

April 15, 2024

Consolidated Financial Results for the Fiscal Year Ended February 29, 2024 (under IFRS)

Company name: **J. FRONT RETAILING Co., Ltd.**

Listing: Tokyo Stock Exchange and Nagoya Stock Exchange

Securities code: 3086

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Scheduled date of annual general shareholders meeting: May 23, 2024

Scheduled date to commence dividend payments: May 7, 2024

Scheduled date to file Annual Securities Report: May 29, 2024

Preparation of supplementary material on financial results: Yes

Holding of financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated performance for the fiscal year ended February 29, 2024 (from March 1, 2023 to February 29, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Gross sales		Sales revenue		Business profit		Operating profit		Profit before tax	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 29, 2024	1,151,972	15.3	407,006	13.2	44,330	78.4	43,048	125.9	41,343	145.0
February 28, 2023	998,755	15.3	359,679	8.5	24,854	112.1	19,059	103.2	16,873	172.6

	Profit attributable to owners of parent		Total comprehensive income		Basic earnings per share	Diluted earnings per share
Fiscal year ended	Millions of yen	%	Millions of yen	%	Yen	Yen
February 29, 2024	29,913	110.1	30,935	88.6	114.06	114.06
February 28, 2023	14,237	229.4	16,402	181.9	54.32	54.30

	Profit/shareholders' equity	Operating profit/total assets	Operating profit/sales revenue
Fiscal year ended	%	%	%
February 29, 2024	8.1	3.9	10.6
February 28, 2023	4.0	1.6	5.3

- * 1. Of sales revenue, sales from purchase recorded at the time of sale (shoka shiire) of the "Department Store Business" have been converted into gross amount and the net amount of sales of the "SC Business" into tenant transaction volume (gross amount basis) to calculate gross sales.
2. Business profit is obtained by subtracting cost of sales and selling, general and administrative expense from sales revenue. Operating profit is obtained by adding other operating income to and subtracting other operating expenses from business profit.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets	Equity attributable to owners of parent per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
February 29, 2024	1,114,726	394,232	381,898	34.3	1,453.71
February 28, 2023	1,120,953	371,410	359,385	32.1	1,370.43

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended February 29, 2024	90,692	13,429	(72,746)	71,342
February 28, 2023	65,480	(13,371)	(105,694)	39,874

2. Cash dividends

	Annual dividends					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends attributable to owners of parent (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended February 28, 2023	–	15.00	–	16.00	31.00	8,122	57.1	2.3
Fiscal year ended February 29, 2024	–	16.00	–	20.00	36.00	9,437	31.6	2.5
Fiscal year ending February 28, 2025 (Forecast)	–	20.00	–	20.00	40.00		43.6	

3. Consolidated earnings forecasts for the fiscal year ending February 28, 2025 (from March 1, 2024 to February 28, 2025)

(Percentages indicate year-on-year changes.)

	Gross sales		Sales revenue		Business profit		Operating profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First six months ending August 31, 2024	581,000	7.6	204,000	6.5	25,500	26.3	23,000	16.8	21,500	14.3
Fiscal year ending February 28, 2025	1,200,000	4.2	421,500	3.6	44,500	0.4	37,500	(12.9)	34,500	(16.6)

	Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Yen
First six months ending August 31, 2024	15,000	16.3	58.04
Fiscal year ending February 28, 2025	23,500	(21.4)	91.71

Note: The Company has resolved on acquisition of own shares, etc. at a meeting of the Board of Directors held on April 15, 2024. The figures for “Basic earnings per share” in the consolidated earnings forecasts for the fiscal year ending February 28, 2025 take into account the impact of the acquisition of own shares.

Please refer to “4. Consolidated financial statements and significant notes thereto (5) Notes to consolidated financial statements (Significant subsequent events)” on page 24 of the material attached to this financial results report for information on the acquisition of own shares.

* **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates

- a. Changes in accounting policies required by IFRS: None
- b. Changes in accounting policies due to other reasons: None
- c. Changes in accounting estimates: None

(3) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of February 29, 2024	270,565,764 shares
As of February 28, 2023	270,565,764 shares

b. Number of treasury shares at the end of the period

As of February 29, 2024	7,858,962 shares
As of February 28, 2023	8,323,612 shares

c. Average number of shares during the period

For the fiscal year ended February 29, 2024	262,260,084 shares
For the fiscal year ended February 28, 2023	262,075,939 shares

<Reference> Non-consolidated performance**Non-consolidated performance for the fiscal year ended February 29, 2024
(from March 1, 2023 to February 29, 2024)****(1) Non-consolidated operating results**

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
February 29, 2024	16,512	8.4	8,539	(4.7)	8,741	5.5	17,251	104.2
February 28, 2023	15,238	(1.6)	8,959	(14.6)	8,284	(12.8)	8,448	(40.7)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
February 29, 2024	65.82	65.82
February 28, 2023	32.25	32.24

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
February 29, 2024	639,463	345,175	54.0	1,316.73
February 28, 2023	574,302	336,121	58.5	1,282.90

Reference: Equity

As of February 29, 2024: ¥345,175 million

As of February 28, 2023: ¥336,121 million

<Reason for difference compared with the previous fiscal year's actual non-consolidated performance>

Operating revenue and profit increased as a result of factors that include gains in dividend income and consulting fee income from subsidiaries, and the recording of gain on sales of shares of subsidiaries and associates.

*** Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.***** Proper use of earnings forecasts, and other special matters**

(Caution regarding forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. These statements do not purport that the Company pledges to realize such statements. Actual business and other results may differ substantially due to various factors. Please refer to "1. Operating results (1) Analysis of operating results" on page 2 of the material attached to this financial results report for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof.

(How to obtain supplementary material on financial results)

Supplementary material on financial results was disclosed on the same day on TDnet.

