarios, clarification of key items in strategy proposals, and improvement of embeddedness of strategies within and outside the Company through quality improvements in strategy documentation including financial indicators. He does so based on his experience in the areas of business tie-ups, M&A, and management reform and adequate financial expertise developed through ample experience in many important international negotiations.</p> <p>He also serves as an Audit Committee member and endeavors to strengthen the audit function by engaging in exchange of opinions and consultation from the perspectives of legal compliance and appropriateness on the business execution of Directors and Executive Officers as well as matters submitted to the Board of Directors for deliberation or matters requiring monitoring as determined by the Audit Committee.</p>		

<u>SATO Rieko</u> <u>Independent</u> (Note)	Important concurrent positions	Attorney at law Outside Corporate Auditor of NTT DATA CORPORATION Outside Director of Dai-ichi Life Holdings, Inc.	
	Relationships between the Company and organizations where important concurrent positions are held	No special relationships exist	
	Relationship with specified affiliated business operator	No items to report	
	Attendance at the meetings of the Board of Directors	100% (Attended all 11 meetings held during tenure this fiscal year)	
	Attendance at the meetings of Committees to which she belongs	Nomination	100% (Attended all 10 meetings held during tenure this fiscal year)
	Audit	100% (Attended all 12 meetings held during tenure this fiscal year)	
	Remuneration	100% (Attended all 5 meetings held during tenure this fiscal year)	

[Major activities during current fiscal year]

Sato Rieko contributes to ensuring more effective meetings of the Board of Directors by drawing on points of view and perspectives that vary from those of the Internal Directors in providing advice and oversight with regard to, among others, areas that are related to defensive corporate governance in general, such as effective implementation method of internal audit and internal controls and new ways to ensure effective functioning of each department of the holding company, and risks associated with new business creation that is linked to growth strategy. She does so based on her experience as a lawyer specialized mainly in corporate legal affairs, handling a number of cases utilizing her advanced expertise.

She also serves concurrently as a Nomination Committee member, a Remuneration Committee Member, and an Audit Committee member. As an Audit Committee member, she endeavors to strengthen the audit function by engaging in exchange of opinions and consultation from the perspectives of legal compliance and appropriateness on the business execution of Directors and Executive Officers as well as matters submitted to the Board of Directors for deliberation or matters requiring monitoring as determined by the Audit Committee.

(Note) The above-mentioned Outside Directors are independent officers, which are required to be put in place by the Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. for the protection of general shareholders.

4. Matters relating to Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

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

(i) Amount of remuneration, etc. to be paid by the Company	¥152 million
(ii) Total cash and other financial profits to be paid by the Company and its subsidiaries	¥270 million

- (Notes)
1. Among the significant subsidiaries of the Company, PARCO Co., Ltd. and its five subsidiaries are audited by auditing firms other than the Accounting Auditor of the Company. PARCO Co., Ltd. is audited by KPMG AZSA LLC.
 2. The audit agreement entered into by the Accounting Auditor and the Company does not clearly distinguish the amount being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be practically distinguished from each other. Therefore, the amount in (i) above indicates the total of these two kinds of amounts.

(3) Content of non-audit service

Consulting service for the International Financial Reporting Standards (IFRS), etc.

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

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

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

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

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

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

5. Basic ideas on corporate governance

(1) Role of corporate governance

We believe that ensuring sustainable growth of the Group and increasing corporate value over the medium to long term is paramount to realizing ideals of the Group Philosophy. Accordingly, the role of corporate governance in the JFR Group must be to help enable us to realize the ideals of the Group Philosophy.

The Company assumes responsibility as a pure holding company for ensuring managerial transparency, soundness and compliance centered on corporate governance of the Group, with the aim of realizing the ideals of the Group Philosophy.

(2) Relationship with shareholders

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

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

(3) Information disclosure

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

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

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

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

- (i) Indicating the overall direction that Group management is to take, by engaging in constructive discussions with respect to the Group Vision, Group Medium-term Business Plan, Group Management Policy and other management fundamental policies, and carrying out multifaceted and objective deliberations that include evaluation of risks with respect to the aforementioned;
- (ii) Appropriately making decisions in terms of overall policy and plans pertaining to Group management on the basis of the direction noted above and overseeing progress and results of the plans;
- (iii) Developing an environment conducive to encouraging offense-oriented management geared to achieving discontinuous growth;
- (iv) Taking steps to build and develop internal control systems of the Group overall, and otherwise overseeing the operational status of such systems;
- (v) Overseeing conflicts of interest between related parties; and
- (vi) On the basis of summary reports furnished by the Nomination Committee, overseeing progress of senior management team succession planning, personnel assignment plans pertaining to managerial talent and management team training, as delegated to the Nomination Committee.

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

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

- (ii) The Company will enable decisions of business execution to be delegated to Executive Officers, clarify the authority and responsibility, and carry out speedy management decision making.
- (iii) The Company will improve the transparency and objectivity of management by transitioning to a company with three statutory committees (nomination, audit and remuneration committees). The majority of the members of each of these committees are outside officers.
- (iv) The Company will build a governance structure that is easy to understand from global perspectives, such as those of overseas investors.

6. Operation of the Board of Directors

Composition of the Board	8 Directors who do not execute business (including 5 Outside Directors) and 5 Directors who concurrently serve as Executive Officer
Major roles	The Board of Directors shall discuss and resolve matters defined in the Companies Act and/or the Articles of Incorporation, as well as matters relating to management strategies, such as the Group Medium-Term Business Plan and Management Policy, and matters relating to important business execution, such as asset acquisition, new business development, and M&As.
Operational status	Held at least once every month, in principle. With one-third or more of Directors being independent Outside Directors, the Board of Directors functions as a venue for constructive discussions and deliberations, beyond being solely a decision-making body for important matters, and is a key to the enhancement of corporate governance.
Comment from Chairperson of the Board ----- Director KOBAYASHI Yasuyuki	<p>As Fiscal 2018 was the second fiscal year following the transition to a company with three committees (nomination, audit, and remuneration committees), we prioritized the supervision of the progress status of the Medium-term Business Plan, as part of our efforts to strengthen the supervisory function of the Board of Directors. More specifically, individual strategies set forth in the Medium-term Business Plan are incorporated in the annual plan for Board of Directors meeting agenda in advance and their progress status was examined accordingly. The Board of Directors took time to discuss challenges and response measures if there was a deviation from target values.</p> <p>As a result, we were able to clarify more specific measures to help the Company to achieve the targets with regard to individual strategies.</p> <p>In addition, based on the recommendations of the Board of Directors, the Company has adopted a mechanism to increase the effectiveness of strategies for Fiscal 2019 Group Strategy by clarifying relevant KPIs (key performance indicators) and work responsibilities individually.</p> <p>We endeavor to continue into this year to have discussions with the executive side that are designed to improve the quality of strategies from the perspective of stakeholders, sharing a sense of crisis and speed with the executive side and to fully exert functional capabilities of management oversight by the Board of Directors, and strive to contribute to the increase in corporate value through the realization of the Group Vision and the achievement of the Group Medium-term Business Plan.</p>

(Evaluation of effectiveness of the Board of Directors)

In October 2018, the Company performed the fourth evaluation of the effectiveness of the Board of Directors. The evaluation was performed based on a method of summarizing and analyzing the results of individual interviews and direct observation of the Board of Directors conducted by a third-party organization. Evaluation items included the contribution of the Board of Directors to the entire Group, composition of the Board of Directors, and content of deliberations at the Board of Directors, as well as the effectiveness of functions of the Nomination, Remuneration, Audit, and Governance Committees. The evaluation results were reported to, and challenges were deliberated by the Board of Directors.

