There is no crisis that we cannot overcome.
Integrated Report 2020

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

Timeframe:
This report mainly reviews the fiscal year 2019 (March 1, 2019 through February 29, 2020) but it also contains the latest information available at the time of issue to the extent possible.

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

Cautionary statement regarding forward-looking statements:
Forward-looking statements in this integrated report represent our assumptions based on information currently available to us and inherently involve potential risks, uncertainties and other factors. Therefore, actual results may differ materially from the results anticipated herein due to changes in various factors.
Service before Profit

Service before Profit – This phrase is passage from “Of Honor and Disgrace” written by Xunzi, a Chinese thinker in the Zhanguo period, “Those who give priority to service over profit will prosper.” The most important thing is to approach things with sincerity and good faith. “Do not sell any products that are of no benefit to customers.” “Do not rank customers.” “Honesty and loving-kindness come first.” “An unfaithful person is useless regardless of how gifted he/she may be.” Thus Daimaru has told its employees to keep a humble attitude to serve customers.

At Matsuzakaya, the spirit of “Abjure all evil and practice all good” has been valued. They can be modernized as “Customer-first principle” and “Contribution to society.” Thinking of stakeholders thoroughly and acting accordingly will lead to business growth. We believe “Creating Shared Value (CSV)” to solve social issues through business activities is nothing less than practicing the Group’s corporate credo simply and honestly.
We aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations.

We aim at developing the Group by contributing to society at large as a fair and reliable corporation.
New cause assumed by the Group

The main business of the Group was the offering of products and services mainly for “festive occasions” by the core businesses including department store chains Daimaru and Matsuzakaya and Parco to meet customer needs. With increasingly diversified lifestyles, however, customer needs are seen not just on festive occasions but also widely in daily life. Many restrictions including voluntary ban on leaving home and restrictions on travel are placed due to the current spread of COVID-19 and people are forced to live with concerns and frustrations such as they have never experienced before. This is one of symbolic things.

By relieving customers of “concerns” and “frustrations” in daily life so that they can live more conveniently and more comfortably, we hope many customers will be able to spare more time for festive occasions. We think that is the social role we will have to fill, i.e., the cause.

Group Vision

Create and Bring to Life “New Happiness.”

Now is the time when lifestyles are changing speedily. To meet these changes quickly, and what is more, to find budding needs are J. Front Retailing’s important missions. More women’s social advancement. Changing lifestyles due to falling birthrate and aging population. Increasing globalization and digital consumption. Various factors bring you more new ways to enjoy your life as well as triggering concerns and stresses such as you have never felt before. Seeing both these “positive and negative” factors, we will evolve into a group that can serve you in all aspects of life. With regard to “enjoyment,” we will not only “sell goods” but create new events and experiences to excite you. With regard to “concerns,” we will cover “shortfall” such as “busyness,” “uneasiness” and “hassle” and create services to clear the fog in your mind. Our domain will expand beyond the framework of “retail.” And there should be creative ideas, or the creation of “new happiness.” Now is the time for J. Front Retailing to drastically change. And we promise you to closely support your life in a “present progressive form” after 10 years and even 100 years by “changing all the time.”

New employees in FY2019
In fact, as the means of seeking enjoyment are diversified, many customers cannot gain sufficient satisfaction from a stereotypical form of consumption as in the past. Consumers “want new and different experiences” or “want to enjoy with like-minded people.” Thus the focus of consumption is shifting to experiences. Another recent big trend is heightened awareness of social contribution. People “want to care more about the environment and ethics” and “want to feel that their own existence is meaningful in society.” The Group has to be able to offer something more enjoyable and more exciting in response to such diversification of the means of seeking enjoyment.

The Vision shows where we and the Company want to be in the future and helps clarify the organization’s strategy, direction and decision-making process. It is each and every employee who will realize the Vision in a concrete manner and the sum of their performance will constitute our corporate value.
The spread of the COVID-19 infection has transformed the world. This unprecedented global shock is transforming our social structure and significantly changing our consumption structure. The business environment around us is extremely uncertain and severe, and it is clear that if we take the wrong measures, we will be able to risk the survival of the Company.

At the same time, even in this environment, we need to face the reality that a number of companies are achieving growth and improving profitability through innovation. In other words, the fundamental problems we face now is the lack of the ability and speed to respond to rapid changes in the external environment.

We need to be prepared to fight against the “invisible enemies” we face today for a certain length of time. The COVID-19 pandemic forced most of our department stores and PARCO stores to close from April. The Company decided to resume operations in stages by creating a safe and secure environment that reduces the risk of infection and taking into account conditions in each region. However, there is a concern about a possible second wave of infections and we cannot relax our attention.

These factors are expected to have an extremely severe impact on results of operations. It may be said that this is the greatest crisis in our history. On the other hand, it is also true that there was much awareness that may lead to the future of the Group from the experiences that might not have been gained without this crisis, such as constrained environments including voluntary ban on leaving home and restrictions on travel.
We have encountered a number of such crises over the long history of 300 years and 400 years since our founding. However, I am convinced that sustainable management has been achieved to the present by returning to the Corporate Credo of "Service before Profit," which means that those who give priority to service over profit will prosper, and simply and honestly implementing our daily business activities every time we faced a crisis like this.

Responding to changes in the times and society and constantly striving for self-innovation. We believe that we could do them through the unchanging values embedded in the Corporate Credo, that is, by firstly “pursuing the right path for society” as the cornerstone of our management activities. There is no crisis that we cannot overcome.

It is not clear at present what kind of world will emerge after COVID-19. Our raison d'être is to continue to find and provide solutions while facing such changes in society. To this end, while leveraging the Group’s existing strengths, we have added five elements: innovation, digital, global, sustainable and collaboration. In this way, we have embarked on the formulation of a new Medium-term Business Plan.

With regard to the new Medium-term Business Plan, we will set the goals for 2030 that look ahead to the post-COVID-19 world quantitatively and qualitatively. Under the three-year medium-term plan starting in the following year 2021, we will maximize the synergy with the conversion of Parco into a wholly owned subsidiary for discontinuous growth. Through these initiatives, we aim to realize true business portfolio reforms.

Our role as a public entity of society is to strike a balance between social value and economic value by paying close attention to our stakeholders. Improving corporate value over the long term cannot be achieved without coexistence with society.

The important thing is to make sure that we properly identify risks and then strengthen our “defense” in order to ensure the safety and security of our stakeholders. At the same time, we must diligently prepare for an “offense” based on coexistence with COVID-19.

By overcoming the current crisis together with our stakeholders in a manner that will lead to concrete results for the new reality that will follow, we will do our utmost to realize the Group Vision: “Create and Bring to Life ‘New Happiness’.”

July 2020

YOSHIMOTO Tatsuya
Director, President and Representative Executive Officer
J. Front Retailing Value Creation Process

Under the Corporate Credo and the Basic Mission Statement, J. Front Retailing is committed to creating affluent lifestyles with its stakeholders to realize the Group Vision “Create and Bring to Life New Happiness.”

The business activity of J. Front Retailing is to constantly seek to create rich markets that grow with local communities, which is led by department stores and Parco.

It is nothing less than to create, as a public entity of society, new values with which its various stakeholders empathize.

Circulating the Group’s business model and creating new values using the six capitals of J. Front Retailing effectively and efficiently are the process to create the brand value of J. Front Retailing, which will result in the creation of new values with which society empathizes.

Through this initiative, we strive to create both social value and economic value.

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**Total FY 2017 – 2020 Capital investment / growth investment**

￥145bn

**No. of the Group employees**

Approx. 9,800

(as of Feb 29, 2020)

**No. of major stores operated by Daimaru Matsuzakaya and Parco**

34

(as of Feb 29, 2020)

Ginza Six

Ueno Frontier Tower

Zero Gate

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**Total capital investment is before application of IFRS 16.**
Create and Bring to Life “New Happiness.”

SDGs (Sustainable Development Goals)
Global goals for the period from 2016 to 2030, which are included in the “2030 Agenda for Sustainable Development” adopted at the United Nations summit in September 2015.
The History of Reform Creates Tradition.

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

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

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

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

1743
Opened Edo store at Odennma-cho 3-chome, Edo.

1745
Opened a purchasing office in Murasamachi, Nishi-Ko-ri, Kyoto.

1757
Built Kita Villa near Harve Bridge at Kita 4-chome, Fukagawa, Edo and set up a shrine of Harve Inari in one corner of the property still present on the premises of Daimaru Core Building. Edo store achieved the highest sales in Japan as a kimono fabric dealer.

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

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

Daimaru

Phase of founding

Matsuzakaya

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

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

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

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

1800
Ueno store was used as the headquarters of imperial army during the Ueno war.

1868
Opened a cotton wholesale store Kamedana in Odennma-cho, Edo.

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

1907
Reorganized Ueno store into "Goshi Kaisha Ito Gofukuten."

Exterior of Ueno store in 1772

Exterior of Ueno store in 1772

Exterior of Ueno store in 1772
1908
- Newly built and opened Kobe branch at Motomachi-4-chome, Kobe.

1910
- Established “Kabushiki Kaisha Daimaru Gofukuten” with a capital of ¥12 mn.

1912
- Opened new three-story RC/wooden Kyoto store on Shijo-dori Street (present location) as a department store.

1913
- Revised and registered the trademark.

1917
- Completed the new main building of Ueno store.

1920
- Established “Kabushiki Kaisha Daimaru Gofukuten” with a capital of ¥12 mn.

1922
- First implemented a weekly holiday system in the department store industry.

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

1924
- Ginza store opened

1927
- Opened the first “Dyeing Laboratory & Hygienic Laboratory” (present Consumer End-Use Research Institute) in the department store industry in Osaka store (present Shinsaibashi store).

1928
- Changed the company name to “Kabushiki Kaisha Daimaru.”

1953
- Signed an exclusive contract with Christian Dior Japan’s first partnership with a foreign designer.

1957
- Designated cattleya as a symbol flower.

1959
- Launched private label men’s clothing “Tosan.”

1961
- Achieved the highest sales in the Japanese retail industry (consecutively from H2 1960 to H2 1968).

1962
- Signed an exclusive contract with Givenchy.

1964
- Established “Matsuzakaya Holdings Co., Ltd.”

1965
- Established a new holding company “Matsuzakaya Holdings Co., Ltd.”

1966
- Complete the new main building of Ueno store.

1969
- Nagoya store built a south wing and became the largest department store in Japan.

1991
- Nagoya store built a south wing and opened “Matsuzakaya Museum.”

1993
- Umeda store opened in Osaka Terminal Building “Acty Osaka.”

1997
- Kobe store (hit by the Great Hanshin-Awaji Earthquake in 1995) was restored and made its grand opening.

1999
- Fully launched management reform (store-based sales reform and gaisho (out-of-store sales) reform). (Next year, HR reform and back-office reform were launched.)

2000
- Business Model

2003
- Nagoya store built a new south wing and became the largest department store in Japan.
Turn Integration into Innovation.

2007

The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd. integrated management. Established J. Front Retailing Co., Ltd. Phase I relocation and expansion of Daimaru Tokyo store.

2008

Daimaru Credit Service, Inc. was renamed JFR Card Co., Ltd. Daimaru Design & Engineering Co., Ltd., Daimaru Mokko Co., Ltd., Matsuzakaya Seiko Co., Ltd. and Reflex Japan, Inc. merged into J. Front Design & Construction Co., Ltd. Dimples Co., Ltd. absorbed Daimaru Sales Associates Co., Ltd. Integrated the information systems of The Daimaru, Inc. and Matsuzakaya Co., Ltd.

2009

Restaurant Peacock Co., Ltd. absorbed Shoei Foods Co., Ltd. to form J. Front Foods Co., Ltd. Matsuzakaya Service Co., Ltd. was renamed JFR Service Co., Ltd. The north wing of Daimaru Shinsaibashi store opened. JFR Service Co., Ltd. absorbed Daimaru Lease & Service Co., Ltd.

2010

The Daimaru, Inc. and Matsuzakaya Co., Ltd. merged into Daimaru Matsuzakaya Department Stores Co., Ltd. J. Front Design & Construction Co., Ltd. absorbed DH Co., Ltd. The Daimaru Tomonokai, Inc. absorbed Matsuzakaya Tomonokai Co., Ltd. to form Daimaru Matsuzakaya Tomonokai Co., Ltd.

2011

“Keicho Kosode” from the Matsuzakaya Collection was designated as a national important cultural property. Daimaru Umeda store reopened with increased floor space.

2012

Acquired a 33.2% stake in Parco Co., Ltd. and converted it into an equity method associate. Reached a basic agreement with Shanghai Xin Nan Dong Project Management Co., Ltd. and Shanghai New World Co., Ltd. to provide technical support and cooperation in opening and operating a new department store in Huangpu District, China. Jointly established JFR Plaza Inc. with StylingLife Holdings Inc. Increased a stake in Parco Co. Ltd. to 65% through TOB and converted it into a consolidated subsidiary. Dimples’ Co., Ltd. spun off Daimaru Matsuzakaya Sales Associates Co., Ltd.

2013

Sold all shares of Peacock Store Ltd., which operated a supermarket business, to Aeon Co., Ltd. Acquired a 70.52% stake in Forest Co., Ltd. and converted it into a consolidated subsidiary.

2014

Became affiliated with Rakuten R-Point Card service. Fukuoka PARCO opened a new building. Invested in Cool Japan Fund.

FY 2014 to 2016 Medium-term Business Plan started.
Create and Bring to Life "New Happiness."

Phase of dramatic growth / changing the Group structure

FY 2017 to 2021
New Medium-Term Business Plan started

2015
Increased floor space of the main building of Fukuoka PARCO.

2016
Phase II renovation and grand opening of Matsuzakaya Nagoya store.

2017
New Shibuya PARCO opened (Nov).

2018
Accepted purchase of own shares by Senshukai Co., Ltd.

2019
Increased floor space of the main building of Fukuoka PARCO.

2020
New Medium-Term Business Plan will start

New Medium-Term Business Plan and began to formulate a new Medium-Term Business Plan.

2021
 Sanford PARCO opened.

2022
Decision to rebuild the main building of PARCO in San-A Urasoe West Coast PARCO City opened (Jun).

2023
Decision to rebuild Shibuya PARCO

2024
Invested in Scrum Ventures.

2025
Voluntarily applied the International Financial Reporting Standards (IFRS).

2026
Japanese version of Medium-Term Business Plan will start

2027

2028

2029

2030

Unprecedented COVID-19 crisis

“Service before Profit” – Those who give priority to service over profit will prosper. This Corporate Credo is the cornerstone of the Group that has survived for 300 and 400 years and I think it fits with the current times. Returning to this philosophy and practicing it is CSV itself, which produces both social value and economic value, and by doing so, I think we can keep up with the trends of ESG and SDGs. It is true that there are many unforeseeable things amid the COVID-19 crisis. However, I realize that this Corporate Credo is the basis on which we act when thinking of what we should value the most now.

In the current situation called the fight against the invisible enemy, what I thought first was ensuring the safety and security of customers and workers including those from suppliers and the employment of employees and survival as a company. Soon after the first person infected with COVID-19 was found in Japan in the middle of January, we took thorough measures to prevent infection by placing alcohol sanitizers in our stores and offices and allowing workers to wear masks. In February, we set up an emergency headquarters in the Company and at the same time, I also asked each company in the Group to set up such headquarters. The core business of the Group has existed by creating commercial space, attracting customers from wide areas, and thereby “creating close contact.” And it just became a risk. When March began, our department stores had temporary holidays and reduced business hours. In addition, we cancelled large events such as regional product fairs, which attract many

“Let Go of Past Successes and Draw out Solutions to Coexist with COVID-19.”
customers. Parco also reduced business hours and the events that might cause close contact were changed, postponed or cancelled. And in April, a state of emergency was declared and almost all stores were forced to close. The Group whose main business is the operation of conveniently located real stores has faced an unprecedented and unforeseeable crisis.

Therefore, we drew up three scenarios including a “standard scenario,” a “risk scenario” and the “worst scenario” according to how long our stores will close affected by the COVID-19 crisis and considered the measures to be taken. For the worst scenario, we assumed that the declared state of emergency will continue until August. Seeing the situation changing every moment, particularly in terms of funding, we ensured cash reserves promptly by issuing commercial paper and increasing the commitment line limit.

In June, we could reopen stores finally. However, as infection risk was not eliminated completely, we could not operate stores in the same way as before closing. We placed thermographic monitors and sanitizers at the entrances to prevent anyone that has a fever or does not wear a mask from entering the stores. In stores, workers wear face shields and masks are given. And also in staff canteens, lounges and locker rooms, which are hidden from customer view, we take every possible measure.

Take a pinch as an opportunity of “reform”

From now on, we will coexist with COVID-19. It is called new normal. We have to consider what it will be like for these six months and one year...
and after three to five years. Until when should we keep a social distance? When will people be allowed to move globally just as before? No one can foresee at present.

In the meantime, it is also true that we found the COVID-19 crisis could drive reforms. We were made aware how fragile the present business structure that depends on real stores is. As said before, our core business has existed by attracting customers from wide areas and thereby “creating close contact.” If we cannot do this, we can take other approaches including e-commerce. Actually, however, the operation of our e-commerce is not completely independent of stores. We could not move products when our stores were closed. Furthermore, for tens of thousands of users of our gaisho website, normally gaisho staff serve them as a touch point and we did not think the website needs to have a payment function. All our systems are based on real stores. Amid the COVID-19 crisis, we see how much inconvenience it causes to customers, which results in opportunity loss.

In order to avoid employees’ infection risk from traveling, we encouraged the employees of the entire Group mainly working in the head offices to work from home and actively held teleconferences and conference calls without getting together physically. In anticipation that such an era will come in the near future, we trialed them in some locations while building the infrastructure ensuring security. However, we did not even imagine we actually do them so soon. In practice, they are working well. At present, we cannot judge that they help increase productivity but problems in the operating process were revealed. Therefore, I think we will be able to produce robust results earlier than expected if we work on them seriously.

Creating the situation that “does not cause close contact” using digital to survive the COVID-19 era. In the past, it might be positioned rather as a complement to real stores, but from now on, we will have to improve ourselves centered on digital and using the strength of real stores. We cannot lose any time in responding to unprecedented dramatic changes. In this sense, I feel even more importance of the Group Vision “Create and Bring to Life ‘New Happiness.’”