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1. Operating results

(1) Analysis of operating results

A. Operating results for the current fiscal year

(Millions of yen, %)	Fiscal year ended February 29, 2024	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Gross sales	1,151,972	153,217	15.3	20,972
Sales revenue	407,006	47,327	13.2	1,506
Gross profit	195,516	25,980	15.3	3,016
Selling, general and administrative expense	151,185	6,503	4.5	1,185
Business profit	44,330	19,476	78.4	1,830
Other operating income	3,673	(867)	(19.1)	473
Other operating expenses	4,955	(5,381)	(52.1)	(745)
Operating profit	43,048	23,989	125.9	3,048
Profit attributable to owners of parent	29,913	15,676	110.1	2,913

In the fiscal year under review, the Japanese economy continued to demonstrate a moderate recovery, buoyed mainly by growth in the consumption of services and inbound tourist demand with social and economic activities normalizing in earnest, despite the mounting uncertainties stemming primarily from the destabilization of international affairs and slowing global economic activity.

There was only a modest recovery in personal spending, chiefly because the rebound in consumption was brought to a standstill by a decline in real wages as a result of inflation, even though face-to-face services and the like increased as employment and income conditions continued to improve.

We continued to implement the sustainability management-focused Medium-term Business Plan (FY2021–FY2023) that commenced in FY2021. We positioned the plan as a period to achieve a complete recovery from the COVID-19 pandemic and to start working towards renewed growth from FY2024 onwards. We mainly focused on the plan’s three key strategies, management structure reforms, and the strengthening of our management foundation to support medium- and long-term growth.

In the fiscal year under review, which corresponds to the final year of the plan, we steadily pressed ahead with the key strategies and measures called for in the plan in order to capture recovering domestic spending and inbound tourist demand, to make sure we were well placed to achieve the aforementioned complete recovery, and to transition to a phase of renewed growth from FY2024 onwards.

Our commitment to sustainability primarily involved engaging in activities integrating our seven materiality issues (priority issues) with our key strategies, seeking solutions to environmental and social challenges. As a result of the efforts outlined above, even despite the longer-than-expected impacts of COVID-19, we have more or less achieved the key management targets called for in the plan, including consolidated operating profit of ¥40,300 million. Our financial position has also improved mainly because we reduced our interest-bearing debt.

In addition, alongside the implementation of strategies geared towards achieving the plan’s targets, we have formulated a Group vision for the year 2030, plus our next Medium-term Business Plan commencing in FY2024 and running through to FY2026. And with a view to further strengthening the management of the Group and enhancing corporate value, we have decided on a new management structure to kick off the next plan.

In our “Real x digital strategy,” we promoted strategic investments such as for strengthening core categories and renovation works to increase the attractiveness of our real stores, primarily in our Department Store Business and SC (Shopping Center) Business, with a focus on our flagship stores. We also worked to increase the value of visiting our stores by strengthening promotional activities such as large-scale onsite events. As part of our efforts to utilize digital technology, we worked on expanding our online business mainly through subscription services. Also, with the aim of forging strong relationships with customers, we sought to digitalize customer touchpoints with the use of apps and other means.

Under our “prime life strategy,” in order to strengthen our response to the affluent market, together with our efforts mainly based on the “gaisho” (out-of-store sales) to expand our core categories, we worked on developing novel and exceptional products and services for both in-store and online offerings, and also on gaining new customers and expanding our customer base.

For our “developer strategy,” under the new business promotion structure launched this fiscal year, we formulated and promoted medium- to long-term development plans, focusing on key areas in seven cities where we have a foundation, which now includes Fukuoka’s Tenjin area in addition to Nagoya’s Sakae area and Osaka’s Shinsaibashi area. In addition, we entered the residential real estate business to utilize our asset holdings effectively, and worked on property development.

As part of our management structure reforms, in addition to the benefits of restructuring organizations and personnel, we were able to lower fixed costs by more than our initial calculations, primarily by reviewing the outsourcing of business processes and switching to digital advertising. Also, as a measure for improving management efficiency, we divested our equity stake in StylingLife Holdings Inc. As a result, this company was removed from the scope of our equity method affiliates. We ceased operations of Shintokorozawa PARCO at the end of February 2024.

In addition to advancing these strategies, we invested in Financie, Inc., QON Inc., and eight other companies through a CVC (corporate venture capital) fund with a view to transforming our business portfolio and creating new businesses through co-creation efforts with other firms. Moreover, based on our approach to coexisting with local communities, which is one of our key sustainability issues, we set up a business succession fund in partnership with other companies for the purpose of contributing to communities and discovering and inheriting products and services with ties to each region.

With these initiatives, as part of the Group human resources strategy, we stepped up the recruitment of highly specialized personnel in the holding company and in each business and set about developing their capabilities. We also endeavored to develop our human resources on a Group-wide basis, by methodically training digital-savvy employees and encouraging the participation of mid-career and young employees. In addition, we actively promoted open staffing that reflects employees’ wishes and motivations, and personnel exchanges that enhance the diversity of the organization and its human resources.

In the Group financial strategy, we managed to improve our financial standing mainly by streamlining cash and deposits on hand and reducing interest-bearing debt in light of changes in the operating environment and the future outlook. We also drew up a medium- to long-term financial policy in anticipation of the next Medium-term Business Plan.

Under the Group systems strategy, in addition to supporting the promotion of the key strategies in each business, we introduced a group-wide accounting system at operating companies to enhance business management and improve productivity, and strengthened our response to information security and business continuity.