While it was recognized that the Company had continued its efforts both in form and substance, we received a lower evaluation score for some of the evaluation items. We recognize this as a result of higher expectations for us to resolve essential issues to enhance corporate value, which arose from the fact that the governance structure framework of the Company has been enhanced to a higher level, rather than as an indication of an actual decline of effectiveness of the Board of Directors.

It was also recommended that the Company, as a holding company, should further enhance the discussion on group strategy, business portfolio, and capital policy and resource allocation. In response,

we improved key agenda selection and planning processes.

In addition, based on the recognition that to further enhance the effectiveness of the Board of Directors, it is essential for the Company to promote these efforts in coordination with efforts to strengthen execution, we enhanced the functions of the Governance Committee, which was to discuss governance issues, and reorganized it as Management Council. As an advisory body to the President and Executive Officer, the responsibilities of the Management Council are, among others, to seek active advice from Outside Directors on management issues in general rather than only on governance issues and to function as a forum in which Outside Directors can discuss their concerns.

We will strive to continue into this fiscal year to share the issues based on the evaluation of the effectiveness of the Board of Directors, and improve the effectiveness of the Board of Directors.

7. Operations of each Committee

(1) Nomination Committee

Composition of Committee	4 Directors who do not execute business (including 3 Outside Directors) and 1 Director who concurrently serves as Representative Executive Officer
Major roles	The Nomination Committee determines the contents of proposals on the nomination and dismissal of Directors submitted to shareholders' meetings, and reports to the Board of Directors upon consultations from the Board of Directors regarding the nomination and dismissal of management personnel of the Company and major business subsidiaries, as well as the chairpersons and members of individual committees, and other matters.
Number of meetings held / Number of meetings attended	13/4 out of 5 members attended all 13 meetings. Director Sato, who was elected as Director in May 2018, also attended all 10 meetings held during her tenure.
Comment from Chairperson of the Committee ----- Director (Outside) TACHIBANA FUKUSHIMA Sakie	<p>The Nomination Committee ensures the objectivity, transparency and rationality not only for the determination of effective composition of the Board of Directors and the election of Directors including Outside Directors but also for the election of Executive Officers of the Company and Executive Officers of major business subsidiaries. This involves utilizing in-house personnel evaluation information as well as assessment data by a third party organization, and obtaining opportunities to get to know candidate's personalities and ideas through conducting interviews, etc., as necessary.</p> <p>Moreover, the Nomination Committee has been carrying out a series of discussions on top management succession plans, examining schemes to systematically develop the next generation of officer candidates and regularly confirming the status of achievements by the candidates.</p> <p>The Nomination Committee will secure management personnel necessary for continuous growth and development of the Company, and strive for the election of the right person in the right place.</p>

(2) Audit Committee

Composition of Committee	5 Directors who do not execute business (including 3 Outside Directors)
Major roles	In accordance with the overall policy and plan determined by the Board of Directors, the Audit Committee audits the execution of business by Directors and Executive Officers, important matters submitted to the Board of Directors, and other individual matters the Audit Committee considers necessary.
Number of meetings held / Number of meetings attended	17/4 out of 5 members attended all 17 meetings. Director Sato, who was elected as Director in May 2018, also attended all 12 meetings held during her tenure.
Comment from Chairperson of the Committee ----- Director DOI Zenichi	<p>The Audit Committee, in accordance with the Rules of Audit Committee, Audit Standards, and Practice Standards for Audit concerning Internal Control System, etc., formulated an audit plan for the current fiscal year, conducted the audit, and reported its contents to the Board of Directors. In particular, the Audit Committee established a mechanism to ensure coordination with the Internal Audit Division, Accounting Auditor and auditors of the Group companies to further strengthen communication and audited the developmental and operational status of internal control systems established by the Board of Directors and the progress status of key strategies in the second year of the Group Medium-term Business Plan, as key audit items of the Audit Committee.</p> <p>From the standpoint of further improving audit effectiveness and accuracy, the Audit Committee also deliberated on such topics as revisions of various rules of the Audit Committee, functional improvements of the Internal Audit Division, and the roles of auditors of the Group companies and reported the deliberation results to the Board of Directors.</p> <p>The Audit Committee will continue to work to establish a high quality corporate governance structure that is worthy of social trust and to conduct audits in a fair and impartial manner to contribute to the growth of the Group and the enhancement of its corporate value.</p>

(3) Remuneration Committee

Composition of Committee	4 Directors who do not execute business (including 3 Outside Directors) and 1 Director who concurrently serves as Representative Executive Officer
Major roles	The Remuneration Committee determines the policy on deciding the contents of individual remuneration to management personnel of the Company and major business subsidiaries, and these contents themselves.
Number of meetings held / Number of meetings attended	7/4 out of 5 members attended all 7 meetings. Director Sato, who was elected as Director in May 2018, also attended all 5 meetings held during her tenure.
Comment from Chairperson of the Committee ----- Director (Outside) OTA Yoshikatsu	<p>Pursuant to the Officer Remuneration Policy resolved on May 25, 2017, the Remuneration Committee has raised the allocation percentage to performance-based remuneration (bonuses and stock-based remuneration). At the same time, it ensured transparency and objectivity by disclosing the composition of remuneration including stock-based remuneration as well as performance indexes and formulas that will determine the level of stock-based remuneration.</p> <p>For bonuses, which reflect the status of individual officer's achievements, the Remuneration Committee reviewed evaluation items, the status of performance indexes established, evaluation rank determination process, and evaluation results at the end of the interim period and at the end of the fiscal year, to ensure greater fairness and objectivity in evaluation results.</p> <p>In addition to ensuring proper operation of the remuneration system, the Remuneration Committee also examined the overall level of officer remuneration, the ratio of performance-linked remuneration, and current trends on stock-based remuneration for officers, through a third-party organization, to ensure that appropriate remuneration systems and levels are always maintained.</p> <p>The Remuneration Committee will continue to strive for the operation of a fair and highly rational remuneration system.</p>

8. System and policies of the Company

(1) Systems to ensure properness of operations <Basic Policy to Build Internal Control System>

(Revised on May 24, 2018)

This is a basic policy relating to building an internal control system for appropriate execution of overall business within the corporate group comprising J. FRONT RETAILING Co., Ltd. and its operating companies. By specifically promoting this policy, the Group aims to contribute to increasing corporate value.

