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Securities code: 3086
May 2, 2022

To Our Shareholders

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

Notice of Convocation of the 15th Annual Shareholders Meeting

You are hereby notified that the 15th Annual Shareholders Meeting of J. FRONT RETAILING Co., Ltd. (hereinafter the “Company”) will be held on Thursday, May 26, 2022.

There will be discussion of the current status of the Company’s business and related issues, and the proposal to be presented at the Shareholders Meeting will be explained.

We look forward to the continued understanding and support of all our shareholders.

Date and Time: Thursday, May 26, 2022, at 10:00 a.m. (JST) (Reception opens at 9:30 a.m.)

Venue: New Pier Hall
11-1, Kaigan 1-chome, Minato-ku, Tokyo

Purpose of the meeting:

Matters to be reported: 1. Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements for the 15th fiscal year (from March 1, 2021 to February 28, 2022)
2. Audit reports of the Accounting Auditor and the Audit Committee on Consolidated Financial Statements for the 15th fiscal year

Matters to be resolved: Proposal 1: Amendment to the Articles of Incorporation
Proposal 2: Election of Ten (10) Directors

Decisions made for convocation:

Please refer to Guide to the Exercise of Voting Rights on pages 3 to 4.

* 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.)

However, institutional investors who hold shares in the names of trust banks, etc. and do not hold shares in their own names will be admitted, on condition that they fulfilled the requirements and procedures provided for in the Company’s Articles of Incorporation and Share Handling Regulations.

- Of the documents attached to Notice of Convocation of the Annual Shareholders Meeting, Systems to ensure properness of operations <Basic Policy to Build Internal Control System>* in the Business Report, 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.

* "Operational status of systems to ensure properness of operations <Basic Policy to Build Internal Control Systems>" is included on this Notice of Convocation.

- Business Report, which has been audited by the Audit Committee, and 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 Systems to ensure properness of operations <Basic Policy to Build Internal Control System>, 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/>

In view of the situation of the novel coronavirus disease (COVID-19), and with the safety of our shareholders as our top priority, we strongly request that shareholders refrain from attending the Annual Shareholders Meeting in person this year as much as possible and exercise voting rights via either postal mail or the Internet in advance.

Please refer to page 3 for details on how to exercise voting rights in advance.

Exercise due date of your voting rights: Received by 6:00 p.m. on Wednesday, May 25, 2022 (JST)

We will conduct the "live streaming of the meeting via Internet" on the day of the meeting.

▶Please refer to pages 5 to 6 for details.

Guide to the Exercise of Voting Rights

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 25, 2022 (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/>

Access the voting website.

Enter the “Login ID” and the “Temporary password” shown on the voting form and click the “Login” button.

Set a new password.

Follow the directions that appear on the screen to input approval or disapproval to each proposal.

Handling of cases where voting rights are exercised in duplicate by the same shareholder both in writing and by an electromagnetic means

The voting rights exercised by an electromagnetic means shall be treated as valid. If the same shareholder exercises his/her voting rights by an electromagnetic means more than once, only the last exercise of voting rights shall be treated as valid.

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)

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 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 25, 2022 (JST)

Attending the Shareholders Meeting in person

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

In view of the situation of the novel coronavirus disease (COVID-19), and with the safety of our shareholders as our top priority, we strongly request that shareholders refrain from attending the Annual Shareholders Meeting in person this year as much as possible.

Measures to prevent COVID-19 infection

- Please make sure to wear a mask to protect yourself and others from COVID-19.
(You may be refused entry if you do not wear one.)
- We ask for your cooperation in disinfecting your hands with alcohol and taking your temperature at the entrance of the venue.
- Please note that we may ask you to refrain from entering the venue if the temperature check shows that you have a fever of more than 37.5 degrees Celsius or if you look unwell.
- The Company's officers and staff will wear a mask and respond at the venue after checking their physical condition.

Guide to live streaming of the meeting via Internet

The Annual Shareholders Meeting will be live streamed via the Internet for you to view the proceedings of the meeting at home or other locations.

1. Date and time of the live streaming

From 10:00 a.m. on Thursday, May 26, 2022 to the closing time of the Annual Shareholders Meeting

***A live streaming web page is available from around 9:30 a.m., approximately 30 minutes before the start time of the Annual Shareholders Meeting.**

2. How to view the live streaming

Access the “Engagement Portal” online site for the Annual Shareholders Meeting below with your “Login ID” and “Password” indicated on the voting form.

“Engagement Portal” online site for the Annual Shareholders Meeting: <https://engagement-portal.tr.mufg.jp/>

- (i) Login ID: **0007+Shareholder Number** (12-digit number without a hyphen) shown on the voting form, etc.
- (ii) Password: **Postal code+2022** of the address registered in the shareholders’ register as of the end of February 28, 2022 (11-digit number without a hyphen)

1. Enter your “Login ID” and “Password” on the login screen, confirm the Terms of Use and check the “I agree to the Terms of Use” checkbox if you agree, then click the “Login” button.
2. After logging in, click the “View Live Streaming of the Meeting” button, confirm the Terms of Use and check the “I agree to the Terms of Use” checkbox if you agree, then click “View.”

***Please be sure to take a note of your Login ID and Password before posting your voting form.** If you forget your ID and/or password, please contact us at the contact number listed below “Contact information for inquiries about the Annual Shareholders Meeting online site” on page 6.

(Note)

The postal code used for (ii) “Password (Postal code+2022)” may differ from the postal code printed on the voting form (because the password does not reflect information such as on change of address made after the record date of the Annual Shareholders Meeting or on mailing address designated for the voting form to be sent). Shareholders residing outside Japan who have designated a standing proxy are requested to enter the postal code of the proxy.

3. Important notice

(1) Due to unavoidable circumstances, we might be unable to provide the live streaming. In that case, a notice will be posted on the Company’s website (<https://www.j-front-retailing.com/>).

(2) Shareholders viewing the live streaming are not considered to be attending the Annual Shareholders Meeting under the Companies Act, and therefore, will not be able to exercise their voting rights or make any comments, including questions on the day. Please exercise your voting rights in advance by following the instructions on page 3 on this Notice of Convocation.

(3) Please note that viewing will be restricted to shareholders only and viewing by proxies is not permitted.

(4) It is strictly prohibited to capture, record audio or video of, or save the live streaming, or to publish it on SNS or other media.

(5) Please note that due to the Internet communication environment and other factors, the video and audio may be distorted, or the streaming may be interrupted.

(6) The live streaming may not be viewable depending on the device used or the network environment connected.

(7) Fees for accessing the website for viewing (Internet access fees, communication fees, etc.) shall be borne by the shareholder.

*“QR code” is a registered trademark of DENSO WAVE INCORPORATED.

Questions will be accepted in advance via the Internet

We will accept questions from shareholders in advance on the Annual Shareholders Meeting online site.

We plan to answer questions frequently asked by shareholders at the Annual Shareholders Meeting. Please note that we do not respond to individual inquiries.

- (i) Please click the “Question in advance” button displayed on the screen after logging in to the Annual Shareholders Meeting online site.**
- (ii) Select a category for your question, enter the question, confirm the Terms of Use and check the “I agree to the Terms of Use” checkbox if you agree, then click the “Confirm” button.**
- (iii) Confirm the contents of your question, etc., and then click the “Send” button.**

Due date for receipt of questions: by 6:00 p.m. on Thursday, May 19, 2022

(Contact information for inquiries about the Annual Shareholders Meeting online site)

Mitsubishi UFJ Trust and Banking Corporation

Dedicated support line for the “Engagement Portal” Tel: 0120-676-808 (Toll free)

Service period

From 9:00 a.m. to 5:00 p.m. on weekdays, excluding Saturdays, Sundays, national holidays, etc.

(However, on the day of the Annual Shareholders Meeting, from 9:00 a.m. to the end of the Meeting)

Reference Materials for Shareholders Meeting

Proposal and Reference Information

Proposal 1: Amendment to the Articles of Incorporation

1. Reason for proposal

Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the changes to its Articles of Incorporation as described in the following (1) to (4) in preparation for the introduction of the system for providing informational materials for the shareholders meeting in electronic format.

- (1) Article 16, paragraph 1 in “Proposed amendments” below will stipulate that the Company shall take measures for providing information that constitutes the content of reference materials for shareholders meeting, etc. in electronic format.
- (2) Article 16, paragraph 2 in “Proposed amendments” below will establish the provision to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
- (3) Since the provisions for Internet Disclosure of Reference Materials for Shareholders Meetings and Deemed Provision (Article 16 of the current Articles of Incorporation) will no longer be required, they will be deleted.
- (4) Accompanying the aforementioned establishment and deletion of provisions, supplementary provisions regarding the effective date, etc. will be established.

With the aim to further strengthen the oversight function through separation from business execution, the number of Directors stipulated in Article 19 of the current Articles of Incorporation will be reduced from “fifteen (15) or fewer” to “eleven (11) or fewer” to optimize the number of Directors.

Furthermore, in conjunction with the end of the transitional measure, the provision of Transitional Measure Relating to Advisor (Article 2 of the Supplementary Provisions of the current Articles of Incorporation) will be deleted.

2. Details of amendment

The details of the amendment are as described below.

(Amendments are underlined.)

| Current Articles of Incorporation | Proposed amendments |
|--|---|
| <p><u>Article 16 (Internet Disclosure of Reference Materials for Shareholders Meetings and Deemed Provision)</u></p> <p><u>Upon convocation of a Shareholders Meeting, the Company may be deemed to have provided the information relating to the matters to be described or indicated in the reference materials for the shareholders meetings, business report, non-consolidated financial statements or consolidated financial statements, to the Shareholders by disclosure through the Internet in accordance with the applicable Ministry of Justice Order.</u></p> <p>(Newly established)</p> | <p>(Deleted)</p> <p><u>Article 16 (Measures for Providing Information in Electronic Format)</u></p> <p><u>1. When the Company convenes a Shareholders Meeting, it shall take measures for providing information that constitutes the content of reference materials for shareholders meeting, etc. in electronic format.</u></p> <p><u>2. Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p> |

| Current Articles of Incorporation | Proposed amendments |
|---|---|
| <p>Article 19 (Number of Directors) The Company shall have <u>fifteen (15)</u> or fewer Directors.</p> <p style="text-align: center;">Supplementary Provisions</p> <p><u>Article 2 (Transitional Measure Relating to Advisor)</u> <u>The provisions of Article 27 (Advisor) of the current Articles of Incorporation in accordance with the resolution of the 10th Annual Shareholders Meeting shall remain in effect until the termination of the term of office of the current Advisors.</u></p> <p style="text-align: center;">(Newly established)</p> | <p>Article 19 (Number of Directors) The Company shall have <u>eleven (11)</u> or fewer Directors.</p> <p style="text-align: center;">Supplementary Provisions (Deleted)</p> <p><u>Article 2 (Transitional Measures Regarding Provision of Informational Materials for General Meeting of Shareholders in Electronic Format)</u></p> <ol style="list-style-type: none"> <u>1. The amendment to the Articles of Incorporation pertaining to Article 16 shall be effective from September 1, 2022, which is the date of enforcement of the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u> <u>2. Notwithstanding the provision of the preceding paragraph, Article 16 of the Articles of Incorporation before amendments (Internet Disclosure of Reference Materials for Shareholders Meetings and Deemed Provision) shall remain effective regarding any Shareholders Meeting held on a date within six months from the Date of Enforcement.</u> <u>3. This Article shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the Shareholders Meeting in the preceding paragraph, whichever is later.</u> |

Proposal 2: Election of Ten (10) Directors

The terms of office of all 12 Directors will expire at the conclusion of this Annual Shareholders Meeting. Accordingly, based on the decision of the Nomination Committee to revitalize discussions from a point of view optimal for the Group as a whole, and to promote building a governance structure that we should aim for as a company with three committees (nomination, audit, and remuneration committees), the Company proposes the election of ten candidates, reducing the number of Directors who concurrently serve as persons responsible for business execution at subsidiaries by two.

If the candidates for Director in this proposal are elected as proposed, the Board of Directors will have a structure with six out of ten members, i.e. the majority of its members as independent Outside Directors, and three female Directors. We believe this will lead to further strengthening of the oversight function by separating it from the execution of business and to ensuring a more diverse Board of Directors.

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

The candidates for the Directors are as follows.

Skills expected of candidates for Director

In selecting candidates for the Board of Directors, the Board of Directors shall consist of personnel with experience and knowledge necessary to appropriately oversee the promotion of sustainability management (execution of business strategies aimed at resolving the seven materialities) in order to allow the Board of Directors to effectively fulfill its roles and responsibilities. In selecting candidates for Outside Director, the Company selects persons from the point of view of Board diversity who have experience as managers not only in the 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 marketing perspective, and extensive experience related to finance and accounting. With regard to candidates for non-executive Inside Director, wide-ranging practical experience within the Group and knowledge in fields such as auditing are sought by the Company. As for candidates for executive Director, the Company has selected a person responsible for the Financial Department whose high level of knowledge will facilitate the execution of the strategic financial policies demanded by our shareholders and investors, as well as by the President and Representative Executive Officer of the Company.

| No. | Name | Attribute | Committee to belong (The “◎” mark indicates the candidates of Chairperson.) | | |
|-----|---|---|--|-------|-------------------|
| | | | Nomina- tion | Audit | Remunera- tion |
| 1 | YAMAMOTO Ryoichi (Note 1) Chairperson Male | Reappointment Non-executive | ○ | | ○ |
| 2 | HAMADA Kazuko (Note 2) Female | Reappointment Non-executive | | ○ | |
| 3 | YAGO Natsunosuke Male | Reappointment Non-executive Independent Outside | ◎ | | ○ |
| 4 | HAKODA Junya Male | Reappointment Non-executive Independent Outside | | ◎ | |
| 5 | UCHIDA Akira Male | Reappointment Non-executive Independent Outside | ○ | | ◎ |
| 6 | SATO Rieko (Note 3) Female | Reappointment Non-executive Independent Outside | | ○ | |
| 7 | SEKI Tadayuki Male | Reappointment Non-executive Independent Outside | | ○ | |
| 8 | KOIDE Hiroko Female | Reappointment Non-executive Independent Outside | ○ | | ○ |
| 9 | YOSHIMOTO Tatsuya Male | Reappointment Executive | | | |
| 10 | WAKABAYASHI Hayato Male | Reappointment Executive | | | |

| No. | Name | Expected skills as Candidate for Director | | | | | | | | |
|-----|--|---|---------|----------------|---|---------------------------------|--------------|---------------------|------------|--------------------|
| | | Management strategies | Finance | Market- ing | Human resource & organiza- tion develop- ment | Legal affairs & compli- ance | IT & digital | E: Environ- ment | S: Society | G: Govern- ance |
| 1 | YAMAMOTO Ryoichi Chairperson (Note 1) | ○ | | ○ | | | | ○ | | ○ |
| 2 | HAMADA Kazuko (Note 2) | | | | ○ | | | | ○ | ○ |
| 3 | YAGO Natsunosuke | ○ | | | | | | ○ | | ○ |
| 4 | HAKODA Junya | ○ | ○ | | | | | | | ○ |
| 5 | UCHIDA Akira | ○ | ○ | | | | | | | ○ |
| 6 | SATO Rieko (Note 3) | | | | | ○ | ○ | | ○ | ○ |
| 7 | SEKI Tadayuki | | ○ | | | ○ | | | ○ | |
| 8 | KOIDE Hiroko | ○ | | ○ | ○ | | | | | |
| 9 | YOSHIMOTO Tatsuya | ○ | | ○ | | | | ○ | | ○ |
| 10 | WAKABAYASHI Hayato | ○ | ○ | | ○ | | | | | |

- (Notes) 1. If the election of YAMAMOTO Ryoichi is approved in this proposal, the Company plans to select him once again as the Chairperson of Board of Directors at a Board of Directors meeting that is to be held after this Annual Shareholders Meeting.
2. HAMADA Kazuko is recorded under the name of HIMENO Kazuko in the family register.
3. SATO Rieko is recorded under the name of KAMATA Rieko in the family register.
4. The Company plans to elect nine 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 |
| Non-executive | Candidate for Director who does not concurrently serve as Executive Officer |
| Executive | Candidate for Director who concurrently serves as Executive Officer |
| Independent | Independent officer whose status as such is registered with the stock exchange |
| Outside | Candidate for Outside Director |

| No. | Name (Date of birth) | Career summary, positions and areas of responsibility in the Company | |
|---|---|--|---|
| 1 | <p>YAMAMOTO Ryoichi (March 27, 1951)</p> <p>Gender: Male</p> <p>Number of the Company's shares owned (shares): 98,016</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 15th fiscal year: 15/15</p> <p>Number of attendance at the meetings of Nomination Committee 16/16</p> <p>Number of attendance at the meetings of Remuneration Committee 11/11</p> <p>Tenure as Director (at the conclusion of this Meeting): approx. 14 years and 9 months</p> | <p>April 1973 May 2003 September 2007 March 2008 March 2010 September 2012 April 2013 May 2017 May 2020 June 2021</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 and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. and President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd. President and Representative Director of J. Front Retailing Co., Ltd. Director, President and Representative Executive Officer Director, Chairperson of Board of Directors (present) Outside Director of Daido Steel Co., Ltd (present) Outside Director of NORITAKE CO., LIMITED (present)</p> |
| <p>Number of attendance at the Board of Directors meetings for the 15th fiscal year: 15/15</p> <p>Number of attendance at the meetings of Nomination Committee 16/16</p> <p>Number of attendance at the meetings of Remuneration Committee 11/11</p> <p>Tenure as Director (at the conclusion of this Meeting): approx. 14 years and 9 months</p> | | <p>Important concurrent positions Outside Director of Daido Steel Co., Ltd Outside Director of NORITAKE CO., LIMITED</p> | |

Reasons for nomination as candidate for Director and overview of expected roles

-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 and Representative Director 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. In light of his track record and abundant experience, and to achieve the Group Vision and sustainability management in a business environment where uncertainty is increasing, the Company expects him, as an Inside Director who is well versed in the Group's overall strategy and the roles and expectations of individual businesses, to help ensure the improved corporate value and sustained growth of the Group by serving as the Chairperson of Board of Directors and conducting supervisory operations that consider all stakeholders. As such, the Company has nominated him as a candidate to continue serving as Director.