As a result of various measures including those mentioned above, sales revenue was ¥407,006 million (up 13.2% year on year), with respect to consolidated earnings for the current fiscal year. As for business profit, in addition to the improvement in sales revenue, the effects of fixed cost reductions and cost savings resulted in business profit of ¥44,330 million (up 78.4% year on year). While impairment losses were recorded at some branches of our department stores, proceeds from transfer of shares of equity method associates also factored in, and operating profit rose sharply to ¥43,048 million (up 125.9% year on year), profit before tax was ¥41,343 million (up 145.0% year on year), and profit attributable to owners of parent was ¥29,913 million (up 110.1% year on year).

Regarding dividends, the Company has decided to pay an annual dividend of ¥36 per share (¥31 in the previous fiscal year), for an increase of ¥5 relative to the previous fiscal year.

Business results by segment are as follows.

Following the reorganization on March 1, 2023, real estate has been transferred from PARCO CO., LTD. to J. Front City Development Co., Ltd. As a result, results have been retroactively adjusted as if the transfer took place at the beginning of the fiscal year ended February 28, 2023 (as of March 1, 2022).

<Department Store Business>

(Millions of yen, %)	Fiscal year ended February 29, 2024	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Sales revenue	239,125	23,371	10.8	3,825
Business profit	26,265	13,431	104.6	1,965
Operating profit	23,587	16,058	213.3	1,287

With social and economic activity normalizing in earnest, sales revenue increased significantly due to the effect of strategies and measures, such as the response to a strong affluent market, in addition to further growth in sales from foreign tourists visiting Japan.

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

As for initiatives for the key strategies, we strengthened and revamped our core categories, such as luxury brands and high-end watches, mainly at our flagship stores, and we also worked on creating a sophisticated in-store environment with the introduction of lounges for loyal customers. Also, with the aim of strengthening our online business, we sought to create new customer experiences with the use of digital methods, for example, by expanding subscription services for fashion, art, and food. And with a view to building strong relationships with customers, to complement our brick-and-mortar stores, we made steady progress on digitalizing customer touchpoints via the Daimaru Matsuzakaya smartphone app.

As a result of various measures including those mentioned above, sales revenue was ¥239,125 million (up 10.8% year on year). Operating profit increased significantly to ¥23,587 million (up 213.3% year on year) despite factors such as an increase in variable costs associated with the improvement of sales revenue.

<SC Business>

(Millions of yen, %)	Fiscal year ended February 29, 2024	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Sales revenue	57,944	4,165	7.7	(508)
Business profit	8,379	2,525	43.1	1,189
Operating profit	9,414	5,170	121.8	1,316

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

Based on our key strategies, at Ikebukuro PARCO we created a zone that enlisted integration of high-profile entertainment shops to promote the attractiveness of stores. At Nagoya PARCO, we promoted

strategic remodeling by expanding unisex and women's elements and revamping common areas. Urawa PARCO, meanwhile, welcomed new tenants based on the keywords of "proposing charming and quality lifestyles" and "comfortable daily living." Furthermore, to increase the value of visiting stores, we worked on our unique promotion, such as by developing large-scale mobilization events for popular TV anime at each store, and for Shibuya PARCO, which celebrated its 50th anniversary, we held an exhibition titled "The Advertisements (Advertising PARCO) 1969-2023" covering the history of creative advertising spanning over half a century. We ceased operations of Shintokorozawa PARCO at the end of February 2024.

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

<Developer Business>

(Millions of yen, %)	Fiscal year ended February 29, 2024	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Sales revenue	78,418	23,166	41.9	2,518
Business profit	7,546	5,070	204.7	546
Operating profit	7,437	4,253	133.5	337

Under the new business promotion structure launched in the fiscal year ended February 29, 2024, we worked on formulating medium- to long-term development plans, focusing on key areas in seven cities where the Group has a foundation, from the viewpoint of Group-wide optimization. Specifically, we promoted the redevelopment plans for the "Nishiki 3-25 District Project (tentative name)" in Nagoya's Sakae area and the "Shinsaibashi project (tentative name)" in Osaka's Shinsaibashi area in addition to Fukuoka's Tenjin area, all of which are scheduled for completion and opening in 2026. In terms of developing non-commercial facilities with the use of our real estate holdings, we completed three residential properties.

In the construction and interior design business, with an eye on investment opportunities in mainly the redevelopment of urban areas and the opening of new stores, we worked on bolstering our sales capabilities in a bid to participate in development projects for hotels and the like, and to also secure more orders from boutique brands.

As a result of the various measures including those mentioned above, sales revenue was ¥78,418 million (up 41.9% year on year) as a result of the sale of developed properties to a fund formed within the Group, an increase in interior decorating/facility work, facility management services, etc., both within the Group and outside it. As a result, operating profit increased to ¥7,437 million (up 133.5% year on year).

<Payment and Finance Business>

(Millions of yen, %)	Fiscal year ended February 29, 2024	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Sales revenue	13,115	226	1.8	(435)
Business profit	2,777	(709)	(20.4)	(475)
Operating profit	2,583	(902)	(25.9)	(574)

In the payment business, we endeavored to gain members by collaborating with department stores, and we also held special events to raise awareness of our own loyalty points service, QIRA Points. We also strengthened our Affiliate Store Business by improving the payment environment at the Group's

commercial facilities, and forming alliances with other companies' facilities in areas containing the Group's stores. In the finance business, we mainly worked on the development of new services for members by partnering with other companies.

As a result of various measures, including those mentioned above, sales revenue increased to ¥13,115 million (up 1.8% year on year), but operating profit declined to ¥2,583 million (down 25.9% year on year), partly due to an increase in investment expenses for expanding business foundations and higher expenses associated with unauthorized card use.