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

I. Group Management System

(1) Board of Directors

- The Board of Directors shall perform an oversight function by monitoring the Executive Officers'

and Directors' execution of business.

- The Board of Directors shall discuss and resolve matters defined in the Companies Act and/or the Articles of Incorporation, as well as the Group Vision, the Group Medium-term Business Plan, overall policy and plan for the Group management, M&As, the Group financing plans, and other individual important matters relating to the Group management. In order to speed up business decisions and execution, the task of determining matters involving business execution other than the above shall be delegated to execution, with the exception of matters which have a material impact on the Group management.
- For monitoring action, decision making and the like by the Board of Directors, a certain number or more of highly independent Outside Directors shall be appointed, having no risk of a conflict of interest with the Company's shareholders, and being able to provide judgments independently from top management and make decisions appropriately.
- To ensure effectiveness of objective management oversight, in addition to the Outside Directors, internally promoted Directors who do not execute business and who are well informed about internal information shall also be appointed.
- To further strengthen oversight function while conducting smooth operation of the Board of Directors, an Internal Director who does not execute business shall be selected as the chairperson of the Board of Directors.

(2) Management execution framework

- The Company shall clearly separate management oversight and execution and strengthen the Board of Directors' oversight function while delegating authority for execution to enable swift management decision-making. Meanwhile, execution shall be controlled by having the following framework.
- Each corporate division shall have a mission statement that clearly states its mission, and the responsibilities of execution are clarified, such as the targets, roles, risks, and interdivisional cooperation.
- Execution shall formulate the major Group management policies and individual important matters, and oversee business execution of operating companies. The Board of Directors shall discuss and determine (approve) the suitability of major policies and plans that execution has prepared as well as individual important matters.
- The execution bodies shall be the Management Strategy Unit, Business Development Unit, Affiliated Business Unit, Financial Strategy Unit, Human Resources Strategy Unit and Administration Unit, and Executive Officers shall be appointed as the head of the units, through which the Company shall achieve swift and efficient business execution.
- The Affiliated Business Unit shall provide management support for operating companies and conduct business management of operating companies to increase the Group's corporate value.
- The Group Management Meeting, the Group Results and Strategy Examination Meeting, the Group Liaison Meeting, the JFR Liaison Meeting, the JFR Division Managers' Meeting shall discuss the overall policy and plan and other matters for the Group management, as well as checking on the progress of management strategies and sharing information between management, and so forth.
- The Company shall construct systems to raise overall efficiency of the Group such as the introduction of the Group's common accounting system in principle and promotion of centralized management of the Group funds.
- The Company has adopted the International Financial Reporting Standards (IFRS) voluntarily in the interest of implementing effective management based on appropriate asset evaluation, applying business management that gives emphasis to the profit of the current period and increasing convenience for overseas investors by improving the international comparability of financial information.

(3) System to secure appropriateness of financial reporting

- With regard to internal controls over financial reporting, the Company shall be in compliance with

Japan's Financial Instruments and Exchange Act and various associated laws and regulations, and construct an internal company system to secure the legality and appropriateness of its financial reporting. In addition, all operating companies shall also construct the same system.

II. Risk Management System

(1) Risk Management Committee

- The Company shall establish the Risk Management Committee as an advisory body to the President and Representative Executive Officer with regard to risk management. The committee is chaired by the President and Representative Executive Officer and comprises Executive Officers and others.
- An officer shall be put in charge of risk management in order to promote the operation of risk management.
- Each operating company shall put departments and responsible persons in charge of promoting compliance and risk management, and carry out daily supervision and direction of risk.
- The Risk Management Committee shall systematically manage and address strategic and other risks as a whole from a company-wide perspective, enabling management decisions from the perspective of risk management.
- For risks involved in business operations, the Risk Management Committee shall carry out evaluations and management, and for important risks, the committee shall periodically report on the risk management status to the Board of Directors.
- Risks to be addressed shall be managed by the ESG Promotion Division by reviewing a Risk List and Risk Map, which centrally lists all the risks in the Group at any time.
- Of the risks involved in business operations that are identified, for particularly serious items, the Risk Management Committee shall deliberate over and determine a policy in response, and shall respond to them by having the Company and operating companies execute the policy.
- The Risk Management Committee shall coordinate with the Revitalization Plan Review Committee, which shall discuss business revitalization for unprofitable or low-profit businesses, ascertain the management status of operating companies, and share risk recognition within execution.

(2) Execution control

- Under the direction of President and Representative Executive Officer, the Company shall put a person in charge of execution control within the ESG Promotion Division in the Management Strategy Unit to strengthen internal control over execution. The person responsible shall develop and manage the control environment at the Company and the operating companies.
- The person in charge of execution control shall develop and manage the internal controls regarding the Companies Act and the internal control system regarding the Financial Instruments and Exchange Act at the Company and the operating companies.
- The person in charge of execution control shall clarify the mission and risk responsibility in each division and strengthen links between departments by developing and managing the mission statements for each corporate division.
- The person in charge of execution control shall coordinate with the Audit Committee, the Internal Audit Division, the corporate divisions and operating companies to share information and remedy any deficiencies that occur in the internal controls.

(3) Crisis risk response

For crisis events such as large-scale earthquakes, fires and accidents, crisis management shall be controlled by the "Emergency Response Headquarters" headed by the President and Representative Executive Officer.

III. Legal Compliance System

(1) Compliance Committee

- The Company shall establish the Compliance Committee as an advisory body to the President and

Representative Executive Officer regarding the operation of compliance management. The President and Representative Executive Officer shall be the chairperson and the members of the committee shall be corporate lawyers, Executive Officers and others.

- An officer shall be put in charge of compliance in order to promote the operation of compliance management.
- At operating companies, departments and responsible persons shall be put in charge of promotion of compliance and risk management, and shall carry out daily supervision and direction of business operations that are in accordance with laws and regulations and internal company rules.
- The Compliance Committee shall work to develop the foundations of compliance management such as internal company rules, operation management manuals and formulation of management systems. In addition, the committee shall periodically formulate and track progress on compliance penetration activities such as e-learning, through departments in charge of promotion of compliance at each company.
- The Compliance Committee shall periodically request reports from persons in charge of promotion of compliance at operating companies regarding the status of compliance management in their respective areas of responsibility, and take proper rectification measures. In addition, the committee shall formulate guidelines and measures to prevent recurrence to be followed and taken by the Group as a whole, and implement the said guidelines and measures.