| No. | Name (Date of birth) | Career summary, positions and areas of responsibility in the Company | |
|-----|--|---|--|
| 2 | <p>HAMADA Kazuko (Name in the family register: HIMENO Kazuko) (September 6, 1962)</p> <p>Gender: Female</p> <p>Number of the Company's shares owned (shares): 266</p> <p>Special interests between the Company and the Candidate: None</p> <p>Number of attendance at the Board of Directors meetings for the 15th fiscal year: 12/12</p> <p>Number of attendance at the meetings of Audit Committee 14/14</p> <p>Tenure as Director (at the conclusion of this Meeting): approx. 1 year</p> | <p>April 1985 September 2000</p> <p>March 2002 March 2005 March 2007 March 2010 March 2013 March 2015 May 2020 May 2021</p> | <p>Joined Parco Co., Ltd. General Manager of Marketing Department of Sales Management Division</p> <p>Deputy General Manager of Kichijoji PARCO</p> <p>General Manager of Kichijoji PARCO</p> <p>General Manager of Shintokorozawa PARCO</p> <p>Executive Officer (Personnel)</p> <p>Executive Officer (Administration and Personnel)</p> <p>Executive Officer (Group Audit Office)</p> <p>Auditor</p> <p>Director of J. Front Retailing Co., Ltd. (present)</p> |

Reasons for nomination as candidate for Director and overview of expected roles

-HAMADA Kazuko served as store manager of the Kichijoji and Shintokorozawa stores at Parco Co., Ltd. before being appointed as Executive Officer of the company in March 2010. She then engaged in initiatives such as planning a senior management development program as Executive Officer in charge of Administration and Personnel. Based on such abundant experience, she has broad insight in the areas of store operations and business management of Parco Co., Ltd. as well as corporate diversity promotion. Furthermore, she was in charge of the Group Audit Office from March 2015, and served as Auditor from May 2020, contributing to strengthening the audit function of the Parco Business. As a member of the Audit Committee, since May 2021, she has contributed to strengthening the audit function by auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees), while exchanging opinions and engaging in discussions from the perspective of legality, appropriateness, etc. related to items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee. The Company expects her to help ensure the improved corporate value and sustained growth of the Group, particularly through the maximization of group synergies with Parco, by utilizing her abundant knowledge based on her achievements and experience and fulfilling appropriate management oversight work, and therefore has nominated her to continue serving as Director.

| No. | Name (Date of birth) | Career summary, positions and areas of responsibility in the Company | |
|--|---|--|--|
| 3 | Independent | April 1977 | Joined EBARA CORPORATION |
| | Outside Director | June 2002 | Executive Officer |
| | YAGO Natunosuke (May 16, 1951) | April 2004 | Senior Executive Officer, Group Executive of Precision Machinery Group, Representative Director and Chairman of Ebara Precision Machinery Europe GmbH, Representative Director and Chairman of Ebara Technologies Inc. and Chairman of Ebara Precision Machinery Shanghai Inc. |
| | Gender: Male | June 2004 | Director |
| | Number of the Company's shares owned (shares): | April 2005 | Director and Chairman of Ebara Precision Machinery Taiwan Inc. |
| | 4,557 | June 2005 | Director, President of Precision Machinery Company and General Manager of Fujisawa Operation |
| | Number of other shares as stock-based remuneration not yet granted (shares): | April 2006 | Director and Managing Executive Officer President of Precision Machinery Company |
| | 1,933 | April 2007 | President and Representative Director |
| | Special interests between the Company and the Candidate: | May 2007 | President and Representative Director and General Manager of Internal Control Promotion Department |
| | None | July 2009 | President and Representative Director and General Manager of Internal Control Department |
| | Number of attendance at the Board of Directors meetings for the 15th fiscal year: | April 2013 | Chairman & Director |
| | 15/15 | October 2017 | Representative Director of The Ebara Hatakeyama Memorial Foundation (present) |
| | Number of attendance at the meetings of Nomination Committee | March 2019 | Retired from the office of Chairman & Director of EBARA CORPORATION |
| 16/16 | June 2019 | Outside Director of SUBARU CORPORATION (present) | |
| Number of attendance at the meetings of Remuneration Committee | May 2020 | Outside Director of J. Front Retailing Co., Ltd. (present) | |
| 11/11 | May 2021 | Director of Parco Co., Ltd. (present) | |
| Tenure as Director (at the conclusion of this Meeting): | Important concurrent positions | | |
| approx. 2 years | Outside Director of SUBARU CORPORATION | | |
| | (Concurrent positions in the Group) | | |
| | Director of Parco Co., Ltd. | | |

Reasons for nomination as candidate for Outside Director and overview of expected roles

-YAGO Natunosuke has been involved in top-level company management for many years, and has abundant experience in strengthening financial bases and in compliance management. He also possesses highly specialized knowledge of internal control and corporate governance gained through his experience of being involved in the transition to a company with three committees (nomination, audit and remuneration committees). He has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight on the overall management strategy of a holding company, including the importance of the will and leadership of the Group's top management, what the developer business should aspire to be, and drastic measures such as structural reforms leading to a review of its business foundation. As the Chairperson of the Nomination Committee, he has promoted discussions on the ideal structure of the Board of Directors of the Company and its major subsidiaries, focusing on succession plans, making transparent and fair personnel decisions for executives, and confirming the status of candidates for future senior management positions. As a member of the Remuneration Committee, he has contributed to the strengthening of the management human resources function by providing advice as necessary in the deliberation of policies and review of specific operational rules concerning the executive remuneration system and the calculation method of stock-based remuneration and bonuses. In light of his track record, abundant experience and high level of insight, the Company expects him to contribute greatly to management of the Group as an Outside Director. As such, he has been nominated as a candidate to continue serving as Outside Director.

| No. | Name (Date of birth) | Career summary, positions and areas of responsibility in the Company | |
|---|---|--|---|
| 5 | Independent | April 1975 | Joined Toray Industries, Inc. |
| | Outside Director | June 1996 | Executive Vice President of Toray Industries (America), Inc. |
| | UCHIDA Akira (October 4, 1950) | June 2000 | General Manager on Special Assignment of Corporate Strategic Planning Division 1, General Manager on Special Assignment of Corporate Communications Dept. of Toray Industries, Inc. |
| | Gender: Male | June 2004 | Counsellor of Corporate Strategic Planning Division, and Counsellor of Investor Relations Dept. |
| | Number of the Company's shares owned (shares): 4,292 | June 2005 | Member of the Board, General Manager of Finance and Controller's Division President, Toray Holding (USA), Inc. |
| | Number of other shares as stock-based remuneration not yet granted (shares): 3,866 | June 2009 | Senior Vice President (Member of the Board), General Manager of Finance and Controller's Division President, Toray Holding (USA), Inc. |
| | Special interests between the Company and the Candidate: None | June 2012 | 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 |
| | Number of attendance at the Board of Directors meetings for the 15th fiscal year: 15/15 | June 2016 | Adviser |
| | Number of attendance at the meetings of the Board of Directors | March 2019 | Retired from Adviser |
| | Number of attendance at the meetings of the Board of Directors | May 2019 | Outside Director of J. Front Retailing Co., Ltd. (present) |
| Number of attendance at the meetings of the Board of Directors | June 2019 | Outside Director of Yokogawa Electric Corporation (present) | |
| Number of attendance at the meetings of the Board of Directors | May 2020 | Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present) | |
| Number of attendance at the meetings of the Board of Directors | Important concurrent positions | | |
| Number of attendance at the meetings of the Board of Directors | Outside Director of Yokogawa Electric Corporation (Concurrent positions in the Group) | | |
| Number of attendance at the meetings of the Board of Directors | Director of Daimaru Matsuzakaya Department Stores Co. Ltd. | | |
| Number of attendance at the meetings of the Board of Directors | | | |
| Number of attendance at the meetings of the Board of Directors | | | |
| Number of attendance at the meetings of the Board of Directors | | | |
| Number of attendance at the meetings of the Board of Directors | | | |
| Number of attendance at the meetings of the Board of Directors | | | |
| Number of attendance at the meetings of the Board of Directors | | | |
| Number of attendance at the meetings of the Board of Directors | | | |
| Tenure as Director (at the conclusion of this Meeting): approx. 3 years | | | |

Reasons for nomination as candidate for Outside Director and overview of expected roles

-UCHIDA Akira possesses broad experience and knowledge in the corporate division, as a manager in charge of management planning and IR, as well as as the person responsible for the finance and accounting division, and has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight with respect to appropriately conveying information to stakeholders, strengthening collaboration as a holding company among the Group, the need for new businesses when reviewing business portfolios, etc. As the Chairperson of the Remuneration Committee, he has promoted discussions on the review of specific operational rules concerning the executive remuneration system and the calculation method of stock-based remuneration and bonuses. As a member of the Nomination Committee, he has contributed to the strengthening of the management human resources function by providing advice as necessary in the deliberation on the ideal structure of the Board of Directors of the Company and its major subsidiaries, focusing on succession plans, making transparent and fair personnel decisions for executives, and confirming the status of candidates for future senior management positions, etc. In light of his track record and abundant insight, the Company expects him to contribute greatly to management of the Group as an Outside Director. As such, he has been nominated as a candidate to continue serving as Outside Director.

| No. | Name (Date of birth) | Career summary, positions and areas of responsibility in the Company | |
|-----|--|---|---|
| 6 | <div style="border: 1px solid black; padding: 2px; display: inline-block;">Independent</div> <div style="border: 1px solid black; padding: 2px; display: inline-block;">Outside Director</div> SATO Rieko (Name in the family register: KAMATA Rieko) (November 28, 1956) Gender: Female Number of the Company's shares owned (shares): <p style="text-align: right;">2,483</p> | April 1984 August 1989 July 1998 June 2004 June 2012 June 2015 October 2016 May 2018 May 2019 June 2020 | Registered as attorney at law Shearman & Sterling LLP Partner of Ishii Law Office (present) External Audit & Supervisory Board Member of Ajinomoto Co., Inc. Outside Corporate Auditor of NTT DATA CORPORATION Outside Director of The Dai-ichi Life Insurance Company, Limited Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc. (present) Outside Director of J. Front Retailing Co., Ltd. (present) Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present) Outside Director (Member of the Audit and Supervisory Committee) of NTT DATA CORPORATION (present) Outside Audit & Supervisory Board Member of Mitsubishi Corporation (present) |
| | Number of other shares as stock-based remuneration not yet granted (shares): <p style="text-align: right;">5,799</p> Special interests between the Company and the Candidate: <p style="text-align: right;">None</p> Number of attendance at the Board of Directors meetings for the 15th fiscal year: <p style="text-align: right;">15/15</p> Number of attendance at the meetings of Audit Committee <p style="text-align: right;">20/20</p> Tenure as Director (at the conclusion of this Meeting): <p style="text-align: right;">approx. 4 years</p> | Important concurrent positions Partner of Ishii Law Office Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc. Outside Director (Member of the Audit and Supervisory Committee) of NTT DATA CORPORATION Outside Audit & Supervisory Board Member of Mitsubishi Corporation (Concurrent positions in the Group) Director of Daimaru Matsuzakaya Department Stores Co. Ltd. | |

Reasons for nomination as candidate for Outside Director and overview of expected roles

-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. She has contributed to improving the effectiveness of the Board of Directors by providing assertive and active advice and oversight from legal perspectives on strengthening measures as a holding company for the Medium-term Business Plan, the need for measures to increase the speed of digital strategies, formulating concrete proposals in line with the Group's business policy for the fiscal year, and on other proposed agenda items. Moreover, as a member of the Audit Committee, she has contributed to strengthening the audit function by auditing the execution of duties by Directors and Executive Officers of the company with three committees (nomination, audit, and remuneration committees), while exchanging opinions and engaging in discussions from the perspective of legality and appropriateness related to items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee. In light of her track record and abundant insight, the Company expects her to contribute greatly to management of the Group as an Outside Director. As such, she has been nominated as a candidate to continue serving as Outside Director.

| No. | Name (Date of birth) | Career summary, positions and areas of responsibility in the Company | |
|---|---|---|---|
| 7 | Independent Outside Director | April 1973 | Joined ITOCHU Corporation |
| | SEKI Tadayuki (December 7, 1949) | June 1998 | General Manager, Finance Division, ITOCHU International Inc. (Stationed in New York) |
| | | June 2004 | Executive Officer of ITOCHU Corporation, CFO of Food Company |
| | | April 2007 | Managing Executive Officer, General Manager of Finance Division |
| | Gender: Male | June 2009 | Representative Director, Managing Director, Chief Officer for Finance, Accounting, Risk Management and CFO |
| | Number of the Company's shares owned (shares): | April 2010 | Representative Director, Senior Managing Executive Officer |
| | 2,160 | May 2011 | Representative Director, Senior Managing Executive Officer and CFO |
| | Number of other shares as stock-based remuneration not yet granted (shares): | April 2013 | Representative Director, Executive Vice President and CFO |
| | 1,933 | April 2014 | Representative Director, Executive Vice President, Executive Advisory Officer, CFO & CAO |
| | Special interests between the Company and the Candidate: | April 2015 | Adviser |
| | None | May 2016 | External Director of Parco Co., Ltd. |
| | Number of attendance at the Board of Directors meetings for the 15th fiscal year: | June 2016 | Outside Director of NIPPON VALQUA INDUSTRIES, LTD. (present VALQUA, LTD.) (present) |
| | 15/15 | April 2017 | Advisory Member of ITOCHU Corporation (present) |
| | Number of attendance at the meetings of Audit Committee | June 2017 | Outside Director of JSR Corporation (present) |
| 20/20 | July 2017 | Outside Statutory Auditor of Asahi Mutual Life Insurance Company (present) | |
| Tenure as Director (at the conclusion of this Meeting): | May 2020 | Outside Director of J. Front Retailing Co., Ltd. (present) Director of Parco Co., Ltd. (present) | |
| approx. 2 years | Important concurrent positions Outside Director of VALQUA, LTD. Outside Director of JSR Corporation Outside Statutory Auditor of Asahi Mutual Life Insurance Company (Concurrent positions in the Group) Director of Parco Co., Ltd. | | |

Reasons for nomination as candidate for Outside Director and overview of expected roles

-SEKI Tadayuki was involved in international business management and risk management at a general trading company for many years, and has extensive experience in finance and accounting as CFO, as well as abundant experience as an outside director and outside corporate auditor of multiple companies. He has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight on the importance of capital cost-conscious financial strategies, the need for an adequate variation in M&A business portfolios, etc. Moreover, as a member of the Audit Committee, he has contributed to strengthening the audit function by auditing the execution of duties by Directors and Executive Officers of the company with three committees (nomination, audit, and remuneration committees), while exchanging opinions and engaging in discussions from the perspective of legality and appropriateness related to items submitted at the Board of Directors or items judged to require monitoring by the Audit Committee. In light of his track record and high level of insight, the Company expects him to contribute greatly to management of the Group as an Outside Director. As such, he has been nominated as a candidate to continue serving as Outside Director.

| No. | Name (Date of birth) | Career summary, positions and areas of responsibility in the Company | |
|-----|--|--|--|
| 8 | <p data-bbox="252 264 405 293">Independent</p> <p data-bbox="252 300 405 329">Outside Director</p> <p data-bbox="252 336 432 403">KOIDE Hiroko (August 10, 1957)</p> <p data-bbox="252 448 400 477">Gender: Female</p> <p data-bbox="252 495 496 589">Number of the Company's shares owned (shares): 885</p> <p data-bbox="252 607 496 736">Special interests between the Company and the Candidate: None</p> <p data-bbox="252 754 496 911">Number of attendance at the Board of Directors meetings for the 15th fiscal year: 12/12</p> <p data-bbox="252 929 496 1059">Number of attendance at the meetings of Nomination Committee 12/12</p> <p data-bbox="252 1077 496 1207">Number of attendance at the meetings of Remuneration Committee 7/7</p> <p data-bbox="252 1225 496 1346">Tenure as Director (at the conclusion of this Meeting): approx. 1 year</p> | <p data-bbox="513 264 679 293">September 1986</p> <p data-bbox="513 320 616 349">May 1993</p> <p data-bbox="513 356 622 385">April 2001</p> <p data-bbox="513 392 625 421">April 2006</p> <p data-bbox="513 448 625 477">April 2008</p> <p data-bbox="513 483 676 512">November 2010</p> <p data-bbox="513 539 647 568">January 2013</p> <p data-bbox="513 575 625 604">April 2013</p> <p data-bbox="513 631 619 660">June 2016</p> <p data-bbox="513 667 625 696">April 2018</p> <p data-bbox="513 703 619 732">June 2019</p> <p data-bbox="513 781 616 810">May 2021</p> | <p data-bbox="715 264 1418 315">Joined J. Walter Thompson Japan K.K. (present Wunderman Thompson Tokyo G.K.)</p> <p data-bbox="715 322 1273 351">Joined Nippon Lever K.K. (present Unilever Japan K.K.)</p> <p data-bbox="715 358 799 387">Director</p> <p data-bbox="715 394 1394 445">General Manager of Marketing Management Division of Masterfoods Ltd. (present Mars Japan Limited)</p> <p data-bbox="715 452 951 481">Chief Operating Officer</p> <p data-bbox="715 488 1409 539">President and Representative Director of Parfums Christian Dior Japon K.K.</p> <p data-bbox="715 546 1054 575">Outside Director of Kirin Co., Ltd.</p> <p data-bbox="715 582 1406 633">Senior Vice President of Global Marketing of Newell Rubbermaid Inc. (U.S.) (present Newell Brands Inc.)</p> <p data-bbox="715 640 1313 669">Outside Director of Mitsubishi Electric Corporation (present)</p> <p data-bbox="715 676 1043 705">Director of Vicela Japan Co., Ltd.</p> <p data-bbox="715 712 1129 741">Outside Director of Honda Motor Co., Ltd</p> <p data-bbox="715 748 1187 777">Outside Director of J-OIL MILLS, Inc. (present)</p> <p data-bbox="715 784 1265 813">Outside Director of J. Front Retailing Co., Ltd. (present)</p> |
| | | <p data-bbox="513 817 815 846">Important concurrent positions</p> <p data-bbox="513 853 1019 882">Outside Director of Mitsubishi Electric Corporation</p> <p data-bbox="513 889 895 918">Outside Director of J-OIL MILLS, Inc.</p> | |

Reasons for nomination as candidate for Outside Director and overview of expected roles

-KOIDE Hiroko has knowledge based on her extensive experience in the global management field and the marketing field, having served as an officer at foreign companies for many years, and having been engaged in corporate management as the head of marketing at the head office of a U.S. company, as well as abundant knowledge gained as an Outside Director at several listed companies. She has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight with respect to making measures more concrete for the Medium-term Business Plan, etc. as a holding company, the importance of a marketing-oriented way of thinking, such as identifying targets and needs, analyzing the factors and providing measures in cases when there are gaps between the target and the actual results, etc. She has contributed to the strengthening of the management human resources function by providing advice as necessary as a member of the Nomination Committee in the deliberation on the ideal structure of the Board of Directors of the Company and its major subsidiaries, focusing on succession plans, making transparent and fair personnel decisions for executives, and confirming the status of candidates for future senior management positions, etc., and as a member of the Remuneration Committee in the deliberation of policies and review of specific operational rules concerning the executive remuneration system and the calculation method of stock-based remuneration and bonuses. In light of her track record, abundant experience and high level of insight, the Company expects her to contribute greatly to management of the Group as an Outside Director. As such, she has been nominated as a candidate to continue serving as Outside Director.