<Other Businesses>

(Millions of yen, %)	Fiscal year ended February 29, 2024	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Sales revenue	51,925	(3,997)	(7.1)	(4,475)
Business profit	965	41	4.4	(435)
Operating profit	1,370	471	52.3	(330)

At wholesaler Daimaru Kogyo, sales revenue decreased to ¥51,925 million (down 7.1% year on year), mainly reflecting a downturn in orders in the mainstay electronic components division and weaker sales in the overseas business, but operating profit grew to ¥1,370 million (up 52.3% year on year) mainly by virtue of forex gains and gains on sales of properties.

B. Consolidated earnings forecasts for the next fiscal year

In our full-year consolidated earnings forecasts for the fiscal year ending February 28, 2025, we project gross sales of ¥1,200,000 million, sales revenue of ¥421,500 million; business profit of ¥44,500 million; operating profit of ¥37,500 million; profit before tax of ¥34,500 million; and profit attributable to owners of parent of ¥23,500 million. Our forecast for basic earnings per share is ¥91.71.

(2) Analysis of financial position

A. Position of assets, liabilities, and equity

(Millions of yen, %)	As of February 28, 2023	As of February 29, 2024	Change in amount
Current assets	201,860	246,501	44,641
Non-current assets	919,092	868,225	(50,867)
Total assets	1,120,953	1,114,726	(6,227)
Current liabilities	317,953	331,261	13,308
Non-current liabilities	431,589	389,232	(42,357)
Total liabilities	749,542	720,494	(29,048)
Equity attributable to owners of parent	359,385	381,898	22,513
Ratio of equity attributable to owners of parent to total assets	32.1	34.3	2.2
Total equity	371,410	394,232	22,822

Total assets as of February 29, 2024 was ¥1,114,726 million, down ¥6,227 million compared with February 28, 2023. Total liabilities was ¥720,494 million, a decrease of ¥29,048 million compared with February 28, 2023. Interest-bearing debt (including lease liabilities) was ¥364,398 million, down ¥49,551 million compared with February 28, 2023.

Total equity was ¥394,232 million, an increase of ¥22,822 million compared with February 28, 2023.

B. Cash flow position for the current fiscal year

(Millions of yen)	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024	Change in amount
Net cash flows from (used in) operating activities	65,480	90,692	25,212
Net cash flows from (used in) investing activities	(13,371)	13,429	26,800
Free cash flows	52,109	104,122	52,013
Net cash flows from (used in) financing activities	(105,694)	(72,746)	32,948
Net increase (decrease) in cash and cash equivalents	(53,585)	31,375	84,960
Cash and cash equivalents at end of period	39,874	71,342	31,468

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

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

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

Net cash provided by investing activities was ¥13,429 million. In comparison with the previous fiscal year, despite capital expenditures, cash provided increased by ¥26,800 million, largely due to proceeds from the sale of equity method affiliate shares and investment property.

Net cash used in financing activities was ¥72,746 million. Expenditures decreased by ¥32,948 million compared to the previous fiscal year despite continuing to proceed with repaying interest-bearing debt during this fiscal year.

<Reference> Trends in cash flow indicators

	Fiscal year ended February 28, 2021	Fiscal year ended February 28, 2022	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Ratio of equity attributable to owners of parent to total assets (%)	27.9	29.4	32.1	34.3
Market value ratio of equity attributable to owners of parent to total assets (%)	21.1	21.1	29.5	35.0
Interest-bearing debt to cash flow ratio (%)	996.6	1,006.9	632.2	401.8
Interest coverage ratio (times)	9.4	8.6	12.7	18.9

Ratio of equity attributable to owners of parent to total assets: total equity attributable to owners of parent / total assets

Market value ratio of equity attributable to owners of parent to total assets: market capitalization / total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt / cash flow

Interest coverage ratio: cash flow / paid interest

Notes: 1. All indicators are calculated based on consolidated financial figures.

2. Market capitalization is calculated by multiplying the closing stock price at the end of the period by the number of issued shares at the end of the period (excluding treasury shares).

3. The figure used for cash flow is “net cash from (used in) operating activities.”

4. Interest-bearing debt consists of current borrowings, commercial papers, current portion of bonds, lease liabilities (short-term), bonds, non-current borrowings and lease liabilities (long-term) recorded on the consolidated statement of financial position. Furthermore, regarding the paid interest, we use the interest paid recorded on the consolidated statement of cash flows.

(3) Basic policy on profit distribution and dividends for the current fiscal year and the next fiscal year

The Company's basic policy is to return profits appropriately by striving to provide a stable dividend and purchasing treasury shares in a flexible and agile manner, with the aim of maintaining and enhancing the Company's sound financial standing while keeping profit levels, future capital investment, free cash flow trends and other such factors in consideration. In accordance with this policy, the Company will strive to optimize shareholder's equity by providing dividends with a targeted consolidated dividend payout ratio of 40% or more and purchasing treasury shares during the period of its FY2024-FY2026 Medium-term Business Plan.