(2) Whistle-blowing system

- The Company shall establish the “JFR Group Compliance Hotline” as the whistle-blowing system of the Group that also extends beyond companies (to a corporate lawyer), which may be used by all persons working at the Company and operating companies.
- The hotline’s policy shall be to maintain strict confidentiality regarding notifications and reports and shall not disclose the personal information of whistleblowers to a third party without their consent; to be careful to avoid identification of the whistleblower when investigating the facts; and to ensure that whistleblowers are not subjected to disadvantageous treatment in terms of personnel affairs or any other aspect.
- For hotline reports concerning management personnel, the Company shall build a structure whereby the reports are submitted directly to the Audit Committee and subjected to directions from the Audit Committee so as to secure an independent reporting route.

IV. Internal Audit Structure

- The Company shall establish an independent Internal Audit Division under the direction of the President and Representative Executive Officer. In accordance with internal audit rules and under the direction of the President and Representative Executive Officer, the Internal Audit Division shall audit the operations of the Company and operating companies or properly report the results of audits of operations, examine the properness and effectiveness of the processes for their operations, and provide guidance, advice and proposals to all departments at the Company and to operating companies.
- To further enhance corporate governance by strengthening auditing functions, the Company shall clarify links between the President and Representative Executive Officer, the Audit Committee and the Internal Audit Division. Specifically, the Company shall adopt a double-reporting system where both the President and Representative Executive Officer and the Audit Committee shall receive reports. When the reports are made, the audit report and the improvement report shall be reported together to realize swift measures.
- Appointments and transfers of persons responsible for the internal audit departments shall be subject to advance approval by the Audit Committee.

V. Structure of the Audit Committee

- The Audit Committee shall audit the legality and suitability of the execution of duties by the Executive Officers and Directors.
- To aim to maintain and improve the accuracy of audits, two full-time Audit Committee members shall be appointed from among the Internal Directors who do not execute business as Audit

Committee members, one of whom shall be the chairperson of the Audit Committee.

- As an organization in charge of assistance for the Audit Committee's duties, the Audit Committee Secretariat has been established within the Board of Directors Secretariat.
- Regarding personnel affairs related to the Audit Committee Secretariat organization and staff members, the Audit Committee's advance approval is required to ensure independence.
- The Audit Committee shall have periodic meetings with the President and Representative Executive Officer to share information. Moreover, the Company's Executive Officers and Directors may be asked to attend Audit Committee meetings to provide reports and opinions as necessary.
- The Audit Committee shall regularly coordinate with the Internal Audit Division to share information. Moreover, the Accounting Auditor, outside experts and others may be asked to attend Audit Committee meetings to provide reports and opinions as necessary.
- The Audit Committee members shall report to the Audit Committee on the status of audits of the following matters:
 - Matters resolved by or reported to the Board of Directors
 - Matters identified by the Audit Committee as issues
 - Internal audit implementation status and results (audit report, improvement report, etc.)
- The Audit Committee members shall attend the Group Management Meeting and other meetings, inspect important documents associated with the execution of duties, such as circular approval memos, and request explanations from officers and employees of operating companies as necessary.
- Operating companies shall submit the necessary audit reports and perform other duties if requested to do so by the Audit Committee.
- The Audit Committee shall have periodic meetings and the like with Audit & Supervisory Board Members of the operating companies to enhance and strengthen the auditing of the entire Group.
- The Audit Committee may request expenses deemed necessary for performing the duties from the Company, and the Company shall bear them.

VI. Other

(1) System for storage and management of information

- For documents relating to the execution of duties by Executive Officers and Directors, in accordance with the rules on document management, each responsible department shall carry out document storage and management during the stipulated period and shall develop a system to enable inspections of such documents at any time.
- For minutes and related documents regarding meetings chaired by Executive Officers and Directors, and other important documents relating to the execution of duties by Executive Officers and Directors, each responsible department shall carry out document storage and management and shall develop a system to enable inspections of such documents at any time.

(2) Digital information security

- Senior Executive General Manager of the Business Development Unit shall control digital information management of the Company, and shall report periodically and whenever necessary on the status of digital information management and related matters to the Board of Directors, the Audit Committee, the Management Meeting and the President and Representative Executive Officer.

(2) Operational status of systems to ensure properness of operations <Basic Policy to Build Internal Control Systems>

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

I. Group Management System

(1) Board of Directors

- (i) The Board of Directors is comprised of highly independent Outside Directors who have no risk of a conflict of interest with the Company's shareholders, Internal Directors who own deep understandings about the business environment and issues surrounding the Group, and Directors who do not execute business. It functions to oversee the execution of duties by Executive Officers and Directors.
- (ii) The Board of Directors is comprised to meet that one-third or more of Directors are independent Outside Directors who are able to provide judgments independently from top management and make decisions appropriately, and also that the majority of Directors are independent Outside Directors and/or internally promoted Directors who do not execute business and who are well informed about internal information.
- (iii) The Board of Directors discusses important matters concerning the Group management such as the ESG initiatives and the strategies for the following fiscal year over multiple meetings. By ensuring that matters and issues pointed out at a Board of Directors meeting will be reported by a responsible Executive Officer or discussed again at future meetings, we realize a consistent PDCA cycle. In addition, briefings will be provided to Outside Directors prior to the Board of Directors meetings for fuller discussions at such meetings. The effectiveness of the Board of Directors is being improved through these initiatives.
- (iv) The meetings of the Board of Directors were held 14 times in the current fiscal year. The Board of Directors regularly confirms and shares information regarding the progress status of the Medium-term Business Plan in addition to matters defined in the Companies Act and/or the Articles of Incorporation, based on the schedule planned in advance. In the event of a case that is deviating from targets, the Board of Directors thoroughly examines its causes and the effect of countermeasures, striving for a steady progress of the Medium-term Business Plan.
- (v) Evaluations of the effectiveness of the Board of Directors are performed by a third-party organization each fiscal year to continuously and further improve the effectiveness of the Board of Directors by resolving any identified issues.

(2) Management execution framework

- (i) The Company has the Management Strategy Unit, Business Development Unit, Affiliated Business Unit, Financial Strategy Unit, Human Resources Strategy Unit, and Administration Unit as the execution bodies, and Executive Officers are appointed as the head of the units and execute business swiftly. The Affiliated Business Unit provides support for the Group's operating companies and conduct business management.
- (ii) Each division of the Company has a mission statement that clearly states the responsibilities of Executive Officers, such as the targets, roles, risks, and interdivisional cooperation, striving for the clarification and strengthening of Executive Officers' roles.
- (iii) The roles and responsibilities of the Company as a holding company are narrowed down to formulating overall policy and plan for the Group management, such as the Group Vision, Group Medium-term Business Plan, M&As, the Group financing plans, along with the management and progress control of that said plans, and proper allocation of the Group's management resources.