| No. | Name (Date of birth) | Career summary, positions and areas of responsibility in the Company | |
|-----|--|---|---|
| 9 | <p>YOSHIMOTO Tatsuya (April 13, 1956)</p> <p>Gender: Male</p> <p>Number of the Company's shares owned (shares): 81,742</p> <p>Special interests between the Company and the Candidate: None</p> <p>Number of attendance at the Board of Directors meetings for the 15th fiscal year: 15/15</p> <p>Number of attendance at the meetings of Nomination Committee 4/4</p> <p>Number of attendance at the meetings of Remuneration Committee 4/4</p> <p>Tenure as Director (at the conclusion of this Meeting): approx. 9 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>May 2020</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. and President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd.</p> <p>Director of J. Front Retailing Co., Ltd. (present)</p> <p>Representative Managing Executive Officer</p> <p>President and Representative Executive Officer (present)</p> |

Reasons for nomination as candidate for Director and overview of expected roles

-YOSHIMOTO Tatsuya has abundant experience and insight into the whole of the Department Store Business, particularly those areas related to business management, planning and store operations. Since being appointed as President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. in 2013, he has been involved in executing existing high-quality department store business strategy considering the roles and expectations of the Department Store Business under the Group's strategy, 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. Since 2017, as Representative Managing Executive Officer of the Company, he has accumulated further knowledge based on his experiences in business management for the Group as a whole and management reform based on the Corporate Governance Code. Since being appointed as President and Representative Executive Officer of the Company in FY2020, amid the severe business environment, he has exercised leadership aiming for a future-proof business reform, building a foundation for sustainability management in the Medium-term Business Plan started this fiscal year through the decisive action of carrying out a structural reform in order to completely recover to the level of operating profit in FY2019. In light of his track record and experience, 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 and has accordingly nominated him as a candidate to continue serving as Director.

| No. | Name (Date of birth) | Career summary, positions and areas of responsibility in the Company | |
|--|---|--|---|
| 10 | WAKABAYASHI Hayato (August 31, 1961) Gender: Male Number of the Company's shares owned (shares): <p style="text-align: center;">13,339</p> Special interests between the Company and the Candidate: <p style="text-align: center;">None</p> Number of attendance at the Board of Directors meetings for the 15th fiscal year: <p style="text-align: center;">15/15</p> Tenure as Director (at the conclusion of this Meeting): <p style="text-align: center;">approx. 6 years</p> | April 1985 | Joined Matsushita Electric Industrial Co., Ltd. (present Panasonic Corporation) |
| | | April 1998 | President of Panasonic Financial Center Malaysia Co., Ltd. |
| | | April 2007 | Director and Chief Executive Officer of Matsushita Electric (China) Finance Limited |
| | | February 2009 | Finance Planning Team Leader (Manager), Headquarters Finance & IR Group of Panasonic Corporation |
| | | July 2013 | General Manager, Finance & IR Group, Corporate Strategy Division and Finance Strategy Team Leader of Panasonic Corporation (Director) |
| | | May 2015 | Joined J. Front Retailing Co., Ltd. In charge of Finance Policy, Administration Unit |
| | | September 2015 | Executive Officer In charge of Financial Strategy and Policy, Administration Unit |
| | | March 2016 | Senior Executive General Manager of Financial Strategy Unit (present) and in charge of Finance Policy |
| | | May 2016 | Director (present) |
| | | March 2017 | In charge of Financing and Finance Policy |
| May 2017 | Managing Executive Officer (present) | | |
| May 2018 | Senior General Manager of Financing and Finance Policy Division | | |
| May 2020 | Director of Parco Co., Ltd. (present) | | |
| Important concurrent positions (Concurrent positions in the Group) Director of Parco Co., Ltd. | | | |
| <p>Reasons for nomination as candidate for Director and overview of expected roles</p> <p>-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. Since 2016, he has been promoting financial strategies and programs for the Group as a whole, by implementing measures aimed at applying the IFRS accounting standard and enhancing capital profitability as well as raising funds to support the continuation of corporate activities by implementing appropriate financial measures amid the severe business environment caused by COVID-19, formulating tax policies and beginning the reform of the accounting system with an eye to the future. In addition to such achievements and in-depth insight on finance, 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 nominated him as a candidate to continue serving as Director.</p> | | | |

Special notes regarding the candidates for Director

- The Company has entered into an agreement with candidates for Directors YAMAMOTO Ryoichi, HAMADA Kazuko, YAGO Natsunosuke, HAKODA Junya, UCHIDA Akira, SATO Rieko, SEKI Tadayuki and KOIDE Hiroko individually to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act as prescribed in Paragraph 1, Article 427 of the said Act.
- The Company has entered into a Directors and Officers liability insurance contract with an insurance company as prescribed in Paragraph 1, Article 430-3 of the Companies Act. Under such insurance contract, the Company will bear the full amount of insurance premiums for all the insured. The insurance policy covers all Directors and Executive Officers of the Company and all Directors and Audit & Supervisory Board Members of its subsidiaries. All candidates for Directors are included in the insured persons of the said insurance contract.
- Candidates for Directors YAGO Natsunosuke, HAKODA Junya, UCHIDA Akira, SATO Rieko, SEKI Tadayuki and KOIDE Hiroko are independent officers who have been given the obligation by the Tokyo Stock Exchange, Inc. and the Nagoya Stock Exchange, Inc. to protect ordinary shareholders.
- At Mitsubishi Electric Corporation, where candidate for Director KOIDE Hiroko has been in office as an Outside Director since June 2016, several incidents of quality misconduct regarding several products of the company came to light from April 2021. After the incidents came to light, several manufacturing bases of the company related to the incidents received notice, some that their ISO9001 and IRIS certifications would be suspended, and other that part of the scope of their ISO9001 certification and the whole of their IRIS certification would be canceled from July 2021 and onwards. She was not directly involved in the incidents and was not aware of the incidents until they came to light. She has regularly provided advice from the point of view of compliance with laws and regulations even before the incidents came to light, such as by expressing her opinion at meetings of the Board of Directors regarding the importance of a change in thinking with regard to quality issues, etc., and has continued to fulfill her duty as an Outside Director after the incidents came to light by providing advice and oversight with respect to efforts aimed at thorough compliance with laws and regulations and with contracts and at the implementation of effective measures to prevent fraud.

(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.

[Reference Document for the 15th Annual Shareholders Meeting]

Business Report (From March 1, 2021 to February 28, 2022)

1. Current status of the corporate group

(1) Business summary and results

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

As for corporate earnings, signs of improvement emerged largely due to expanding external demand amid resumption of global economic activity, yet earnings disparity between industries widened amid a situation where the in-person services sector has been subject to severe restrictions limiting movement particularly in the form of controls on flows of people and voluntary restraints on business operations associated with the spread of COVID-19. In addition, the outlook has become furthermore uncertain amid increasingly conspicuous effects of surging resource prices and materials supply shortages.

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

◆ Initiatives for the initial fiscal year of the FY2021-FY2023 Medium-term Business Plan

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

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

Our commitment to sustainability primarily involved engaging in business activities and new business development integrating our seven materiality issues (priority issues) with our key strategies, reducing greenhouse gas emissions looking toward our medium- to long-term targets, and seeking solutions to environmental and social challenges in cooperation with our suppliers (refer to “(6) The Group’s sustainability initiatives” for further details on our commitment to sustainability).

At the same time, we steadily promoted initiatives set forth in the Medium-term Business Plan in terms of the “three key strategies,” “management structure reforms,” and “strengthening of management foundation.”

Overall Composition of the FY2021-FY2023 Medium-term Business Plan

Overall Composition of the Medium-term Business Plan

| | | | |
|--|---|---|---|
| Three strategies for “quick recovery of earnings” and “regrowth” | Real x digital strategy Increase the attractiveness of department stores and PARCO content, expand OMO operations | Prime life strategy Strengthen business targeting consumers who enjoy fulfilling lifestyles | Developer strategy Maximize value of the Group’s real estate holdings, promote development of large-scale complexes |
| Important measures towards “complete recovery” | Management structure reforms <ul style="list-style-type: none"> ▶Cost reduction by business model reform ▶Narrowing down business base | | |
| Management foundation functional strategies | Financial strategy | Human resource strategy | IT strategy (defensive IT) |

Three key strategies and management structure reforms

1) Real x digital strategy

The Company’s digital strategy is implemented with the aim of providing new experience value extending beyond temporal and spatial constraints by enlisting digital technologies combined with the appeal of brick-and-mortar stores and human resources, thereby extending above and beyond initiatives that merely involve strengthening e-commerce.

Our efforts to increase the attractiveness of our stores has involved developing content that provides new value for department stores, particularly in terms of enhancing luxury brands and other key categories centered on the flagship stores, developing sales floors that enlist integration of direct-to-consumer brands (where creators and manufacturers deal directly with consumers), having PARCO promote renovation of its flagship stores with sights set on rebranding of stores, and opening medical wellness malls that seamlessly provide a range of services from medical treatment to the sales of goods and services.

Our efforts involving use of digital technologies have entailed digitalizing customer contact points particularly by increasing the app membership count in the Department Store and PARCO businesses, and developing original OMO operations (offline brick-and-mortar stores merged with online) particularly for cosmetics and art, inspired by brick-and-mortar stores, looking toward expanding business using online platforms. In addition, we have entered the market of fashion subscription, which serves as a business initiative undertaken from the perspective of CSV (creating shared value) using online platforms.

2) Prime life strategy

Under our prime life strategy, we have been expanding our high-quality customer base, which is a strength of the Company, while strengthening our proposals for consumers who enjoy fulfilling, sustainable lifestyles.

In the Department Store Business, we worked to increase the value of the customer experience derived from both brick-and-mortar stores and online platforms. This has involved enhancing key categories, developing refined store environments that are distinctive to brick-and-mortar stores particularly by constructing lounges for our loyal customers, offering scarce merchandise and services through our loyal customer-exclusive website, and upgrading our remote sales services. In addition, we took steps to provide new services including a family trust service in our Payment and Finance Business.

3) Developer strategy

We have set our sights on transforming our business portfolio enlisting efforts of the Developer Business, which is a new business segment. This has involved helping to create bustling towns underpinned by coexistence with local communities, building foundations for “regrowth” in fiscal 2024 and beyond with a focus on increasing the value of our real estate holdings, and proceeding with upfront investment.

In the current fiscal year, we have made progress in deriving revenue from existing properties unified within PARCO through their effective use, and have furthermore been promoting district development in Nagoya’s Sakae area in partnership with other companies. In addition, we have been building foundations for achieving medium- to long-term growth, which has involved devising plans for development of large-scale complexes in the Group’s key areas, making sophisticated use of our asset holdings, and taking action to diversify into multiple revenue streams.

4) Management structure reforms

We have been implementing the most important measures for complete recovery to levels of fiscal 2019 in conjunction with our key strategies, which have involved: (1) reducing fixed costs through structure reforms, and (2) increasing management efficiency and asset efficiency.

As for our initiatives to reduce fixed costs during the current fiscal year, we achieved reductions exceeding initial estimates primarily by promoting organizational and personnel structure reforms through business model reforms in the Department Store Business and by prompting a shift to digital advertising.

In addition, our efforts to improve management efficiency and asset efficiency involved setting our sights on transforming our business portfolio. To such ends, we transferred all shares of NEUVE A Co., Ltd. in the specialty store business at the end of June, transferred some shares of Dimples’ Co., Ltd. in the staffing service business at the end of February, and furthermore sold non-business assets.

◆ Strengthening management foundation to support achievement of medium- to long-term growth

Under the Group financial strategy, we have been seeking to ensure liquidity of funds aligned with changes in the business environment amid the COVID-19 pandemic. The Company furthermore issued sustainability bonds for the first time in May as a new means of procuring funds. In addition, we made the decision to adopt the consolidated taxation system beginning in fiscal 2022 in aiming to strengthen tax governance and optimize tax costs.

Under the Group human resource strategy, we made progress in recruiting work-ready professionals equipped with requisite specialized knowledge and skills particularly in the digital realm with the aim of steadily promoting our key strategies. In addition, we promoted initiatives on the basis of the Company’s materiality issues, particularly with respect to encouraging active participation of women and setting up remote work arrangements aligned with diversification of work styles.

Under the Group IT strategy, we have embarked on efforts to rebuild backbone systems in seeking to develop more sophisticated management and administration, particularly by revamping Group-wide accounting systems in conjunction with lending support for promoting digital strategies in our respective businesses.

Consolidated revenue for the fiscal year under review

With respect to consolidated earnings for the current fiscal year, revenue was ¥331,484 million, up 3.9% year on year, partly due to a rebound in the wake of suspended store operations and shortened operating hours in the Department Store and PARCO businesses in the previous fiscal year, in addition to various measures including those mentioned above.

Furthermore, business profit was ¥11,718 million, up 395.1% year on year, as a result of efforts throughout the fiscal year that involved curbing investment and reducing expenses. Operating profit was ¥9,380 million (operating loss of ¥24,265 million in the previous fiscal year) largely due to recording of gain on sales of shares of subsidiaries, gain on sales of non-current assets, and structural

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

Regarding dividends, the Company has decided to pay an annual dividend of ¥29 per share (¥27 in the previous fiscal year), for an increase of ¥2 relative to the previous fiscal year. With respect to the balance of the interim dividend and year-end dividend, the interim dividend amounted to ¥14 per share for an increase of ¥5 relative to the previous fiscal year (¥9 in the previous fiscal year), and the year-end dividend amounted to ¥15 per share for a decrease of ¥3 relative to the previous fiscal year.

Key performance indicator targets

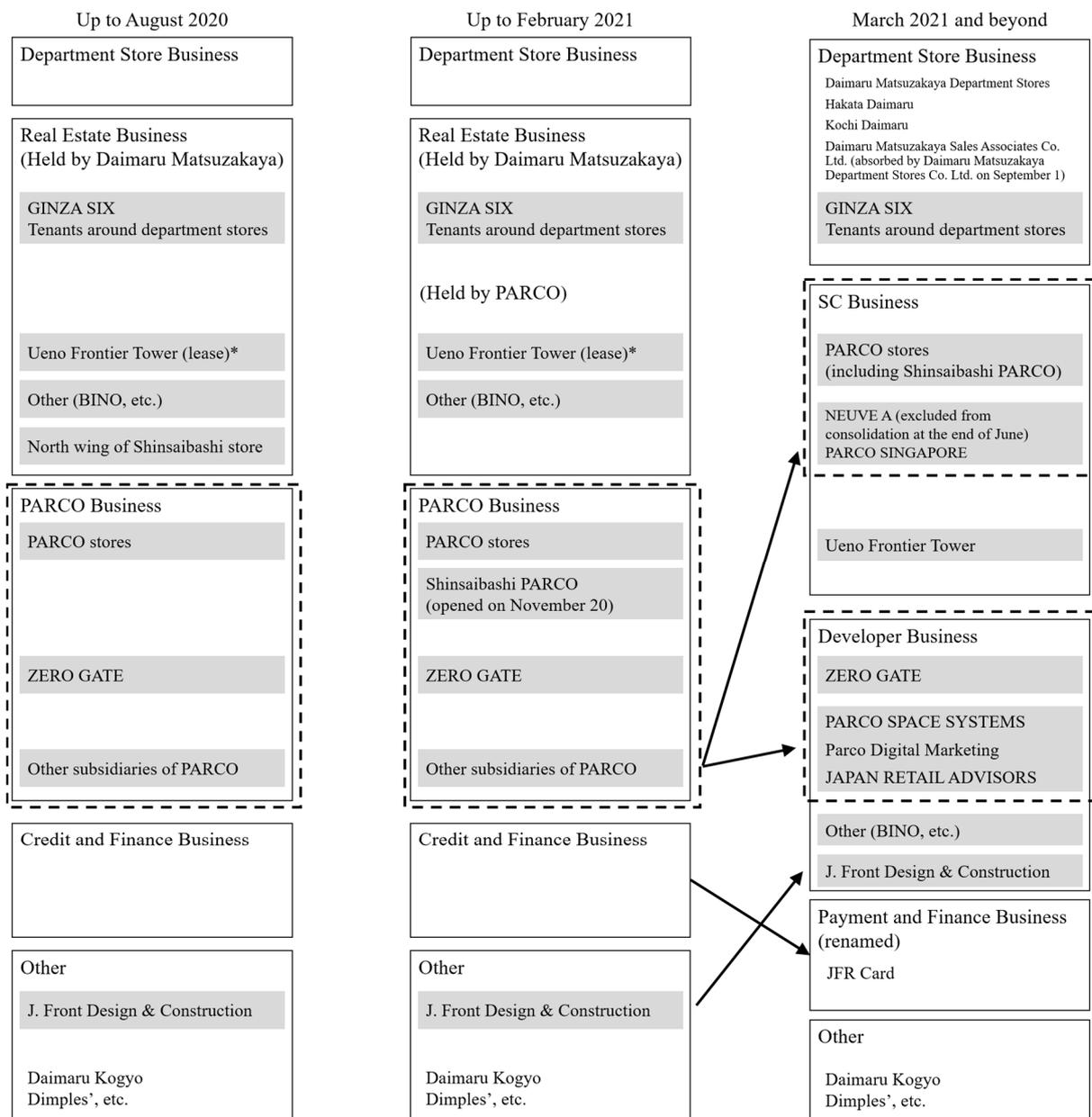
| | FY2019 results | FY2020 results | FY2021 results | FY2023 targets |
|--|-------------------|-------------------|---------------------|-------------------|
| Consolidated operating profit (IFRS) | ¥40,286 million | ¥(24,265) million | ¥9,380 million | ¥40,300 million |
| Consolidated ROE | 5.4% | (7.1)% | 1.2% | 7.0% |
| Consolidated ROIC | — | 0.2% | 1.2% | 5.0% |
| Greenhouse gas emissions* | (16.3)% | (32.0)% | (under calculation) | (40)% |
| Ratio of women in management positions | 16.6% | 19.9% | 21.3% | 26% |

*Scope 1 and 2 emissions compared with FY2017. The result of FY2021 is under calculation.

(Reference) Changes in the Reportable Segments

- From the fiscal year ended February 28, 2022, the Group has four business segments; the Department Store Business, the SC (Shopping Center) Business, the Developer Business, and the Payment and Finance Business.
- The changes in the reportable segments under the Group, the major subsidiaries, and the classification of the real estate properties for the fiscal year ended February 28, 2021 and the fiscal year ended February 28, 2022 are as follows.

(Note) In the chart below, the scope of the existing PARCO Business is presented within the dotted lines.



* “Ueno Frontier Tower (lease)” up to February 2021 includes real estate lease revenue from PARCO Co., Ltd. on PARCO_ya Ueno.

Results by segment are as follows.