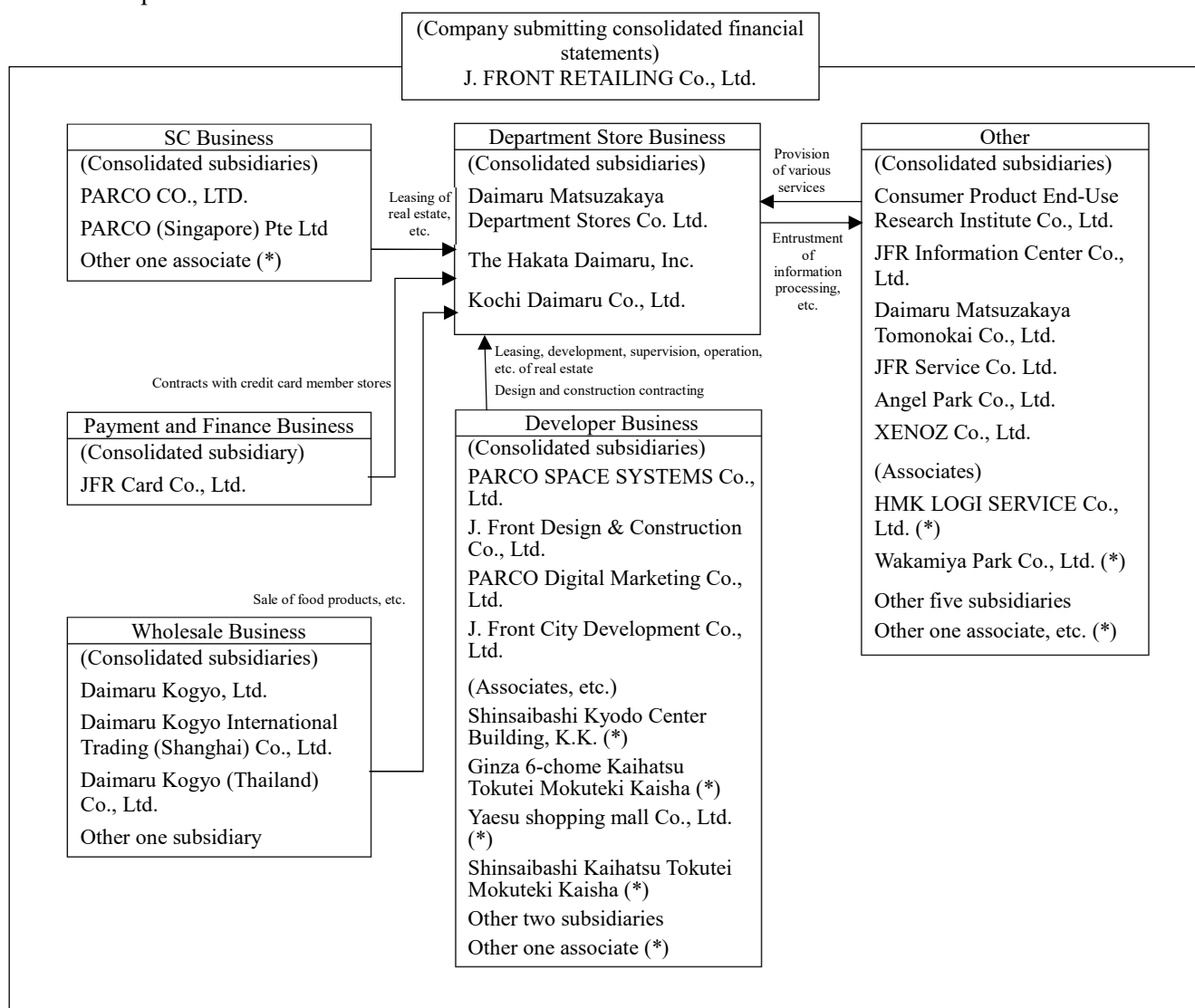
With respect to internal reserves, the Company intends to enhance corporate value by using them for such purposes as investing in store refurbishments to further strengthen the retail businesses (Department Store Business and SC Business), making upfront investments in the Developer Business aimed at realizing Group synergies, and implementing growth investment.

The Company has decided to pay an annual dividend of ¥36 per share in the current fiscal year, comprising an interim dividend of ¥16 per share and a year-end dividend of ¥20 per share.

In the next fiscal year, the Company plans to pay an annual dividend of ¥40 per share, comprising an interim dividend of ¥20 per share and a year-end dividend of ¥20 per share.

2. Overview of the corporate group

The corporate group consists of the Company, 27 subsidiaries and nine associates, etc. Its principal business is the Department Store Business, and its other businesses include the SC Business, the Developer Business, the Payment and Finance Business, wholesaling, parking, and leasing. The following is a business organization chart of the Group's main consolidated subsidiaries and equity method companies.



- Notes:
1. Companies marked with an asterisk (*) are equity method associates, etc.
 2. In segment information, wholesaling, parking, leasing, etc. are shown together as "Other." The other businesses are categorized in accordance with the segments.
 3. The liquidation of Taiwan Daimaru Kogyo, Ltd. was completed on November 14, 2023.
 4. On September 27, 2023, we divested our equity stake in StylingLife Holdings Inc. Accordingly, that company is no longer an equity method affiliate.
 5. On February 9, 2024, J&D Regional Development Inc. was established through a joint capital investment. That company is included in the scope of equity method affiliates.

3. Basic rationale on selection of accounting standard

The Group has voluntarily adopted the International Financial Reporting Standards (IFRS) from the fiscal year ended February 28, 2018 for the purpose of implementing effective management based on appropriate asset evaluation, applying business management that gives emphasis to the profit of the current period and improving the convenience of overseas investors by improving the international comparability of financial information.

4. Consolidated financial statements and significant notes thereto

(1) Consolidated statement of financial position

	As of February 28, 2023	As of February 29, 2024
	Millions of yen	Millions of yen
Assets		
Current assets		
Cash and cash equivalents	39,874	71,342
Trade and other receivables	129,121	143,321
Other financial assets	10,836	11,439
Inventories	16,932	15,193
Other current assets	5,094	5,203
Total current assets	201,860	246,501
Non-current assets		
Property, plant and equipment	469,401	458,623
Right-of-use assets	119,501	107,623
Goodwill	995	560
Investment property	187,247	181,985
Intangible assets	7,797	7,886
Investments accounted for using equity method	41,402	23,531
Other financial assets	79,711	72,034
Deferred tax assets	3,137	3,636
Other non-current assets	9,897	12,343
Total non-current assets	919,092	868,225
Total assets	1,120,953	1,114,726