With regard to matters related to business execution at operating companies, in order to promote speedy management decisions and the clarification of management responsibilities, delegation rules have been established, and operated accordingly, aimed at prompt decision-making and execution by respective operating companies, except for important matters concerning the Group management.

- (iv) In the current fiscal year, the Group Management Meeting, the Group Results and Strategy Examination Meeting, the Group Liaison Meeting, the JFR Liaison Meeting, and the JFR Division Managers' Meeting were regularly held for discussion on business strategies and information sharing among divisions.
- (v) The Company introduced the Group's common accounting system in principle and promotes centralized management of the Group funds and efforts to raise overall efficiency of the Group.

- (vi) The Company has developed a framework that it is making use of to carry out financial strategy with the aim of heightening profitability of invested capital. Accordingly, for new investment projects entailing funds beyond a certain amount, the Company has established the Investment Plan Review Committee which scrutinizes profit and loss targets and performs verification from a financial perspective encompassing assessment of suitability in terms of quantitative aspects of investment plans. For all existing businesses, the Company has established the Revitalization Plan Review Committee which draws up plans for revitalizing poorly performing businesses and withdrawing from such operations, upon performing verification of financial aspects from the perspective of investment recovery.

In the current fiscal year, the meetings of the Investment Plan Review Committee were held four times and the meetings of the Revitalization Plan Review Committee were held four times.

- (vii) With regard to internal controls over financial reporting, the Company is in compliance with Japan's Financial Instruments and Exchange Act and various associated laws and regulations. The Company and operating companies maintain and operate internal company systems to secure the legality and appropriateness of financial reporting.

II. Risk Management System

(1) Risk Management Committee

- (i) The Company has established the Risk Management Committee as an advisory body to the President and Representative Executive Officer with regard to the operation of risk management. The committee is chaired by the President and Representative Executive Officer and comprises Executive Officers and others.

The Risk Management Committee identifies and evaluates risks (uncertainties) based on regular discussions on them, prioritizes and reflects them in the strategies, and monitors the countermeasures.

- (ii) The meetings of the Risk Management Committee were held four times in the current fiscal year. Identifying risks surrounding the Company, the Risk Management Committee particularly discussed and determined "corporate risks," which are considered to have significant impact on companies. In addition, information was shared and advice was provided on risks identified by each of operating companies of the Group based on the Company's risks, to promote risk management.

(2) Execution control

- (i) Under the direction of President and Representative Executive Officer, the Company has put a person in charge of execution control within the ESG Promotion Division in the Management Strategy Unit. The person develops and manages the internal controls regarding the Companies Act and the internal control system regarding the Financial Instruments and Exchange Act at the Company and operating companies.

During the current fiscal year, there was no important weakness to be disclosed found in the internal controls regarding the Companies Act and the Financial Instruments and Exchange Act.

- (ii) Moreover, the Company has developed and managed the mission statements for each corporate division, while clarifying the mission in each division and strengthening links between departments.
- (iii) For crisis events such as large-scale earthquakes, fires and accidents, the Company has established a system in which crisis management is controlled by the "Emergency Response Headquarters" headed by the President and Representative Executive Officer. The "Emergency Response Headquarters" was set up to confirm the countermeasures by the operating companies in the wake of the Hokkaido Eastern Iburi Earthquake and Typhoon No. 24 in the current fiscal year.

III. Legal Compliance System

(1) Compliance Committee

- (i) The Company has established the Compliance Committee as an advisory body to the President and Representative Executive Officer regarding the compliance operation. The President and Representative Executive Officer shall be the chairperson and the members of the committee shall be corporate lawyers, Executive Officers and others.
- (ii) Departments and responsible persons in charge of promotion of compliance and risk

management are also put at operating companies, and carry out daily supervision and direction of business operations that are in accordance with laws and regulations and internal company rules.

- (iii) The Compliance Committee of the Company draws up a policy for addressing matters involving serious compliance-related violations, and continuously oversees development of the foundations of compliance system and the status of implementation through close collaboration with departments in charge of promoting compliance in the Group's operating companies.

Seven meetings were held during the current fiscal year, and deliberations were conducted on topics such as the "compliance action plans (education, surveys, etc.)" and the "compliance systems for operating companies." In addition, the Committee discussed reasons and countermeasures against compliance-related violations at operating companies and provided instructions to implement specific measures to prevent recurrence.

- (iv) In addition to posting the JFR Group Compliance and Risk Management Manual on the intranet, education via reporting lines and e-learning seminars were offered to promote the awareness of compliance.
- (v) Practical training was provided concerning "matters requiring compliance in sales activities" at each of the operating companies, and education was provided on topics such as "harassment" and "information security" through utilization of e-learning in the current fiscal year.

(2) Whistle-blowing system

- (i) The Company has established the "JFR Group Compliance Hotline" whistle-blowing system that also extends beyond companies (to a corporate lawyer), which may be used by all persons working at the Company and operating companies.
- (ii) For hotline reports concerning management personnel, the Company has built a structure whereby the reports are submitted through the hotline desk to the Audit Committee and subjected to directions from the Audit Committee.
- (iii) 24 reports were received in the current fiscal year. The reports included ones related to personnel and labor issues.

(3) Other

Daimaru Matsuzakaya Department Stores Co. Ltd., a subsidiary of the Company, takes the situation, in which the company received an on-site inspection by the Japan Fair Trade Commission (hereinafter the "JFTC") in the preceding fiscal year, to heart, and has reinforced its monitoring to ensure legal compliance. As a result, the company detected a violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in delivery charges on customers for gifts, etc.

Daimaru Matsuzakaya Department Stores has voluntarily reported the violation by making an application under the JFTC's leniency program, and it has stopped the conduct that was in violation with the Act and fully cooperated in the JFTC's investigation.

Since such actions were recognized, Daimaru Matsuzakaya Department Stores has not received any cease and desist order or surcharge payment order. However, the Group is taking this matter seriously and sincerely and will work with Daimaru Matsuzakaya Department Stores to continue to further strengthen the compliance system of the Group.

IV. Internal Audit Structure

- (i) The Company has established an independent Internal Audit Division under the President and Representative Executive Officer. The Internal Audit Division verifies and evaluates the effectiveness of systems of corporate governance, risk management and compliance management, in addition to performing audit on business operations of the Company and each of the Group companies.
- (ii) The Company adopts a double-reporting system to the President and Representative Executive Officer and the Audit Committee, and audit results are reported on a regular basis. In so doing, the reports are made with particular focus on the details of improvement measures against matters pointed out in the audits to realize swift measures.
- (iii) The reports were made to management in attendance of President and Representative Executive Officer ten times during the current fiscal year, including "results of audit on JFR, Daimaru Matsuzakaya Department Stores, and the operating companies," "Gaisho Risk Research

Committee,” and the “evaluation of internal controls over financial reporting.”