Review of the current medium-term plan and challenges

The Group aims to become a Multi Service Retailer beyond the framework of retail and works on expanding its business domain and transforming the business models of existing businesses. In order to expand our business domain, we opened a luxury mall “Ginza Six” and a commercial complex with office function “Ueno Frontier Tower” in 2017 and the Real Estate Business grew dramatically compared to before the current medium-term plan started. In the Credit and Finance Business, the management foundation was reinforced for medium-term growth by actively hiring specialized talents and they got prepared to issue “new cards,” which are a key to growth, this fiscal year.

In order to transform the business models of existing businesses, in September last year, we opened the “main building of the Daimaru Shinsaibashi store” as an unprecedented hybrid department store business model, and in November, we opened “new Shibuya Parco,” which can reach a wide range of customers with an unconventional tenant mix. I see both produce results as expected. A challenge in the Department Store Business and the Parco Business is how we will horizontally apply these new business models to flagship stores speedily.

When we formulated the current medium-term plan, which started in 2017, we expected that profit would increase in fiscal year 2020 and beyond partly thanks to the full contribution of the development projects, which started business last year, after bottoming out in fiscal year 2019. However, it is unavoidable that the profit level will continue to decrease in fiscal year 2020 due to the current drastic environmental changes. In addition, the progress of new businesses from which a certain profit contribution is factored in is delayed. For these reasons, it became extremely difficult to achieve the profit target for fiscal year 2021, which is the final year of the medium-term plan.

While we see visible results that lead to a better future after three years have passed since the current medium-term plan started, in fact, we cannot say the progress of profit level and business portfolio transformation is smooth. I think behind that are the assumptions that have changed more greatly in “scale” and “speed” more than expected when we formulated
the current medium-term plan including lower consumer spending than expected after consumption tax hike, suddenly accelerated shrinkage of women’s volume zone market and declining rural stores combined with less competitive urban flagship stores as well as the current COVID-19 pandemic risk.

On the other hand, the Group itself has faced an “important turning point.” It is conversion of Parco Co., Ltd, a consolidated subsidiary, into a “wholly owned subsidiary.” At last we could create a system that can aim to maximize synergy at higher speed by addressing dynamic transformation of business structure that we could not conduct before and drastically exchanging human resources through this conversion. I think this a big plus factor.

Amid these significant changes in external and internal environments, we have decided that it is the best to restart with a strategy that determines a direction with a far-sighted ambitious target and can bring out greater strength from the Group in a new system rather than continuing to implement the current medium-term plan in the present framework.

I think we have to formulate a new medium-term plan after clarifying what we could do, what and why we could not do.

**Started to formulate a new medium-term plan**

I would like to explain the outline of the Medium-term Business Plan, which will start in fiscal year 2021 premised on creating a strong business structure considering the current uncertain situation, at the earnings announcement in October this year. As we have decided to give up the current medium-term plan halfway, after looking back on it properly, we would like to present accurate direction and “what we will be like in 2030,” ten years ahead, and clarify what we will aim to do for the first three years. To this end, we thoroughly analyzed the risks that will affect the Group. The five integral elements of the new medium-term plan will include “innovation,” “digital,” “global,” “sustainable” and “collaboration.” They are nothing special currently but a company may not be able to grow or even survive unless it can do them as a matter of course. For example, with respect to “global,” as asked at our annual shareholders meeting, you may wonder if we will be really all right considering the situation in which inbound sales, which are an element of global, disappeared amid global restrictions on travel due to the current COVID-19 crisis. However, we will not be able to stop the trend of going global and it may become obviously different from the past concept of global in the new normal. More active “collaboration” with outside will be needed to promote “digital” and “innovation.” I think we need to collaborate with outside more dynamically. Needless to say, “sustainable” means that a company cannot exist without producing both social value and economic value.

Currently we have many discussions concerning the new medium-term plan. Of the main ten members who formulate the plan, only four including myself are from the department store. The remaining members are the ones from Parco and mid-career employees. As nine of the ten members who formulated the current medium-term plan were from the department store, I feel it has changed. Though there are still few women and people from outside, there is no doubt that the recent “conversion of Parco into a wholly owned subsidiary” will be a key factor in the formulation process and implementation of the new medium-term plan. I think we need to consider quantitatively what synergy we will be able to create. For this purpose, the department store and Parco should evolve further.

The Real Estate Business, which is growing steadily under the current medium-term plan, will be integrated into Parco, which accumulates more know-how. It is most expected among synergies from the recent conversion into a wholly owned subsidiary. Parco was mainly the developer of commercial complexes named Parco, but going forward, it will develop real estate in new fields as well as a commercial field.

The greatest of what we could not do under the current medium-term plan was the deep exploration of the growth strategy that aims to make us a Multi Service Retailer, that is, go beyond the framework of retail. As it is obvious that we cannot grow in a sustainable way if we stay within the framework of retail, our challenge is what we will define as the “fourth pillar” in addition to the existing pillars of the Group including department store, Parco and finance. To this end, I think we need synergy with Parco combined with external insights.

In the meantime, as management resources are limited, we will address structural reforms to overcome this crisis steadily. If we do something new, we have to clarify what to give up. The essence of choice and concentration is to decide what to abandon.

**Coexistence with a sustainable society**

In 2018, the Company identified five materiality issues including “contribution to a low-carbon society,” “management of the entire supply chain,” “coexistence with local communities,” “promotion of diversity” and “realization of work-life balance” through the questionnaire survey for 4,250 stakeholders and discussions at the Management Meetings and the Board of Directors meetings. We set long-term goals for each of the five materiality issues and take specific actions in earnest to achieve them.

With regard to “contribution to a low-carbon society,” a retailer may not contribute greatly in terms of impact on the entire society. However, increased GHG emissions are one of the greatest global problems and we cannot just sit and wait. The Group’s CO2 emissions are mainly from stores and approximately 90% of them are from electricity use.
Therefore, we will promote switch to renewable energy and LED lighting and electrify our corporate fleet. Thinking through what we can do now and taking the lead in putting it into specific action. I think that is all we need to do. As such actions, the GHG emissions reduction targets set by the Group was approved as science-based reduction targets by the international “Science Based Targets initiative (SBTi)” last year. The SBTi updated its target validation criteria so that the level of targets is classified under three categories. The Group’s targets were approved under the second strictest category of “well-below 2°C”-aligned targets. We also support the final report released by the “Task Force on Climate-related Financial Disclosures (TCFD)” that was established by the Financial Stability Board (FSB) (TCFD recommendations), and at the same time, participated in the “TCFD Consortium” that was launched on May 27, 2019. Going forward, we will engage in dialogue with other companies and financial institutions which support these recommendations by participating in the TCFD Consortium to effectively disclose information on how we address the risks and opportunities of climate change, what initiatives we implement to achieve the long-term GHG emissions reduction targets, and so on.

With regard to “management of the entire supply chain,” we cannot do it without the understanding and cooperation of our suppliers. Therefore, we formulated our Principles of Action and the “Principles of Action for Suppliers” in June 2019 to eliminate environmental and social risks in the supply chain. Each operating company in the Group sent these “Principles of Action for Suppliers” to the representatives of suppliers to ensure that they understand and comply with the Group’s view and rules. In October, Daimaru Matsuzakaya Department Stores, a main operating company, held a “presentation on the JFR Principles of Action for Suppliers” in Tokyo and Osaka at the same time and as many as 652 people from 530 companies attended it. I am convinced that both the Group and its suppliers deepened shared thought that they will aim to enhance corporate value by complying with the Principles of Action through them.

With regard to “coexistence with local communities,” needless to say, it is the very core business of the Group. We position five areas where our stores are located as key areas and implement the “Urban Dominant Strategy” that aims to grow with local communities with our stores at its core. In fiscal year 2020, the north wing of the Shinsaibashi store will open with Parco as an anchor tenant in fall and a new commercial complex will open in the Sakae area, Nagoya.

With regard to “promotion of diversity,” given further increasing human resource exchanges driven by the recent conversion of Parco into a wholly owned subsidiary, I think we have become a very diverse company. Recently, we actively hire people from outside. We hired 69 people only in fiscal year 2019, which is almost the same level as the new graduate recruitment. It is true that the Group mainly operating traditional department stores is rapidly becoming diverse. In addition, we adopt a unique “Mother Recruitment” program that aims to extensively hire women wishing to balance child care and work at a higher level from outside the Group. I think it is effective in securing motivated talents. In fact, however, there are still many men in management. So we would like to seriously consider a way to bring out employees’ personalities and abilities to the fullest and develop female human resources who will be included in a succession plan.

With regard to “realization of work-life balance,” it is important that a work style reform will be carried out not just to remedy long working hours but to make work creative and productive and balance work and life. Telework, which has become established, will steadily drive that. Creating a company whose employees enrich both their lives and works and take pride in the company. I think it will help people and a company achieve true growth.

Further raise awareness of capital cost with ROIC

I understand our cost of shareholders’ equity is in the range of 6 to 7% in the CAPM. I think an ROE of at least 8%, which exceeds the cost of shareholders’ equity, is the minimal level we should aim to achieve to enhance corporate value. We aim to build a business structure that can achieve an ROE of at least 8% on a consolidated basis continuously by breaking down ROE into its components to be addressed by operating units.

Operating units work to increase ROA, which is calculated by multiplying a company’s operating profit margin by its asset turnover. As the Department Store Business that operated using large assets of stores gave too much importance to PI, I think this is the first step to change our mindset to see return from assets, that is, realize B/S-focused management. ROA was added as a store manager performance indicator. So I think the business management based on separate B/S for each store is steadily progressing. Furthermore, from fiscal year 2020, we will adopt an “internal capital system” that sets internal rules including an internal interest system, an internal tax system and an internal dividend system, like managing a company, as well as setting capital for each business and each store to further advance B/S-based management.

In terms of return on investment, we use the WACC as a hurdle rate. Our WACC is calculated at around 5% over the medium to long term. We also set the WACC for each business such as Department Store, Parco and Credit and Finance. As the WACC is the hurdle rate of ROIC, a positive spread between ROIC and WACC will help create corporate value. Though we do not formally adopt ROIC as a management indicator, it is true that ROIC is often referred to in dialogue.
with investors. Actually, when we released the current medium-term plan, an investor said that the spread of ROIC, which was calculated from total investment and forecast operating profit during the period of the medium-term plan, is not good enough. As a matter of course, it will be discussed in each business. That means investment should be made in the business that generates greater return. As ROE can be broken down into ROIC and leverage, it may be said to be a KPI that aims to fundamentally enhance ROE without relying on leverage. Based on these matters, we consider introducing ROIC as a KPI in the new medium-term plan, which is being formulated.

For investment projects, the “Investment Project Review Committee” with the Senior Executive General Manager of Financial Strategy Unit as its chairperson and the Senior General Manager of Management Planning Division as its vice-chairperson discusses them. We use the payback method for store renovations and the NPV method for development investment. For M&A, we use quantitative criteria including calculating shareholder value using the DCF method, creating risk scenarios and confirming impact on rating, etc. and also qualitative criteria to make a decision comprehensively. The results are reported to the Management Meetings and the Board of Directors and positioned as one factor in management decision.

The “Revitalization Plan Review Committee” also manages existing businesses in three phases. The Committee validates these businesses, examines the validity of their measures and provides information to the Management Meetings and the Board of Directors in a reasonable period of time.

Deepen dialogue through highly transparent management

We have addressed governance reforms continuously since the Corporate Governance Code was published in 2015. We were originally a Company with an Audit & Supervisory Board and made a transition to a Company with Three Committees (Nomination, Audit and Remuneration) in fiscal year 2017. At that time, five of 13 Directors were independent Outside Directors, and since 2019, we have added one and have six in total to further strengthen oversight function by adding external perspectives.

I think it is the most important for governance to increase the transparency of management. Transparency is enhanced by actively disclosing information, and without doing so, we cannot promote constructive dialogue. For example, as it is difficult to foresee the future in the current COVID-19 crisis, many companies with fiscal year-ends in February and March announced that earnings forecasts “were to be determined.” However, we disclosed earnings forecasts as always. It was not easy to forecast in the situation changing every moment but the management of a company remains based on a certain assumption made considering the environment around it. Therefore, we made forecasts by analyzing information available until the end of March and disclosed them at our earnings announcement in early April. It is because I think opening gambits for discussion with capital markets are provided and dialogue is deepened by showing the standards set by our management.

A state of emergency was declared immediately after that and this assumption changed. However, I feel the dialogue conducted there was meaningful and highly suggestive, which will lead to the next step.

This is really the “emergency situation.” The succession plan was implemented in such situation and I got a baton as the President, in which I feel sort of destiny. As the environment changed so drastically, we need to reset our mind. Clinging to past successes thinking easily that everything will get back on the track soon is just a risk. My job may start from “letting go of past successes.” The new era drives the acceleration of changes and I see it as an opportunity to seek the new way to operate the businesses of the Group. Since it is difficult to foresee the future, it is important to beef up efforts to disclose information, encourage beneficial dialogue and reflect many insights thus obtained in management activities. We would like to draw out solutions in the COVID-19 era, overcome this crisis steadily with stakeholders and strive to grow in a sustainable way and enhance corporate value over the medium to long term.
Cannot lose any time in business portfolio transformation

In recognition that it is difficult to grow greatly if we cling to the core department store field of the Group and a greater retail field, we work to transform our business portfolio to grow as a “Multi Service Retailer” beyond the framework of retail for “discontinuous growth,” which is not an extension of past growth. The current COVID-19 crisis strengthened our conviction that the Group would grow over the medium term only by adhering to this direction. While seeing it imperative to innovate businesses using the store assets of the department store and Parco, which have brand power, we will strive to expand into new fields including the real estate business, the finance business and life solutions to enhance corporate value through business portfolio transformation.

We think a big key to realize it is the full-scale creation of synergy with Parco, which became a wholly owned subsidiary in March 2020.

Shift gears by converting Parco into a wholly owned subsidiary

The Company acquired 27,400,000 common shares of Parco Co., Ltd. and made it an associate accounted for using equity method in March 2012. Subsequently, in July in the same year, the Company entered into a capital and business alliance agreement with Parco, and at the same time, implemented a tender offer for the shares of Parco. As a result, in August in the same year, the Company owned 65,920,000 common shares of Parco (ownership ratio: approximately 65%).

After the Company became the parent company of Parco, the Company and Parco strived to enhance the corporate value and brand value of the Group in a wide range of areas over about seven years.

Specifically, the two companies have achieved business synergies in many areas including the joint development of stores in “Ueno Frontier Tower,” which opened in November 2017, and the “north wing of the Daimaru Shinsaibashi store,” a project which is still ongoing, as well as joint promotions using both companies’ customer bases in the Nagoya area, etc. We think the two companies also realized alliances in a wide range of areas including the deepening of mutual understanding through human resource exchange and sharing of suppliers and contributed to the growth of the Group.

On the other hand, the environment surrounding our business is becoming increasingly severe and changing remarkably and at an unprecedented speed. In such changing environment, we have decided that it is vital to flexibly respond to consumer needs, which are changing from day to day, through deeper alliance than ever between the two companies to further enhance their corporate values and brand values.

In such situation, though we could pursue results to a certain degree through alliances including the joint store development and joint promotion as in the past, it was also true that it took
time for the Group to make decisions under the capital relationship between the two companies, which restricted implementation of strategies, because Parco was listed and had a certain degree of independence in management.

We thought that in order to move ahead with a thorough and flexible transformation of the Group’s business portfolio speedily backed by rapid decision-making, it would be necessary to further deepen the ties between the two companies and to concentrate management resources, and for this reason, we decided to make Parco into a wholly owned subsidiary.

The Company commenced a tender offer on December 27, 2019, and as a result, Parco became its wholly owned subsidiary. The Group will take this opportunity to accelerate its structural reform in earnest by innovating its business model, moving ahead with the Urban Dominant strategy and expanding into new business fields to realize the Group Vision “Create and Bring to Life ‘New Happiness.’”

▶ The Group’s business structure and strength

Into the second stage of department store innovation

After peaking at ¥9.7 trillion in 1991, national department store sales have decreased to ¥5.700 billion in 2019, below ¥6 trillion for three consecutive years, in spite of a recent boost from inbound tourism, losing the market of as much as approximately ¥4 trillion over these 18 years. We have not just faced crises such as the collapse of the bubble economy, the collapse of Lehman Brothers and the current COVID-19 pandemic but also competition beyond industry boundaries, which has become fiercer than ever with the rise of new digital-native players and disruptors.

On top of them, we think our essential problems are delays in responding to rapid changes and the obsolescence of the business model of the core Department Store Business.

With the medium-term plan, which started in fiscal year 2017, we tried to innovate the department store business model in two directions. The one is a luxury mall Ginza Six, which was created in the two blocks including the former site of the Matsuzakaya Ginza store using the real estate rental model with the option “not to operate a department store” (2017). And the other is the main building of the Daimaru Shinsaibashi store, which is a “hybrid” model combining the merits of department stores and real estate rental (2019). These efforts about real stores produced results as expected. However, the environment is changing more rapidly than expected and at an accelerated pace and further innovation is required. We think we can no longer achieve success in real stores without digital. The current COVID-19 crisis brought to light such issue and it is an important theme of the new Medium-term Business Plan, which is being formulated and will start in fiscal year 2021.

▶ Four synergies aimed for

1. Strengthening the business base as a retail/real estate business group
   - Further promoting the joint development of stores including large-scale complexes that would be difficult to handle alone
   - Strengthening real estate development capabilities through effective utilization of land and building holdings
   - Transferring the Real Estate Business to Parco after making Parco a wholly owned subsidiary. Consolidation of the Group’s resources and centralization of management and development functions
   - Improving sales capabilities through mutual utilization of customer data

2. Strengthening associated businesses aimed at growth as a Multi Service Retailer
   - Promoting cooperation not only for store development but also in similar associated businesses such as design and construction contracting
   - Expanding the service area and business fields by utilizing on a group-wide basis to the fullest extent Parco’s superior business know-how in areas like the entertainment business

3. Improving management efficiency
   - In response to the increasing diversification of lifestyles, working as a group to develop new businesses to improve management efficiency
   - Improving management efficiency by integrating indirect departments and operations such as investor-related operations, financing operations and those related to general shareholders meetings
   - Substantially improving efficiency by implementing system investment as a group

4. Enhancing competitiveness by sharing expertise through human resource exchange
   - Promoting an even greater degree of cross-operating company human resource exchange
   - Providing a broad range of services to meet increasingly diverse customer needs by sharing the expertise respectively built by both companies

▶ Change in a relationship between real and digital

Real

Digital

Digital complementing real

Real based on digital
Control Risk Properly

The Group defines risk as “uncertainty, which affects the organization’s profit or loss in a changing environment.” Risk has both a positive side (opportunity) and a negative side (threat) and we think a company will grow in a sustainable way if risks are addressed properly.