	As of February 28, 2023	As of February 29, 2024
	Millions of yen	Millions of yen
Liabilities and equity		
Liabilities		
Current liabilities		
Bonds and borrowings	63,530	57,330
Trade and other payables	133,835	151,230
Lease liabilities	28,411	27,222
Other financial liabilities	29,975	28,362
Income tax payables	1,527	7,183
Provisions	2,397	2,487
Other current liabilities	58,276	57,445
Total current liabilities	317,953	331,261
Non-current liabilities		
Bonds and borrowings	185,593	156,618
Lease liabilities	136,414	123,228
Other financial liabilities	35,290	34,798
Retirement benefit liabilities	16,754	15,980
Provisions	8,699	6,746
Deferred tax liabilities	48,366	51,439
Other non-current liabilities	469	419
Total non-current liabilities	431,589	389,232
Total liabilities	749,542	720,494
Equity		
Capital	31,974	31,974
Share premium	189,068	189,172
Treasury shares	(14,466)	(14,231)
Other components of equity	10,654	7,383
Retained earnings	142,153	167,600
Total equity attributable to owners of parent	359,385	381,898
Non-controlling interests	12,025	12,333
Total equity	371,410	394,232
Total liabilities and equity	1,120,953	1,114,726

(2) Consolidated statement of income and consolidated statement of comprehensive income

(Consolidated statement of income)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
	Millions of yen	Millions of yen
Sales revenue	359,679	407,006
Cost of sales	(190,142)	(211,490)
Gross profit	169,536	195,516
Selling, general and administrative expense	(144,682)	(151,185)
Other operating income	4,540	3,673
Other operating expenses	(10,336)	(4,955)
Operating profit	19,059	43,048
Finance income	871	1,609
Finance costs	(5,218)	(4,847)
Share of profit (loss) of investments accounted for using equity method	2,161	1,532
Profit before tax	16,873	41,343
Income tax expense	(2,611)	(11,096)
Profit	14,262	30,247
Profit attributable to:		
Owners of parent	14,237	29,913
Non-controlling interests	25	333
Profit	14,262	30,247
Earnings per share		
Basic earnings per share (Yen)	54.32	114.06
Diluted earnings per share (Yen)	54.30	114.06

(Consolidated statement of comprehensive income)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
	Millions of yen	Millions of yen
Profit	14,262	30,247
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	823	(1,638)
Remeasurements of defined benefit plans	1,176	2,276
Share of other comprehensive income of entities accounted for using equity method	(7)	(75)
Total items that will not be reclassified to profit or loss	1,992	562
Items that may be reclassified to profit or loss		
Cash flow hedges	(1)	20
Exchange differences on translation of foreign operations	144	103
Share of other comprehensive income of entities accounted for using equity method	4	1
Total items that may be reclassified to profit or loss	147	126
Other comprehensive income, net of tax	2,140	688
Comprehensive income	16,402	30,935
Comprehensive income attributable to:		
Owners of parent	16,384	30,561
Non-controlling interests	18	373
Comprehensive income	16,402	30,935

(3) Consolidated statement of changes in equity

	Equity attributable to owners of parent					
	Capital	Share premium	Treasury shares	Other components of equity		
				Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at March 1, 2022	31,974	188,894	(14,780)	60	(1)	9,516
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	148	(1)	822
Total comprehensive income	—	—	—	148	(1)	822
Purchase of treasury shares	—	—	(8)	—	—	—
Disposal of treasury shares	—	(0)	1	—	—	—
Dividends	—	—	—	—	—	—
Obtaining of control of subsidiaries	—	—	—	—	—	—
Share-based payment transactions	—	175	322	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	109
Total transactions with owners	—	174	314	—	—	109
Balance at February 28, 2023	31,974	189,068	(14,466)	209	(2)	10,448
Profit	—	—	—	—	—	—
Other comprehensive income	—	—	—	105	20	(1,647)
Total comprehensive income	—	—	—	105	20	(1,647)
Purchase of treasury shares	—	—	(7)	—	—	—
Disposal of treasury shares	—	(0)	0	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	104	240	—	—	—
Change due to capital increase of consolidated subsidiaries	—	—	—	—	—	—
Changes in ownership interests in subsidiaries	—	0	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(1,749)
Total transactions with owners	—	103	234	—	—	(1,749)
Balance at February 29, 2024	31,974	189,172	(14,231)	314	17	7,050

	Equity attributable to owners of parent					
	Other components of equity				Non-controlling interests	Total
	Remeasure- ments of defined benefit plans	Total	Retained earnings	Total		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at March 1, 2022	–	9,574	134,705	350,368	11,751	362,120
Profit	–	–	14,237	14,237	25	14,262
Other comprehensive income	1,177	2,147	–	2,147	(6)	2,140
Total comprehensive income	1,177	2,147	14,237	16,384	18	16,402
Purchase of treasury shares	–	–	–	(8)	–	(8)
Disposal of treasury shares	–	–	–	0	–	0
Dividends	–	–	(7,857)	(7,857)	(64)	(7,921)
Obtaining of control of subsidiaries	–	–	–	–	319	319
Share-based payment transactions	–	–	–	497	–	497
Transfer from other components of equity to retained earnings	(1,177)	(1,067)	1,067	–	–	–
Total transactions with owners	(1,177)	(1,067)	(6,789)	(7,368)	255	(7,113)
Balance at February 28, 2023	–	10,654	142,153	359,385	12,025	371,410
Profit	–	–	29,913	29,913	333	30,247
Other comprehensive income	2,169	648	–	648	40	688
Total comprehensive income	2,169	648	29,913	30,561	373	30,935
Purchase of treasury shares	–	–	–	(7)	–	(7)
Disposal of treasury shares	–	–	–	0	–	0
Dividends	–	–	(8,386)	(8,386)	(64)	(8,450)
Share-based payment transactions	–	–	–	344	–	344
Change due to capital increase of consolidated subsidiaries	–	–	–	–	6	6
Changes in ownership interest in subsidiaries	–	–	–	0	(7)	(6)
Transfer from other components of equity to retained earnings	(2,169)	(3,919)	3,919	–	–	–
Total transactions with owners	(2,169)	(3,919)	(4,466)	(8,048)	(65)	(8,113)
Balance at February 29, 2024	–	7,383	167,600	381,898	12,333	394,232