V. Structure of the Audit Committee

- (i) Two full-time Audit Committee members are appointed from among the Internal Directors who do not execute business, and one of them shall be the chairperson of the Audit Committee.
- (ii) In accordance with the overall policy and plan determined by the Board of Directors, the Audit Committee audits the execution of business by Executive Officers and Directors, important matters submitted to the Board of Directors, and other individual matters the Audit Committee considers necessary, as well as the status of establishing and implementing internal controls, and then prepares audit reports.
- (iii) The Audit Committee receives explanations on the audit policy and plan prior to the audit from the Accounting Auditor, and receives explanations and reports on the audit results and expresses its opinions including requests on audit items, and in addition, exchanges of opinions with the Accounting Auditor is carried out on a regular basis.
- (iv) To grasp important decision-making processes and the status of the execution of duties, full-time members of the Audit Committee not only attend important committees and other meetings, such as the Group Management Meeting, but also peruse important documents relating to the execution of business such as approval circulars.
- (v) The meetings of the Audit Committee were held 17 times in the current fiscal year. Discussions were mainly on the Rules of the Audit Committee and the selection of the Accounting Auditor.

VI. Other

- (i) Documents relating to the execution of duties by Executive Officers and Directors and the minutes of the important meetings and committees such as the meetings of the Board of Directors and the Group Management Meeting are being accurately recorded and prepared, and information is being properly stored and managed.
- (ii) The Company reports periodically and whenever necessary on the status of digital information management and related matters to the Board of Directors, the Audit Committee, the Group Management Meeting and the President and Representative Executive Officer.

(3) Basic policy regarding control of the Company

I. Contents of basic policy

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

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

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

A party attempting this kind of Large-Scale Purchase, which would not contribute to the corporate value of the Group and, by extension, the common interests of its shareholders (hereinafter, the “Large-Scale Purchaser”), would not be appropriate as a party controlling the Company’s financial

and business policy decisions. Accordingly, the Company believes that it is the duty of the Company's Board of Directors, which is entrusted by the shareholders to manage the Company, to respond to this kind of Large-Scale Purchase by ensuring that processes such as provision of information by the Large-Scale Purchaser and considerations and evaluations by the Company's Board of Directors are carried out, and securing sufficient time for the Company's Board of Directors and shareholders to consider the details of the Large-Scale Purchaser's proposal in order to prevent damage to the corporate value of the Group and, by extension, the common interests of its shareholders.

II. Frameworks contributing to realization of basic policy

Since the foundation of Daimaru and Matsuzakaya, the Group has been engaged in businesses of kimono fabric stores and department stores for many years based on the corporate philosophies and traditional spirits of these businesses, which are: "Service before profit (those who place service before profit will prosper)," "Abjure all evil and practice all good" and "In doing good to others, we do good to ourselves."

The Company believes that the sources of the Group's corporate value are the relationships of trust it has established with customers and with society, which have been refined on the basis of these philosophies and spirits.

Accordingly, in order to exemplify the principles of "customer-first principle" and "contribution to society," which are in common with these philosophies and spirits, the Company has established the following basic philosophies of the Group: "to aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations" and "to aim at developing the Group by making a broad contribution to society as a fair and trusted business entity." Based on these basic philosophies, the Company implements a wide range of measures, under the Group Vision of "Create and Bring to Life 'New Happiness,'" in order to make a contribution to securing and enhancing the corporate value of the Group and, by extension, the common interests of shareholders.

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

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

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

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

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

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

Furthermore, if the Company takes necessary and appropriate countermeasures against a Large-Scale Purchaser judged to be inappropriate in light of the basic policy, the fairness, neutrality and rationality of this judgment will be ensured by making it in consideration of advice and opinions

from an independent committee whose independence from the Internal Directors of the Company is assured. Accordingly, the Company believes that these measures would not damage the corporate value of the Group or the common interests of shareholders, and that they are not intended to maintain the positions of the officers of the Company.

(4) Basic Capital Policy

The Company believes that any increase in free cash flow and improvement in ROE should help to ensure its sustainable growth and increase corporate value over the medium to long term. To such ends, the Company promotes a capital policy that takes a balanced approach to undertaking strategic investment, enhancing shareholder returns, and expanding net worth being equipped to address risks.

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.

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

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

(6) Sustainability Policy

(i) Aiming for sustainable society

The society we live in is facing various social issues inside and outside Japan, including abnormal weather, water resource crises, resource depletion, widening disparity, underemployment, and human rights issues. Among these issues are environmental risks that have been particularly evident in recent years, and the environment surrounding us is drastically changing due to global warming and the worsening global environment. Corporations are required to make even more contributions to a sustainable society in line with the international initiatives by, for example, addressing climate change in accordance with the Paris Agreement and the social issues listed in the "Sustainable Development Goals (SDGs)" adopted by the United Nations. Initiatives toward environment, society, and governance by corporations are thus indispensable.

Whereas Daimaru and Matsuzakaya, which are the cornerstones of the Group, have carried out business activities in their long history spanning 300 to 400 years under the corporate credos "Service before profit" and "Abjure all evil; pursue all good," representing their commitment to pursuing the right path. Our Group Vision "Create and Bring to Life 'New Happiness'" has been newly established based on these concepts. Now we are engaged in business activities aiming at realization of happy future of our customers, always bearing life of each and every one of them in mind.

We have many places where we communicate with customers, including retail stores. These places allow various people to get together and meet each other, including customers, employees, business partners, and residents in the local community. Local communities where people rooted in play a vital role in maintaining these communication places rich. Such communities should be sustained as touchpoints brimming with energy at all times. To this end, we believe it important to pass down the global environment that supports these whole activities smoothly to the future generations. This means

that, in order for us to Create and Bring to “Life New Happiness” as we aspired, it is important to maintain the communication places; and this can only be achieved with sustainable society.

(ii) Five materiality issues (key issues)

We have set the places of communication with customers as one of the key areas that the Company designates for the sustainability management and are seriously making concerted efforts to realize a sustainable society on our own initiative. In this endeavor, we have received various opinions from stakeholders through questionnaires and have had repeated discussions at the Management Meetings and the Board of Directors meetings. As a result, we identified five materiality issues that we need to address: “contribution to a low-carbon society,” “management of the entire supply chain,” “coexistence with local communities,” “promotion of diversity” and “realization of work-life balance.” We believe our efforts to address these materiality issues will contribute to achieving the global “Sustainable Development Goals (SDGs).” Among these five materiality issues, the management team puts the greatest focus on “contribution to a low-carbon society (actions against climate change),” which is an urgent issue. We are addressing this issue as the mission of a member of society and developed the “JFR Eco Vision” with an eye to 2050 to help realize a sustainable society. Based on this Vision, we will aim to achieve both the resolution of environmental issues and corporate growth.