Revenue and operating profit by business segment of the corporate group

(Millions of yen)

| Business segment | 14th fiscal year (Fiscal 2020) | | | | 15th fiscal year (Current fiscal year) (Fiscal 2021) | | | |
|------------------------------|-----------------------------------|------------------|------------------|------------------|---|------------------|------------------|------------------|
| | Revenue | | Operating profit | | Revenue | | Operating profit | |
| | Results | Composi- tion | Results | Composi- tion | Results | Composi- tion | Results | Composi- tion |
| | | % | | % | | % | | % |
| Department Store Business | 173,831 | 54.5 | (20,785) | - | 190,739 | 57.5 | (4,594) | - |
| SC Business | 55,449 | 17.4 | (6,968) | - | 52,556 | 15.9 | 2,055 | - |
| Developer Business | 53,825 | 16.9 | 1,981 | - | 50,633 | 15.3 | 4,711 | - |
| Payment and Finance Business | 9,035 | 2.8 | 421 | - | 11,037 | 3.3 | 1,970 | - |
| Total | 292,142 | 91.6 | (25,351) | - | 304,967 | 92.0 | 4,142 | - |
| Other | 62,559 | 19.6 | 1,724 | - | 61,755 | 18.6 | 1,199 | - |
| Adjustments | (35,622) | (11.2) | (638) | - | (35,239) | (10.6) | 4,039 | - |
| Consolidated total | 319,079 | 100.0 | (24,265) | 100.0 | 331,484 | 100.0 | 9,380 | 100.0 |

Department Store Business

Revenue of ¥190,739 million (+9.7% YoY), operating loss of ¥4,594 million (operating loss of ¥20,785 million in the previous fiscal year)

<Reference data>

Gross sales of ¥555,845 million (+16.5% YoY), business profit of ¥1,798 million (business loss of ¥2,936 million in the previous fiscal year)

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

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

To increase the attractiveness of stores, we enhanced key categories and constructed lounges for our loyal customers particularly in our flagship stores. We also sought to create new stores that are integral to their respective communities with renovation and re-openings of the Daimaru Suma store in March and the Matsuzakaya Takatsuki store in July. In addition, at the Daimaru Tokyo store we sought development of new content that entailed opening “asumise,” a showroooming space for direct-to-consumer brands. We ceased operations of the Matsuzakaya Toyota store in September.

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

As a result of various measures including those mentioned above, along with a rebound from suspension of store operations, among other factors, revenue was ¥190,739 million, up 9.7% year on year. Operating loss improved relative to the previous fiscal year to ¥4,594 million (operating loss of ¥20,785 million in the previous fiscal year), partly due to recording of structural reform cost.

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

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 | 52,883 | 9.5 | 30.3 |
| Osaka Umeda store | 41,227 | 7.4 | 8.7 |
| Tokyo store | 47,615 | 8.6 | 22.9 |
| Kyoto store | 52,433 | 9.4 | 11.2 |
| Kobe store | 70,160 | 12.6 | 19.4 |
| Suma store | 6,549 | 1.2 | (4.9) |
| Ashiya store | 4,173 | 0.8 | 22.1 |
| Sapporo store | 49,376 | 8.9 | 18.3 |
| Shimonoseki store | 8,410 | 1.5 | 3.7 |
| Sub total | 332,830 | 59.9 | 17.5 |
| Matsuzakaya | | | |
| Nagoya store | 103,984 | 18.7 | 20.0 |
| Ueno store | 20,894 | 3.8 | 15.4 |
| Shizuoka store | 17,088 | 3.1 | 15.1 |
| Takatsuki store | 5,179 | 0.9 | (11.6) |
| Toyota store | 4,153 | 0.7 | (18.1) |
| Sub total | 151,299 | 27.2 | 15.9 |
| Corporations, head office, etc. | 21,857 | 3.9 | 9.2 |
| Total | 505,987 | 91.0 | 16.6 |
| The Hakata Daimaru, Inc. | 41,523 | 7.5 | 18.6 |
| Kochi Daimaru Co., Ltd. | 8,277 | 1.5 | 4.1 |
| Adjustments | 56 | 0.0 | - |
| Total | 555,845 | 100.0 | 16.5 |

Net sales by product of the Department Store Business

(Millions of yen)

| Product | Amount | Composition | Year-on-year changes |
|--------------------------------------|---------|-------------|----------------------|
| | | % | % |
| Men's clothing and haberdashery | 31,885 | 5.7 | 12.6 |
| Ladies' clothing and haberdashery | 176,668 | 31.8 | 23.4 |
| Children's clothing and haberdashery | 6,358 | 1.1 | (5.3) |
| Kimono, bedding and other clothing | 5,630 | 1.0 | 0.8 |
| Accessories | 38,882 | 7.0 | 15.7 |
| Furniture | 4,288 | 0.8 | 14.5 |
| Home appliances | 152 | 0.0 | (47.6) |
| Household goods | 14,639 | 2.6 | 8.8 |
| Food products | 130,756 | 23.5 | 11.7 |
| Food halls and cafes | 10,895 | 2.0 | 16.3 |
| General goods | 100,349 | 18.1 | 21.0 |
| Services | 1,938 | 0.3 | 26.6 |
| Other | 33,343 | 6.1 | 7.5 |
| Adjustments | 56 | 0.0 | - |
| Total | 555,845 | 100.0 | 16.5 |

- (Notes) 1. Effective from the fiscal year ended February 28, 2022, sales of the Corporate Sales Division and revenue attributable to the head office, which had been included in the relevant stores, have been presented separately as Corporations, head office, etc. Percentage changes year on year have been calculated by restating the results of the fiscal year ended February 28, 2021.
2. Effective from the fiscal year ended February 28, 2022, real estate lease revenue from GINZA SIX and the tenants around department stores, etc., which had been included in the Real Estate Business, has been included in Corporations, head office, etc. and the relevant stores, respectively. Percentage changes year on year have been calculated by restating the results of the fiscal year ended February 28, 2021.
3. The Matsuzakaya Toyota store closed on September 30, 2021.
4. Daimaru Matsuzakaya Department Stores Co. Ltd. merged with and absorbed Daimaru Matsuzakaya Sales Associates Co. Ltd. on September 1, 2021. Year-on-year changes have accordingly been calculated by retrospectively adjusting comparative figures for the previous year.

SC Business

Revenue of ¥52,556 million (-5.2% YoY), operating profit of ¥2,055 million (operating loss of ¥6,968 million in the previous fiscal year)

<Reference data>

Gross sales of ¥219,172 million (+11.9% YoY), business profit of ¥3,844 million (+281.3% YoY)

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

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

As a new business in the area of wellness, we participated in the development and operation of medical malls and opened the 1st “Welpa” new-concept medical wellness mall in Shinsaibashi PARCO in November.

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

(Reference) Tenant transaction volume (on a gross basis) by PARCO store in the SC Business is as follows.

Tenant transaction volume by PARCO store in the SC Business (Millions of yen)

| Store | Amount | Composition | Year-on-year changes | Store | Amount | Composition | Year-on-year changes |
|-----------------------------|---------|-------------|----------------------|--|---------|-------------|----------------------|
| Sapporo PARCO | 7,965 | % 3.7 | % 12.9 | Shintokorozawa PARCO | 8,131 | % 3.8 | % 2.3 |
| Sendai PARCO | 14,868 | 7.0 | 9.0 | Tsudanuma PARCO | 9,313 | 4.4 | 6.8 |
| Urawa PARCO | 23,595 | 11.1 | 11.0 | Hibarigaoka PARCO | 6,124 | 2.9 | 4.5 |
| Ikebukuro PARCO | 16,313 | 7.7 | 12.8 | Matsumoto PARCO | 3,986 | 1.9 | 7.4 |
| PARCO_ya Ueno | 5,261 | 2.5 | 27.0 | Total of community complex group | 27,556 | 13.0 | 5.0 |
| Kichijoji PARCO | 5,947 | 2.8 | 11.1 | Total of city and community complex groups | 212,604 | 100.0 | 17.3 |
| Shibuya PARCO | 17,072 | 8.0 | 43.7 | | | | |
| Kinshicho PARCO | 6,952 | 3.3 | 9.8 | | | | |
| Chofu PARCO | 15,218 | 7.2 | 5.8 | | | | |
| Shizuoka PARCO | 7,621 | 3.6 | 9.4 | | | | |
| Nagoya PARCO | 22,718 | 10.7 | 9.7 | | | | |
| Shinsaibashi PARCO | 13,632 | 6.4 | 230.7 | | | | |
| Hiroshima PARCO | 10,740 | 5.1 | 6.3 | | | | |
| Fukuoka PARCO | 17,139 | 8.1 | 17.9 | | | | |
| Total of city complex group | 185,048 | 87.0 | 19.4 | | | | |

- (Notes) 1. The tenant transaction volume represents the total amount of tenant transactions at PARCO stores.
 2. Shinsaibashi PARCO opened on November 20, 2020.
 3. Effective from the fiscal year ended February 28, 2022, results of the 1st basement and cinema complex of Ueno Frontier Tower are managed as the SC Business. Accordingly, results of the 1st basement and cinema complex are included in the current results of PARCO_ya Ueno but not in its previous year results.

Developer Business

Revenue of ¥50,633 million (-5.9% YoY), operating profit of ¥4,711 million (+137.7% YoY)

<Reference data>

Gross sales of ¥53,794 million (+5.9% YoY), business profit of ¥3,134 million (+10.3% YoY)

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

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

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

Payment and Finance Business

Revenue of ¥11,037 million (+22.2% YoY), operating profit of ¥1,970 million (+367.8% YoY)

<Reference data>

Gross sales of ¥14,556 million (+26.6% YoY), business profit of ¥1,906 million (+380.4% YoY)

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

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

As a result of various measures including those mentioned above, revenue was ¥11,037 million, up 22.2% year on year primarily due to recovery in transaction volume handled by department stores and increased revenues from annual membership fees associated with updating cards. Meanwhile, operating profit was ¥1,970 million, up 367.8% year on year.

Other

Revenue of ¥61,755 million (-1.3% YoY), operating profit of ¥1,199 million (-30.5% YoY)

<Reference data>

Gross sales of ¥73,246 million (-3.1% YoY), business profit of ¥1,252 million (-24.3% YoY)

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

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

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

(2) Explanation of financial position

(Assets, liabilities, and equity as of February 28, 2022)

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

Total equity was ¥362,120 million, a decrease of ¥2,223 million compared with February 28, 2021.

(Cash flow position)

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

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

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

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

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

(3) 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 investments were ¥21,083 million, as a result of curtailing investments, excluding recurring investment.

(i) Major facilities completed during the current fiscal year

Mainly, in the Department Store Business this included investment in refurbishment of sales floors at the Daimaru Kobe store, and in the Developer Business this included opening of a commercial facility at the former site of a Matsuzakaya distribution center.

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

Not applicable.

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

Not applicable.

(4) Status of procurement

The Group’s basic policy is to source funds needed for business activities using funds generated by the Group. Moreover, when the need arises for business investment or other expenditures, the holding company spearheads efforts to procure such funds mainly by issuing bonds and borrowing from financial institutions, with consideration placed on maintaining financial soundness.

The Group subsidiaries do not procure funds from financial institutions, but instead we promote streamlined means of procuring Group funds by seeking necessary funds through intra-Group financing using a cash management system.

For the current fiscal year, based on the above policy, we procured ¥30,000 million (of which, ¥15,000 million involved sustainability bonds) through issuance of unsecured straight bonds.

Meanwhile, we gradually embarked on efforts to optimize cash and deposits on hand secured to provide for effects of the COVID-19 pandemic, and made progress on repayment of commercial paper of ¥55,000 million and long-term borrowings of ¥17,100 million. As a result, our balance of interest-bearing liabilities (excluding lease liabilities) decreased by ¥42,200 million compared to the end of the previous fiscal year to ¥317,700 million. We also scaled back the commitment line to ¥200,000 million, a decrease of ¥100,000 million.

(5) Issues to be addressed

For fiscal 2021, which constituted the initial year of the Medium-term Business Plan, whereas our recovery in earnings results remained moderate relative to initial estimates amid ongoing proliferation of COVID-19, we achieved some success with respect to our three key strategies particularly in terms of digitalizing customer contact points and prioritizing investing in our flagship stores, developing new content, and promoting management structure reforms.

On the other hand, we have been encountering an increasingly uncertain business environment amid prolonged effects of the pandemic and rising tensions in international affairs, with such factors in turn giving rise to soaring raw material costs and supply-side constraints. In particular, this situation calls for us to take action that includes strengthening our response to risk such as “changes in consumer behavior due to COVID-19” and “decline of existing business models,” pursuing business model reforms with respect to our existing businesses, and furthermore heightening our effectiveness looking toward enabling the Group to achieve sustainable growth.

Meanwhile, corporations are intensively urged to tackle and address issues regarding the environment, society, and human rights through their business activities, in addition to achieving economic value, amid a scenario of drastically changing social structures and consumption patterns.

The Company regards such structural changes as opportunities for corporate transformation and accordingly strives to increase its medium- to long-term corporate value and enable its stakeholders to achieve the notion of a “Well-Being Life.” This involves seeking business growth and creating business opportunities by promoting sustainability management, in addition to our persisting efforts in areas that include reducing environmental burden and seeking solutions to social challenges.

◆ Accelerating implementation of key strategies and management structure reforms looking toward “complete recovery” and “regrowth”

During fiscal 2022, the second year of the Medium-term Business Plan, we seek to take a solid step toward achieving complete recovery. To such ends, we will steadily derive results from investment concentrated toward our key strategies and initiatives in our existing businesses such as the Department Store and SC businesses, while striving to increase profitability by promoting management structure reforms in part by reducing fixed costs.

Meanwhile, we will set a clear trajectory toward “regrowth” with our sights set on the year 2030 amid heightening importance of business portfolio transformation due to changes in the business environment. This will involve seeking growth in the non-retail realm particularly in our Developer Business and Payment and Finance Business by making the most of the Group’s management resources. Beginning this fiscal year, we have sought to strengthen our framework for formulating and promoting management strategies that include the “business portfolio transformation,” “Group Corporate Real Estate (CRE),” and “Group digital” strategies under our holding company organization. In so doing, we will carry out initiatives from the perspective of pursuing overall optimization and synergies. This will involve picking up the pace in realizing our strategic aims in terms of extending each of the key strategies by strengthening our alliances with the respective operating companies and other companies, considering new fields of business from a creating shared value (CSV) perspective, and concentrating allocation of management resources.

Accelerating implementation of the three key strategies and management structure reforms

1) Real x digital strategy

We will transform the business model into one that provides new experience value through the use of digital technologies originating from brick-and-mortar stores and human resources. We will work to

increase the attractiveness of our stores through investment concentrated toward the flagship stores of the Department Store and SC businesses and expand business using online platforms, in order to achieve quick recovery of earnings under the Medium-term Business Plan.

Moreover, in step with promoting strategies in our respective businesses, we will engage in an “offense-oriented digital strategy” drawing on alliances with our respective businesses. This will involve formulating a Group customer strategy enlisting integration of our customer database and hastening mutual exchange of customers in our key areas.

(i) Increase the attractiveness of stores

- We will take steps to establish competitive advantages in each of our business locations by concentrating on enhancing key categories including luxury items, art, and watches centered on our flagship department stores. Meanwhile, we will more swiftly address market changes that have become increasingly apparent due to the COVID-19 pandemic, in part by streamlining sales floors that handle practical merchandise.
- We will promote reforms of the SC business model through initiatives that involve undertaking investment concentrated toward our key stores such as Ikebukuro PARCO and Nagoya PARCO, engaging in merchandising development to replace the conventional fashion zone format, and bringing in new tenants to address market changes in each location.
- We will seek to strengthen alliances through initiatives that include having our department stores and PARCO locations hold collaborative events in the Shinsaibashi and Nagoya areas.

(ii) Expand online business

- We will strengthen our original OMO business originating from brick-and-mortar stores. This will involve having our department stores set up “DEPACO” online stores handling cosmetics integrated with stores and enhance e-commerce products, and having PARCO locations renovate online stores and facilitate mutual exchange of customers between physical stores and online platforms in partnership with our tenants.

2) Prime life strategy

We will strengthen our proposals for “consumers who enjoy fulfilling, sustainable lifestyles,” which is the aim of our prime life strategy. Under the Medium-term Business Plan, we will engage in initiatives for developing new products and services and prompting evolution of communication with our customers using digital technologies, largely based on department store gaisho (out-of-store sales).

At the same time, we will take steps to realize the medium- to long-term strategies of the Payment and Finance Business, positioned as a core business for achieving “regrowth.”

(i) Develop new products and services

- Our department stores will engage in efforts that involve deepening our mainstay categories, identifying new content for serving the affluent market segment, and enhancing loyalty programs. Meanwhile, the Payment and Finance Business will work to upgrade its insurance-related financial products through alliances with other companies.

(ii) Evolve communication with customers

- Our department stores will develop more extensive customer relationship management (CRM) practices. This will involve prompting evolution of gaisho activities using digital technologies in part by enlisting our loyal customer-exclusive website and online customer services, and identifying potential customers using data analysis. In addition, the Payment and Finance Business will strengthen its in-person and online proposals in alignment with customers’ life stages.

(iii) Achieve medium- to long-term strategies of the Payment and Finance Business

- We will work to achieve strategies of the Payment and Finance Business from a medium- to long-term perspective and will strengthen its business foundations through efforts that involve building Group payment infrastructure, attaining geographic expansion with respect to the network of affiliated stores, and developing services that provide substantial added value.

3) Developer strategy

Under our developer strategy, which is positioned as a driver of growth toward achieving “regrowth,” we will carry forward initiatives of fiscal 2021 in terms of promoting development projects in the Group’s key areas and building foundations for business growth.

In addition, we will formulate and promote medium- to long-term business strategies and development plans with our sights set on the year 2030 by strengthening alliances with the holding company and operating companies.

(i) Promote area-specific development projects

- We will make effective use of our existing properties, continue to promote development projects in Nagoya’s Sakae area, and promote development plans in the Group’s key locations such as Osaka’s Shinsaibashi area.

(ii) Strengthen business foundations

- We will work to strengthen our business foundations by undertaking asset replacement, organizing and embarking on management of a private subscription fund, and establishing a consignment framework for the asset management business.

(iii) Formulate and promote medium- to long-term business strategies and development plans

- We will help create bustling towns underpinned by coexistence with local communities while formulating and promoting medium- to long-term business strategies and development plans with a focus on centrally managing and making sophisticated use of the Group’s asset holdings.

4) Management structure reforms

We will make steady progress in implementing our three key strategies and management structure reforms consisting of our most important measures for achieving “complete recovery” in fiscal 2023. Beginning in fiscal 2022, we will develop a system for enabling us to engage in initiatives focused on tracking progress of each of priority measures and promoting such measures.