For risk management, we have formed the Risk Management Committee as an advisory body to the President and Representative Executive Officer, which is chaired by the President and Representative Executive Officer and comprises Executive Officers and others. The committee has a secretariat whose general manager is an officer in charge of risk management. The secretariat shares the policies and important matters decided by the Risk Management Committee with operating companies to promote risk management across the Group. By positioning risk as the starting point of strategy and linking risk with strategy, we promote risk management as one of initiatives to enhance corporate value.

The Risk Management Committee identified and evaluated risks (uncertainty) based on an analysis of an environment and narrowed them down to priority risks. We share risk recognition as the “list of J. Front Retailing Group risks” including 101 items (see page 63) across the Group. Concerning extremely important risks, which are defined as “business risks,” the Risk Management Committee discusses and decides a policy for addressing them and reflect them in the “Group strategies.”

Risk Management Committee

Control Risk Properly

We have two risk maps including a “strategy” / “finance” risk map and a “hazard” / “operation” risk map.
List of the Group key risks

<table>
<thead>
<tr>
<th>Category</th>
<th>Risk item</th>
<th>Impact on the Group</th>
<th>Negative side of risk (threat)</th>
<th>Positive side of risk (opportunity)</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infection</td>
<td>Occurrence: Will increase and change: Rapidly accelerating</td>
<td>Affects the survival of business</td>
<td>Loss of human life</td>
<td>—</td>
<td>Ensuring the safety of customers and employees</td>
</tr>
<tr>
<td>Disaster</td>
<td>Occurrence: Has increased for a few years and change: Rapidly accelerating</td>
<td>Affects the survival of business</td>
<td>Damage to human life</td>
<td>—</td>
<td>Ensuring the safety of facilities</td>
</tr>
<tr>
<td>Advanced technologies</td>
<td>Occurrence: Has increased for a few years</td>
<td>Change: Further accelerating</td>
<td>Creative destruction of existing businesses by IT companies</td>
<td>—</td>
<td>Creating new experience value using technological data</td>
</tr>
<tr>
<td>Progress of sharing economy</td>
<td>Occurrence: Increasing over the medium to long term</td>
<td>Change: Moderately accelerating</td>
<td>Expansion of areas for sharing by emerging companies</td>
<td>—</td>
<td>Entry into sharing business</td>
</tr>
<tr>
<td>Increasing importance of ESG</td>
<td>Occurrence: Increasing over the medium to long term</td>
<td>Change: Further accelerating</td>
<td>Hash look at link between ESG initiatives and increase of business profitability</td>
<td>—</td>
<td>Creating new CSV</td>
</tr>
<tr>
<td>Shift of existing businesses from maturity to decline</td>
<td>Occurrence: Has increased for a few years and change: Moderately accelerating</td>
<td>Very severe impact on the performance of the entire Group including retail business</td>
<td>Loss of customers due to obsolete business model</td>
<td>—</td>
<td>Developing complex type stores/floors with new concept</td>
</tr>
<tr>
<td>Changes of suppliers</td>
<td>Occurrence: Has increased for a few years</td>
<td>Change: Rapidly accelerating</td>
<td>Lower appeal and poorer assortment of retail stores</td>
<td>—</td>
<td>Developing a new store model in cooperation with existing suppliers</td>
</tr>
<tr>
<td>Financing</td>
<td>Occurrence: Current greatest problem</td>
<td>Will increase for at least one or two years</td>
<td>Worsen conditions for securing funds (amount/cost/shraining)</td>
<td>Efficient/Effective financing</td>
<td>Diversifying financing methods based on the financing policy</td>
</tr>
<tr>
<td>Exchange</td>
<td>Occurrence: Will increase for at least one or two years</td>
<td>Change: Rapidly accelerating</td>
<td>Decrease in foreign tourists, decline in motivation to spend</td>
<td>Increase in foreign tourists to Japan, brisker spending on big-ticket items</td>
<td>Developing trade areas in countries other than China</td>
</tr>
<tr>
<td>Share</td>
<td>Occurrence: Will increase for at least one or two years</td>
<td>Change: Rapidly accelerating</td>
<td>Downturn in affluent consumer confidence</td>
<td>Increase in profit, better management of pension assets</td>
<td>Stimulating demand that meets the needs of the affluent</td>
</tr>
<tr>
<td>Impairment</td>
<td>Occurrence: Will increase for at least one or two years</td>
<td>Change: Rapidly accelerating</td>
<td>Lower evaluation from stakeholders</td>
<td>Alignment between profitability and asset value</td>
<td>Scrutinizing investment projects (recovery of investment)</td>
</tr>
<tr>
<td>Information management</td>
<td>Occurrence: Has increased for a few years</td>
<td>Change: Further accelerating</td>
<td>Loss of social credibility</td>
<td>—</td>
<td>Strengthening support by specialized units</td>
</tr>
<tr>
<td>Legal restraints and revisions</td>
<td>Occurrence: Remains high</td>
<td>Change: Constant</td>
<td>Restrictions on business activities</td>
<td>—</td>
<td>Strengthening the security of hardware</td>
</tr>
</tbody>
</table>

In addition, we recognize risks and opportunities associated with climate change have significant impact on our business strategies. Therefore, the Group declared its support for the final report released by the “Task Force on Climate-related Financial Disclosures (TCFD)” that was established by the Financial Stability Board (FSB) (TCFD recommendations) in May 2019. The Group will actively reduce energy consumption, use energy more efficiently, introduce renewable energy, and at the same time, further enhance information disclosure in line with the TCFD recommendations to “contribute to a low-carbon society.” (For details, see page 48.)
How Did We Face the Spread of the COVID-19 Infection?

When 2020 started, the unprecedented “COVID-19 pandemic” occurred as a global risk. How did we address this new risk? Our top priorities were the safety and security of customers and workers including those from suppliers and survival as a company. Below is a real document showing how we responded to ever-changing conditions.

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### January 2020

<table>
<thead>
<tr>
<th>Date</th>
<th>Our response</th>
<th>Social trends on infection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 6</td>
<td>Issued an alert to JFR and each company in the Group to prevent infection at an early stage of infection in Japan.</td>
<td>High number of cases in Japan, particularly in Wuhan, which led to the suspension of flights to Japan.</td>
</tr>
<tr>
<td>Jan 16</td>
<td>MHLW: Confirmed the first infected person in Japan.</td>
<td>First confirmed case in Japan.</td>
</tr>
<tr>
<td>Jan 22</td>
<td>Formed JFR emergency headquarters as of Feb 1 (informed by President)</td>
<td>Discussions started on measures to be taken based on the infection situation.</td>
</tr>
<tr>
<td>Jan 30</td>
<td>Confirmed that they would telework as instructed by an industrial doctor: refrain from coming to work on Mar 12 (Wed).</td>
<td>Rise in the number of infections in Japan.</td>
</tr>
</tbody>
</table>

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### February 2020

<table>
<thead>
<tr>
<th>Date</th>
<th>Our response</th>
<th>Social trends on infection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb 1</td>
<td>Government of Japan: HOSPITALIZED Cabinet Order specifying COVID-19 as a “designated infectious disease” and “quarantine infectious disease.”</td>
<td>Japan declared a state of emergency.</td>
</tr>
<tr>
<td>Feb 7</td>
<td>Formed JFR emergency headquarters as of Feb 1 (informed by President)</td>
<td>Discussions on basic ideas on sales activities and communication in case a worker is infected.</td>
</tr>
<tr>
<td>Feb 13</td>
<td>Government of Japan: Decided the 1st phase of measures to fight COVID-19 (15.3 bn in total)</td>
<td>National emergency declared by the Prime Minister.</td>
</tr>
</tbody>
</table>

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### March 2020

<table>
<thead>
<tr>
<th>Date</th>
<th>Our response</th>
<th>Social trends on infection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar 1</td>
<td>Response to temporary school closures</td>
<td>School closures announced due to COVID-19.</td>
</tr>
<tr>
<td>Mar 2</td>
<td>Government: Created a program to make it easier for workers who look after their children to take leave following temporary school closures.</td>
<td>Support for childcare.</td>
</tr>
<tr>
<td>Mar 3</td>
<td>Each store of Daimaru Nihonbashi Department Stores closed temporarily (Sunday, Mar 8th)</td>
<td>Government's announcement to close department stores.</td>
</tr>
<tr>
<td>Mar 4</td>
<td>Strengthened cleaning and sanitizing with alcohol in stores</td>
<td>Increased emphasis on hygiene and sanitation.</td>
</tr>
<tr>
<td>Mar 5</td>
<td>MOFA: Required a two-week waiting period for people entering Japan from China and the ROK.</td>
<td>Travel restrictions.</td>
</tr>
<tr>
<td>Mar 9</td>
<td>The Governor of Tokyo announced a state of emergency spanning the capital and its adjoining areas.</td>
<td>Tokyo declared a state of emergency.</td>
</tr>
<tr>
<td>Mar 10</td>
<td>Prime Minister: Extend the previous request for large-scale events, etc. to be canceled or postponed for another 10 days.</td>
<td>Extension of the state of emergency.</td>
</tr>
<tr>
<td>Mar 12</td>
<td>Work in JFR Nihonbashi office returned to normal from Mar 13 (Fri) onward</td>
<td>Return to normal operations.</td>
</tr>
<tr>
<td>Mar 13</td>
<td>Japan: Embarked on a easing restrictions policy.</td>
<td>Easing of restrictions.</td>
</tr>
<tr>
<td>Mar 14</td>
<td>USA: Declared a “national emergency” imposing a curfew and restricting movement nationwide.</td>
<td>Nationwide curfew.</td>
</tr>
<tr>
<td>Mar 15</td>
<td>WHO: Declared the virus is the “epicenter” of the pandemic.</td>
<td>Global impact.</td>
</tr>
</tbody>
</table>

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### Special Report: Response to COVID-19

- **Jan 16**: MHLW: Confirmed the first infected person in Japan.
- **Feb 13**: Government of Japan: Decided the 1st phase of measures to fight COVID-19 (¥15.3 bn in total).
- **Feb 24**: The news of a Japanese expert was announced, stating that the infection in Wuhan is under control.
- **Mar 23**: Global confirmed COVID-19 cases surpassed 150,000.
- **Mar 26**: The government expert meeting: The situation continues to be holding steady, but if there is an increase in the number of infections for which the link is not identified, an explosive spread of infections may occur. Holding of large-scale events should be cautiously decided by organizations.
April 2020

Daimaru Matsuzakaya Department Stores: 
More companies had employees work from home, many department stores closed, supermarkets remained open.

Apr 7

Daimaru Matsuzakaya Department Stores: 
Tokyo Governor emphasized, "Now is the critical time to decide if the spread of the infection can be contained or not," and asked the residents to refrain from going out at night.

Apr 13

Daimaru Matsuzakaya Department Stores: 
Prime Minister stated, "At this point, we don't need to declare a state of emergency." The government announced a plan to distribute two cloth masks to each household.

Apr 14

Daimaru Matsuzakaya Department Stores: 
Many department stores in Tokyo, closed temporarily following the request from government.

Apr 15

Daimaru Matsuzakaya Department Stores: 
\(\text{Global confirmed COVID-19 cases surpassed} \ 800,000.\)

May 2020

Daimaru Matsuzakaya Department Stores: 
The government lifted the state of emergency in all prefectures. On May 25, the state of emergency was lifted in Hokkaido, Tokyo, Saitama, Chiba, Kanagawa. The government lifted the state of emergency in all prefectures after an interval of 49 days. Around once every three weeks, they would assess the infection situation, etc. in each region and gradually ease requests such as harassing from going out to raise the level of social and economic activities.

May 1

Daimaru Matsuzakaya Department Stores: 
Government announced that the state of emergency was lifted in 3 prefectures in the Kansai area including Kyoto, Osaka, Hyogo of the 8 prefectures that remained in the state of emergency.

May 3

Daimaru Matsuzakaya Department Stores: 
Daimaru Sapporo: May 11 (Mon) - Kochi Daimaru: May 11 (Mon) - Matsuzakaya Shizuoka: May 13 (Wed).

May 8

Daimaru Matsuzakaya Department Stores: 
For the time being from Apr 11 (Sat) *All floors

May 11

Daimaru Matsuzakaya Department Stores: 
Parco decided to reopen some stores

May 14

Daimaru Matsuzakaya Department Stores: 
Government Decided to lift the state of emergency in all prefectures except Tokyo, Ueno, Sapporo, Shizuoka, Shimabara, Umeda, Kobe, Sapporo, Ueno, Kichijoji, Chofu, Kinshicho, Tsudanuma, Hakata, Daimaru, Kochi Daimaru: May 7 (Thu) *Only on weekdays 11:00-18:00

May 15

Daimaru Matsuzakaya Department Stores: 
*The same operations conditions were applied to Matsuzakaya Shizuoka and Kochi Daimaru

May 18

Daimaru Matsuzakaya Department Stores: 
Parco decided to reopen one store

May 21

Daimaru Matsuzakaya Department Stores: 
The government lifted the state of emergency in all prefectures. On May 25, the state of emergency was lifted in Hokkaido, Tokyo, Saitama, Chiba, Kanagawa.

May 25

Daimaru Matsuzakaya Department Stores: 
Daimaru Sapporo: May 27 (Wed) - Matsuzakaya: May 27 (Wed) *Closed except food and restaurant

May 26

Daimaru Matsuzakaya Department Stores: 
Decided to reopen Ginza Six (May 29 (Fri)) *except some stores and services

May 28

Daimaru Matsuzakaya Department Stores: 
Increased commitment line (¥107.9 bn in total)

April 2020

Definitely closed to close stores temporarily (Apr. 4-14)

Apr 13

Daimaru Matsuzakaya Department Stores: 
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May 28

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Increased commitment line (¥107.9 bn in total)

April 2020

Definitely closed to close stores temporarily (Apr. 4-14)

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Daimaru Sapporo: May 27 (Wed) - Matsuzakaya: May 27 (Wed) *Closed except food and restaurant

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“Redefine Department Store as ‘Growth Model’”

SAWADA Taro
Director and Senior Managing Executive Officer
President and Representative Director
Daimaru Matsuzakaya Department Stores

What I saw after leaving the department store business

About two years have passed since I left the management of the department store business. I think it was very meaningful that I could contact people in the financial sector, for example, institutional investors, with whom I had had no contact before, and could see the department store business as an industry. The current market size of department store industry is approximately ¥5.9 trillion, but actually, its sales continue to decrease. Everyone knows that the department store business is not a growth industry but has looked away from the fact. The impact of COVID-19 was added and the vulnerability of the department store business appeared more prominently. As a new President, I think I should start from this.

The reason why the department store business is no longer a growth industry is clear. It is because they cannot scale up. Basically, it is necessary to increase the number of stores to grow in the retail industry. Needless to say, however, currently department store chains cannot operate many stores both in Japan and abroad. It is an idea within the framework of “what the department store industry should be like” and staying in the framework is like being on a sinking ship. I think one of the reasons why the department store business has got in such situation is seeing the store-level management over the span of three years at longest. They focused too much on whether their performance was above or below the previous year’s level, and in fact, sales have decreased slowly over a long span of time. As they only saw over a short span of time, they could not face essential problems.

I thought we should change at some point the situation in which the department store business cannot grow. And I think, accelerated by the current COVID-19 pandemic, the phase we should confront has come suddenly.
Department store needs to be redefined

Redefine department store— I think now we are in such phase. There are many perspectives and we need to define what position the department store business should take from a non-traditional angle. It is the same thing as innovating its business model. It is certain that the potential of growth will increase to some degree, if not to infinity, depending on how to use digital. Depending on how we approach, we may be able to do something that creates great impact such as the opening of a new store in prime location. I am thinking of things like that seriously.

For example, when we want to grow the top line and profit, there are two major things we have to do. One is to boost sales by spending money on promotions in the short term. The other is to boost sales by changing a system, which I have to say is an intangible asset. In order to boost sales, I think the department store business has mainly conducted sales promotions in the short term rather than creating a medium- to long-term system. This approach produced a certain results in the past but it is doubtful whether it will really work in the future. We have addressed various reforms in response to the changing times. However, there is no doubt the current COVID-19 pandemic brought us to the point where we should drastically re-examine the way department stores are operated. I recognize we need to change our mindsets at an unprecedented level.

I thinking creating a system to make money is absolutely a growth strategy. We need to consider whether our current system will apply to the post-COVID-19 world and to adapt it to changes. We cannot lose any time. In the current situation in which there remain concerns about a 2nd wave of infections, we have to assume we may be asked to restrict the business hours and sales floor areas. In such case, we need to devise ways to avoid losing significant sales even during shorter business hours or on closed floors. If we continue to be asked to avoid the “3Cs,” as a matter of course, the number of customers will be restricted. It is clear that we will not be able to have the same or more sales than before only by relying on promotions that cost much.

We have to create a new system that fits the post-COVID-19 environment. I think it will lead to the innovation of business model. I think it is difficult to achieve discontinuous growth unless we go into such depth. And our focus should be on digital. Unfortunately, we have almost no system to make money using digital. Digital should be placed on the center of our business as a system, not for promotions. I think it will become a pillar of our next strategy.

Role as supply chain

As the saying goes, “You must understand the past to know the future.” We have to think about again why department stores attracted so many people when they prospered. From a perspective of what role we should play in the supply chain, I think we are expected to successfully find products and services created by people who do not go out into the world yet but wait for an opportunity to publish and to grow them by putting them on our stage like so-called incubation. The goods and services that are very fresh for customers and available nowhere else will definitely motivate customers to visit our stores. Ideally, it is even better if they are not available online, either. I would like to create a platform where there are always new encounters and matchings through us.

To this end, we need to watch people who create wide perspectives and new values. However, if we deal only in such products and services, it may not be profitable. So we have to strike a balance.

For example, among a platformer, a servicer and a manufacturer that supports it, we must be a servicer. As the case may be, however, I think there is a possibility that we will become a platformer for affluent customers.