In view of the above matters, we are committed to fulfilling our environmental and social responsibilities to customers toward the achievement of a sustainable society, and at the same time, as a Multi Service Retailer, will pursue the creation of “new happiness” of life of each and every stakeholder. At the same time, we will continue achieving sustainable growth by strengthening corporate governance to tirelessly continue these initiatives.

(7) IR Policy

Under the basic philosophy 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.

Consolidated Financial Statements

Consolidated Statement of Financial Position (As of February 28, 2019)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
<u>Current assets</u>	<u>211,281</u>	<u>Current liabilities</u>	<u>275,028</u>
Cash and cash equivalents	25,659	Bonds and borrowings	31,320
Trade and other receivables	132,943	Trade and other payables	138,938
Other financial assets	7,324	Other financial liabilities	32,252
Inventories	38,349	Income tax payables	8,174
Other current assets	7,004	Provisions	1,851
		Other current liabilities	62,490
<u>Non-current assets</u>	<u>818,291</u>	<u>Non-current liabilities</u>	<u>286,059</u>
Property, plant and equipment	471,238	Bonds and borrowings	143,058
Goodwill	523	Other financial liabilities	38,486
Investment property	197,162	Retirement benefit liabilities	29,003
Intangible assets	4,489	Provisions	5,176
Investments accounted for using equity method	17,616	Deferred tax liabilities	60,455
Other financial assets	96,225	Other non-current liabilities	9,880
Deferred tax assets	8,280		
Other non-current assets	22,754		
		Total liabilities	561,087
		Equity	
		<u>Total equity attributable to owners of parent</u>	<u>412,700</u>
		Capital	31,974
		Capital surplus	212,210
		Treasury shares	(15,090)
		Other components of equity	14,745
		Retained earnings	168,861
		<u>Non-controlling interests</u>	<u>55,784</u>
		Total equity	468,485
Total assets	1,029,573	Total liabilities and equity	1,029,573

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

Consolidated Statement of Profit or Loss (From March 1, 2018 to February 28, 2019)

(Millions of yen)

Item	Amount
Revenue	459,840
Cost of sales	(247,443)
Gross profit	212,396
Selling, general and administrative expenses	(166,882)
Other operating profit	3,237
Other operating expense	(7,860)
Operating profit	40,891
Finance income	1,104
Finance costs	(1,170)
Share of profit (loss) of investments accounted for using equity method	1,301
Profit before tax	42,126
Income tax expense	(12,950)
Profit	29,176
Profit attributable to:	
Owners of parent	27,358
Non-controlling interests	1,817
Profit	29,176

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

Consolidated Statement of Changes in Equity (From March 1, 2018 to February 28, 2019)

(Millions of yen)

	Equity attributable to owners of parent							
	Capital	Capital surplus	Treasury shares	Other components of equity				Total
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	
Balance as of March 1, 2018	31,974	211,864	(15,244)	(43)	(15)	15,831	–	15,772
Effect of changes in accounting policies	–	–	–	–	–	–	–	–
Balance reflecting changes in accounting policies	31,974	211,864	(15,244)	(43)	(15)	15,831	–	15,772
Profit	–	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	(70)	60	(530)	(1,186)	(1,727)
Total comprehensive income	–	–	–	(70)	60	(530)	(1,186)	(1,727)
Purchase of treasury shares	–	–	(8)	–	–	–	–	–
Disposal of treasury shares	–	(0)	0	–	–	–	–	–
Dividends	–	–	–	–	–	–	–	–
Changes in ownership interests in subsidiaries	–	1	–	–	–	–	–	–
Share-based payment transactions	–	343	162	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(466)	1,186	719
Other	–	–	–	29	(49)	–	–	(19)
Total transactions with owners	–	345	154	29	(49)	(466)	1,186	699
Balance as of February 28, 2019	31,974	212,210	(15,090)	(83)	(5)	14,834	–	14,745

	Equity attributable to owners of parent		Non-controlling interests	Total
	Retained earnings	Total		
Balance as of March 1, 2018	151,151	395,519	55,368	450,887
Effect of changes in accounting policies	487	487	–	487
Balance reflecting changes in accounting policies	151,639	396,006	55,368	451,374
Profit	27,358	27,358	1,817	29,176
Other comprehensive income	–	(1,727)	58	(1,668)
Total comprehensive income	27,358	25,631	1,875	27,507
Purchase of treasury shares	–	(8)	–	(8)
Disposal of treasury shares	–	0	–	0
Dividends	(9,417)	(9,417)	(942)	(10,359)
Changes in ownership interests in subsidiaries	–	1	(516)	(515)
Share-based payment transactions	–	505	–	505
Transfer from other components of equity to retained earnings	(719)	–	–	–
Other	–	(19)	–	(19)
Total transactions with owners	(10,136)	(8,937)	(1,459)	(10,396)
Balance as of February 28, 2019	168,861	412,700	55,784	468,485

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

Non-consolidated Financial Statements

Non-consolidated Balance Sheet (As of February 28, 2019)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
<u>Current assets</u>	<u>29,319</u>	<u>Current liabilities</u>	<u>14,067</u>
Cash and deposits	9,416	Short-term loans payable	12,390
Short-term loans receivable from subsidiaries and associates	17,143	Accrued expenses	516
Other	2,758	Income taxes payable	138
		Provision for bonuses	168
		Provision for directors' bonuses	138
		Provision for officer remuneration	100
		BIP trust	
		Other	615
		<u>Non-current liabilities</u>	<u>91,530</u>
<u>Non-current assets</u>	<u>386,456</u>	Bonds payable	50,000
<u>Property, plant and equipment</u>	<u>147</u>	Long-term loans payable	39,425
Buildings and structures	117	Provision for officer remuneration	434
Other	29	BIP trust	
		Deferred tax liabilities	12
		Other	1,658
		<u>Total liabilities</u>	<u>105,597</u>
<u>Intangible assets</u>	<u>195</u>	<u>Net assets</u>	
Software	195	<u>Shareholders' equity</u>	<u>310,317</u>
		Capital stock	31,974
		Capital surplus	249,075
		Legal capital surplus	9,474
		Other capital surplus	239,601
<u>Investments and other assets</u>	<u>386,113</u>	Retained earnings	43,593
Investment securities	1,157	Other retained earnings	43,593
Shares of subsidiaries and associates	313,151	Retained earnings brought forward	43,593
Long-term loans receivable from subsidiaries and associates	71,375	Treasury shares	(14,326)
Other	429		
<u>Deferred assets</u>	<u>151</u>	<u>Valuation and translation adjustments</u>	<u>12</u>
Bond issuance cost	151	Valuation difference on available-for-sale securities	12
		<u>Total net assets</u>	<u>310,329</u>
<u>Total assets</u>	<u>415,927</u>	<u>Total liabilities and net assets</u>	<u>415,927</u>