(i) Reduce fixed costs (¥10,000 million lower than in fiscal 2019)

- In addition to results of our organizational and personnel structure reforms in the current fiscal year, we will review our cost structure through efforts that involve reorganizing the Group’s offices and extending Group-wide purchasing of materials and supplies.

(ii) Increase management efficiency and asset efficiency

- We will improve management efficiency by narrowing our business foundations based on future prospects and growth potential. We will also increase asset efficiency by identifying non-business assets.

◆ Strengthen management foundations to support achievement of medium- to long-term growth

We will work to strengthen management foundations to support achievement of medium- to long-term growth. In particular, we will enhance our human resource strategy largely by realizing sustainability management and undertaking investment with priority on human resources who create new value, amid a highly uncertain business environment.

1) Group human resource strategy

We will bolster our investment in human capital through initiatives that include strengthening recruitment and developing skills of highly specialized professionals based on our business portfolio transformation and key strategies, early-stage identification and development of management personnel who will serve as future leaders, encouraging active participation of women, and promoting health and productivity management. In addition, we will furthermore assign each and every employee to positions aligned with their commitment, motivation, and capabilities, and will facilitate personnel interaction on a Group-wide basis. These initiatives will underpin efforts that involve actively embracing diversity, giving rise to a corporate culture unencumbered by stereotypes, and serving as a “Human Resource

Development Company” that seeks to enable individuals and organizations to achieve sustainable growth.

2) Group systems strategy

We will provide support for promoting digital strategies in each of our businesses while seeking to standardize and streamline our administrative systems in part by rebuilding our backbone systems to increase the sophistication of management and administration from the perspective of overall optimization. In addition, we will promote information technology governance by ensuring information security in our maintenance of next-generation networks and cloud computing environments, enhancing measures for business continuity, and engaging in centralized management of investment planning and development processes.

3) Group financial strategy

We will strive to improve our financial standing and create free cash flows by taking a flexible approach that involves reducing interest-bearing liabilities and selling non-business assets, while monitoring effects of the spread of COVID-19 on our operations. In addition, we will seek to steadily transform our business portfolio by developing more sophisticated management and administration, which will involve redoubling our efforts to improve our rate of return on invested capital (ROIC) in each of our businesses.

4) Strengthening corporate governance

We will develop more sophisticated corporate governance practices by speeding up management decision-making and execution toward achieving medium- and long-term growth, and by further strengthening the oversight function of the Board of Directors separately from business execution.

(6) The Group’s sustainability initiatives

● Sustainability Policy (excerpt): With People, with Local Communities, with Environment

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.

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 and practice 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.

We are committed to fulfilling our environmental and social responsibilities to customers toward the achievement of a sustainable society, and will furthermore 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.

* Sustainability Policy (unabridged)
(www.j-front-retailing.com/english/sustainability/way_to_think.html)

● Sustainability Management and “Well-Being Life”

In its Medium-term Business Plan launched in fiscal 2021, the Company articulated the notion of sustainability management and cited “Well-Being Life” as the goal of its Group Vision, “Create and Bring to Life ‘New Happiness’.”

The Company’s notion of Well-Being Life embodies the realization of life that realizes not only conventional material and economic affluence, but also spiritual (intellectual and cultural), physical and social wealth, as well as the enriched environment surrounding them. We will promote efforts to realize “Well-Being Life” by combining sustainability with our strengths, while valuing the opportunities to interact with our customers and other stakeholders.

● Seven materiality issues (key issues)

We have identified seven materiality issues for promoting sustainability management and realizing “Well-Being Life.”

Upon having identified both risks and opportunities with respect to each materiality issue, we will respond to the risks while creating business opportunities, and accordingly aim to simultaneously realize both social and economic value based on the notion of creating shared value (CSV).

| | Materiality | The Company’s commitment to realization of a sustainable society |
|------------------------|--|---|
| With people | Realization of customers’ healthy/safe/secure life | Realizing a future-oriented Well-Being Life that satisfies the mind and body of our customers Building safe, secure and resilient stores for the future |
| | Promotion of diversity & inclusion | Realizing a highly diversified society where everyone recognizes each other’s diversity and flexibly demonstrates his/her individuality |
| | Realization of work-life integration | Realizing Well-Being Life for the employees and their families through new work styles for the future to realize diversity and flexibility |
| With local communities | Management of the entire supply chain | Realizing decarbonized society throughout the entire supply chain created together with suppliers Realizing sustainable supply chain created together with suppliers Realizing Well-Being Life in which we, together with suppliers, protect the human rights and health of the people working along the supply chain |
| | Coexistence with local communities | Building affluent future-oriented communities together with local residents, where people gather centered on our stores |
| With environment | Realization of decarbonized society | Leading decarbonized society and preparing a global climate for the next generation |
| | Promotion of circular economy | Realizing a sustainable global environment for the future and growth as a company through the promotion of circular economy |

* Details of the Company’s seven materiality issues is available via the link below.
(<https://www.j-front-retailing.com/english/sustainability/materiality.html>)

(7) Status of assets and profit or loss

Changes in assets and profit or loss of the corporate group

(Millions of yen, unless otherwise stated)

| International Financial Reporting Standards (IFRS) | | | | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Category | 12th fiscal year (Fiscal 2018) | 13th fiscal year (Fiscal 2019) | 14th fiscal year (Fiscal 2020) | 15th fiscal year (Fiscal 2021) |
| Gross sales | 1,125,153 | 1,133,654 | 769,453 | 875,281 |
| Revenue | 459,840 | 480,621 | 319,079 | 331,484 |
| Business profit | 45,514 | 45,363 | 2,366 | 11,718 |
| Operating profit | 40,891 | 40,286 | (24,265) | 9,380 |
| Operating profit/revenue | 8.9% | 8.4% | (7.6)% | 2.8% |
| Profit before tax | 42,126 | 37,161 | (28,672) | 6,190 |
| Profit attributable to owners of parent | 27,358 | 21,251 | (26,193) | 4,321 |
| Total assets | 1,029,573 | 1,240,308 | 1,263,722 | 1,192,907 |
| Total equity | 468,485 | 399,681 | 364,343 | 362,120 |
| Equity attributable to owners of parent | 412,700 | 387,188 | 352,171 | 350,368 |
| Ratio of equity attributable to owners of parent to total assets | 40.1 | 31.2 | 27.9 | 29.4 |
| Interest-bearing liabilities [Of which, lease liabilities] | 174,378 [-] | 478,773 [220,497] | 562,815 [202,885] | 502,109 [184,394] |
| Cash flows from operating activities | 34,870 | 73,358 | 56,471 | 49,866 |
| Cash flows from investing activities | (26,836) | (49,559) | (20,870) | (5,289) |
| Free cash flows | 8,034 | 23,799 | 35,601 | 44,577 |
| Cash flows from financing activities | (21,274) | (14,829) | 58,727 | (80,392) |
| Cash and cash equivalents at end of period | 25,659 | 34,633 | 128,925 | 93,278 |
| Profit/equity attributable to owners of parent (ROE) | 6.8% | 5.4% | (7.1)% | 1.2% |
| Operating profit/total assets (ROA) | 4.0% | 3.2% | (1.9)% | 0.8% |
| Return on invested capital (ROIC) | - | - | 0.2 | 1.2 |
| Basic earnings per share (EPS) (Yen) | 104.55 | 81.19 | (100.03) | 16.50 |
| Equity attributable to owners of parent per share (Yen) | 1,576.68 | 1,479.07 | 1,344.91 | 1,337.29 |
| Price earnings ratio (PER) | 11.79% | 14.13% | (10.17)% | 58.29% |
| Interim dividend (Yen) | 17.00 | 18.00 | 9.00 | 14.00 |
| Year-end dividend (Yen) | 18.00 | 18.00 | 18.00 | 15.00 |
| Dividend payout ratio | 33.5% | 44.3% | -% | 175.7% |
| Dividends/equity attributable to owners of parent | 2.2% | 2.4% | 2.0% | 2.2% |

- (Notes) 1. Profit attributable to owners of parent, operating profit and business profit after tax are used to calculate ROE, ROA and ROIC, respectively.
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 SC Business to tenant transaction volume (gross basis). Business profit is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

(8) 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)

| Company name | Share capital | Ratio of ownership by the Company (%) | Major businesses |
|--|----------------|---------------------------------------|--|
| Daimaru Matsuzakaya Department Stores Co. Ltd. | 10,000 | 100.0 | Department Store Business |
| The Hakata Daimaru, Inc. | 3,037 | 69.9 | Department Store Business |
| Kochi Daimaru Co., Ltd. | 300 | 100.0 | Department Store Business |
| PARCO Co., Ltd. | 34,367 | 100.0 | SC Business, Developer Business |
| Parco (Singapore) Pte Ltd | S\$4 million | 100.0 | SC Business |
| PARCO SPACE SYSTEMS Co., Ltd. | 100 | 100.0 | Space engineering and management business |
| J. Front Design & Construction Co., Ltd. | 100 | 100.0 | Design and construction contracting |
| PARCO Digital Marketing Co., Ltd. | 10 | 100.0 | Internet-related business |
| JAPAN RETAIL ADVISORS Co., Ltd. | 10 | 100.0 | Real estate management, consulting |
| JFR Card Co., Ltd. | 100 | 100.0 | Payment 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 |
| 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, parking |
| JFR Information Center Co., Ltd. | 10 | 100.0 | Information service |
| Daimaru Matsuzakaya Tomonokai Co., Ltd. | 100 | 100.0 | Specified prepaid transaction service |

(Notes) 1. PARCO CO., LTD. transferred all the shares of NEUVE A Co., Ltd. on June 30, 2021.

2. Daimaru Matsuzakaya Department Stores Co. Ltd. merged with and absorbed Daimaru Matsuzakaya Sales Associates Co. Ltd. on September 1, 2021.

3. The Company removed Dimples' Co., Ltd. from the scope of consolidation upon transfer of 90% of its shares on February 28, 2022.

(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 | 202,109 | 641,307 |
| PARCO Co., Ltd. | 28-2, Minami-Ikebukuro 1-chome, Toshima-ku, Tokyo | 160,581 | 641,307 |

(Note) A specified wholly owned subsidiary is one where the book value of the shares of said subsidiary on the final day of the fiscal year exceeds 1/5th of the Company's total assets, and one whose shares are all held by the Company.

(9) Major businesses

The Department Store Business, the SC Business, the Developer Business, the Payment and Finance Business, and Other including wholesale business, parking, and leasing, etc.

(10) Major business locations

(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 | | |
| Kobe store | Chuo-ku, Kobe | GINZA SIX | Chuo-ku, Tokyo |
| Suma store | Suma-ku, Kobe | The Hakata Daimaru, Inc. | Chuo-ku, Fukuoka |
| Ashiya store | Ashiya, Hyogo | Kochi Daimaru Co., Ltd. | Kochi, Kochi |
| Sapporo store | Chuo-ku, Sapporo | | |
| Shimonoseki store | Shimonoseki, Yamaguchi | | |

(SC Business)

| Name | Location | Name | Location |
|--------------------------------------|---------------------|--------------------|--------------------|
| PARCO Co., Ltd. | | | |
| Headquarters | Toshima-ku, Tokyo | Hibarigaoka PARCO | Nishi-Tokyo, Tokyo |
| Shibuya Head Office | Shibuya-ku, Tokyo | Kichijoji PARCO | Musashino, Tokyo |
| Sapporo PARCO | Chuo-ku, Sapporo | Chofu PARCO | Chofu, Tokyo |
| Sendai PARCO | Aoba-ku, Sendai | Tsudanuma PARCO | Funabashi, Chiba |
| Urawa PARCO | Urawa-ku, Saitama | Matsumoto PARCO | Matsumoto, Nagano |
| Shintokorozawa PARCO | Tokorozawa, Saitama | Shizuoka PARCO | Aoi-ku, Shizuoka |
| Ikebukuro PARCO | Toshima-ku, Tokyo | Nagoya PARCO | Naka-ku, Nagoya |
| PARCO_ ya Ueno (Ueno Frontier Tower) | Taito-ku, Tokyo | Shinsaibashi PARCO | Chuo-ku, Osaka |
| Kinshicho PARCO | Sumida-ku, Tokyo | Hiroshima PARCO | Naka-ku, Hiroshima |
| Shibuya PARCO | Shibuya-ku, Tokyo | Fukuoka PARCO | Chuo-ku, Fukuoka |
| Parco (Singapore) Pte Ltd | Singapore | | |

(Developer Business)

| Name | Location | Name | Location |
|--|---|---|---|
| PARCO Co., Ltd. Sapporo ZERO GATE Harajuku ZERO GATE Kawasaki ZERO GATE Nagoya ZERO GATE Kyoto ZERO GATE Shinsaibashi ZERO GATE Dotonbori ZERO GATE Sannomiya ZERO GATE Hiroshima ZERO GATE | Chuo-ku, Sapporo Shibuya-ku, Tokyo Kawasaki-ku, Kawasaki-shi Naka-ku, Nagoya Shimogyo-ku, Kyoto Chuo-ku, Osaka Chuo-ku, Osaka Chuo-ku, Kobe Naka-ku, Hiroshima | Pedi SHIODOME BINO OKACHIMACHI BINO GINZA BINO SAKAE BINO HIGASHINOTOIN and others | Minato-ku, Tokyo Taito-ku, Tokyo Chuo-ku, Tokyo Naka-ku, Nagoya Nakagyo-ku, Kyoto |
| PARCO SPACE SYSTEMS Co., Ltd. | Shibuya-ku, Tokyo | PARCO Digital Marketing Co., Ltd. | Shibuya-ku, Tokyo |
| J. Front Design & Construction Co., Ltd. | Chuo-ku, Osaka | JAPAN RETAIL ADVISORS Co., Ltd. | Shibuya-ku, Tokyo |

(Payment 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-fu 5, Nagoya 1, Shanghai 1, Thailand 1, Taiwan 1

(11) Status of employees

(i) Employees of the corporate group

| Category | Number of employees |
|------------------------------|---------------------|
| J. FRONT RETAILING Co., Ltd. | 138 |
| Department Store Business | 2,724 |
| SC Business | 494 |
| Developer Business | 873 |
| Payment and Finance Business | 201 |
| Other | 1,159 |
| Total | 5,589 |

(Note) Other than the employees above, the number of dedicated employees is 1,444 and the number of fixed-term employees is 1,115.

(ii) Employees of the Company

| Number of employees | Average age |
|---------------------|-------------|
| 138 | 46.4 |

(Note) Other than the employees above, the number of dedicated employees is 1 and the number of fixed-term employees is 15.

(iii) Employees of major subsidiaries

| Name | Number of employees | Average age |
|--|---------------------|-------------|
| Daimaru Matsuzakaya Department Stores Co. Ltd. | 2,459 | 48.0 |
| PARCO Co., Ltd. | 691 | 43.8 |

(12) Status of major creditors

Major creditors of the corporate group

(Millions of yen)

| Creditor | Amount payable |
|-------------------------------------|----------------|
| Borrowings | |
| MUFG Bank, Ltd. | 51,805 |
| Development Bank of Japan Inc. | 34,256 |
| Sumitomo Mitsui Banking Corporation | 31,556 |
| Mizuho Bank, Ltd. | 12,856 |
| Other | 72,487 |
| Sub total | 202,960 |
| Straight bonds, etc. | 114,755 |
| Total | 317,715 |

(13) 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: 155,375

(4) Major shareholders

| Name of shareholders | Number of shares held (Thousands of shares) | Shareholding ratio (%) |
|--|--|---------------------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 43,781 | 16.56 |
| Custody Bank of Japan, Ltd. (Trust Account) | 15,163 | 5.73 |
| Nippon Life Insurance Company | 9,828 | 3.71 |
| J. Front Retailing Kyoei Supplier Shareholding Association | 6,344 | 2.40 |
| DAIWA CM SINGAPORE LTD - NOMINEE ROBERT LUKE COLLICK | 5,439 | 2.05 |
| The Dai-ichi Life Insurance Company, Limited | 5,158 | 1.95 |
| BNYMAS AGT / CLTS NONTREATY JASDEC | 4,308 | 1.62 |
| JP MORGAN CHASE BANK 385781 | 3,207 | 1.21 |
| SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account) | 3,204 | 1.21 |
| JP Morgan Securities Japan Co., Ltd. | 2,909 | 1.10 |

(Note) Although the Company holds 6,264 thousand shares of treasury shares, the Company is excluded from the above major shareholders. Shareholding ratio is calculated by deducting the said treasury shares. Treasury shares do not include shares of the Company owned by the officer remuneration BIP trust.

(5) Summary of shares that are granted to the officers of the Company as compensation for the performance of duties during the current fiscal year

Stock-based remuneration that is granted during the current fiscal year is as follows.

| | Number of granted persons | Number of shares |
|------------------------------|---------------------------|------------------|
| Director | 4 | 25,100 |
| [of which, Outside Director] | [2] | [7,600] |
| Executive Officer | – | – |
| Total | 4 | 25,100 |

- (Notes)
1. The number of shares granted to Directors who concurrently serve as Executive Officers as compensation for performance of duties during the term of the Executive Officer is shown in the Executive Officer row.
 2. The aforementioned number of granted persons and the number of shares include the officers who retired during the current fiscal year and the shares granted to those officers.
 3. The shares granted to those who were directors during the current fiscal year as compensation for the performance of duties were “Restricted Stock (non-performance linked stock-based remuneration)” that is not linked to performance under the stock-based compensation plan, which were granted at the time of retirement from the director.
 4. The number of shares above amounts to shares issued to each Director. 25,494 shares among the shares whose rights are granted to each Director will be provided in cash in the amount equivalent to the amount converted within the Trust pursuant to the share granting rules related to the stock-based remuneration system.