Furthermore, I think we have to position the department store business from a more digital perspective. In terms of supply chain, as the case may be, we may go farther up the stream.

To change a culture is to reform the management

The “JFR Way,” the guidelines for action to realize the Group Vision, says “Try without fear of failure!” But honestly, many are still conservative. Therefore, I would like to change our corporate culture so that employees take on challenges. They very much excel at performing operations in a responsible and efficient way, which is a valuable asset accumulated by our predecessors. Obviously, however, we cannot go through the current situation only by doing so. The underlying is to a little more “enjoy trying” something new. I would like to take the lead in creating such atmosphere. We cannot grow without taking on new challenges, and to this end, it is important to actively bring in external insights. We will put aside the idea of doing all by ourselves for now, and instead, focus on external collaboration. After drawing up a plan to implement it, we would like to assign people who can implement it or cooperate with someone outside who can implement it to achieve concrete results.

I served as the Director of Parco and feel that Parco has more people who “enjoy trying” than the department store. I think it is Parco’s corporate culture. I would like to actively learn from it, which will lead to synergy sought by the Group.
It is very important that our playing fields will expand in the Group. When the number of people doubles, communications will spread synergistically starting with one-to-one and create much more ideas than double. By adding Parco to the department store’s foundation of trust, I think interesting ideas will be added and produce great power. I would like to create a business format, which is neither a department store nor Parco and necessary for the evolution of cities, and to become a pillar of city planning.

“Stand on a New Stage for the Growth of the Group”

MAKIYAMA Kozo
Director and Senior Managing Executive Officer
Representative Director, President and Executive Officer
Parco, Co., Ltd.

Expand the playing fields in the Group

We lack speed and dynamism – Currently, the environment around us is more rapidly digitalized and consumption itself is changing. Thus our business is in a transition period regardless of the presence of COVID-19. We have to greatly change our business portfolio and we aim for discontinuous growth. As our work style, we try to “create and bring to life ‘new happiness’” as the Group Vision says. Now it has become more vividly clear due to the COVID-19 crisis that this innovative idea was correct but lacked creativity.

In March, Parco became a wholly owned subsidiary of J. Front Retailing. I think the two companies have tried to join together, particularly by exchanging people, since before that. Now we have in place a system where Parco can be further dedicated to its business and conduct big businesses and investments, which are impossible for an operating company alone, within the large framework of J. Front Retailing saying what we really think without hesitation or constraints.
We also need to be aware that we can just create the parts required by the world if we think only by ourselves. There are various forms of collaboration and currently we should think of various things through combination. By combining trust and a little advanced ideas, I feel the world ten years ahead has come suddenly with the COVID-19 outbreak as a starting point. I am convinced that we will be able to become a group that can make new proposals to this changed world. I think it is true that only companies that can give rise to innovations can survive.

**The “north wing” of the Daimaru Shinsaibashi store is a symbol of collaboration**

Parco was formed in 1969 by changing the business format of Tokyo Marubutsu department store, which was located next to Seibu department store in Ikebukuro. Concerning the north wing of the Daimaru Shinsaibashi store, which will open this fall, our staff said, “In the past, Parco stores were next to department stores and the Parco store located next to a department store performed well because it operated very efficiently and attracted many customers. This time the two stores are connected. We will create such one and only format.” It is exactly the same as the past when Parco changed Tokyo Marubutsu to a specialty store building. Currently advertisement is digitalized and has become widely efficient. At that time, however, Parco implemented a public relations campaign using posters. I think the idea for the north wing of the Shinsaibashi store is the same. With the idea that it is no use operating department stores next to similar department stores, Parco tried to "create streets" like a street in Kobe and a street in Harajuku in buildings. We will use such idea in the north wing of the Shinsaibashi store. We are thinking about what to do not just to complement the main building but to compel people to visit Shinsaibashi by synergistically combining digitalization and sustainability in a timeless way.

What I most admired about the rebuilding of the main building of the Daimaru Shinsaibashi store was to reproduce the world view of Vories beautifully by increasing the ceiling height on the first floor. I heard that young staff members of Daimaru Matsuzakaya Department Stores thought out the design to create Vories’ world on the first floor though they had only some parts designed by Vories. I think it is attractiveness of the Group.

Meanwhile, concerning the north wing where Parco store will open, we proposed J. Front Retailing to create a new futuristic design for the external wall of the north wing because the main building was restored as a historic building. And they agreed. I think this project will serve as a bible to pass on these ideas. In fiscal year 2020, it is very important for the Group to tell about the future and make the north wing of the Shinsaibashi store successful.

The situation remains difficult due to the COVID-19 pandemic. However, we have to operate the north wing so that people who live in or love the Shinsaibashi area say that they are carefully considered and that it is new. They may want some of the contents on which Parco is ready to collaborate. I would like to change them every day in a timely manner and do the best we can there. We aim to create a business format which people who work in the Shinsaibashi arcade or love Daimaru say enhances the appeal of the area. We would like to create a Parco store that 120% revitalizes the department store next to it. As we can collaborate in Shinsaibashi better than PARCO_ya Ueno, next time we will be able to do even better in Nagoya, and furthermore, in Tenjin and Sapporo. In fiscal year 2020, I would like to lay the groundwork for that.

**Sustainability cannot exist without human resources**

Both social/environmental activities and economic activities are required to improve corporate value. Social/environmental activities monetize economic activities finally. Such world is necessary to put service before profit and we cannot do it without sustainability in mind.

When thinking of sustainability, it is very important how to make employees enjoy working. I think “job satisfaction” means that employees enjoy working and that they feel they serve society.

It is obvious that systems and work environments cannot produce “job satisfaction.” Each staff should be motivated to work actively and I think its source is corporate philosophy. J. Front Retailing created a theme of discontinuous growth and a vision of “Create and Bring to Life ‘New Happiness.” Employees understand and work styles evolve. I think it is sustainability. The management team will discuss together what opportunities should be provided concerning employees’ interests so that they can do what they want to do. And we will make them bigger as the Group’s assets. It is the point. We will offer cases in which employees feel it is good to work for the Group. It is the very sustainability. I tell our staff that our value will decrease by half unless we contribute to the world. When working, we should not want something in return but ask ourselves what more we can do. The management team is expected to promote reforms in this direction. “Job satisfaction” will be produced only when employees and the company grow and achieve results together. I would like to reinforce such culture.
Terminate the current Medium-term Business Plan in fiscal 2020

In fiscal 2017, we launched our Medium-term Business Plan, which ends in fiscal 2021, with the aim of becoming a Multi Service Retailer that transcends the boundaries of the retail industry. We are working to expand our business domains and transform our business model in existing businesses.

For expansion of business domains, we opened a luxury mall “Ginza Six” and “Ueno Frontier Tower,” which is a complex commercial building with office functions, in 2017. Thus we were able to achieve dramatic growth in the Real Estate Business segment compared to the period before the current medium-term plan was launched.

In the Credit and Finance Business, we are strengthening our management foundation for medium-term growth by actively investing in specialist personnel. We are now ready to issue “new cards” in this fiscal year, which will be the key to our growth.

For changes in business model of existing businesses, we opened the “main building of the Daimaru Shinsaibashi store” as an unprecedented, hybrid department store business model in September last year, and “new Shibuya PARCO,” which enables us to reach a wide range of customers with innovative tenant mix, in November.

However, not only the “pandemic risk” caused by COVID-19, but also the slump in consumption beyond expectations triggered by the consumption tax hike, the sharp acceleration of the decline in the women’s clothing volume market, and the decline in the competitiveness of urban core stores along with the decline in rural stores. Compared with when the current medium-term plan was formulated, the assumptions have changed on a larger “scale” and at a higher “speed” than expected.

For this reason, in fiscal 2020, it is inevitable that profit levels will decline significantly, and we will be slow to develop new businesses, which we expected to make a certain level of contribution to profits. Therefore, it will be extremely difficult for us to achieve our profit targets for fiscal 2021, the final year of the medium-term plan.
Looking Back on the Current and Medium-term Business Plan

Start the new Medium-term Business Plan in fiscal 2021

On the other hand, we have also seen an “important turning point” in the Group itself. It is conversion of Parco, a consolidated subsidiary, into a “wholly-owned subsidiary.” Through this conversion, we are well prepared to build a system that will enable us to accelerate our efforts to maximize synergies by dynamic business structural changes and drastic personnel exchanges, which were impossible before. We believe this is a major positive factor for us.

Amid these major changes occurring in the external and internal environments, we have determined that, in order to realize the true “business portfolio reform” that we are aiming for, it is best to set directions based on ambitious targets with a long-term perspective, revise the medium-term plan as an initiative that enables us to further demonstrate the Group’s strengths, and reestablish it in a new system rather than implementing the current plan as it is within the current framework.

For this reason, the current medium-term plan will be terminated in fiscal 2020. In fiscal 2020, we will devote resources to solidifying the Group’s foundations so that we can aim for higher performance from a medium- to long-term perspective, while factoring in risk to short-term performance as much as possible.

The new medium- to long-term plan will be built around the “medium-term three-year plan,” which starts in 2021 next year, while quantitatively setting the 2030 goals using KPIs.
Innovative structure mixed with fixed-term lease

The “main building of the Daimaru Shinsaibashi store,” which opened in September 2019, aims to build a new department store business model that combines the ability to attract customers and profitability.

The store concept is “Delight the World. Shinsaibashi, Adored by the World.” It targets “all customers who actively enjoy their lives” while further strengthening response to wealthy and non-Japanese visitors, which are the strengths of the Shinsaibashi store.

In terms of merchandise composition, we significantly expanded the floor area and the number of brands of luxury items, cosmetics, and food products on the basement floors (*depachika* in Japanese) and restaurants. For cosmetics, we have built zones not only on the main floor, but also on multiple other floors. In addition, approximately half of depachika products and restaurants are composed of new brands, and many shops combine restaurants and product sales in consideration of “experience-based consumption.” As for other categories, we reviewed our traditional product lineup based on gender and item, and aggressively introduced new brands.

On the other hand, the business model is completely...
different from that of conventional department stores, and is based on an innovative layered structure in which approximately 65% of the total area is comprised of sales floors for fixed-term leases. As a result, the number of personnel positions has been reduced by 250 compared to before, further improving our low-cost operation. A “hybrid business model” that is completely seamless from customer perspective but optimizes the balance between traditional purchases called kaitori (purchase on a no return basis) and shoka shiire (purchase recorded at the time of sale) and fixed-term lease was born.

**Bold review of product mix**

We will work to maximize gross profit through sales growth by purchasing luxury items and cosmetics, which are growth categories, by kaitori or shoka shiire. Compared to the old conventional floor composition based on product categories such as women’s apparel, which is the main issue facing department stores, we have narrowed down both the floor area and the number of brands to about 60% under the fixed-term lease agreement. At the same time, we have shifted away from department store’s conventional floor composition by introducing combination-type shops that combine men’s and women’s fashion as “fashion floors.” As Ginza Six adopted this system and has achieved steady results, its experience and know-how are utilized by the Shinsaibashi store.

As for food and restaurants, which are the key to our ability to attract customers, we established a new food hall that offers hands-on shopping experience based on the quality that only a department store offers. The floor area increased 83%, with a total of 104 brands including 64 new brands. In addition, we have dramatically strengthened our entertainment elements, such as Pokemon Cafe, which disseminates Japan’s culture, and Jump Shop.

With regard to the store environment, the Shinsaibashi store combines the “tradition” of the old building before rebuilt, which is represented by the beauty of Vories architecture, with “innovation” made by introducing the latest digital technology to create special experiences unique to a real store.

The main building of the Shinsaibashi store uses renewable energy for all electricity used in the building, and actively carries out greening on the terrace on the seventh floor and the rooftop. In addition, we are actively working to build a low-carbon and circular society with the cooperation of our customers and suppliers by centrally controlling deliveries in the building to reduce delivery operation time and eliminate the congestion occurring when carrying products in and out, promoting the use of environmentally friendly packaging materials and permanently installing garment collection boxes through the Ecoff activity.

**Expansion to other flagship stores**

Looking at trends up to January 2020, we see that the total transaction volume grew by 15% on a year-on-year basis and customer traffic grew by 11.1%, driven by the categories that were particularly strengthened, including luxury items, cosmetics and watches, as expected. As for the customer group, sales to young people aged 25 to 34 years, which have been relatively weak, increased by 40%, and thus we succeeded in rejuvenation.

Currently, the impact of COVID-19 has led to temporary difficulties in both inbound tourism consumption and domestic consumption. However, we have received a sufficient response to form the new department store business model and we intend to accelerate the expansion of this model to other flagship stores in the future.

In addition, the north wing, where a department store was operated prior to the opening of the main building, will be converted to a real estate leasing model. Specifically, we will introduce PARCO at the north wing and renew the exterior to meet PARCO of the new era. At the same time, the north wing will be connected to the main building of the Shinsaibashi store in an integrated manner, and in expectation of maximizing the Group synergy, commercial facilities with floor space exceeding 80,000 m² in total will be created.
Increase Communication Ability of “PARCO” Brand.

Innovation initiated by new Shibuya PARCO

New Shibuya PARCO made its grand opening in November 2019. In December 2015, it was approved as an urban renaissance district and we have proceeded with the plan as an urban redevelopment project. It was reborn in the milestone year that marks the 50th anniversary of the opening of Ikebukuro PARCO. Its concept is to create a building that offers enjoyable and stimulating experience value globally beyond the framework of traditional commercial facilities by undertaking new initiatives with up-and-coming designers, creators, and others. We aim to create a building that attracts urban consumers who consume sensibly from around the world without narrowing down targets. Each business of Parco Co., Ltd. and each company of the Parco Group promoted new challenges and evolutions, and by injecting the know-how they possessed, we could create a unique commercial complex. It provides stress-free and comfortable purchasing experiences through shops that integrate real shops and digital services, as well as a variety of payments. By analyzing a variety of data, including product, purchasing, and viewing data, we will support the customer service of our sales staff and build a “digital SC platform” that will deepen communication with customers by offering more support to customers.

Aggregated about 190 unique shops

We operate approximately 190 shops that combine five elements including “fashion,” “art and culture,” “entertainment,” “food,” and “technology” to draw out the mutual appeal of each other.

PARCO CUBE

We developed an omnichannel shop that combines offline and online. You can read the QR code from a digital signage tablet in a shared area or in a shop, transfer the data on your favorite products to your smartphone, and make a purchase. Some of PARCO CUBE’s shops have CUBE MIRROR, which allows customers to view themselves from back during a trial fitting. This is a mirrored display that allows you to check the styling of back look that is difficult to see by displaying images taken by the camera a few seconds late.
Electronic receipt service

We are also aiming to improve customer communication through the use of data. Using the “Smart Receipt Service,” a receipt management application that delivers electronic receipts to smartphones (Toshiba Tec Corporation), we have begun offering electronic receipt services to the users of the official Parco app “POCKET PARCO” at some shops. POCKET PARCO users can check the receipts for the purchases made through the app and aggregate them simply by scanning the bar code at the register.

Digital art/experience-based media

We utilize XR*1 as a “hands-on media device” that sends out ART/CULTURE/FASHION as a three-dimensional image including an environmental presentation using digital art that utilizes AR.

3D creative contents created by computers are displayed on smartphones as if they were present on the spot. Such virtual showcase is offered on the 5th floor.

*1 XR is a generic term for VR (Virtual Reality), AR (Augmented Reality), and MR (Mixed Reality).

Original curation for incubation

For the curated sales zones GEYSER PARCO and PORT PARCO designed to incubate next-generation fashion designers and brands, PARCO produces interiors and fixtures, and provides collective cash registers and common fitting rooms to make it easier to open new shops. In GEYSER PARCO and PORT PARCO, we opened the first directly managed shops of tenants who previously did not have a real shop.

As a model for reducing environmental impact

The efforts at Shibuya PARCO including:

1. “Creation of attractive outdoor spaces such as a rooftop plaza and an elevated walkway;”
2. “Introduction of high-efficiency energy systems based on a gas cogeneration system;” and
3. Promotion of the efficient use of energy through digital communication

have been highly evaluated and selected as a “Leading Sustainable Building Project (CO2 Reduction Leader)” by the Ministry of Land, Infrastructure, Transport and Tourism. As part of these efforts, Shibuya PARCO’s “present” content, which visualizes the “comfort of the external environment” and the “energy use status of the building,” is disseminated through digital signage to revitalize the elevated walkway leading from the 1st floor above the ground to the rooftop plaza (SPIRAL WALK) and the outdoor plazas and to promote the effective use of energy in the entire building.

We also created an environment that makes it easier for people to stroll about by improving walkways around the site and plazas on the premises and thereby expanding space for walkers. In addition, we will contribute to the revitalization of local communities by holding a wide range of events linked to local communities in the outdoor plazas, as well as events in a variety of genres including fashion shows, music, and food events.

Innovations in new Shibuya PARCO

1. Targeting consumption with sensitivity
   Ageless, not age or gender based
   Departure from traditional assortment focused on young people

2. Item composition that creates needs
   Fashion, eating and drinking, services, animations and games that offer new stimulating and enjoyable experience value

3. New purchasing experience using technology
   New omnichannel sales zone CUBE

4. Direct-to-customer advertising methods
   Its own Instagram (approx. 25,000 followers)
   Using tenants and individuals with strong information dissemination capabilities

5. Active social initiatives
   Attracting tenants focused on diversity, LGBT and sustainability, building facilities, sales planning, etc.

6. Ability to attract customers and raise interest by enhancing equipment
   PARCO Museum/PARCO Theater/White Cine Quinto/event spaces/live streaming studios, etc.
Taking Advantage of the Issuance of New Cards, We Are Moving to a New Stage of Growth.

Important role in portfolio transformation

The payment and financial environment surrounding us is undergoing major changes. Amid changes in the social environment, such as the spread of sharing economy and smartphones due to the rapid evolution of technology, laws in the payment and finance industries, such as the Payment Services Act and Installment Sales Act, have been revised at an unprecedented speed. In addition, with the positive impact of the cashless campaign, consumer needs are changing dramatically, and new payment players are beginning to emerge.