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

Non-consolidated Statement of Income (From March 1, 2018 to February 28, 2019)

(Millions of yen)

Item	Amount	
Operating revenue		
Dividend income	13,268	
Consulting fee income	5,501	18,770
General and administrative expenses		4,843
Operating profit		13,926
Non-operating profit		
Interest income	418	
Dividend income	125	
Reversal of allowance for loan losses	19	
Other	29	593
Non-operating expenses		
Interest expenses	424	
Other	108	532
Ordinary profit		13,987
Extraordinary income		
Reversal of provision for loss on business liquidation	20	20
Extraordinary losses		
Loss on sales of shares of subsidiaries and associates	85	85
Profit before income taxes		13,922
Income taxes - current	18	
Income taxes - deferred	6	25
Profit		13,897

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

Non-consolidated Statement of Changes in Equity (From March 1, 2018 to February 28, 2019)

(Millions of yen)

	Shareholders' equity						Valuation and translation adjustments	Total net assets
	Capital stock	Capital surplus		Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	
		Legal capital surplus	Other capital surplus	Other retained earnings Retained earnings brought forward				
Balance as of February 28, 2018	31,974	7,500	241,575	39,199	(14,480)	305,769	33	305,802
Cumulative effects of correction of errors		1,974	(1,974)			-		-
Restated balance as of March 1, 2018	31,974	9,474	239,601	39,199	(14,480)	305,769	33	305,802
Changes of items during the fiscal year								
Dividends of surplus				(9,503)		(9,503)		(9,503)
Profit				13,897		13,897		13,897
Purchase of treasury shares					(8)	(8)		(8)
Disposal of treasury shares			0		162	162		162
Net changes of items other than shareholders' equity							(21)	(21)
Total changes of items during the fiscal year	-	-	0	4,393	153	4,547	(21)	4,526
Balance as of February 28, 2019	31,974	9,474	239,601	43,593	(14,326)	310,317	12	310,329

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

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

Report of Independent Auditors

April 5, 2019

The Board of Directors
J. Front Retailing Co., Ltd.

Ernst & Young ShinNihon LLC
Kazunori Takenouchi (seal)
Certified Public Accountant
Designated and Engagement Partner
Yoshihisa Shibayama (seal)
Certified Public Accountant
Designated and Engagement Partner
Hiroshi Matsuura (seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Paragraph 4, Article 444 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the notes to the consolidated financial statements of J. Front Retailing Co., Ltd. (the “Company”) applicable to the fiscal year from March 1, 2018 through February 28, 2019.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in conformity with the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting that allows companies to prepare consolidated financial statements with the omission of a part of the disclosure items required under the designated International Financial Reporting Standards (“IFRS”), and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the J. Front Retailing Group, which consisted of the Company and consolidated subsidiaries, applicable to the 12th fiscal year from March 1, 2018 through February 28, 2019 in conformity with the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting that allows companies to prepare consolidated financial statements with the omission of a part of the disclosure items required under IFRS.

Conflicts of Interest

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

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

Report of Independent Auditors

April 5, 2019

The Board of Directors
J. Front Retailing Co., Ltd.

Ernst & Young ShinNihon LLC
Kazunori Takenouchi (seal)
Certified Public Accountant
Designated and Engagement Partner
Yoshihisa Shibayama (seal)
Certified Public Accountant
Designated and Engagement Partner
Hiroshi Matsuura (seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity, the notes to the financial statements and the related supplementary schedules of J. Front Retailing Co., Ltd. (the “Company”) applicable to the 12th fiscal year from March 1, 2018 through February 28, 2019.

Management’s Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on the financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity’s preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of the Company applicable to the 12th fiscal year from March 1, 2018 through February 28, 2019 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

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

THE AUDIT REPORT OF AUDIT COMMITTEE MEMBERS

Audit Report

The Audit Committee has audited the performance of duties by Directors and Executive Officers of J. Front Retailing Co., Ltd. (the “Company”) during the 12th fiscal year from March 1, 2018 through February 28, 2019. We hereby report as follows regarding the method and results of the audit.

1. Method and content of audits

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

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

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

(iii) While monitoring and reviewing the audit of the Accounting Auditor to ensure they maintained an independent position and conducted their audits fairly, Audit Committee members received reports from them regarding the performance of their duties, and when necessary, asked for further explanation regarding those reports. Audit Committee members also received notice from the Accounting Auditor in accordance with “the system for ensuring appropriate execution of their duties” (as enumerated in each Item of Article 131 of the Regulation on Corporate Accounting) in compliance with the “Quality Control Standards Relating to Auditing” (adopted by the Business Accounting Deliberations Council in October 28, 2005), and, where necessary, Audit Committee members requested further explanation regarding that notice.

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

2. Audit Results

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

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

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

(iii) The Audit Committee confirms that decisions by the Board of Directors regarding the Company's internal control systems are fair and adequate, and found no areas that require mention regarding the description of the internal control systems in the Business Report and the performance of duties by Directors and Executive Officers. As stated in the Business Report, Daimaru Matsuzakaya Department Stores Co. Ltd., a subsidiary of the Company, takes the situation, in which the company received an on-site inspection by the Japan Fair Trade Commission (the "JFTC") in the preceding fiscal year, to heart, and has reinforced its monitoring to ensure legal compliance. As a result, the company detected a violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in delivery charges on customers for gifts, etc. Daimaru Matsuzakaya Department Stores has voluntarily reported the violation by making an application under the JFTC's leniency program, and it has stopped the conduct that was in violation with the Act and fully cooperated in the JFTC's investigation. Since such actions were recognized, Daimaru Matsuzakaya Department Stores has not received any cease and desist order or surcharge payment order. However, the Audit Committee confirms that the Company and J. Front Retailing Group (the "Group") are taking this matter seriously and sincerely and will continue to further strengthen the compliance system of the Group.

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

April 9, 2019
Audit Committee
J. Front Retailing Co., Ltd.

DOI Zenichi (seal)
Chairperson of Audit Committee (full-time)

TSUTSUMI Hiroyuki (seal)
Audit Committee member (full-time)

ISHII Yasuo (seal)
Audit Committee member

NISHIKAWA Koichiro (seal)
Audit Committee member

SATO Rieko (seal)
Audit Committee member

(Note) Audit Committee members, namely, ISHII Yasuo, NISHIKAWA Koichiro and SATO Rieko are Outside Directors as prescribed in Item 15, Article 2 and Paragraph 3, Article 400 of the Companies Act.