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 3) | Limited liability agreements (Note 4) |
|---|------------------------|--|---|---------------------------------------|
| Director | YAMAMOTO Ryoichi | Chairperson of Board of Directors Member of Nomination and Remuneration Committees Outside Director of Daido Steel Co., Ltd. Outside Director of NORITAKE CO., LIMITED | 100.0% 15/15 | Yes |
| Director | HAMADA Kazuko (Note 1) | Member of Audit Committee | 100.0% 12/12 | Yes |
| Director (Outside) | YAGO Natsunosuke | Chairperson of Nomination Committee and member of Remuneration Committee Outside Director of SUBARU CORPORATION Director of PARCO Co., Ltd. | 100.0% 15/15 | Yes |
| Director (Outside) | HAKODA Junya | Chairperson of Audit Committee Member of the Ethics Committee of the Japanese Institute of Certified Public Accountants Chairperson of the Committee on Training and Research for Outside Officers, Japanese Institute of Certified Public Accountants | 100.0% 12/12 | Yes |
| Director (Outside) | UCHIDA Akira | Chairperson of Remuneration Committee and member of Nomination Committee Outside Director of Yokogawa Electric Corporation Director of Daimaru Matsuzakaya Department Stores Co. Ltd. | 100.0% 15/15 | Yes |
| Director (Outside) | SATO Rieko (Note 2) | Member of Audit Committee Partner of Ishii Law Office Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc. Outside Director (Member of the Audit and Supervisory Committee) of NTT DATA CORPORATION Outside Audit & Supervisory Board Member of Mitsubishi Corporation Director of Daimaru Matsuzakaya Department Stores Co. Ltd. | 100.0% 15/15 | Yes |
| Director (Outside) | SEKI Tadayuki | Member of Audit Committee Outside Director of VALQUA, LTD. Outside Director of JSR Corporation Outside Statutory Auditor of Asahi Mutual Life Insurance Company Director of PARCO Co., Ltd. | 100.0% 15/15 | Yes |
| Director (Outside) | KOIDE Hiroko | Member of Nomination and Remuneration Committees Outside Director of Mitsubishi Electric Corporation Outside Director of J-OIL MILLS, Inc. | 100.0% 12/12 | Yes |
| Director (President and Representative Executive Officer) | YOSHIMOTO Tatsuya | | 100.0% 15/15 | |

| 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 3) | Limited liability agreements (Note 4) |
|--|--------------------|---|---|---------------------------------------|
| Director (Senior Managing Executive Officer) | SAWADA Taro | | 100.0% 15/15 | |
| Director (Senior Managing Executive Officer) | MAKIYAMA Kozo | | 100.0% 15/15 | |
| Director (Managing Executive Officer) | WAKABAYASHI Hayato | | 100.0% 15/15 | |

- (Notes)
- HAMADA Kazuko is recorded under the name of HIMENO Kazuko in the family register.
 - SATO Rieko is recorded under the name of KAMATA Rieko in the family register.
 - Stated are the number of the meetings of the Board of Directors attended and 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 "7. Operations of each Committee.")
 - The Company enters into agreements limiting liability for damages such that are stipulated in Paragraph 1, Article 423 of the Companies Act, provided for in 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.
 - The Company enters into a Directors and Officers liability insurance contract with an insurance company as stipulated in Paragraph 1, Article 430-3 of the Companies Act. Under such an insurance contract, indemnification will be provided for legal damages and litigation costs to be borne by the insured. The Company covers the payment for the entire amount of the premium for all of those insured. The insurance policy covers all Directors and Executive Officers of the Company and all Directors and Audit & Supervisory Board Members of its subsidiaries. However, the contract does not cover any damages, etc. arising from criminal acts and violations of laws and regulations committed by the insured knowingly what they are doing, as a measure to prevent the impairment of the appropriateness of the execution of duties by the insured.
 - Audit Committee member HAKODA Junya has been involved in accounting audits, management consulting, and internal audits of accounting firms, etc., serving as a certified public accountant for many years. He has both abundant experience and highly specialized knowledge in relation to corporate auditing. He also has deep insight into finance and accounting matters.
 - Audit Committee member SEKI Tadayuki was involved in international business management and risk management. As CFO, he has both abundant experience and highly specialized knowledge in relation to finance and accounting. He also has deep insight into finance and accounting matters.
 - Audit Committee member HAMADA Kazuko is a full-time Audit Committee member. We aim to improve the effectiveness of audits by appointing to serve as full-time Audit Committee member an in-house Director who does not execute business and has specialist knowledge of specific areas of our business based on a thorough understanding of in-house organizations and business execution.

(2) 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 | YOSHIMOTO Tatsuya | |
| Senior Managing Executive Officer | SAWADA Taro | President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. |
| Senior Managing Executive Officer | MAKIYAMA Kozo | Representative Director, President and Executive Officer of PARCO Co., Ltd. |
| Managing Executive Officer | WAKABAYASHI Hayato | Senior Executive General Manager of Financial Strategy Unit Director of PARCO Co., Ltd. |
| Managing Executive Officer | HIRANO Hidekazu | Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management Director of Daimaru Matsuzakaya Department Stores Co. Ltd. |
| Managing Executive Officer | MATSUDA Hirokazu | Senior Executive General Manager of Human Resources Strategy Unit and Administration Unit and in charge of Compliance |
| Managing Executive Officer | NAKAYAMA Takashi | Senior Executive General Manager of Group Digital Strategy Unit |
| Executive Officer | IMAZU Takahiro | Senior General Manager of Management Planning Division and Group Communication Promotion Division, Management Strategy Unit |
| Executive Officer | IWATA Yoshimi | Senior General Manager of Accounting and Tax Affairs Division of Financial Strategy Unit |
| Executive Officer | ONO Keiichi | Senior General Manager of Structural Reform Promotion Division of 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. |

(Reference) A new Executive Officer was elected and appointed. Accordingly, Executive Officers' areas of responsibility in the Company and important concurrent positions outside the Company have been partially changed on March 1, 2022 as indicated below.

| Position in the Company | Name | New areas of responsibility in the Company and important concurrent positions outside the Company |
|-----------------------------------|------------------|---|
| Senior Managing Executive Officer | MAKIYAMA Kozo | In charge of Developer Strategy Representative Director, President and Executive Officer of PARCO Co., Ltd. |
| Managing Executive Officer | ONO Keiichi | Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management |
| Managing Executive Officer (New) | HAYASHI Naotaka | Senior Executive General Manager of Group Digital Unit |
| Managing Executive Officer | NAKAYAMA Takashi | Senior Executive General Manager of Group System Unit |
| Managing Executive Officer | HIRANO Hidekazu | In charge of Special Assignments from President Director of Daimaru Matsuzakaya Department Stores Co. Ltd. |
| Executive Officer (New) | KAWASE Kenji | Senior General Manager of Management Planning Division, Business Portfolio Transformation Promotion Division, and Group Communications Promotion Division of Management Strategy Unit |
| Executive Officer (New) | HIRAI Yuji | Senior General Manager of CRE Planning Division of Management Strategy Unit Executive Officer of Parco Co., Ltd. |
| Executive Officer (New) | YAMAZAKI Shiro | Senior General Manager of System Planning Division of Group System Unit |
| Executive Officer (New) | NOGUCHI Hideki | Senior General Manager of Accounting and Tax Affairs Division of Financial Strategy Unit |
| Executive Officer (New) | UMEBAYASHI Akira | Senior General Manager of Group Human Resources Policy Division, Group Human Resources Development Division, and Group Welfare Division of Human Resources Strategy Unit |

On March 1, 2021, three Executive Officers, IMAZU Takahiro, IWATA Yoshimi, and KONDO Yasuhiko, retired from office and assumed new positions. IMAZU Takahiro assumed the positions of Executive Officer of Daimaru Matsuzakaya Department Stores Co. Ltd. and Executive Store Manager of Daimaru Kobe. IWATA Yoshimi assumed the position of Executive Officer of Parco Co., Ltd. in charge of the Accounting & Finance Department, the Business Administration Department, the Accounting Coordination Department, and the Administration and Legal Department. KONDO Yasuhiko assumed the positions of Executive Officer of Daimaru Matsuzakaya Department Stores Co. Ltd. and President and Representative Director of GINZA SIX Retail Management Co., Ltd.

(3) 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 | Performance-linked bonuses | Performance-linked stock-based remuneration | Non-performance-linked stock-based remuneration |
| Director | 12 | 197 | 155 | – | – | 42 |
| [of which, Outside Director] | [8] | [102] | [84] | – | – | [18] |
| Executive Officer | 19 | 447 | 213 | 95 | 139 | – |
| Total | 31 | 645 | 368 | 95 | 139 | 42 |

- (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 ¥14 million.
 - In the above table, the remuneration, etc. for Directors of ¥197 million includes ¥24 million (including non-performance-linked stock-based remuneration) paid to four Directors who held the post between March 1 and May 27, 2021.
 - The remunerations, etc. paid to Directors who concurrently serve as Executive Officers as compensation for the performance of duties during the term of the Executive Officers is shown 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. 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. Actual trends with respect to financial indicators for calculating bonuses and performance share in the current business year (consolidated operating profit and ROE) are stated under "1. Current status of the corporate group, (7) Status of assets and profit or loss." Meanwhile, actual trends with respect to non-financial indicators (greenhouse gas emissions and ratio of women in management positions) are stated in the key performance indicator targets under "1. Current status of the corporate group, (1) Business summary and results"
 - The figure in the "Performance-linked bonuses" column represents an amount recognized as a provision (expense), factoring in the results of performance evaluation for the fiscal year ended February 28, 2022. The actual amounts to be paid after factoring in the earnings performance assessment of each Executive Officer and amounts to be paid on an individual basis will be determined by a meeting of the Remuneration Committee scheduled in or after April 2022.
 - The "Performance-linked stock-based remuneration" column reflects a reversal of provisions for short-term incentives and medium-term and long-term incentives in the fiscal year ended February 28, 2021 (¥65 million for short-term incentives and ¥356 million for medium- and long-term incentives), pursuant to the officer remuneration system set up in alignment with the previous Medium-term Business Plan. In April 2021, however, the Company partially revised its Officer Remuneration System, including its method for calculating the performance-linked factor, upon taking into account contingencies with respect to earnings results having been substantially affected by the COVID-19 pandemic. Accordingly, the Company recorded an additional provision of ¥29 million in relation to medium- and long-term performance share to be paid in alignment with degrees of achievement with respect to targets set for the final fiscal year of the previous Medium-term Business Plan. The provision of ¥29 million is included in the performance-linked stock-based remuneration of ¥139 million for Executive Officers in the above table, and also includes ¥11 million slated for payment to six Executive Officers who held the post between March 1, 2017, and February 28, 2021.

(4) 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

The Company established and published an Officer Remuneration Policy in April 2017. On May 27, 2021, the Remuneration Committee with a majority of independent Outside Directors embarked on review of the Officer Remuneration System in alignment with the new Medium-term Business Plan to ensure that officer remuneration functions as an incentive for achieving and promoting sustainability management. The Officer Remuneration Policy has been revised accordingly and is now in effect.

<Basic policy for officer remuneration>

The Company's Officer Remuneration System follows the basic approach below, aiming to achieve the objectives of realizing and promoting sustainability management (pay for purpose). The same basic philosophy is also established by Daimaru Matsuzakaya Department Stores and PARCO, which are major subsidiaries of the Group.

- (i) Contribute to the sustainable growth of the Group and increase corporate value over the medium to long term, and be consistent with the corporate culture.
- (ii) Establish a remuneration system that facilitates the achievement of duties (mission) based on management strategies of professional corporate managers.
- (iii) Remuneration levels that can secure and retain human resources who have the "desirable managerial talent qualities" required by the Company.
- (iv) Increase shared awareness of profits with shareholders and awareness of shareholder-focused management.
- (v) 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 uses objective remuneration survey data, and so forth, from external specialist organizations, 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 and PARCO.

<Composition of remuneration>

[Executive Officers]

Remuneration for Executive Officers shall comprise (i) "basic remuneration" (monetary remuneration) in accordance with mission grade, (ii) "bonuses" (monetary remuneration) based on individual evaluations conducted each business year, and (iii) "performance shares" (performance-linked stock-based remuneration, which is trust-type stock-based remuneration) linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan as a stock-based remuneration system. The performance indicators of bonuses and performance shares were selected as shown in the table below so as to achieve KPIs for the final fiscal year of the Medium-term Business Plan and to make a healthy incentive for sustainable growth function.

| Type of remuneration | Payment basis | | | Payment method | Composition of remuneration | | |
|---|---|--|--|---|-----------------------------|-------------------------------|-----|
| | | | | | President | Officers other than President | |
| Basic remuneration (fixed) | Determined separately for each mission grade | | | Monthly payment in cash | 38.5% | 45.4% | |
| Bonuses (variable) | Base amount by mission grade × Rate of change* ¹ *1 The rate of change is based on a calculation of scores using the quantitative and qualitative evaluations below. | | | Annual payment in cash | 23.0% | 27.3% | |
| | Details | | Evaluation weights | | | | |
| | Quantitative evaluation <70%> | Fiscal year's financial evaluation | Consolidated operating profit* ² | | | | 70% |
| | Qualitative evaluation <30%> | Fiscal year's non-financial evaluation | Level of achievement of action plan for achieving fiscal year's financial evaluation | | | | 20% |
| Level of achievement of action plan for achieving non-financial targets in line with materiality issues | | | 10% | | | | |
| Performance-linked stock-based remuneration (variable) | [Short-term: 40%] Base amount by mission grade × Performance achievement factor* ³ *3 Calculated based on the following measures of achievement * ⁴ | | | Annual payment in stocks* ⁵ | 38.5% | 27.3% | |
| | Details | | Evaluation weights | | | | |
| | Consolidated operating profit | | 100% | | | | |
| | [Medium to long term: 60%] Base amount by mission grade × Performance achievement factor* ³ *3 Calculated based on the following measures of achievement * ⁴ | | | At the expiration of the term of each Medium-term Business Plan in stocks* ⁵ | | | |
| | Details | | Evaluation weights | | | | |
| | Financial indicators <80%> | Consolidated operating profit | | | | | 40% |
| | | ROE | | | | | 40% |
| Non-financial indicators <20%> | Greenhouse gas reductions (Scope 1 & 2 emissions) | | 10% | | | | |
| | Goal achievement for ratio of women in management positions | | 10% | | | | |

*2 In principle, the target figures are based on consolidated financial indicators but if an officer is in charge of a certain business, target figures for that business are used.

*4 The performance-linked factor for performance-linked stock-based remuneration is calculated by the following calculation method: The rate of change for ratio of women in management positions is evaluated using fiscal 2020 results as the reference. Actual results = Results - fiscal 2020 results, Target = 26% - fiscal 2020 results

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

*5 In principle, the equivalent of 50% of the Company's shares to be issued is converted and paid as cash to provide funds for payment of tax.

[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 responsibilities and (ii) “restricted stock” (non-performance-linked stock-based remuneration, which is trust-type stock-based remuneration), which is not linked to performance, as part of the stock-based remuneration system. Restricted stock is a system for issuing the Company’s shares in a way that it is not linked to performance, with the objective of involving Directors who do not execute business in management with a medium- to long-term view in order that they should strengthen proactive and defensive governance of the Company from a different standpoint to the Executive Officers as representatives of stakeholders. The shares are issued upon their retirement from office. The Company will disclose the number of shares held as the number of dilutive potential shares until the shares are issued.

<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 remuneration in the form of 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. Directors and Executive Officers of Daimaru Matsuzakaya Department Stores and PARCO shall adopt the same policy for their acquisition and holding of the Company’s shares.

(ii) Process 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, decisions are made by resolution of a Remuneration Committee comprising independent Outside Directors (majority) and the chairperson of the Board of Directors who does not execute business, and headed by an independent Outside Director. Remuneration Committee meetings are to be held at least four times per year. The committee decides on the policy for determining remuneration details for the individual officers (Directors and Executive Officers) of the Company, Daimaru Matsuzakaya Department Stores and PARCO, and on the remuneration details for individual Directors and Executive Officers of the Company. Basic remuneration positioned as fixed remuneration is decided for each mission grade based on the size (weight) of the responsibility borne by each officer. As for bonuses, evaluation is carried out using the “fiscal year’s financial indicators,” serving as quantitative evaluation, and the “fiscal year’s non-financial indicators,” which include qualitative evaluation. The committee also confirms the performance-linked factor in accordance with the level of achievement with respect to figures announced in the initial forecast (IFRS based) following a resolution of the Board of Directors to determine short-term performance shares that account for 40% of performance shares (performance-linked stock-based remuneration). Based on these results, the committee determines that the remuneration details for individual Directors and Executive Officers during the current fiscal year align with the Company’s basic policy for officer remuneration and the approach to determine remuneration levels.

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

To properly promote the initiatives above, 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 trends, business conditions, and corporate culture, among others.

The Officer Remuneration System is subject to review as scheduled in the Medium-term Business Plan, and in April 2021 the Officer Remuneration Policy was revised in accordance with the FY2021-FY2023 Medium-term Business Plan. During the Medium-term Business Plan period, the level of basic remuneration will be reviewed if a drastic review becomes necessary due to dramatic changes in the external environment and so forth.

For details of regarding the Officer Remuneration Policy, please refer to the “Notice Regarding Revision of Officer Remuneration Policy” announced on April 13, 2021.