Against this backdrop, we have positioned the Credit and Finance Business as a core business with significant growth potential, and are implementing a growth strategy centered on payments. Leveraging our strengths, such as “large-scale stores in central Tokyo that are able to attract customers,” “transaction volume exceeding ¥1 trillion,” and “excellent membership exceeding 6 million accounts,” we will work to expand our financial business through relationships with customers that can be obtained through the provision of payment services. Further enhancement of expertise is essential for the steady promotion of such initiatives. For this reason, we are actively recruiting outside
Experts from the credit card industry, and are considering bold alliances to deal with shortages of resources. We aim to achieve operating profit of ¥5 billion as soon as possible in order to achieve our goal of reforming our business portfolio.

**Issue new cards in fiscal 2020**

We will completely renew the Daimaru Matsuzakaya Card with a new point program that more appeals to customers. In addition to the Daimaru Matsuzakaya points given when using the current Daimaru Matsuzakaya Card, we will introduce a new point program. The new point program will be a scheme that allows points to be given with all credit payments and exchanged into highly versatile points that can be used to shop economically not only at our department stores but also in the area centered on our stores in conjunction with the Urban Dominant strategy. We are also considering supplementary incentive services so that the cardholders enjoy “eating” and “becoming beautiful,” which enriches their lives. By making these cards more attractive, we intend to further promote the use of cards by existing customers and to attract new customers including the younger generation.

In 2019, we acquired licenses for VISA and MasterCard, creating a structure that enables us to engage in acquiring merchants. By expanding the number of merchants so that our credit card holders can use their cards economically even outside Daimaru Matsuzakaya Department Stores, we aim to increase the number of visitors to the Urban Dominant areas and to mutually refer customers to each other. In fiscal 2020, we plan to begin acquiring services for the Group companies, primarily Daimaru Matsuzakaya Department Stores. We are currently examining a scheme for acquiring merchants outside the Group.

By accumulating data that can be obtained by expanding the means of payment, the means of receipt, and merchant acquiring services, we will expand our financial service business.

**Provide financial services centered on payment**

We will develop a variety of financial services utilizing payment data by building relationships with customers centered on payment. First, we will focus on financing and insurance, which are highly compatible with the Group’s customers and business models and profitable. Through the renewal of the Daimaru Matsuzakaya Card, we will work to increase the number of revolving users by approaching customers whom we have not been able to reach up to the present time, and to strengthen our credit provision capabilities to expand our business. Regarding insurance, we are currently focusing on direct marketing with insurance companies and affiliated insurance agencies to our card holders. However, we will work to expand the scope of our insurance business by developing new insurance products and selling them to visitors to the Urban Dominant areas and many of the Group’s business partners.

**Toward the shift to digital**

In fiscal 2020, we will introduce the JFR Card application in order to improve customer convenience and enhance communication with customers. In addition to existing card counters, we will leverage the digital touchpoints of apps and website to strengthen our methods of cultivating new customers regardless of place and time. In addition to distributing valuable information to card customers in a timely manner through apps and other means, we will work to provide new financial services through alliances.

On the other hand, our Group’s strengths lie in having brick-and-mortar touchpoints, and the Credit and Finance Business we are aiming at is to integrate digital with the real business, which provides value, centered on brick-and-mortar stores operated by and customer service provided by the Group. Through the “digital × real combined model,” we will work to achieve steady growth and reform our business portfolio.
Smooth response to “telework”

For “defensive IT,” it is important to promote paperless operations, introduce cloud-enabled PCs that enable telework, and develop a communication environment. From the two perspectives of realizing more flexible work styles and promoting the shift to cloud, all the Group companies are replacing existing PCs with cloud-compatible PCs. Today, it is essential to shift to a cloud environment in order to quickly and flexibly realize business strategies through digitalization. We have completed the construction of a cloud infrastructure in the Group equipped with data linkage functions and job execution and monitoring functions, and we will promote the transition from legacy systems to cloud systems in both hardware and software, such as planning all future systems on a cloud basis.

As for department store operations, we completed the introduction of smart payments for credit cards and handsets that can be used in front of customers in order to improve customer service and enhance credit card security. With regard to security, we conducted vulnerability assessments of our business systems and websites, developed countermeasures, and strengthened security through email training, incident training, employee training, and other means.

Lifetime Service HUB scheme

In the area of “aggressive IT,” we are promoting the “Lifetime Service HUB scheme,” i.e., the creation of a system that aims to become a life partner who extends lifelong support to customers and to provide new products and services. On the system front, we will build a system that has the following three functions.

1) Function of collecting, accumulating, and integrating customer information held by each company
2) Function of analyzing and predicting customer profiles (hobbies, preferences, purchasing behavior, etc.)
3) Function to communicate more closely with customers

In fiscal 2019, we completed the development of basic functions for the “Group integrated customer database,” which is a tool for managing and utilizing all customer data from the Group companies as shared assets, and incorporated the data held by department stores. In the current fiscal year, we will collect data held by Parco and support the use of data to increase sales and drive customer traffic at department stores and Parco. At the same time,
we will develop additional functions such as the acquisition of external data and analysis functions.

By utilizing the Lifetime Service HUB, we not only sell products from the "product's perspective" but also communicate with customers on a one-to-one basis from the "customer's perspective," providing personalized purchasing experiences and services more efficiently and effectively across our businesses and channels. The full-scale operation of the system is scheduled for 2021.

In addition, as for new customer strategy projects at department stores, we promoted each project and introduced systems, such as the development of smartphone apps at all department stores, the introduction of MA* (Marketing Automation) tools as a new communication tool, and the introduction of systems to transform to a new gaisho business model.

Security measures

In recent years, cyber attacks have become more complex and sophisticated, and information security risks are increasing. To minimize such risks, we established the Group's common security policy in July 2018 and are continually implementing security measures based on this policy.

First, in order to visualize and improve the security measures of each Group company, we conducted hearings on the security measures of the systems maintained by each company, performed vulnerability assessments to confirm the safety of websites with high risk of information leaks and systems that maintain personal information, and made improvements to promptly ensure the safety of systems and websites where problems were discovered. We also conducted continuous surveys of the status of communications related to unauthorized access to personal computers used by employees and information leaks. In addition to continuing these efforts this fiscal year, we will also take measures to strengthen security, including investigating the robustness of servers, strengthening monitoring, and reviewing internal rules for more appropriate information management.

In addition, employee education is an important element of security. Continuing from the previous fiscal year, we conducted e-learning-based education and targeted attack email training. In the current fiscal year, we will continue activities to raise the level of information security for employees through education and training.

In fiscal 2019, the departments in charge of security at JFR Information Center, a consolidated subsidiary, worked closely with us to strengthen our security management system and prepared countermeasures and initial actions in the event of an accident. Specifically, we launched the JFR Group CSIRT*, and officially joined the Nippon CSIRT Association in July. The documents developed by this JFR-CSIRT were shared horizontally among the Group companies, and a system for dealing with incidents was launched at each Group company. In particular, this fiscal year we will strengthen our management system in conjunction with activities to strengthen IT governance.

* MA: Marketing Automation (a mechanism to improve operational efficiency by automating marketing operations)

* CSIRT: Computer Security Incident Response Team
Enhance “Human Resource Capabilities” and Achieve Sustainable Growth.

J. Front Retailing recognizes that each employee is the key to creating added value that is essential for a company’s sustainable growth, and considers this to be its most important management resource. Recognizing that our employees are valuable assets, we aim to become a “company that develops human resources” by facing each employee thoroughly and developing human resource capabilities.

Shift the personnel system from a job performance-based system to a “human resource capabilities”-based system

In conjunction with reforms implemented in the past, our personnel system has been based on “job performance.” In this system, job value was linked to treatment. In fiscal 2020, we will shift to a system that puts greater emphasis on the “human resource capabilities” of individual employees. To this end, we will focus on human resource development at all times, from “recruitment” to “assignment,” “training,” “evaluation and assessment,” and “treatment and working conditions,” and will thoroughly implement human resource management centered on human resource development.
Ultimately, we aim to reform our organizational culture and corporate culture, which will lead to the realization of the Group Vision.

**Define “human resource capabilities”**

We define “human resource capabilities” as not only actual results and contributions, but also comprehensive strengths that include actions and highly specialized knowledge and skills that lead to the realization of results, job execution capabilities that form the foundation for these activities, energy and learning to promote reforms, and the character and spirit that form the foundation. In particular, we define “human resource value” as the ability to perform duties and create new value that directly leads to results and contributions.

### Definition of human resource capabilities

<table>
<thead>
<tr>
<th>Results/contribution</th>
<th>Action</th>
<th>Human resource capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Comprehensively grasp human resource capabilities through multilateral and exhaustive assessment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reflect them in assignment, training, evaluation and treatment</td>
</tr>
</tbody>
</table>

**“Visualize” the human resource capabilities of individuals**

In fiscal 2019, at Daimaru Matsuzakaya Department Stores, which is the Group’s core operating company, the human resources division interviewed all employees to gain a more direct understanding of each employee’s human resource capabilities. This interview gave a look back on each employee’s careers and gauged their thoughts on future careers. We also created a “human resources record” that integrates a variety of human resources information, including performance evaluations, multi-faceted observations (360-degree evaluation), career interviews, training data, performance evaluations, multi-faceted observations, and transfer/assignment histories. By “visualizing” each employee’s human resource capabilities and sharing them among the company, the management line, and the employee, we are able to strengthen human resource management, including assignment, training, and evaluation.

**Human resource development**

Based on the fundamental philosophy “Human resources grow through work,” we are developing human resources through: ① the assignment of work and roles; ② communication between individuals and the company; and ③ the human resource development program that supports them. Along with strategic and planned assignment and rotation, we will thoroughly provide roles, tasks, and feedback that encourage the development of human resources. In addition, for autonomous design and development of careers, we accept online self-application throughout the year, enhance in-house recruitment, and actively provide career support through career interviews, career development training, and other means. In addition, in order to provide opportunities for education and career development regardless of age, we are enhancing rank-based programs, the opportunities to work outside the Group, and career support colleges (self-development courses).

**Recruitment of human resources**

In addition to recruiting new graduates as the next-generation core human resources for the future, we are actively recruiting mid-career personnel who are highly specialized human resources ready for work. In fiscal 2019, we recruited 69 mid-career employees (39 men and 30 women) throughout the Group, mainly strategically strengthened digital division, new businesses, real estate business, and credit and finance business. We will continue to strive to acquire human resources with a strong sense of challenge, competitiveness, innovation, and creativity in order to form a diverse organization that creates new value.

**Linked to “sustainability management”**

“Promotion of diversity” and “realization of work-life balance,” which we have identified as ESG materiality issues, are essential elements for enhancing human resource capabilities. We will continue to implement our human resources strategy as part of our sustainability management.
Capital cost-conscious management

We are pursuing finance policies centered on generating free cash flow (FCF) and improving ROE. Our goals are to 1) build a foundation that can permanently increase our corporate value by promoting FCF creation by each business with an emphasis on balance sheet (B/S) and achieving positive FCF, and 2) create a management structure that can continuously achieve ROE of 8% while maintaining a balance between business profitability and growth potential. In fiscal 2019, our ROE was 5.4% (down 1.4% from the previous fiscal year).

As of the end of February 2020, we have calculated the cost of shareholders’ equity (the expected yield of shareholders and investors), which is a hurdle rate corresponding to ROE, to be around 6%, and we expect it to remain in the range of 6% to 7% in the mid- to long-term. In other words, a new Medium-term Business Plan will be launched in fiscal 2021 but there is no change in our belief that ROE of 8% is the minimum level that must be achieved in order to meet the expectations of our shareholders.

The weighted-average cost of equity (WACC) was slightly below 4% as of the end of February 2020, and is expected to be around 5% in the mid- to long-term. We also identify WACC of each business and set hurdle rates when considering investment plans to promote capital cost-conscious management.

Under the new Medium-term Business Plan, which is currently being formulated, we will set ROIC as one of the key performance indicators that we should aim to achieve, and will work to enhance management control. ROIC is an indicator that incorporates financial strength based on ROE, which we have emphasized, and we believe that it is consistent with our course of action. In the process of expanding the real estate business and finance business in the future, the degree of dependency on borrowing will increase further, and ROIC calculated in the form of invested capital, including borrowings, will become more significant. We believe that we can smoothly move forward, partly because Parco have already promoted management with ROIC as a priority indicator.
Department store management based on separate B/S for each store

For each operating company, the KPI is to improve ROA, which is computed by multiplying operating margin by total assets turnover. In fiscal 2017, our core department store business introduced management based on separate B/S for each store, as the efficiency of assets was not sufficient in spite of the fact that business activities were conducted while using large assets such as stores. As a result, not only sales and profits (P/L perspective) but also B/S perspective of pursuing appropriate returns from assets has been added to store level management.

Specifically, by prioritizing each store in consideration of its asset profitability and ability to recover investment, the Group is implementing restraints on investment plans aimed only at maintaining and expanding sales, as well as drastic measures for low-profit divisions.

Investment Project Review Committee and Revitalization Plan Review Committee

The Investment Project Review Committee and the Revitalization Plan Review Committee provide financial support for management decisions on investments, business revitalization and withdrawal.

The Investment Project Review Committee, which is chaired by the Senior Executive General Manager of the Financial Strategy Unit and vice-chaired by the Senior General Manager of the Management Planning Division, verifies the appropriateness of the investment projects to determine whether they meet the investment criteria and discusses business risks. To offer more objective opinions, we have put in place a system in which outside organizations can participate.

Flow chart of investment project examination by the Investment Project Review Committee

The Revitalization Plan Review Committee is chaired by the Senior General Manager of the Budget and Management Support Division and vice-chaired by the Senior General Manager of the Management Planning Division. The committee verifies business operations and examines the appropriateness of countermeasures by managing in three phases: I) normal, II) caution needed, and III) revitalization and withdrawal to be considered.

Each committee provides information, to facilitate swift management decisions at the Group Management Meetings and the Board of Directors meetings.

Fund procurement

The Company’s basic fund procurement policy is to 1) procure the funds required for business activities from funds provided by operating activities and 2) procure funds for strategic investments through the issuance of bonds and borrowings from financial institutions in consideration of financial soundness and stability.

In light of the serious impact on the retail industry caused by COVID-19, we are working to reduce capital investment in fiscal 2020 to about half of the initial plan. In order to secure financial stability and liquidity on hand, which are our top priorities, we increased commitment lines early, and we do not believe that this will have a significant impact on our financing and fund procurement. Going forward, we will continue to strive to recover our business performance while securing sufficient cash on hand in a timely and appropriate manner.

With Parco becoming a wholly owned subsidiary, we have begun operating a new CMS (cash management system) including Parco from the perspective of improving efficiency through the centralized management of the Group funds.
Since fiscal 2018, the J. Front Retailing Group (the “Group”) has been working to “create a foundation” for sustainability management initiative. This is an increasingly important initiative for the post-COVID-19 era, and we believe that we must push forward aggressively.

The Group is committed to realizing ESG initiatives that are unique to JFR, based on the concept of sustainability management. We believe that the future direction of the evolution of sustainability management is to realize our aspirations of making the world good and doing what is right, and to that end we must create new markets. That is our CSV strategy.

We will contribute to the creation of a sustainable society by realizing sustainable growth as a company by promoting ESG initiatives simply and honestly.

Process for identifying 5 materiality issues

In 2018, we formulated a Sustainability Policy and, based on the results of a questionnaire survey of 4,250 stakeholders, repeated discussions at the Management Meetings and the Board of Directors meetings to identify five materiality issues that the Group should address. We have set medium- and long-term targets for each materiality issue and are implementing initiatives that are linked to our business strategies.
Formulating sustainability-related policies

In 2018, we formulated the “Sustainability Policy” with the aim of continuing to grow to realize a sustainable society and create and bring to life new happiness, which is the foundation of our approach to ESG. In addition, we have formulated “Eco Vision” and “Social Vision” which show our environmental and social concepts based on the Sustainability Policy. These visions and the “Corporate Governance Guidelines” are our guidelines for ESG.

In 2019, the Group formulated the JFR Principles of Action, which set out the principles for all officers and employees of the Group to fulfill their social responsibilities and the JFR Principles of Action for Suppliers, which stipulate matters to be observed together with suppliers. These principles comprise four basic policies: the JFR conduct policy; the JFR guidelines for action for suppliers; the procurement policy; the human rights policy; the anti-corruption policy; and the occupational health and safety policy.

Sustainability promotion structure

We have established the Sustainability Committee to promote sustainability management across the Group in a cross-organizational manner. Along with the Risk Management Committee and the Compliance Committee, this committee is positioned as an advisory committee under the direct control of the President and Representative Executive Officer and meets once every six months. Major activities include the formulation of annual action plans and monitoring of progress concerning each materiality issue at each Group company. In addition, the Board of Directors receives reports on the content of discussions held by the Sustainability Committee and discusses and oversees long-term objectives and progress in addressing ESG issues.

Publication of Sustainability Reports

In February 2020, we published our first Sustainability Report to supplement the Integrated Report and emphasize the completeness of the Group’s ESG information. This report discloses ESG information in detail, including our approach to sustainability, promotion system, long-term objectives related to five materiality issues, and the progress of our initiatives. We will continue to publish the report once a year.

Holding ESG presentations

Since 2018, we have held annual ESG presentations for institutional investors. We report on our medium- and long-term sustainability targets and the progress of specific initiatives, and hold direct dialogue with investors through question and answer sessions (56 participants in 2018 and 59 in 2019).

We will continue to improve the quality of our sustainability management through dialogue with capital markets.