(4) Consolidated statement of cash flows

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
	Millions of yen	Millions of yen
Cash flows from (used in) operating activities		
Profit before tax	16,873	41,343
Depreciation and amortization expense	49,107	46,492
Impairment loss	5,900	2,310
Finance income	(871)	(1,609)
Finance costs	5,218	4,847
Share of loss (profit) of investments accounted for using equity method	(2,161)	(1,532)
Loss (gain) on sales of non-current assets	(771)	(757)
Loss on disposals of non-current assets	2,102	1,302
Decrease (increase) in inventories	(2,185)	3,748
Decrease (increase) in trade and other receivables	(16,898)	(13,010)
Increase (decrease) in trade and other payables	17,599	18,001
Increase (decrease) in retirement benefit liabilities	(2,661)	(773)
Decrease (increase) in retirement benefit assets	3,360	(2,306)
Other, net	1,944	(812)
Subtotal	76,558	97,245
Interest received	123	150
Dividends received	170	899
Interest paid	(5,172)	(4,803)
Income taxes paid	(8,282)	(4,679)
Income taxes refund	2,083	1,880
Net cash flows from (used in) operating activities	65,480	90,692
Cash flows from (used in) investing activities		
Purchase of property, plant and equipment	(8,641)	(7,030)
Proceeds from sales of property, plant and equipment	190	241
Purchase of investment property	(3,043)	(1,594)
Proceeds from sales of investment property	1,599	4,014
Purchase of intangible assets	(3,099)	(2,863)
Purchase of investment securities	(1,946)	(1,885)
Proceeds from sales of investment securities	2,072	22,179
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(207)	—
Proceeds from refund of guarantee deposits	2,342	2,422
Other, net	(2,638)	(2,054)
Net cash flows from (used in) investing activities	(13,371)	13,429

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
	Millions of yen	Millions of yen
Cash flows from (used in) financing activities		
Net increase (decrease) in current borrowings	(24,000)	(9,100)
Net increase (decrease) in commercial papers	(15,002)	—
Proceeds from non-current borrowings	5,500	3,400
Repayments of non-current borrowings	(15,150)	(29,530)
Redemption of bonds	(20,000)	—
Repayments of lease liabilities	(29,138)	(29,088)
Purchase of treasury shares	(9)	(8)
Dividends paid	(7,832)	(8,362)
Dividends paid to non-controlling interests	(64)	(64)
Other, net	2	6
Net cash flows from (used in) financing activities	(105,694)	(72,746)
Net increase (decrease) in cash and cash equivalents	(53,585)	31,375
Cash and cash equivalents at beginning of period	93,278	39,874
Effect of exchange rate changes on cash and cash equivalents	181	92
Cash and cash equivalents at end of period	39,874	71,342

(5) Notes to consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Transition from the consolidated taxation system to the group tax sharing system)

The Company and certain consolidated domestic subsidiaries transitioned from the consolidated taxation system to the group tax sharing system from the fiscal year ended February 29, 2024. The adoption of the system had no significant impact on the consolidated financial statements.

(Segment information, etc.)

(1) Overview of reportable segments

The reportable segments of the Group are constituent units of the Group for which separate financial information is obtainable. These segments are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating business results.

The Group is comprised, under a holding company structure, of the reportable segments “Department Store Business,” “SC Business,” “Developer Business” and “Payment and Finance Business,” with the Department Store Business at its core.

The Department Store Business carries out the sale of clothing, general goods, household goods, food products and others. The SC Business undertakes development, management, supervision and operation, etc. of shopping centers. The Developer Business carries out development, supervision, operation, interior decorating work, etc. of real estate. The Payment and Finance Business undertakes issuance and administration, etc. of credit cards.

Following the reorganization on March 1, 2023, real estate has been transferred from PARCO CO., LTD. to J. Front City Development Co., Ltd. As a result, results of the SC Business and Developer Business for the previous year have been retroactively adjusted as if the transfer took place at the beginning of the fiscal year ended February 28, 2023 (as of March 1, 2022).

(2) Segment revenue and business results

Revenue and business results by reportable segments of the Group are as follows. Inter-segment transactions are generally based on prevailing market prices.

Fiscal year ended February 28, 2023

	Reportable segments					Other	Total	Adjustments	Consolidated
	Department Store Business	SC Business	Developer Business	Payment and Finance Business	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
External revenue	215,295	52,725	42,880	7,585	318,486	41,193	359,679	–	359,679
Inter-segment revenue	459	1,053	12,372	5,304	19,190	14,728	33,919	(33,919)	–
Total	215,754	53,779	55,252	12,889	337,676	55,922	393,599	(33,919)	359,679
Segment profit	7,529	4,244	3,184	3,485	18,443	899	19,343	(283)	19,059
Finance income									871
Finance costs									(5,218)
Share of profit (loss) of investments accounted for using equity method									2,161
Profit before tax									16,873
Segment assets	544,939	302,219	134,846	80,272	1,062,277	132,614	1,194,892	(73,938)	1,120,953
Other items									
Depreciation and amortization expense	30,624	13,915	4,313	158	49,012	1,460	50,472	(1,365)	49,107
Impairment loss	3,887	2,006	–	–	5,894	6	5,900	–	5,900
Investments accounted for using equity method	22,260	41	996	–	23,299	156	23,455	17,947	41,402
Capital expenditures	12,057	2,596	5,735	128	20,517	1,272	21,790	780	22,570