For details, please refer to:

(https://www.j-front-retailing.com/_data/news/210413_remunerationpolicy_E.pdf)

(5) Matters relating to Outside Directors

| | | |
|---|---|--|
| YAGO Natsunosuke <u>Independent</u> (Note) | Important concurrent positions | Outside Director of SUBARU CORPORATION Director of PARCO Co., Ltd. |
| | Relationships between the Company and organizations where important concurrent positions are held | PARCO 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 15 meetings held during tenure this fiscal year) |
| | Attendance at the meetings of Committees to which he belongs | Nomination 100% (Attended all 16 meetings held during tenure this fiscal year) Remuneration 100% (Attended all 11 meetings held during tenure this fiscal year) |

[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
 YAGO Natsunosuke has been involved in top-level company management for many years and has abundant experience in strengthening financial bases and in compliance management. He also has advanced knowledge of internal controls and corporate governance based on his experience in transitioning to a company with three committees (nomination, audit and remuneration committees). As such, we accordingly expect him to provide advice and oversight enlisting points of view and perspectives that vary from those of the Inside Directors. Moreover, he has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly in terms of taking drastic action when it comes to efforts involving the importance of determination and leadership among the Group's top executives, our vision with respect to the Developer Business, and structural transformation linked to revamping our business foundations. In regard to being a committee member, he serves as the Chairperson of the Nomination Committee and a member of the Remuneration Committee, and has been working to strengthen the functions of managers by fulfilling expectations and roles associated with those committees. As Chairperson of the Nomination Committee, he has engaged in deliberating on Board of Directors membership structures desirable with respect to the Company and its major subsidiaries with a focus on succession plans, making transparent and fair decisions on officer appointments, and checking the status of future candidates for positions in senior management. As a member of the Remuneration Committee, he has been contributing in part by reviewing our policy on the officer remuneration system and methods for calculating stock-based remuneration and bonuses, along with review of specific rules of management.

| | | |
|---|---|--|
| HAKODA Junya <u>Independent</u> (Note) | Important concurrent positions | Member of the Ethics Committee of the Japanese Institute of Certified Public Accountants Chairperson of the Committee on Training and Research for Outside Officers, Japanese Institute of Certified Public Accountants |
| | 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 12 meetings held during tenure this fiscal year) |
| | Attendance at the meetings of Committees to which he belongs | Audit 100% (Attended all 14 meetings held during tenure this fiscal year) |

[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
 HAKODA Junya has been involved in accounting audits, management consulting, and internal audits of auditing firms, etc. as a certified public accountant for many years at PricewaterhouseCoopers, and also served as an eminent professor teaching internal audit theory at the Graduate School of Keio University, and therefore has abundant experience and high-level expertise in corporate auditing. As such, we accordingly expect him to provide advice and oversight enlisting points of view and perspectives that vary from those of the Inside Directors. Moreover, he has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly in terms of the importance of indicators such as ROIC (a Medium-term Business Plan target) and cash flows (calculated when reviewing business foundations and when verifying business segments), and in terms of formulating a roadmap for holistic monitoring of the digital strategy. In regard to being a committee member, he serves as the Chairperson of the Audit Committee and has worked to strengthen audit functions by fulfilling expectations of him promoting exchanges of opinions and discussions on items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee from the perspective of legality, appropriateness, etc. while auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees). He also simultaneously works to improve governance practices of the overall Group.

| | | |
|--|---|--|
| <p style="text-align: center;">UCHIDA Akira <u>Independent</u> (Note)</p> | Important concurrent positions | Outside Director of Yokogawa Electric Corporation Director of Daimaru Matsuzakaya Department Stores Co. Ltd. |
| | Relationships between the Company and each organization 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 15 meetings held during tenure this fiscal year) |
| | Attendance at the meetings of Committees to which he belongs | Nomination 100% (Attended all 16 meetings held during tenure this fiscal year) Remuneration 100% (Attended all 11 meetings held during tenure this fiscal year) |
| <p>[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled] UCHIDA Akira possesses extensive experience and knowledge of not only business planning and IR but also corporate departments as the person responsible for the finance and accounting division. As such, we expect him to draw on such experience and knowledge in providing advice and oversight enlisting points of view and perspectives that vary from those of the Inside Directors. Moreover, he has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly in terms of appropriately conveying information to stakeholders regarding matters such as earnings forecast revisions, strengthening intergroup alliances in serving as a holding company, and conveying the necessity of new businesses in overhauling the business portfolio. In regard to being a committee member, he serves as the Chairperson of the Remuneration Committee and a member of the Nomination Committee, and has been working to strengthen the functions of managers by fulfilling expectations and roles associated with those committees. As Chairperson of the Remuneration Committee, he has been promoting in part by reviewing our policy on the officer remuneration system and methods for calculating stock-based remuneration and bonuses, along with review of specific rules of management. As a member of the Nomination Committee, he has been contributing in part by deliberating on Board of Directors membership structures desirable with respect to the Company and its major subsidiaries with a focus on succession plans, making transparent and fair decisions on officer appointments, and checking the status of future candidates for positions in senior management.</p> | | |
| <p style="text-align: center;">SATO Rieko <u>Independent</u> (Note)</p> | Important concurrent positions | Partner of Ishii Law Office Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc. Outside Director (Member of the Audit and Supervisory Committee) of NTT DATA CORPORATION Outside Audit & Supervisory Board Member of Mitsubishi Corporation 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 15 meetings held during tenure this fiscal year) |
| | Attendance at the meetings of Committees to which she belongs | Audit 100% (Attended all 20 meetings held during tenure this fiscal year) |
| <p>[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled] SATO Rieko has points of view and insights from a legal perspective on agenda topics based on abundant experience as well as advanced and expert knowledge as a lawyer specializing mainly in corporate legal affairs. As such, we accordingly expect her to provide advice and oversight enlisting points of view and perspectives that vary from those of the Inside Directors. Moreover, she has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly in terms of strengthening initiatives taken as a holding company under the Medium-term Business Plan, conveying the necessity of efforts to more swiftly implement the digital strategy, formulating specific proposals based on the Group Management Policy for the fiscal year, and providing other insights from a legal perspective on agenda topics. She also has served as a lead director of the Company's executive session established as an opportunity for Outside Directors to openly and freely exchange opinions and share information. In regard to being a committee member, she serves as a member of the Audit Committee and has worked to strengthen audit functions by fulfilling expectations of her in terms of engaging in exchanges of opinions and discussions on items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee from the perspective of legality, appropriateness, etc. while auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees).</p> | | |

| | | |
|---|---|--|
| SEKI Tadayuki <u>Independent</u> (Note) | Important concurrent positions | Outside Director of VALQUA, LTD. Outside Director of JSR Corporation Outside Statutory Auditor of Asahi Mutual Life Insurance Company Director of PARCO Co., Ltd. |
| | Relationships between the Company and organizations where important concurrent positions are held | PARCO 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 15 meetings held during tenure this fiscal year) |
| | Attendance at the meetings of Committees to which he belongs | Audit 100% (Attended all 20 meetings held during tenure this fiscal year) |

[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
SEKI Tadayuki was involved in international business management and risk management at a general trading company for many years, and as CFO has both abundant knowledge and experience in relation to finance and accounting. He also has wide-ranging insights derived from roles as Outside Director and Audit & Supervisory Board Member at multiple companies. As such, we accordingly expect him to provide advice and oversight enlisting points of view and perspectives that vary from those of the Inside Directors. Moreover, he has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly in terms of conveying the importance of capital cost-conscious financial strategies and the necessity of ensuring appropriate valuations with respect to business portfolios in carrying out mergers and acquisitions. In regard to being a committee member, he serves as a member of the Audit Committee and has worked to strengthen audit functions by fulfilling expectations of him in terms of engaging in exchanges of opinions and discussions on items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee from the perspective of legality, appropriateness, etc. while auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees).

| | | |
|--|---|---|
| KOIDE Hiroko <u>Independent</u> (Note) | Important concurrent positions | Outside Director of Mitsubishi Electric Corporation Outside Director of J-OIL MILLS, 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 12 meetings held during tenure this fiscal year) |
| | Attendance at the meetings of Committees to which she belongs | Nomination 100% (Attended all 12 meetings held during tenure this fiscal year) Remuneration 100% (Attended all 7 meetings held during tenure this fiscal year) |

[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
KOIDE Hiroko served as an officer at foreign companies for many years, also engaged in corporate management as the head of marketing at the head office of a U.S. company, and therefore has knowledge based on extensive experience in global management and in the marketing field. She also has wide-ranging insights derived from role as Outside Director at multiple listed companies. As such, we accordingly expect her to provide advice and oversight enlisting points of view and perspectives that vary from those of the Inside Directors. Moreover, she has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight particularly in terms of giving rise to initiatives such as those of the Medium-term Business Plan in serving as a holding company, conveying the importance of a marketing mindset particularly for articulating targets and needs, and engaging in cause analysis and implementing countermeasures when encountering disparities between targets and results. In regard to being a committee member, she serves as a member of the Nomination Committee and a member of the Remuneration Committee, and has been working to strengthen the functions of managers by fulfilling expectations and roles associated with those committees. As a member of the Nomination Committee, she has engaged in deliberating on Board of Directors membership structures desirable with respect to the Company and its major subsidiaries with a focus on succession plans, making transparent and fair decisions on officer appointments, and checking the status of future candidates for positions in senior management. As a member of the Remuneration Committee, she has been contributing in part by reviewing our policy on the officer remuneration system and methods for calculating stock-based remuneration and bonuses, along with review of specific rules of management.

(Note) The above-mentioned Outside Directors are independent officers, which are required to be put in place by the Tokyo Stock Exchange, Inc. and the 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 | ¥133 million |
| (ii) Total cash and other financial profits to be paid by the Company and its subsidiaries | ¥318 million |

(Note) 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

Support for adopting new accounting standard for revenue recognition, 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 decisions 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 Paragraph 1, Article 340 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 validness 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

The Company believes that ensuring sustainable growth of the Group and increasing corporate value over the medium to long term is conducive to realizing ideals of the Group Mission Statement. Accordingly, the role of corporate governance in the Group must be to help enable us to realize the ideals of the Group Mission Statement.

The Company, which is a holding company at the core of corporate governance of the Group, assumes responsibility for ensuring managerial transparency, soundness and compliance of the entire Group, with the aim of realizing the ideals of the Group Mission Statement.

(2) Relationship with stakeholders

Through its business activities, the Company strives to build relationships of trust with all of its stakeholders.

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.

The Company also actively works to fulfill its responsibilities towards customers, business partners, employees and local communities in relation to the environment and society, as part of its efforts to realize a sustainable society.

(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, on which constructive dialogue is premised, 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, the Sustainability Policy, the Group Medium-term Business Plan, the Group Management Policy for the fiscal year, and other fundamental management policies, and carrying out multifaceted and objective deliberations that include evaluation of risks with respect to the aforementioned;
- (ii) Appropriately making decisions in terms of overall policy and plans pertaining to the 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 President and Representative Executive Officer succession planning, personnel assignment plans pertaining to managerial talent and Executive Officer training, in consultation with the Nomination Committee.

(5) Systems of corporate governance

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 adopting a company with three committees (nomination, audit and remuneration committees) organizational structure. The majority of the members of each of these committees are independent Outside Directors.
- (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 6 Outside Directors) and 4 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 Sustainability Policy, the Group Medium-Term Business Plan, the Group Management Policy for the fiscal year, and matters relating to important business execution such as asset acquisition. |
| Operational status | Held at least once every month, in principle. With one-half 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 YAMAMOTO Ryoichi | <p>In FY2021, the Board of Directors met 15 times to deliberate matters such as the following agenda items, which were selected in view of developments regarding the COVID-19 pandemic and given that FY2021 served as the initial fiscal year of the FY2021-FY2023 Medium-term Business Plan.</p> <p>“Actions to take in view of developments regarding the COVID-19 pandemic (profitability under different scenarios of impact on earnings performance, financing measures, etc.),” “transformation of the department store business model,” “strategies for growth of the Payment and Finance Business,” “the Group digital and human resource strategy,” “the Group Management Policy for FY2022,” etc.</p> <p>In FY2022, the Board of Directors will address the key themes of “transforming the Group’s business portfolio” and “promoting sustainability management in view of environmental and social challenges,” with our sights set on achieving regrowth in FY2024 and beyond amid projections of a severe business environment due to persisting effects of the COVID-19 pandemic.</p> <p>The Company plans to adopt a Board of Directors structure whereby a majority of its membership comprises independent Outside Directors beginning in FY2022 with the aim of achieving outcomes that contribute to heightening its oversight function, enabling highly effective deliberations with respect to the aforementioned issues, and increasing our corporate value.</p> |

(Evaluation of effectiveness of the Board of Directors)

The Company conducted its seventh evaluation of the effectiveness of the Board of Directors between September and October 2021. This involved having a third-party organization conduct individual interviews based on questionnaires administered beforehand, after which the Board of Directors engaged in discussions in October on the basis of a report containing analysis of aggregated questionnaire findings.

As a result, we pinpointed the following four issues: “articulating roles of the holding company and its Board of Directors,” “having the Board of Directors focus on proposals and discussions of strategic importance,” “reviewing the composition of the Board of Directors,” and “further strengthening the function of the Board of Directors secretariat.”

We accordingly sought to address these issues by articulating the holding company’s roles in the FY2022 Group Management Policy and strengthening the function of planning to facilitate strategy

implementation. Now that we have also reviewed the composition of the Board of Directors, we plan to adopt a Board of Directors structure beginning in FY2022 whereby a majority of its membership comprises independent Outside Directors to ensure even greater effectiveness with respect to its discussions.

We will continue to strive to share 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) |
| Major roles | The Nomination Committee determines the contents of proposals on the nomination and dismissal of Directors to be submitted to shareholders' meetings, and reports to the Board of Directors upon consultations from the Board of Directors regarding the nomination and dismissal of 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 | 16 |
| Number of meetings attended | 3 incumbent members attended all 16 meetings. Director Koide, who was newly appointed in May 2021, also attended all 12 meetings held during her tenure. |
| Comment from Chairperson of the Committee ----- Director (Outside) YAGO Natsunosuke | <p>The Nomination Committee utilizes in-house personnel evaluation information as well as assessment data by a third-party organization to deliberate effective composition of the Board of Directors and the election and dismissal of Directors including Outside Directors as well as Executive Officers of the Company. The committee also obtains opportunities to get to know candidate's personalities and ideas through conducting interviews, etc., as necessary, and ensures higher objectivity, transparency and rationality.</p> <p>The Nomination Committee has positioned the management team succession plan as a central issue necessary to generate sustainable growth of the Company and continues to conduct related deliberations. As for training of candidates for the next generation of managers, the committee evaluates their performance, diagnoses managerial talent, debates roles and transfers to train and strengthen potential successors, and ties this to implementation if necessary.</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 | 4 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 to be submitted to the Board of Directors, and other individual matters the Audit Committee considers necessary. |
| Number of meetings held | 20 |
| Number of meetings attended | 2 incumbent members attended all 20 meetings. Chairperson of the Audit Committee Hakoda, who was newly appointed in May 2021, also attended all 14 meetings held during his tenure, as did Director Hamada. |
| Comment from Chairperson of the Committee ----- Director (Outside) HAKODA Junya | <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.</p> <p>The committee also conducted hearing at Audit Committee Meeting (held 15 times), a meeting body held apart from the Audit Committee, regarding topics such as the group's business strategy, progress of organizational reform, and governance and risk management system under the influence COVID-19 pandemic to gain understanding of the current situation.</p> <p>The Audit Committee will work to further strengthen and enhance the organizational audit system through mutual cooperation with the Internal Audit Division, Accounting Auditors, and Audit & Supervisory Board Members of the Group companies, from the perspective of increasing the effectiveness and accuracy of audits. It will also 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) |
| 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 | 11 |
| Number of meetings attended | 3 incumbent members attended all 11 meetings. Director Koide, who was newly appointed in May 2021, also attended all 7 meetings held during her tenure. |
| Comment from Chairperson of the Committee ----- Director (Outside) UCHIDA Akira | <p>Pursuant to the Officer Remuneration Policy formulated in April 2017 and revised in 2021, the Remuneration Committee examines the overall level of officer remuneration and the ratio of performance-linked remuneration, as well as the ratio of stock-based remuneration therein against preset peer group. By doing so, the Company maintains objective and appropriate remuneration level and system at all times.</p> <p>Regarding the Officer Remuneration System and Officer Remuneration Policy revised in accordance with the Medium-term Business Plan that commenced in fiscal 2021, we examined trends through a third-party organization concerning the overall level of officer remuneration, the ratio of performance-linked remuneration, and stock-based remuneration for officers. At the same time, for bonuses that reflect the status of individual officer's achievements, we review each officer's goal setting and evaluation results as well as evaluation items, evaluation weights and evaluation rank determination process, to ensure that the end result will be shown with greater fairness and objectivity.</p> <p>The Company has designed an appropriate remuneration system and remuneration level to compensate officers the amount adequate for their work and commensurate with their offices and the role entrusted to them as professional managers. Going forward, we will continue to operate the system appropriately.</p> |

8. System and policies of the Company

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

The Basic Policy to Build Internal Control System is disclosed on our website (<https://www.j-front-retailing.com/>) in accordance with the laws and regulations and the Article 16 of the Company's Articles of Incorporation.

You can access here to read the entire contents of the Basic Policy to Build Internal Control System. (<https://www.j-front-retailing.com/english/company/internalcontrol.html>).

(2) Operational status of systems to ensure properness of operations <Basic Policy to Build Internal Control Systems> (FY2021)

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. The Group Management System

(i) Board of Directors

- 1) To separate supervisory and executive functions and ensure the effectiveness of discussions at the Board of Directors, the Board of Directors is comprised half of independent Outside Directors who have no risk of a conflict of interest with the Company's shareholders, and a majority of Directors who do not execute business (Internal Directors who do not execute business and independent Outside Directors), as well as the Representative Executive Officer, general managers of the Company, which is a holding company, and the persons responsible at major business subsidiaries. It functions to oversee the execution of duties by Executive Officers and Directors.
- 2) The Board of Directors deliberates on material issues related to the Group management. As for the findings of and issues raised by the Board of Directors, there are demands for additional reports on execution, and efforts are made to run through the PDCA cycle, including additional

debate by the Board of Directors. Briefings are also 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.

- 3) The meetings of the Board of Directors were held 15 times in the current fiscal year. Their discussions included monitoring of the Medium-term Business Plan (in its first year this fiscal year) and efforts toward structural reform in light of the COVID-19 pandemic and its financial impact, as well as matters defined in the Companies Act and/or the Articles of Incorporation.

In addition, the Board of Directors evaluates the state of developing and operating the various items stipulated in the “Basic Policy to Build Internal Control System” and confirms there are no major problems.

- 4) 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.

(ii) Management execution framework

- 1) In the Company, the organization responsible for execution consists of the Management Strategy Unit, Group Digital Strategy Unit, Financial Strategy Unit, Human Resources Strategy Unit, and Administration Unit. Following on the mission of the President and Representative Executive Officer, the Executive Officer, who is the Senior Executive General Manager, prepares missions for each strategy unit in order to realize the Medium-term Business Plan and the Annual Execution Plan. These units execute business and supports the operations and management of operating companies in line with its duties and mission.
- 2) The roles and responsibilities of the Company as a holding company include planning and formulating the Group Vision, the Group Medium-term Business Plan and the Group Management Policy; managing the progress and performance of these activities; establishing business portfolio management (optimal allocation of the Group’s management resources), human resources management, shareholder management and corporate governance group-wide. With regard to matters related to business execution at operating companies, in order to promote speedy management decisions and clarify management responsibilities; standards have been established for delegating authority to operating companies, which exclude items that have an important impact on the Group management; and things are operated in accordance with these standards.
- 3) The Company has established various meetings to execute items, the roles of which are clearly indicated. The Group Management Meeting focuses on discussions of important issues to be submitted to the Board of Directors, such as overall policy and plans for the Group’s management. The matters discussed are reviewed at the Group Policy Meeting, each segment’s Medium-term Business Plan Progress Meeting, and the Operating Associates Results and Strategy Examination Meeting to help facilitate prompt management decisions.
- 4) As a rule, the common Group accounting system is introduced; and efforts are made to promote more efficient operations and integrated and more efficient fund procurement by the Group through a cash management system.
- 5) With regard to internal controls over financial reporting, the Company and operating companies maintain and operate internal systems to ensure the reliability of financial reporting in line with the Financial Instruments and Exchange Act and various associated laws and regulations.

II. Risk Management System

(i) Risk Management Committee

- 1) The Company has established 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.

The committee regularly discusses, identifies, and evaluates risks (uncertainties), prioritizes them and reflects them in strategies, monitors related countermeasures, and submits related reports to the Audit Committee and the Board of Directors.

- 2) In the fiscal year under review, the committee met four times. In preparation for the formulation of the FY2022 management policy, it discussed forecasts for the business environment in light of the impact of the COVID-19 pandemic and various social changes that are likely to occur in its wake, including those related to consumption. In addition, it reviewed the roles within the holding company to improve risk management for the whole Group, and confirmed the strengthening of the holding company's support system to help operating companies identify risks they may face.

(ii) Execution control

Under the direction of the President and Representative Executive Officer, the Company has placed designated staff in the Management Planning Division in the Management Strategy Unit and develops and manages internal controls under the Companies Act and the internal control system under the Financial Instruments and Exchange Act at the Company and operating companies.

During the current fiscal year, no material deficiencies that should be disclosed were found, and this was reported to the Audit Committee and the Board of Directors.