Internal penetration of sustainability management

Top management explains in person the background and importance of ESG initiatives at in-house training sessions, and actively utilizes in-house magazines and websites to promote understanding and penetration among employees. In September 2019, an in-house website specializing in ESG was launched. The website provides educational videos to help contribute to solving social issues through business activities and to deepen understanding of these issues. Using SNS, we share information with employees of each operating company in two directions.
### Long-term targets and major actions in fiscal 2019

<table>
<thead>
<tr>
<th>Contribution to a low-carbon society</th>
<th>Long-term targets</th>
<th>Major actions in fiscal 2019</th>
</tr>
</thead>
</table>
| **2030** 40% reduction of Scope 1 and 2 GHG emissions (vs. FY2017) | • Approved by SBTi  
• Support for TCFD recommendations  
• Rated "A-" by CDP  
• Actual reduction of Scope 1 and 2 GHG emissions down 11.0% in FY2019 (vs. previous year)  
• Switched to renewable energy  
• Transition of the company fleet to EVs  
• Introduced energy-saving equipment and high-efficiency equipment  
• Switched to LED lighting  
• Prepared to join RE100 (planned to join in Oct 2020) |
| **2050** Zero Scope 1 and 2 GHG emissions | |

<table>
<thead>
<tr>
<th>Management of the entire supply chain</th>
<th>Long-term targets</th>
<th>Major actions in fiscal 2019</th>
</tr>
</thead>
</table>
| **2030** 100% penetration of JFR Principles of Action for Suppliers | • Established JFR Principles of Action for Suppliers  
• Shared JFR Principles of Action for Suppliers (sent out and held briefing sessions)  
• Calculated Scope 3 GHG emissions  
• Switched to environmentally friendly office supplies  
• Initiative to create a circular society "Ecoff" |
| **2030** Aim for 40% reduction of Scope 3 GHG emissions | |

<table>
<thead>
<tr>
<th>Coexistence with local communities</th>
<th>Long-term targets</th>
<th>Major actions in fiscal 2019</th>
</tr>
</thead>
</table>
| **2050** Local communities, governments, and retailers will cooperate closely to realize sustainable and advanced urban development by combining urban development that makes use of the area’s assets, which is the strength of the Group, with solutions to environmental issues | • Promoted Urban Dominant strategy  
• Urban development centered on ESG model stores  
  • Opened the main building of the Daimaru Shinsaibashi store and Shibuya PARCO  
  • Expanded local production for local consumption (chisan-chishin)  
  • Created safe and secure store environment  
  • Disaster response BCP plan |

<table>
<thead>
<tr>
<th>Promotion of diversity</th>
<th>Long-term targets</th>
<th>Major actions in fiscal 2019</th>
</tr>
</thead>
</table>
| **2025** Ratio of women in management positions: 30% | • Promoted women’s empowerment  
• Ratio of women in management positions: 18.8% (FY2019, consolidated)  
• Promoted senior empowerment  
• Extended the retirement age to 65 in Mar 2020 (Daimaru Matsuzakaya Department Stores)  
• Initiatives for employment of the disabled  
• Employment ratio of the disabled: 2.21%  
• As of June 2019 (within the special scope of subsidiaries including Daimaru Matsuzakaya Department Stores)  
• Formulated human rights policy |
| **2030** Aim for ratio of women in management positions of 50% | |
| **2030** Aim for retirement at 70 | |
| **2030** Employment ratio of the disabled: 3.0% | |

<table>
<thead>
<tr>
<th>Realization of work-life balance</th>
<th>Long-term targets</th>
<th>Major actions in fiscal 2019</th>
</tr>
</thead>
</table>
| **2030** Acquisition of childcare leave by male employees: 100% | • Expanded work system  
• Promoted telework  
• Expanded work style systems and rules  
• Established a short-term childcare leave system (paid)  
• 18 male employees took childcare leave (FY2019, consolidated)  
• Ratio of return from childcare leave: 89.5% (FY 2019, Daimaru Matsuzakaya Department Stores) |
| **2025** Turnover rate due to childcare and nursing care: 0% | |

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### External recognition

- **Selected as the constituent of MSCI Japan Empowering Women Index (WIN) for 3 consecutive years**
  - **2020 CONSTITUENT MSCI JAPAN EMPowering WOMEN INDEX (WIN)**

- **Rated “A-” in CDP climate change research 2019**
  - **CDP INDEX 2019**

- **Rated “Silver” in PRIDE Index 2019**
  - **Silver PRIDE Index 2019**

- **Selected as the constituent of SNAM Sustainability Index for 9 consecutive years**
  - **Sampo Sustainability Index 2020**

- **Certified as Health and Productivity Management Organization 2020**

- **Certified as a "Company Empowering Persons with Disabilities" in 2019**

- **Selected as 2019 “Semi-Nadeshiko” Brand**
  - **NADESHIKO BRAND 2020**

- **Rated four stars in the 3rd Nikkei Smart Work Management Survey**
  - **NIKKEI SMART WORK 2020**

- **Registered in the Whistleblowing Compliance Management System certification (self-declaration of conformity registration system)**

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In October 2019, our GHG emissions reduction targets were approved as science-based reduction targets by the international Science Based Targets initiative (SBTi). The targets set by the Group was approved under the second strictest category of “well-below 2°C”-aligned targets. The Group is actively taking measures to achieve the GHG emissions reduction targets approved by the SBTi.

**Grand opening of ESG model stores**

We are promoting the creation of environmentally conscious stores with the aim of “realizing a sustainable society.” The main building of the Daimaru Shinsaibashi store and Shibuya PARCO opened as ESG model stores in September and November 2019, respectively. The main building and south wing of the Daimaru Shinsaibashi store switched to 100% renewable energy for all power needs. Shibuya PARCO was chosen by the Ministry of Land, Infrastructure, Transport and Tourism as a “Leading Sustainable Building Project (CO2 Reduction Leader).” Going forward, we will expand the results of this initiative to other stores.

**Switch to renewable energy**

Given that approximately 80% of our Scope 1 and 2 GHG emissions come from electricity use at our stores, we believe that our efforts to reduce GHG emissions should focus on the use of electricity. Daimaru Matsuzakaya Department Stores switched to renewable energy at its head office building (Koto-ku, Tokyo) in March 2019, at the Daimaru Shinsaibashi store (the main building and south wing) in September, and Ikebukuro PARCO (PPARCO) and Chofu PARCO in October 2019.

We will continue to promote the switch to renewable energy, mainly at the main stores of Daimaru Matsuzakaya Department Stores and PARCO and aim to join the “RE100 (Renewable Energy 100%)” initiative by the end of fiscal 2020.

**Acquired third-party assurance for Scope 1 and 2 energy consumption and GHG emissions in fiscal 2019**

In July 2020, we obtained an independent assurance statement from Lloyd’s Register Quality Assurance Limited (LRQA) regarding the methods for calculating energy use and GHG emissions in Scope 1 and 2 in fiscal 2019 and their appropriateness, and for the first time, regarding the methods for calculating GHG emissions in Scope 3 and their appropriateness.

We will continue to use the newly introduced environmental performance data management system to strengthen environmental governance.

**FY2019 Scope 1 and 2 GHG emissions reduction targets and the results of GHG emissions**

<table>
<thead>
<tr>
<th>FY2019</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions (t-CO2)</td>
<td>Reduction (t-CO2)</td>
</tr>
<tr>
<td>Target</td>
<td>174,994</td>
</tr>
<tr>
<td>Result</td>
<td>162,508</td>
</tr>
</tbody>
</table>
Governance concerning environmental issues

In fiscal 2019, we established the Sustainability Committee to promote sustainability management across the Group in a cross-organizational manner. The Sustainability Committee formulates action plans for the Group’s environmental issues and monitors their progress. The Board of Directors discusses and supervises the content of these plans.

The Group Management Meeting, the highest decision-making body in business execution, deliberates on specific measures for addressing environmental issues, and the decisions are reported to the Board of Directors. The President and Representative Executive Officer, who chairs the Group Management Meeting, also serves as the chairperson of the Risk Management Meeting and the Sustainability Committee, both of which are advisory committees under his direct supervision, and assumes the ultimate responsibility for strategic decision-making related to environmental issues. Under the supervisory system of the Board of Directors, we are strengthening governance in environmental management.

Risk management

We believe it is important to position risks (uncertainties) as the starting point of our strategy and to establish a system to manage them on a company-wide basis. The Risk Management Committee identifies and evaluates risks based on external environmental analysis, narrows them down to the risks that need to be preferentially addressed, and reflects them in the Group’s strategies.

The Sustainability Committee conducts more detailed examinations of the risks identified by the Risk Management Committee regarding environmental issues, and shares the results with operating companies. The Group Management Meeting, the Risk Management Committee and the Sustainability Committee monitor the progress, and finally, report to the Board of Directors.

Strategy

We conducted a scenario analysis to assess the risks, opportunities and financial impact given by climate change to the Group.

In order to conduct a scenario analysis, we assumed two possible worlds including a below 2°C scenario, which is the Paris Agreement’s goal, and a 3°C scenario in which all national climate-related policy objectives are met with reference to existing scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) *

Based on the above scenarios, we analyze the impact of climate change on our business, consider countermeasures, and verify the Group’s strategic resilience.

*Existing scenarios referred to

<table>
<thead>
<tr>
<th>Possible world</th>
<th>Existing scenario</th>
</tr>
</thead>
<tbody>
<tr>
<td>3°C scenario</td>
<td>“Stated Policy Scenario (STEPS)” (IEA, 2019) “Representative Concentration Pathways (RCP6.0)” (IPCC, 2014)</td>
</tr>
</tbody>
</table>
Overview of the Group’s risks and opportunities and their impact on business/finance in each scenario

<table>
<thead>
<tr>
<th>Risk/opportunity type</th>
<th>Overview of the Group’s risks/opportunities</th>
<th>Financial Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Below 1.5 to 2°C scenario</td>
</tr>
<tr>
<td>Transition risk</td>
<td></td>
<td>↑</td>
</tr>
<tr>
<td>Policy Regulation</td>
<td>Increase in operation costs associated with the introduction of policies to control GHG emissions, such as carbon taxes (carbon pricing) and the strengthening of regulations.</td>
<td>↑</td>
</tr>
<tr>
<td>Market</td>
<td>Loss of growth opportunities due to a delay in response to market changes such as increased demand for low-carbon products and services resulting from changes in consumer behavior and increased customer awareness of environmental issues.</td>
<td>↑</td>
</tr>
<tr>
<td></td>
<td>Loss of growth opportunities due to a delay in response to increased risk of infectious diseases caused by climate change.</td>
<td>↑</td>
</tr>
<tr>
<td>Physical risk</td>
<td></td>
<td>↑</td>
</tr>
<tr>
<td>Acute</td>
<td>Loss of sales opportunities for products and services resulting from disruption of procurement and logistics routes due to natural disasters caused by climate change.</td>
<td>↑</td>
</tr>
<tr>
<td></td>
<td>Damage to stores and offices and suspension of operations due to natural disasters caused by climate change.</td>
<td>↑</td>
</tr>
<tr>
<td></td>
<td>Loss of sales opportunities in stores due to increased risk of infectious diseases (COVID-19, etc.) caused by climate change.</td>
<td>↑</td>
</tr>
<tr>
<td>Energy source</td>
<td></td>
<td>↑</td>
</tr>
<tr>
<td>Market</td>
<td>Improvement of profitability by restructuring the business portfolio as a Multi Service Retailer and focusing on markets where growth is expected in line with changes in consumer behavior and an increase in customer awareness concerning environmental issues.</td>
<td>↑</td>
</tr>
<tr>
<td></td>
<td>Expansion of new growth opportunities by addressing increased risk of infectious diseases caused by climate change.</td>
<td>↑</td>
</tr>
</tbody>
</table>

Financial impact on the Group in 2030

The Group believes that, among the estimated financial impacts for 2030, the introduction of a carbon tax* and fluctuations in renewable energy-derived electricity charges in Japan will be particularly important parameters (indicators). Therefore, for these two parameters, we quantitatively estimate the financial impact on the Group in the below 1.5 to 2°C scenario and the 3°C scenario.

* Taxes levied on emissions of carbon dioxide (CO₂), which is the main cause of climate change

Initiatives in response to risks and opportunities based on climate-related scenarios

Based on these scenario analyses, we are working to reduce Scope 1 and 2 GHG emissions from our business activities, as well as Scope 3 GHG emissions in our supply chain. We are also strengthening and promoting initiatives to contribute to local communities through the creation of sustainable stores.

Indicators and targets

Based on the above strategies for achieving the below 1.5 to 2°C scenario, the Group has set medium- and long-term targets for reducing GHG emissions, which were approved by the SBTi.

In order to achieve our mid- and long-term targets for climate change, we will continue to work actively on a company-wide basis by strengthening our corporate governance functions, such as reducing energy consumption, improving efficiency in use, and introducing renewable energy.
Formulated JFR Principles of Action for Suppliers and asked suppliers to support

In June 2019, the Group formulated the JFR Principles of Action for Suppliers, which outline corporate activities that will lead to the creation of a sustainable society, which will be realized in cooperation with suppliers.

These Principles of Action were sent to the representatives of our suppliers and we asked them to support our views and rules (sent to 8,727 companies as of the end of November 2019). In October 2019, Daimaru Matsuzakaya Department Stores held a “JFR Principles of Action for Suppliers briefing session” in Tokyo and Osaka at the same time and 652 people from 530 companies participated. We will continue to fulfill our social responsibilities together with our suppliers and contribute to enhancing the corporate values of both parties.

Calculation of Scope 3 and acquisition of third-party assurance

The Group has also set SBTi-approved long-term targets for reducing GHG emissions from the supply chain (Scope 3) and is working to achieve these targets.

In fiscal 2020, in addition to Scope 1 and 2, we will acquire third-party assurance for Scope 3 to increase objectivity and transparency and work to reduce GHG emissions across the supply chain.
Urban Dominant strategy

The Urban Dominant strategy is a business model that aims to make the area as a whole attractive with our stores at the core and grow together with the area. It improves the appeal of the area and contributes to local communities. The Urban Dominant strategy has its root in the development of shops around the Daimaru Kobe store in the Former Foreign Settlement in Kobe. We have expanded and developed this know-how, which has realized the revitalization of the entire area. Currently, we are promoting the Urban Dominant strategy in five key areas including Shinsaibashi, Kyoto, Kobe, Nagoya, and Ueno.

The main building of the Daimaru Shinsaibashi store and Shibuya PARCO made their grand openings in September and November 2019, respectively. By contributing to making the area attractive, such as by driving traffic to each area, they draw new crowds to the areas.

Parco crowdfunding Shizuoka MIRUI Project

In January 2020, we launched the Shizuoka MIRUI Project to help businesses in Shizuoka try something new and solve problems. Shizuoka PARCO, the Matsuzakaya Shizuoka store, and Shizuoka Shimbun SBS advertise and support the projects posted on a special website for crowdfunding BOOSTER through their stores, SNS, media, etc.

Crowdfunding BOOSTER will continue to develop collaborative projects that contribute to regional revitalization.

Local production for local consumption (chisan-chisho)

The Group contributes to regional revitalization by leveraging the strengths of its nationwide network of stores and expanding their offering of products that are unique to each region. Hakata Daimaru, which operates a department store business, contributes to regional revitalization through chisan-chisho by selling and introducing products from the Kyushu region as the Kyushu Tankentai (exploration unit). Going forward, the Group will continue to expand its initiatives and leverage the unique characteristics of each region to evolve.

Creation of safe and secure store environment

At our department stores, we organize self-defense fire brigades in preparation for earthquakes, fires, and natural disasters and conduct disaster prevention drills and BCP* drills.

Daimaru Matsuzakaya Department Stores asks its customers to wear masks, allow us to measure their body temperatures, maintain social distance, and use alcohol sanitizer to prevent the spread of COVID-19.

For employees, health management is thoroughly implemented and measures are taken to prevent infection, including the use of anti-droplet shields. In addition, in our stores, we strengthen air conditioning and let fresh air inside.

* BCP: Plan for business continuity or early recovery in the event of a disaster
Promotion of Diversity

Realization of job satisfaction reform

The Group promotes "job satisfaction reform" by promoting diversity and achieving a work-life balance. The Group’s philosophy of "job satisfaction reform" is to realize both individual job satisfaction and organizational productivity improvement at the same time by comprehensively incorporating the promotion of diversity that generates innovation and the realization of work-life balance that improves productivity.

Background

With an expected decrease in labor force due to the declining birthrate and aging population and the importance of promoting women’s empowerment recognized, the promotion of diversity will provide an environment in which diverse human resources can demonstrate their abilities, thereby strengthening the competitiveness of companies.

Outline of actions

We are working to develop support systems tailored to each life stage, such as childcare and nursing care. We are also promoting new forms of recruitment, such as mid-career recruitment of highly specialized human resources and women who are raising children (Mother Recruitment).

Future direction

We will strive to create an organization where diverse human resources can fully demonstrate their abilities regardless of gender.

Long-term targets

<table>
<thead>
<tr>
<th>Year</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2025</td>
<td>Ratio of women in management positions: 30%</td>
</tr>
<tr>
<td>2030</td>
<td>Ratio of women in management positions: Aim for 50%, equal to the ratio of women to total labor force</td>
</tr>
<tr>
<td>2030</td>
<td>Aim for retirement at 70</td>
</tr>
<tr>
<td>2030</td>
<td>Employment ratio of the disabled: 3.0%</td>
</tr>
</tbody>
</table>

Major actions in fiscal 2019 (partially in fiscal 2020)

- Promoted women’s empowerment
- Introduced retirement at 65 (Daimaru Matsuzakaya Department Stores)
- Efforts to employ the disabled
- LGBT initiatives
- Formulated human rights policy

Promotion of women’s empowerment

The Group promotes the utilization of human resources based on individual abilities, aptitudes, motivation, etc. regardless of gender.

In addition to establishing a support system for balancing work and childcare for women raising children, the JFR Women’s School is held to foster awareness of long-term career development. These initiatives are intended to enhance not only job comfort but also job satisfaction for women raising children. In 2019, in order to improve the environment surrounding female employees, we conducted training for managerial people to deepen their awareness and understanding of gender bias.

*Ratio of women in management positions: 16.6% (consolidated)

Introduction of retirement at 65

Daimaru Matsuzakaya Department Stores extended its retirement age to 65 in March 2020. Other operating companies are also considering the extension of the mandatory retirement age to 65. We aim to increase productivity and added value by leveraging the skills and know-how of seniors.

Employment of persons with disabilities

The Group recognizes that the employment of people with disabilities is a corporate social responsibility and promotes the employment of people with disabilities and the improvement of the work environment at operating companies.

*Employment ratio of the disabled: 2.21% (Employment ratio in the special scope of subsidiaries as of June 2019)

LGBT initiatives

The Group prohibits discrimination and harassment against sexual orientation and gender identity under the JFR Principles of Action. Training sessions were held to deepen the understanding of management and human resource division managers. Daimaru Matsuzakaya Department Stores also engages in a variety of activities including events targeting LGBT customers.
Realization of Work-Life Balance

Encouraging male participation in childcare

In 2019, J. Front Retailing, Daimaru Matsuzakaya Department Stores, JFR Card, and JFR Service introduced a "short-term childcare leave system" (paid, up to two weeks) for employees with children under the age of three. The introduction of this system has made it easier for men to take childcare leave.