- Notes:
- The “Other” category is a business segment not included in reportable segments. It includes wholesaling, parking, leasing, etc.
 - Capital expenditures are the amount of the increase in property, plant and equipment, right-of-use assets, investment property and intangible assets.
 - Adjustments are made as follows.
 - The adjustments for segment profit include inter-segment eliminations and corporate income and expenses not attributable to any business segment. Corporate income and expenses are mainly income and expenses of the company submitting consolidated financial statements that are not attributable to any business segment.
 - The adjustment for segment assets includes elimination of segment receivables, unrealized profit adjustments on non-current assets, and assets of the company submitting consolidated financial statements that are not attributable to any business segment.
 - The adjustment for depreciation and amortization expense consists of inter-segment transfers.
 - The adjustment for investments accounted for using equity method consists of investments in entities accounted for using equity method of the company submitting consolidated financial statements that are not attributable to any business segment.
 - The adjustment for capital expenditures consists mainly of inter-segment eliminations, inter-segment unrealized profit, and capital expenditures of the company submitting consolidated financial statements that are not attributable to any business segment.
 - Segment profit is adjusted to operating profit in the consolidated financial statements.

Fiscal year ended February 29, 2024

	Reportable segments					Other	Total	Adjustments	Consolidated
	Department Store Business	SC Business	Developer Business	Payment and Finance Business	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
External revenue	238,629	56,864	66,859	6,148	368,501	38,505	407,006	–	407,006
Inter-segment revenue	496	1,080	11,559	6,967	20,103	13,420	33,523	(33,523)	–
Total	239,125	57,944	78,418	13,115	388,604	51,925	440,530	(33,523)	407,006
Segment profit	23,587	9,414	7,437	2,583	43,022	1,370	44,392	(1,343)	43,048
Finance income									1,609
Finance costs									(4,847)
Share of profit (loss) of investments accounted for using equity method									1,532
Profit before tax									41,343
Segment assets	547,074	297,665	144,221	84,268	1,073,229	79,985	1,153,214	(38,488)	1,114,726
Other items									
Depreciation and amortization expense	29,728	12,919	4,295	177	47,120	1,154	48,275	(1,782)	46,492
Impairment loss	1,654	29	179	–	1,864	11	1,875	435	2,310
Investments accounted for using equity method	22,481	51	841	–	23,374	156	23,530	1	23,531
Capital expenditures	6,322	8,464	2,078	52	16,918	575	17,493	(5,405)	12,087

Notes: 1. The “Other” category is a business segment not included in reportable segments. It includes wholesaling, parking, leasing, etc.

2. Capital expenditures are the amount of the increase in property, plant and equipment, right-of-use assets, investment property and intangible assets.

3. Adjustments are made as follows.

- (1) The adjustments for segment profit include inter-segment eliminations and corporate income and expenses not attributable to any business segment. Corporate income and expenses are mainly income and expenses of the company submitting consolidated financial statements that are not attributable to any business segment.
- (2) The adjustment for segment assets includes elimination of segment receivables, unrealized profit adjustments on non-current assets, and assets of the company submitting consolidated financial statements that are not attributable to any business segment.
- (3) The adjustment for depreciation and amortization expense consists of inter-segment transfers.
- (4) The adjustment for investments accounted for using equity method consists of investments in entities accounted for using equity method of the company submitting consolidated financial statements that are not attributable to any business segment.
- (5) The adjustment for capital expenditures consists mainly of inter-segment eliminations, inter-segment unrealized profit, and capital expenditures of the company submitting consolidated financial statements that are not attributable to any business segment.

4. Segment profit is adjusted to operating profit in the consolidated financial statements.

(Per share information)

(1) Basic earnings per share and diluted earnings per share

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Basic earnings per share (Yen)	54.32	114.06
Diluted earnings per share (Yen)	54.30	114.06

(2) Basis for calculation of basic earnings per share and diluted earnings per share

1) Profit attributable to ordinary equity holders

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Profit attributable to owners of parent (Millions of yen)	14,237	29,913
Profit not attributable to ordinary equity holders of parent (Millions of yen)	—	—
Profit used to calculate basic earnings per share (Millions of yen)	14,237	29,913
Adjustment to profit (Millions of yen)	—	—
Profit used to calculate diluted earnings per share (Millions of yen)	14,237	29,913

2) Average number of shares during the period

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Average number of common shares during the period (Thousands of shares)	262,075	262,260
Increase in the number of common shares		
Officer remuneration BIP trust (Thousands of shares)	138	—
Average number of diluted common shares	262,214	262,260

Note: The calculation of basic earnings per share and diluted earnings per share excludes the number of Company's shares owned by the officer remuneration BIP trust from the average number of common shares during the period because such shares are treated as the Company's treasury shares.

(Significant subsequent events)

The Company has resolved, at a meeting of the Board of Directors held on April 15, 2024, on matters concerning the acquisition of own shares pursuant to the provisions of Article 459, paragraph (1) of the Companies Act and the provisions of Article 39 of the Company's Articles of Incorporation.

1. Reason for acquisition

Under the Medium-term Business Plan (FY2024–FY2026) announced on April 15, 2024, the Company will strive to “achieve profitable growth” and “optimize the amount of equity and strengthen shareholder returns” in order to improve medium- to long-term return on equity. This acquisition will be carried out based on this policy.

2. Details of matters related to acquisition

(1) Class of shares to be acquired

Common shares

(2) Total number of shares to be acquired

8,000,000 shares (upper limit)

(3.03% of total number of issued shares (excluding treasury shares))

(3) Total amount of share acquisition costs

¥10.0 billion (upper limit)

(4) Acquisition period

From May 1, 2024 to July 31, 2024

(5) Method of acquisition

Market purchases on the Tokyo Stock Exchange (discretionary trading by securities companies)