(iii) Hazard risk response

For hazard risks 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.

During the current fiscal year, the Company developed a system based on its "Crisis Management Rules" and "Business Continuity Manual" to be followed in case of a large-scale natural disaster. We have also made efforts to improve our ability to respond to a wide range of crisis events by conducting BCP drills several times, including at our operating companies.

Regarding our response to infectious diseases, with the safety and security of our customers and employees as our top priority, we have implemented hygiene management practices to help prevent outbreaks and other measures to help prevent the spread of disease. We will also create a "New Infectious Disease Response Manual" in line with the Crisis Management Rules.

III. Legal Compliance System

(i) Compliance Committee

- 1) 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 a corporate lawyer, Executive Officers and others.
- 2) 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.
- 3) The Compliance Committee met four times during the current fiscal year and discussed factors behind and countermeasures against compliance-related violations and provided instructions to implement specific measures to prevent recurrence. In addition, the Committee once again carried out a group-wide discussion on what the Group's compliance should be, and reconfirmed that it is a broader concept that is not just a matter of compliance but is something rooted in corporate philosophy.
- 4) In order to spread efforts to ensure compliance, those responsible for compliance at each Group company meet four times a year to increase compliance awareness and implement activities within the entire Group. We also conducted trainings on the theme of prevention of fraud and misconduct for officers and those in charge of compliance of each Group company.

(ii) Whistle-blowing system

- 1) The Company has established the “JFR Group Compliance Hotline” for reporting issues to the Company or an independent party (corporate lawyer), which may be used by all persons working at the Company and operating companies.
- 2) For hotline reports concerning management personnel, the Company has built a structure whereby the reports are directly submitted through the hotline desk to the Audit Committee and subjected to directions from the Audit Committee.
- 3) During the current fiscal year, efforts were made to increase recognition and promote understanding of the system among the Group company employees through measures such as posting analysis of issues reported and the status of responses to them on our in-house portal site. As a result, 46 cases related to labor-management relations and other issues were reported, and are being dealt mainly by the secretariat.

IV. Internal Audit Structure

- 1) The Company has established an independent Internal Audit Division under the President and Representative Executive Officer. The Internal Audit Division verifies and evaluates the legality and effectiveness of systems of corporate governance, risk management and compliance management, in addition to performing audits on business operations of the Company and operating companies.
- 2) There is a system in which reports are submitted to both the President and Representative Executive Officer and the Audit Committee, and audit results and improvement measures related to audit findings are regularly reported. As for orders related to improvement measures from management, issues are promptly handled in collaboration with the audited departments.
- 3) We have established an audit structure that utilizes digital equipment to enable execution of audit under COVID-19, and are performing audits. During the current fiscal year, we conducted operational audits on the status of legal compliance with the Labor Measures Comprehensive Promotion Act, the Antimonopoly Act, and other statutes, as well as the status of development of operational rules and regulations and their compliance. We also conducted audits based on themes such as the status of crisis management systems and the status of executing the Company’s real estate business.

V. Structure of the Audit Committee

- 1) The Audit Committee, which is chaired by an Outside Director, is composed of four members including Directors who do not execute business and are Inside Directors.
- 2) 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.
- 3) 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 are carried out on a regular basis. In addition, it receives regular audit reports from the Internal Audit Division on the status of improvements regarding issues identified through internal audits.
- 4) 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.
- 5) During the current fiscal year, the Audit Committee met 20 times. Apart from the Audit Committee, efforts are being made at the Audit Committee Meeting, to gain understanding of the current situation regarding execution by carrying out audits on execution of duties of all of the Executive Officers of the Company. Moreover, the Audit Committee works closely with the

Audit & Supervisory Board Members of the Group companies through regular meetings to share recognition of auditing issues and exchange opinions.

VI. Other

(i) System for storage and management of information

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 by the responsible department.

(ii) Digital information security

In order to strengthen security, the Company has formulated a “JFR Group Information Security Policy,” shares that policy within the Group, and manages digital information based on that. Reports on the status of digital information management and related matters are made at the Board of Directors, the Audit Committee, and the Group Management Meeting regularly and when necessary.

The Company’s “IT governance policy, regulations, and rules” are intended to minimize potential IT related risks and to increase corporate value; based on these, through measures like Regular IT Governance Meeting and System Development Meeting, the Company controls activities ranging from the development of IT strategy to its implementation. We also promote efforts to ensure compliance with our information security policy through e-learning for all employees and ongoing training related to targeted e-mail attacks.

(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 Mission Statement 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 this Basic Mission Statement, the Company implements a wide range of measures, aiming to realize 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 Officers and experts with viewpoints that are independent from the Company’s management personnel and Inside 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 Mission Statement, 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 management personnel and 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” after taking into consideration the business environment and risk readiness.

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.

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

(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) IR Policy

We aim at developing the Group by contributing to society at large as a fair and reliable corporation. Under such Basic Mission Statement, 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 financial and non-financial information about the Company in a fair, timely and appropriate manner, we aim to improve management transparency and help stakeholders better understand the Company.

Amounts in millions of yen presented in the business report above have been rounded down to the nearest one million yen.

Consolidated Financial Statements

Consolidated Statement of Financial Position (As of February 28, 2022)

(Millions of yen)

| Item | Amount | Item | Amount |
|---|-----------------------|---|-----------------------|
| Assets | | Liabilities | |
| <u>Current assets</u> | <u>234,884</u> | <u>Current liabilities</u> | <u>347,413</u> |
| Cash and cash equivalents | 93,278 | Bonds and borrowings | 108,152 |
| Trade and other receivables | 112,262 | Trade and other payables | 116,107 |
| Other financial assets | 11,929 | Lease liabilities | 28,554 |
| Inventories | 12,459 | Other financial liabilities | 29,915 |
| Other current assets | 4,954 | Income tax payables | 4,485 |
| | | Provisions | 954 |
| | | Other current liabilities | 59,243 |
| <u>Non-current assets</u> | <u>958,022</u> | <u>Non-current liabilities</u> | <u>483,373</u> |
| Property, plant and equipment | 480,380 | Bonds and borrowings | 209,562 |
| Right-of-use assets | 140,470 | Lease liabilities | 155,839 |
| Goodwill | 523 | Other financial liabilities | 36,741 |
| Investment property | 189,688 | Retirement benefit liability | 19,416 |
| Intangible assets | 7,289 | Provisions | 9,553 |
| Investments accounted for using equity method | 38,761 | Deferred tax liabilities | 51,697 |
| Other financial assets | 79,977 | Other non-current liabilities | 563 |
| Deferred tax assets | 8,209 | | |
| Other non-current assets | 12,721 | | |
| | | Total liabilities | 830,787 |
| | | Equity | |
| | | <u>Equity attributable to owners of parent</u> | <u>350,368</u> |
| | | Share capital | 31,974 |
| | | Capital surplus | 188,894 |
| | | Treasury shares | (14,780) |
| | | Other components of equity | 9,574 |
| | | Retained earnings | 134,705 |
| | | <u>Non-controlling interests</u> | <u>11,751</u> |
| | | Total equity | 362,120 |
| Total assets | 1,192,907 | Total liabilities and equity | 1,192,907 |

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

Consolidated Statement of Profit or Loss (From March 1, 2021 to February 28, 2022)

(Millions of yen)

| Item | Amount |
|---|----------------|
| Revenue | 331,484 |
| Cost of sales | (183,642) |
| Gross profit | 147,842 |
| Selling, general and administrative expenses | (136,123) |
| Other operating income | 11,068 |
| Other operating expenses | (13,406) |
| Operating profit | 9,380 |
| Finance income | 1,335 |
| Finance costs | (5,890) |
| Share of profit (loss) of investments accounted for using equity method | 1,364 |
| Profit before tax | 6,190 |
| Income tax expense | (2,225) |
| Profit | 3,964 |
| Profit attributable to: | |
| Owners of parent | 4,321 |
| Non-controlling interests | (356) |
| Profit | 3,964 |

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

Consolidated Statement of Changes in Equity (From March 1, 2021 to February 28, 2022)

(Millions of yen)

| | Equity attributable to owners of parent | | | | | | | |
|---|---|-----------------|-----------------|---|------------------|--|---|---------|
| | Share 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, 2021 | 31,974 | 188,542 | (14,830) | (89) | 11 | 9,656 | – | 9,578 |
| Profit | – | – | – | – | – | – | – | – |
| Other comprehensive income | – | – | – | 150 | (13) | (53) | 1,769 | 1,852 |
| Total comprehensive income | – | – | – | 150 | (13) | (53) | 1,769 | 1,852 |
| Purchase of treasury shares | – | – | (32) | – | – | – | – | – |
| Disposal of treasury shares | – | (0) | 0 | – | – | – | – | – |
| Dividends | – | – | – | – | – | – | – | – |
| Share-based payment transactions | – | 351 | 81 | – | – | – | – | – |
| Transfer from other components of equity to retained earnings | – | – | – | – | – | (86) | (1,769) | (1,855) |
| Total transactions with owners | – | 351 | 49 | – | – | (86) | (1,769) | (1,855) |
| Balance as of February 28, 2022 | 31,974 | 188,894 | (14,780) | 60 | (1) | 9,516 | – | 9,574 |

| | Equity attributable to owners of parent | | Non-controlling interests | Total |
|---|---|---------|---------------------------|---------|
| | Retained earnings | Total | | |
| Balance as of March 1, 2021 | 136,906 | 352,171 | 12,171 | 364,343 |
| Profit | 4,321 | 4,321 | (356) | 3,964 |
| Other comprehensive income | – | 1,852 | 1 | 1,853 |
| Total comprehensive income | 4,321 | 6,173 | (355) | 5,818 |
| Purchase of treasury shares | – | (32) | – | (32) |
| Disposal of treasury shares | – | 0 | – | 0 |
| Dividends | (8,377) | (8,377) | (64) | (8,442) |
| Share-based payment transactions | – | 433 | – | 433 |
| Transfer from other components of equity to retained earnings | 1,855 | – | – | – |
| Total transactions with owners | (6,522) | (7,976) | (64) | (8,041) |
| Balance as of February 28, 2022 | 134,705 | 350,368 | 11,751 | 362,120 |

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

[Reference]

Consolidated Statement of Cash Flows (Summary) (From March 1, 2021 to February 28, 2022)

(Millions of yen)

| Item | Amount |
|--|----------|
| Cash flows from operating activities | 49,866 |
| Cash flows from investing activities | (5,289) |
| Cash flows from financing activities | (80,392) |
| Net increase (decrease) in cash and cash equivalents | (35,815) |
| Cash and cash equivalents at beginning of period | 128,925 |
| Effect of exchange rate changes on cash and cash equivalents | 168 |
| Cash and cash equivalents at end of period | 93,278 |

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

Non-consolidated Financial Statements

Non-consolidated Balance Sheet (As of February 28, 2022)

J. Front Retailing Co., Ltd.

(Millions of yen)

| Item | Amount | Item | Amount |
|--|-----------------------|--|-----------------------|
| Assets | | Liabilities | |
| <u>Current assets</u> | <u>135,887</u> | <u>Current liabilities</u> | <u>93,864</u> |
| Cash and deposits | 85,030 | Short-term borrowings | 55,150 |
| Short-term loans receivable from subsidiaries and associates | 49,074 | Bonds payable | 20,000 |
| Other | 2,152 | Commercial papers | 15,002 |
| Allowance for doubtful accounts | (370) | Deposits received | 1,795 |
| | | Accrued expenses | 616 |
| | | Accounts payable - other | 521 |
| | | Income taxes payable | 356 |
| | | Provision for bonuses | 139 |
| | | Provision for bonuses for directors and other officers | 95 |
| | | Asset retirement obligations | 29 |
| | | Provision for officer remuneration | 111 |
| | | BIP trust | |
| | | Other | 47 |
| <u>Non-current assets</u> | <u>505,172</u> | <u>Non-current liabilities</u> | <u>212,201</u> |
| <u>Property, plant and equipment</u> | <u>94</u> | Bonds payable | 80,000 |
| Buildings and structures | 77 | Long-term borrowings | 129,810 |
| Other | 16 | Long-term deposits received for officer shares trust | 1,978 |
| | | Provision for officer remuneration | |
| | | BIP trust | 413 |
| | | | |
| | | Total liabilities | 306,066 |
| <u>Intangible assets</u> | <u>553</u> | Net assets | |
| Software | 553 | <u>Shareholders' equity</u> | <u>335,233</u> |
| | | Share capital | 31,974 |
| | | Capital surplus | 248,874 |
| | | Legal capital surplus | 9,474 |
| | | Other capital surplus | 239,400 |
| <u>Investments and other assets</u> | <u>504,524</u> | Retained earnings | 68,200 |
| Investment securities | 1,660 | Other retained earnings | 68,200 |
| Shares of subsidiaries and associates | 377,268 | Retained earnings brought forward | 68,200 |
| Long-term loans receivable from subsidiaries and associates | 124,000 | Treasury shares | (13,816) |
| Deferred tax assets | 1,615 | | |
| Other | 479 | <u>Valuation and translation adjustments</u> | <u>7</u> |
| Allowance for doubtful accounts | (500) | Valuation difference on available-for-sale securities | 7 |
| <u>Deferred assets</u> | <u>247</u> | | |
| Bond issuance costs | 247 | Total net assets | 335,241 |
| | | Total liabilities and net assets | 641,307 |
| Total assets | 641,307 | | |

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

Non-consolidated Statement of Income (From March 1, 2021 to February 28, 2022)
 J. Front Retailing Co., Ltd.

(Millions of yen)

| Item | Amount | |
|---|---------|---------------|
| Operating revenue | | |
| Dividend income | 10,482 | |
| Consulting fee income | 5,000 | 15,482 |
| General and administrative expense | | 4,995 |
| Operating profit | | 10,487 |
| Non-operating income | | |
| Interest income | 712 | |
| Dividend income | 44 | |
| Other | 22 | 779 |
| Non-operating expenses | | |
| Interest expenses | 956 | |
| Commitment fees | 574 | |
| Loss on valuation of investment securities | 49 | |
| Provision of allowance for doubtful accounts | 30 | |
| Other | 151 | 1,762 |
| Ordinary profit | | 9,505 |
| Extraordinary income | | |
| Gain on sale of shares of subsidiaries and associates | 3,644 | 3,644 |
| Profit before income taxes | | 13,149 |
| Income taxes - current | 518 | |
| Income taxes - deferred | (1,622) | (1,103) |
| Profit | | 14,253 |

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

Non-consolidated Statement of Changes in Equity (From March 1, 2021 to February 28, 2022)
J. Front Retailing Co., Ltd.

(Millions of yen)

| | Shareholders' equity | | | | | | Valuation and translation adjustments | Total net assets |
|--|----------------------|-----------------------|-----------------------|--|-----------------|----------------------------|---|------------------|
| | Share capital | 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 March 1, 2021 | 31,974 | 9,474 | 239,601 | 62,398 | (14,066) | 329,382 | (30) | 329,351 |
| Dividends of surplus | | | | (8,452) | | (8,452) | | (8,452) |
| Profit | | | | 14,253 | | 14,253 | | 14,253 |
| Purchase of treasury shares | | | | | (32) | (32) | | (32) |
| Disposal of treasury shares | | | (0) | | 82 | 82 | | 82 |
| Disposal of treasury shares for share distribution trust | | | (200) | | 583 | 383 | | 383 |
| Purchase of treasury shares by share distribution trust | | | | | (383) | (383) | | (383) |
| Net changes in items other than shareholders' equity | | | | | | | 38 | 38 |
| Total changes during period | – | – | (200) | 5,801 | 250 | 5,851 | 38 | 5,889 |
| Balance as of February 28, 2022 | 31,974 | 9,474 | 239,400 | 68,200 | (13,816) | 335,233 | 7 | 335,241 |

(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 11, 2022

The Board of Directors

J. FRONT RETAILING Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo office
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

Opinion

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, 2021 through February 28, 2022.

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 15th fiscal year from March 1, 2021 through February 28, 2022 in conformity with accounting principles with the omission of a part of the disclosure items required under IFRS as allowed by the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in conformity with accounting principles with the omission of a part of the disclosure items required under IFRS as allowed by the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting, 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.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements on the going concern basis, and disclosing, as applicable, matters related to going concern in accordance with accounting principles with the omission of a part of the disclosure items required under IFRS as allowed by the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting.

The Audit Committee is responsible for overseeing the Executive Officers’ and Directors’ performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation of the consolidated financial statements and the notes thereto are in accordance with accounting principles with the omission of a part of the disclosure items required under IFRS as allowed by the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting, as well as evaluate the overall presentation, structure and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly represent the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We have no interest in the Company and its consolidated subsidiaries 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 11, 2022

The Board of Directors

J. FRONT RETAILING Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo office
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

Opinion

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the notes to the non-consolidated financial statements and the related supplementary schedules of J. FRONT RETAILING Co., Ltd. (the “Company”) (the “non-consolidated financial statements, etc.”) applicable to the 15th fiscal year from March 1, 2021 through February 28, 2022.

In our opinion, the non-consolidated financial statements etc. referred to above present fairly, in all material respects, the financial position and results of operations of the Company applicable to the 15th fiscal year from March 1, 2021 through February 28, 2022 in conformity with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements etc. in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and the Audit Committee for the Non-consolidated Financial Statements, Etc.

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements etc. in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of non-consolidated financial statements etc. that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements etc. on the going concern basis of accounting and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit Committee is responsible for overseeing the Executive Officers’ and Directors’ performance of duties within the maintenance and operation of the financial reporting process.

Auditor’s Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc.

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue

an auditor's report that includes our opinion on the non-consolidated financial statements etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the non-consolidated financial statements etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of non-consolidated financial statements etc., whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the non-consolidated financial statements etc. is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements etc. or, if the notes to the non-consolidated financial statements etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements etc. and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the non-consolidated financial statements etc., including the related notes thereto, and whether the non-consolidated financial statements etc. fairly represent the underlying transactions and accounting events.

We communicate with the Audit Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

We also provide the Audit Committee with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

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 (COPY)

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 15th fiscal year from March 1, 2021 through February 28, 2022. 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. Regarding the response to the infection, comprehensive measures to prevent infections have been thoroughly implemented on a continual basis. The Audit Committee confirms that the Company and all the Group companies are working together to strengthen the crisis control system.

(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 11, 2022

Audit Committee

J. FRONT RETAILING Co., Ltd.

HAKODA Junya (seal)
Chairperson of Audit Committee

HAMADA Kazuko (seal)
Audit Committee Member (full-time)

SATO Rieko (seal)
Audit Committee Member

SEKI Tadayuki (seal)
Audit Committee Member

(Note) Audit Committee Members, namely, HAKODA Junya, SATO Rieko and SEKI Tadayuki are Outside Directors as prescribed in Item 15, Article 2 and Paragraph 3, Article 400 of the Companies Act.