We encourage employees to take more than two weeks of childcare leave by combining existing childcare support leave (four days of paid leave), spousal leave for childbirth (one day of paid leave), and regular paid leave.

*The number of men who took childcare leave: 18 (consolidated)

Efforts to prevent employees from leaving their jobs due to childcare and nursing care

J. Front Retailing and Daimaru Matsuzakaya Department Stores have introduced various childcare and nursing care support systems that exceed statutory limits so that they can balance work with childcare and nursing care and continue to work with satisfaction.

In 2019, Daimaru Matsuzakaya Department Stores introduced full-time work once a week and flexible work so that employees with shorter working hours for childcare and nursing care can voluntarily expand their work opportunities.

*Ratio of employees who returned to work after childcare leave: 89.5% (Daimaru Matsuzakaya Department Stores)

Promotion of telework

Since fiscal 2019, the Group has promoted the use of telework to improve a work environment aimed at improving productivity. We have created and promoted a telework environment by introducing mobile PCs, smartphones, and video conferencing systems. In order to prevent the spread of COVID-19, the national and local governments requested companies to reduce the number of workers in offices and to implement telework. And most employees in our administrative divisions were able to switch to telework smoothly. At the same time, we added video conferencing systems and made use of group chat to facilitate smooth communication among employees.

Through telework, employees who were raising children were able to work while their children took long-term school leave.

We will continue to build a safe work environment for employees from the perspective of business continuity and further promote the use of telework that leads to improved labor productivity.

Promotion of health management

The Group promotes thorough implementation of occupational health and safety, as well as efforts to maintain and improve the health of employees. To prevent the spread of COVID-19, we conduct daily temperature checks and other measures to thoroughly manage employee health. In addition, Daimaru Matsuzakaya Department Stores provides online interviews by industrial doctors and EAP (Employee Assistance Program) counseling services by external specialist organizations.

<table>
<thead>
<tr>
<th>System</th>
<th>Description</th>
<th>Number of users</th>
</tr>
</thead>
<tbody>
<tr>
<td>Childcare leave</td>
<td>Until the last day of the month when the child enters an elementary school (at the longest until the child reaches two years of age under law)</td>
<td>161</td>
</tr>
<tr>
<td>Shorter work hours for childcare</td>
<td>Until the last day of the month when the child enters an elementary school (for children under three years old under law)</td>
<td>157</td>
</tr>
<tr>
<td>Family care leave</td>
<td>Up to a total of one year of leave per subject family member can be taken consecutively or separately any number of times (Up to 93 days of leave can be taken separately up to three times under law)</td>
<td>3</td>
</tr>
<tr>
<td>Nursing care leave</td>
<td>Paid (Unpaid leave is permitted by law)</td>
<td>30</td>
</tr>
</tbody>
</table>
As a holding company, J. Front Retailing regards the strengthening of corporate governance as one of the most important management issues in order to ensure compliance, transparency, objectivity, and soundness of the management of the Group as a whole and to emphasize and thoroughly enforce accountability to stakeholders including customers, shareholders, employees, business partners, and local communities.

As part of these efforts, we have adopted the Company with Three Committees (Nomination, Audit and Remuneration Committees) system to further strengthen corporate governance by:
1) Strengthening management oversight functions by separating supervision and execution;
2) Clarifying authorities and responsibilities in business execution and promoting flexible management;
3) Improving the transparency and objectivity of management; and
4) Building a globally applicable governance system.

Overview of corporate governance system

We are a pure holding company, and in order to speed up management decisions and clarify management responsibilities, the authority for the execution of business operations of operating subsidiaries is delegated to each operating subsidiary except for matters that are important to the Group’s management.

Our roles and responsibilities as a pure holding company are as follows:
- Establishment of a corporate governance system for the Group as a whole;
- To plan and draft the Group Vision, the Group Medium-term Business Plan, and the Group Management Policy, as well as their progress and performance management;
- Optimal allocation of the Group’s management resources;
- Establishment of a risk management system for the entire Group and internal audits;
- Decision making on important business execution matters related to the management of the Group; and
- To advise and approve the management policies and strategies of each operating company and to supervise and evaluate their progress.

We have also established six supervisory units (Management Strategy Unit, Group Digital Strategy Unit, Affiliated Business Unit, Financial Strategy Unit, Human Resources Strategy Unit, and Administration Unit) as our management organizations. We clarify the roles, responsibilities, and authorities of each unit to strengthen supervisory functions and enhance the internal control system of the Group as a whole.
Board of Directors

1. Basic roles and responsibilities of the Board of Directors

Directors who have been appointed by shareholders and have been entrusted with the management of the Company will fulfill the following roles and responsibilities at the Board of Directors to realize the Group Vision based on their fiduciary responsibilities and accountability to shareholders:

- Constructive discussions on the Group Vision, the Group Medium-term Business Plan, the Group Management Policy, and other basic management policies, as well as multifaceted and objective deliberations including risk assessments to indicate the major direction of the Group management;
- Appropriate decision making on the overall policy and plan related to the Group management based on the direction described above and supervising the progress and results of such plans;
- Developing an environment to support aggressive management for discontinuous growth;
- Constructing and developing an internal control system for the entire Group and supervising the status of its operation;
- Supervising conflicts of interest between related parties; and
- Supervising the progress of management succession planning, personnel allocation plans related to managerial talents, and management training, all of which are delegated to the Nomination Committee, based on a summary report from the Nomination Committee.

2. Composition of the Board

Our Board of Directors consists of the appropriate number of no more than fifteen members as set forth in the Articles of Incorporation. As of May 28, 2020, the Board of Directors had 13 members including six independent Outside Directors. Their term of office is one year.

When nominating candidates for Director, the Board of Directors ensures diversity by taking into account the balance of knowledge, experience and abilities of the Board as a whole. In addition, in the election of Outside Directors, the Company selects those who possess a high degree of independence in light of the independence criteria established by the Company and are highly unlikely to cause conflicts of interest with our shareholders.
Major discussions by the Board of Directors
The Board of Directors met 15 times in fiscal 2019 to mainly discuss the following:

- Checking the progress of the Medium-term Business Plan and its issues and countermeasures;
- Verifying the rationality of cross-shareholdings;
- Initiatives to strengthen IT governance;
- ESG initiatives;
- Shareholder policy and IR activities;
- Basic policy for developing an internal control system; and
- Revision of criteria for proposals to the Board of Directors accompanying the application of IFRS16.

Nomination Committee, Audit Committee and Remuneration Committee

Nomination Committee
The Nomination Committee consists of three Outside Directors, the non-executive Chairperson of the Board of Directors, and the President and Representative Executive Officer. To ensure transparency and objectivity, the Chairperson of the Committee is selected from among independent Outside Directors.

The Nomination Committee determines the agenda for the election and dismissal of Directors to be submitted to the Shareholders Meeting and determines the contents of reports to the Board of Directors with respect to the appointment and dismissal of Executive Officers, the selection and dismissal of the chairperson and members of each statutory committee.

Audit Committee
The Audit Committee consists of three Outside Directors and two full-time non-executive Inside Directors who are thoroughly familiar with internal information in order to maintain and improve the accuracy of audits. To ensure transparency and objectivity, the Chairperson of the Committee is selected from among independent Outside Directors.

The Audit Committee effectively audits whether the execution of duties by Executive Officers and Directors is in compliance with laws, regulations, and the Articles of Incorporation, and is conducted efficiently in accordance with our Basic Mission Statement and Group Vision. The Audit Committee also provides necessary advice and recommendations, as well as audits the status of the establishment and operation of internal controls, and prepares audit reports. To ensure the reliability of accounting information, the Audit Committee supervises the accounting auditor and determines the details of proposals for the election and dismissal of accounting auditors to be submitted to the Shareholders Meeting.

Remuneration Committee
The Remuneration Committee consists of three Outside Directors, the non-executive Chairperson of the Board of Directors, and the President and Representative Executive Officer. To ensure transparency and objectivity, the Chairperson of the Committee is selected from among independent Outside Directors.

The Remuneration Committee determines the policy for decisions on individual remuneration, etc. for the Directors and Executive Officers of the Company and the officers of subsidiaries (directors, executive officers and auditors), and the content of the individual remuneration of the Directors and Executive Officers of the Company.

Number of meetings in fiscal 2019 (March 2019 to February 2020)

<table>
<thead>
<tr>
<th>Committee</th>
<th>Board of Directors</th>
<th>Nomination Committee</th>
<th>Audit Committee</th>
<th>Remuneration Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of meetings</td>
<td>15</td>
<td>13</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>Attendance rate of Directors</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Average time per meeting</td>
<td>2 hours and 29 minutes</td>
<td>1 hour and 3 minutes</td>
<td>1 hour and 51 minutes</td>
<td>50 minutes</td>
</tr>
</tbody>
</table>
Succession planning

The selection of the President and Representative Executive Officer is the most important strategic decision-making process and we have positioned the formulation and implementation of succession plans (for the next senior management team) as matters of particular importance in terms of management strategy. When selecting successor candidates, the Nomination Committee, which is comprised of a majority of Outside Directors, deliberates on the evaluation content of each successor candidate based on internal data and an audit conducted by a third-party organization. In this way, the process for selecting successor candidates is clarified and transparency is ensured. When deciding a successor, the Board of Directors, based on reports from the Nomination Committee, fulfills its supervisory role with an eye to realizing the Basic Mission Statement and the Group Vision.

Regarding the qualities required of successors, under the “Desirable qualities required of JFR managerial talent” in the Corporate Governance Guidelines, the necessary values, capabilities, and behavioral traits are clarified in the form of the five qualities required of an officer:
① Strategic mindset; ② Reform-oriented leadership; ③ Tenacity to achieve results; ④ Organization development strengths; and ⑤ Human resource development strengths

The Nomination Committee shares these principles to ensure that the evaluation and development indicators are consistent and that they are neutrally trained and selected. Regarding the dismissal of the President and Representative Executive Officer, the Board of Directors decides the content of reports deliberated and resolved by the Nomination Committee, based on the set targets, expected results and the results of initiatives (business results for each fiscal year, the status of execution of strategies, etc.), as well as the status of achievements of successor candidates selected under the succession plan resolved by the Nomination Committee. The Nomination Committee deliberates succession plans on a planned and ongoing basis to ensure that they take into account changes in the environment and circumstances surrounding the Company and the progress of its strategies. As in the case of the President and Representative Executive Officer, the Nomination Committee deliberates and resolves the dismissal of other senior management team members.

Evaluation of the Board of Directors

Based on a preliminary questionnaire, a third-party organization conducted individual interviews with all Directors (both Inside and Outside), and based on the report that compiled and analyzed the results of these interviews, the Board of Directors discussed. Recognizing that the framework of the Board of Directors and the governance system has been established after improvements based on the past four evaluations, in fiscal 2019, the Company changed its third-party organization and adopted a new perspective with an emphasis on materializing substantive issues.

With regard to the fifth evaluation of the Board of Directors conducted from October to November 2019, the third-party organization reported that vigorous discussions were conducted from a diversified perspective by increasing the objectivity of its deliberations under the current composition of the Board of Directors. It was also recognized that the Board of Directors needs to:
① Further fulfill the functions of the Audit Committee;
② Strengthen the oversight of the progress of business plans; and
③ Further improve the quality of its deliberations.

In response, we will take the following actions to enhance the effectiveness of the Board of Directors:
① Strengthening cooperation after clarifying the roles and functions of the Audit Committee (legality and appropriateness) and the Internal Audit Division (business perspective);
② Verifying the consistency of business plans with profits and losses and clarifying the implementation structure and schedule;
③ Clarifying and deeply discussing the expected roles of each Director in discussions; and
④ Reflecting the results of deliberations in the execution of business (strengthening PDCA).

Officer remuneration system

In April 2017, we formulated an Officer Remuneration Policy, which includes the introduction of a stock-based remuneration system for officers in order to steadily implement the Medium-term Business Plan toward realizing the Group Vision. In April 2020, we revised the policy to reflect the promotion of sustainability management and to further enhance the content of the policy.

Beginning in fiscal 2020, the Company discloses the amount of each officer’s remuneration (including the amount received as remuneration, etc. for an officer of a major consolidated subsidiary, if any) in the Annual Securities Reports regardless of whether or not his/her total consolidated remuneration, etc. exceeds ¥100 million.
Officer remuneration system

1 Policies on determining remuneration for Directors and Executive Officers

Our officer remuneration system is based on the following basic policies, aiming to achieve the objectives of realizing and promoting sustainability management (pay for purpose). Furthermore, Daimaru Matsuzakaya Department Stores, our main subsidiary, has adopted the same basic policies.

- To contribute to the sustainable growth of the Group, the medium- to long-term improvement of corporate value, and be consistent with our corporate culture;
- A highly performance-linked remuneration system that motivates Executive Officers to complete management strategies and business plans and achieve the target performance of the Company;
- Remuneration levels that enable us to secure and retain human resources who have the “desirable managerial talent qualities” required by the Company;
- To share awareness of interests with shareholders and heighten awareness of shareholder-focused management; and
- Enhanced transparency and objectivity in the remuneration decision process.

2 Procedures for determining remuneration for Directors and Executive Officers

In order to ensure the appropriateness of the level and amount of remuneration and the transparency of the decision-making process, the remuneration amount is decided by a deliberation and resolution of the Remuneration Committee, which consists of a majority of Outside Directors and is chaired by an Outside Director. The Remuneration Committee is scheduled to meet at least four times a year and revisions to the officer remuneration system will be implemented in accordance with the period of the Medium-Term Management Plan.

[Forfeiture of remuneration] (clawback and malus)

Regarding Executive Officers’ bonuses and stock-based remuneration, in the event that a resolution is passed by the Board of Directors regarding the post-revision of financial results due to serious accounting errors or improprieties, in the event that there has been a serious breach of the appointment contract, etc. between the Company and an officer, or in the event that an officer has voluntarily retired for his/her own reasons during his/her term of office against the will of the Company, the Company may request the forfeiture of the right to pay or grant remuneration or the refund of remuneration that has already been paid or granted to the officer.

3 Remuneration composition for Executive Officers and non-executive Directors

[A] [Basic remuneration] (monetary remuneration)

Basic remuneration is positioned as a fixed remuneration and its table is determined for each rank (position) according to the responsibilities.

[B] [Performance share] (performance-linked stock-based remuneration)

We issue our shares in conjunction with the consolidated performance achievement rate set forth in the Medium-term Business Plan in order to achieve sustainable growth of the Group and increase corporate value over the medium to long term. 60% of the total performance-linked stock-based remuneration is to be issued in a single issuance at the end of the Medium-term Business Plan and the remaining 40% to be issued annually in order to promote management from the perspective of shareholders.

[Restricted stock] (non-performance-linked stock-based remuneration)

In order for non-executive Directors to strengthen our aggressive and defensive governance from a different standpoint from execution as the representatives of shareholders and to engage in management from a mid- to long-term perspective, we have adopted a system in which our shares are issued in a manner that is not linked to performance and the shares are issued upon their retirement from office.

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Executive Officers

Remuneration, etc. for Executive Officers

<table>
<thead>
<tr>
<th>Remuneration by type for Executive Officers of each rank</th>
<th>Basic Remuneration</th>
<th>Bonuses</th>
<th>Performance shares (PS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>[President]</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic remuneration</td>
<td>38.5%</td>
<td>23.0%</td>
<td>38.5%</td>
</tr>
<tr>
<td>Monetary remuneration</td>
<td>61.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock-based remuneration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance shares (PS)</td>
<td>61.5%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Non-executive Directors

Remuneration, etc. for Non-executive Directors

<table>
<thead>
<tr>
<th>Remuneration by type for Non-executive Directors</th>
<th>Basic remuneration</th>
<th>Restricted stock</th>
</tr>
</thead>
</table>

---

Details of performance shares

<table>
<thead>
<tr>
<th>Method of use</th>
<th>KPI Short-term</th>
<th>Medium-term</th>
<th>Performance-linked factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation based on the achievement rate of targets</td>
<td>○</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>(absolute value)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evaluation is weighed at 50% for each indicator</td>
<td>○</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>Free cash flows</td>
<td>○</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>ROE</td>
<td>○</td>
<td>○</td>
<td></td>
</tr>
<tr>
<td>Profitability</td>
<td>1.0</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>Integration</td>
<td>×</td>
<td>×</td>
<td></td>
</tr>
</tbody>
</table>

Note: KPI stands for Key Performance Indicator.
Note: Short-term targets are the initial forecasts for the relevant fiscal year as announced in the Consolidated Financial Results each April (IFRS basis).

Calculation method of performance-linked factor

- Performance target achievement: Performance-linked factor
- 150% or more: 2.0
- 50% or more but less than 150%: (Actual results - Target - 0.5) × 2
- Less than 50%: 0

Note: When performance target achievement is less than 50%, performance-linked factor is 0 (0%), and when performance target achievement is 150% or more, performance-linked factor is 2.0 (200%).

Image of changes in performance-linked factor

![Image of changes in performance-linked factor]

Non-executive Directors

Remuneration, etc. for Non-executive Directors

<table>
<thead>
<tr>
<th>Remuneration by type for Non-executive Directors</th>
<th>Basic remuneration</th>
<th>Restricted stock</th>
</tr>
</thead>
</table>

---

Note: The remuneration composition for Directors and Executive Officers at Daimaru Matsuzakaya Department Stores is the same as that shown for “Executive Officers excluding President” in the figure above.
Basic capital policy

We believe that increasing free cash flow and improving ROE will lead to sustainable growth and the enhancement of corporate value over the medium to long term. To achieve this, we will promote a capital policy that balances the “implementation of strategic investments,” the “enhancement of shareholder returns,” and the “expansion of shareholders’ equity” that takes into account risk preparedness. In addition, our basic policy is to procure funds through interest-bearing debt by taking into account the ability to generate free cash flow and the balance of interest-bearing debt. We aim to create an optimal capital and debt structure that takes into account funding efficiency and the cost of capital. In order to improve free cash flow and ROE, it is important to implement a “business strategy” to increase sales with profitability and a “financial strategy (including capital policy)” to increase return on invested capital. At the same time, we believe it is important to maximize operating profit and continuously improve the operating margin by intensively allocating management resources to strengthening core businesses, expanding business domains, and aggressively developing new businesses.

Shareholder return policy

Our basic policy is to appropriately return profits to shareholders with a consolidated dividend payout ratio of 30% or more, while maintaining and improving a sound financial structure and taking into consideration the level of profits, future capital investment, trends in free cash flow, and other factors, with a view to ensuring stable dividends. In addition, we will consider acquiring treasury stock from time to time with the aim of improving capital efficiency and implementing a flexible capital policy.

Cross-shareholdings

① Holding policy

In principle, the Group will not newly acquire shares for the purpose of cross-shareholdings (listed shares held for purposes other than pure investment excluding shares of subsidiaries and associates). However, this is not the case if, through the examination of the rationality of holding, it is deemed indispensable for the implementation of the Group’s business strategy and will contribute to the enhancement of corporate value over the medium to long term. For example, in promoting the Urban Dominant strategy, which is our priority strategy, if requested by local authorities or companies, we may hold such shares after thoroughly examining the appropriateness of holding within the execution of operations from the viewpoint of “coexistence with local communities,” which is one of our ESG materiality issues. As for such shares already held, if we judge that there is no rationality of holding them, we will negotiate with relevant client companies and business partners and reduce them as appropriate after obtaining agreement on the method and period of sale.

② Verification of rationality of holding

The Board of Directors verifies each issue on an annual basis from both qualitative and quantitative perspectives. Qualitative verification involves business strategies such as maintaining smooth and good business relationships and ensuring supply chains with client companies and business partners. Quantitative examinations involve factors such as whether the return on shareholdings, including related transaction profits and dividends, exceeds the cost of capital.

③ Exercising voting rights

When exercising voting rights related to cross-shareholdings, we judge whether they contribute to the sustainable growth and medium- to long-term enhancement of the corporate value of the company whose shares we hold and whether they contribute to the Group’s sustainable growth and medium- to long-term enhancement of corporate value. In particular, we formulate guidelines for making decisions on the exercise of voting rights for proposals that we believe are of high importance in strengthening corporate governance, such as proposals related to the corporate governance system (election of officers), shareholder returns (appropriation of surplus), and proposals that affect shareholder value (introduction of anti-takeover measures) and respond in accordance with these guidelines throughout the Group. When exercising a voting right, if necessary, we engage in dialogue with companies whose shares we hold.
Improvement of Shareholders Meetings

For the purpose of constructive dialogue with shareholders, we send out the Notice of Convocation of Shareholders Meeting early (at least three weeks before the date of the Shareholders Meeting) and post the details of the Notice of Convocation on the websites of financial instruments exchanges and our website at the earliest practicable time before the Notice of Convocation is sent to ensure sufficient time for shareholders to consider exercising their voting rights. The Notice of Convocation of the 13th Shareholders Meeting was disclosed on the websites of the financial instruments exchanges and our website before the Notice of Convocation was sent out in writing and four weeks prior to the date of the Shareholders Meeting. In addition, in consideration of the convenience of exercising voting rights for shareholders including institutional investors in Japan and overseas, we have introduced an online system for exercising voting rights and utilize an electronic voting platform for exercising voting rights. Furthermore, we have prepared an English translation of the Notice of Convocation so that foreign shareholders can properly exercise their voting rights and disclose it on our website and the electronic voting platform.

At the 13th Shareholders Meeting, we encouraged shareholders more strongly than before to exercise their voting rights over the Internet in order to minimize the risk of the spread of COVID-19 by visiting the meeting venue. For shareholders unable to attend the meeting, our presentations on “progress and results” and “issues to be addressed” at the Shareholders Meeting were webcast live.

Disclosure and IR activities

Based on our Basic Mission Statement that we aim at developing the Group by contributing to society at large as a fair and reliable corporation, we promote IR activities with the aim of enhancing management transparency and helping our stakeholders including shareholders and investors better understand the Company by disclosing important information about the Company in an accurate, plain, fair, timely, and appropriate manner in order to maintain and develop relationships of trust with them. We disclose important company information to which the Timely Disclosure Rules apply through the TDnet (Timely Disclosure network) provided by the Tokyo Stock Exchange, and also post it on our website as soon as possible. Even if the Timely Disclosure Rules do not apply, we endeavor to publish information that is deemed to help stakeholders better understand the Company on our website, through the publication of Integrated Reports and other means. Depending on the nature of the information disclosed, we disclose information in a timely and appropriate manner by utilizing TDnet, EDINET, Sustainability Reports, our website, and other media. To ensure the fairness of information disclosure, we prepare and disclose English translations of the Notices of Convocation of Shareholders Meeting, Integrated Reports, timely disclosure information, financial results information, Sustainability Reports, and our website. We publish videos, materials, and Q&A summary texts for financial results presentations and ESG presentations, and Q&A summary texts for financial results conference calls as soon as possible on our website in Japanese and English. We work to enhance communication by holding various briefings and meetings, responding to day-to-day inquiries from shareholders and investors as well as providing timely disclosure and other information through our website and other media. Opinions and requests from shareholders and investors are widely shared among the Company and relevant companies in the Group and used as a reference for corporate management to increase corporate value.

Major dialogue activities with investors in fiscal 2019

<table>
<thead>
<tr>
<th>Item</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial results presentation for institutional investors and analysts (financial results and management briefings)</td>
<td>Twice</td>
</tr>
<tr>
<td>Financial results conference call for institutional investors and analysts (Q1 and Q3)</td>
<td>Twice</td>
</tr>
<tr>
<td>Business strategy presentation for institutional investors and analysts</td>
<td>Once</td>
</tr>
<tr>
<td>ESG presentation for institutional investors and analysts</td>
<td>Once</td>
</tr>
<tr>
<td>Store tours for institutional investors and analysts</td>
<td>Twice</td>
</tr>
<tr>
<td>Overseas IR</td>
<td>3 times/39 companies</td>
</tr>
<tr>
<td>Conferences organized by securities companies (in Japan and overseas)</td>
<td>5 times/42 companies</td>
</tr>
<tr>
<td>Individual meetings for institutional investors</td>
<td>149 times</td>
</tr>
<tr>
<td>Briefings for individual investors</td>
<td>11 times</td>
</tr>
</tbody>
</table>
Risk management and compliance

① Risk management
We have established the Risk Management Committee within the execution structure to manage and respond to strategic risks from a company-wide perspective. The Risk Management Committee makes risk-oriented management decisions with the aim of securing growth opportunities. The Committee, which is chaired by the President and Representative Executive Officer and comprised of the Senior Executive General Managers of the supervisory units and the presidents of major operating companies, assesses various risks, instructs the divisions in charge to take countermeasures and implement them, and manages their progress, utilizing the wide-ranging and specialized knowledge of the members selected from the supervisory units. Changes in the business environment are unavoidable uncertainties for companies, and we consider these uncertainties, in other words, “risk” to be an “opportunity” in positive terms and a “threat” in negative terms. We promote initiatives from the perspective of not only “risk hedging” but also “risk taking” to realize growth. The most important risks for the Group are reflected in the Medium-term Business Plan as “business risks” and prioritized. In fiscal 2020, we identified 101 risks related to the Group, and particularly, we respond to COVID-19, which spreads worldwide, as our highest priority because it is an extremely significant risk that could affect the Group’s business continuity and business activities after the pandemic comes to an end.

② Compliance
We have established the Compliance Committee (including a corporate lawyer as a member) in order to appropriately deal with the compliance management issues of the Group. The Committee, which is chaired by the President and Representative Executive Officer, formulates policies for dealing with material incompliance cases and works closely with the divisions in charge of the promotion of compliance to establish a foundation for the compliance system (including the formulation of promotion systems and promotion plans) and continuously supervise the operation of the systems to promote compliance with laws and corporate ethics.

Details of deliberations by the two committees are reported to the Audit Committee on a regular and timely basis.

JFR Group Compliance Hotline

We have a whistleblowing system that enables all officers and employees of the Group and all other workers in the Group (including part-time workers and temporary staff from suppliers) to notify the Compliance Committee directly and ask them to correct any compliance-related problems. The whistleblowing contacts are in place not only within the Company but also outside the Company (a corporate lawyer). The whistleblowing system strictly prohibits any disadvantageous treatment of whistleblowers as well as protects their confidentiality under the Group’s internal company rules.

The JFR Group Compliance Hotline was registered in March 2020 under the Consumer Affairs Agency’s “Whistleblowing Compliance Management System certification (self-conformity registration system)” (WCMS certification).
### List of the Group risks for fiscal 2020

<table>
<thead>
<tr>
<th>Category</th>
<th>Risk Description</th>
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</thead>
<tbody>
<tr>
<td>Business-Related Risks</td>
<td></td>
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<tr>
<td>- Success or failure of management to address environmental issues (CO2 reduction, waste plastic, etc.)</td>
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<tr>
<td>- Aging employees</td>
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<tr>
<td>- Solid corporate culture</td>
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<tr>
<td>- Success or failure in acquiring and developing human resources with expertise such as IT personnel acquisition costs</td>
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<tr>
<td>- Success or failure in responding to an increase in minimum wage levels</td>
<td></td>
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<tr>
<td>- Success or failure in responding to diversifying employment patterns and recruitment</td>
<td></td>
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<tr>
<td>- Success or failure in responding to a hostile takeover</td>
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<tr>
<td>- Success or failure in responding to an increase in minimum wage levels and single-parent households</td>
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<tr>
<td>- Consumption shift from goods to services/experiences</td>
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<tr>
<td>- Expanding use of subscription services</td>
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<tr>
<td>- Expanding use of smartphones, which drives online shopping</td>
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<tr>
<td>- Constrained expansion of convenience consumption with an emphasis on accessibility</td>
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<tr>
<td>- Sign of rising premium consumption to pay for their favorite value in dual-income households</td>
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<tr>
<td>- Diversification of payment means due to the development of cashless payment</td>
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<tr>
<td>- Advanced big data analysis and marketing using AI</td>
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<tr>
<td>- Improvement of organizational productivity with RPA</td>
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<tr>
<td>- Development of circular economy</td>
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<tr>
<td>- Development of the sharing economy</td>
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<tr>
<td>- Expanding secondary distribution business opportunities to respond to the reuse market</td>
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<tr>
<td>- Emergence of new store formats through practical application of 5G and evolution of WiMAX</td>
<td></td>
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<tr>
<td>- Improvement of customer orientation and success or failure of response to market changes</td>
<td></td>
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<tr>
<td>- Success or failure of penetration of the Mission Statement and Vision</td>
<td></td>
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<tr>
<td>- Success or failure of business portfolio restructuring</td>
<td></td>
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<tr>
<td>- Success or failure of commercialization of new businesses</td>
<td></td>
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<tr>
<td>- Maturity of existing businesses</td>
<td></td>
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<tr>
<td>- Disappearance of existing business partners</td>
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<tr>
<td>- Concentration on specific markets</td>
<td></td>
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<tr>
<td>- Success or failure of strategic investment based on investment criteria</td>
<td></td>
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<tr>
<td>- Delays in deciding to revive or withdraw from unprofitable businesses</td>
<td></td>
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<tr>
<td>- Growing momentum for industry restructuring across industries and businesses</td>
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<tr>
<td>- Success or failure of overseas strategies in anticipation of shrinking domestic market</td>
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<tr>
<td>- Success or failure in responding to a hostile takeover</td>
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<tr>
<td>- Success or failure in responding to diversifying employment patterns and recruitment</td>
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<tr>
<td>- Success or failure in responding to an increase in minimum wage levels and personnel acquisition costs</td>
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<tr>
<td>- Success or failure in acquiring and developing human resources with expertise such as IT</td>
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<tr>
<td>- Solid corporate culture</td>
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<tr>
<td>- Aging employees</td>
<td></td>
</tr>
<tr>
<td>- Success or failure of management to address environmental issues (CO2 reduction, waste plastic, etc.)</td>
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<tr>
<td>- Success or failure of management to address social issues (human rights issues, work-life balance, etc.)</td>
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<tr>
<td>- Success or failure in responding to global ESG demands</td>
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<tr>
<td>- Success or failure of information disclosure to institutional investors, ESG rating companies, business partners, customers, etc.</td>
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<tr>
<td>- Success or failure of governance reforms</td>
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<tr>
<td>- Success or failure of succession plan</td>
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<tr>
<td>- Success or failure of group governance</td>
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<tr>
<td>- Success or failure of the establishment of internal controls under the Companies Act</td>
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<tr>
<td>- Success or failure of the establishment of J- SOX system accompanying strategic, organizational and system changes, etc.</td>
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<tr>
<td>- Success or failure of risk management process operation</td>
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<td>- Success or failure of effective IR activities</td>
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<tr>
<td>- Success or failure of effective public relations activities</td>
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<tr>
<td>- Success or failure of cash and deposits and interest-bearing debt management</td>
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<tr>
<td>- Success or failure of the management of rating fluctuations and financing</td>
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<tr>
<td>- Changes in financial account balance</td>
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<tr>
<td>- Changes in stock price sentiment</td>
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<tr>
<td>- Success or failure of optimal capital structure considerations</td>
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<tr>
<td>- Success or failure of preparation of financial statements that are free from fraud and error</td>
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<tr>
<td>- Success or failure of timely disclosure of financial statements</td>
<td></td>
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<tr>
<td>- Impairment of assets (including goodwill)</td>
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<tr>
<td>- Success or failure of compliance with tax reform and new accounting standards</td>
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<tr>
<td>- Delays in the implementation of the business continuity plan</td>
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<tr>
<td>- Delays in initial response to disasters and accidents</td>
<td></td>
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<tr>
<td>- Inadequate public relations in the event of an emergency</td>
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<tr>
<td>- Inadequacies in safety management of buildings and facilities</td>
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<tr>
<td>- Collapse and destruction of store facilities due to disasters</td>
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<tr>
<td>- Shutdown of social infrastructure due to disasters and extreme weather</td>
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<tr>
<td>- Leakage of harmful substances (CFCs, PCBs, etc.) and soil contamination and generation of asbestos</td>
<td></td>
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<tr>
<td>- Accidents such as fires and electric leaks, and equipment failures</td>
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<tr>
<td>- Epidemics and outbreaks of infectious diseases</td>
<td></td>
</tr>
<tr>
<td>- Occurrence of injuries and accidents (caused/suffered) at stores</td>
<td></td>
</tr>
<tr>
<td>- Food poisoning and other health hazards at stores</td>
<td></td>
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<tr>
<td>- Cyber attacks from outside and system failures</td>
<td></td>
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<tr>
<td>- Dependence on specific vendors and machines, centralization of system bases</td>
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<tr>
<td>- Malicious or careless internal leakage of personal information</td>
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<tr>
<td>- Inadequate physical and mental health management of employees</td>
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<tr>
<td>- Inadequate management of working hours</td>
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<tr>
<td>- Inadequate working environment for foreign workers</td>
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<tr>
<td>- Inadequate responses to equal pay for equal work</td>
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<tr>
<td>- Improper contracting, outsourcing, and worker dispatching</td>
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<tr>
<td>- Failure to operate the retirement benefit and pension systems</td>
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<tr>
<td>- Transactions with anti-social forces, transactions in violation of the Anti-Monopoly Act, Subcontract Act, etc.</td>
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<tr>
<td>- Illegal or unlawful acts by officers and employees</td>
<td></td>
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<tr>
<td>- Leakage of confidential and insider information</td>
<td></td>
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<tr>
<td>- Delays in responding to new laws and regulations and inadequacies in reporting and licensing infringements of intellectual property rights (caused/suffered)</td>
<td></td>
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<tr>
<td>- Violations of consumer-related laws such as incorrect or false labeling</td>
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<tr>
<td>- Inadequacies in the compliance system such as the dilution of ethics</td>
<td></td>
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<tr>
<td>- Deficiencies in product procurement cost management</td>
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<tr>
<td>- Deficiencies in product and service quality control management such as compliance with the PL Act</td>
<td></td>
</tr>
<tr>
<td>- Deficiencies in logistics service quality control management</td>
<td></td>
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<tr>
<td>- Deficiencies in contract storage and renewal operations</td>
<td></td>
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<tr>
<td>- Bankruptcy of business partners</td>
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</tbody>
</table>
involved. What no one expected actually occurred. In this sense, we face a very difficult situation.

I think the Company’s governance is quite good in general. I feel it has more opportunities and time including the Board of Directors meetings to engage with Outside Directors compared to other companies. Not only a system is in place but also people concerned address it sincerely and answer even primitive questions from Outside Directors seriously. Outside Directors are explained well prior to the Board of Directors meetings and issues presented by Outside Directors are duly fed back to the Board of Directors meetings and the meetings start from them. When I told some other companies about this system, they said it was very helpful.

What impressed me in the past Board of Directors meetings was the discussion about the Medium-term Business Plan. The medium-term plan that started in 2017 had two major strategies. I think the Urban Dominant strategy as the first one works well. I think it worked well because it was implemented by expanding their familiar fields, mainly the department store business, in each area. However, the other Multi Service Retailer is to enter into new fields beyond the framework of retail. Its direction is not wrong but I cannot say they have achieved it.

Maybe it does not work because their idea is based on the conventional way of the industry. For example, in the current COVID-19 era, moving products is a bottleneck finally. Products cannot reach customers unless moved. How will they resolve it? If they sell online to customers who are difficult to visit physical stores, sales staff can explain and sell online. And ultimately, it may be good if they can measure customers and customers can try on clothes online. If they all step back from the department store and think with such idea, they will be able to find various needs and provide products and services that please customers.

Let go of past successes and be flexible

With regard to the speed of execution, I feel companies with legacy are alike. I think the past successes or successful business
models cause a delay and hamper. Concerning the problem of the speed of execution, for example, seeing the process of the meeting when the department store tries something, they seem to spend much effort carefully preparing detailed and easy-to-understand materials and amending them. It is certainly important. However, I think it will be better if the Company has a culture that encourages specific challenges and actions. In some cases, they do not seem to take action even after thinking well.

For example, one of the problems is the ageing of good customers including gaisho customers of the department store. Therefore, I think it will be good to more widely take orders online. However, they close their ears to me saying they already do similar things. Outside Directors have obviously different perspectives from people of the department store. And in fact, it is sometimes frustrating that there is a gap in discussions and that it is not understood. Needless to say, we discuss to enhance corporate value, not to blame them. I would like them to just accept such perspective.

I think they can try various ways online, and if it does not work, they can try another. When I told them to try anyway, they listed the reasons why they will not try. They think it is not a department store unless it provides all possible services or that a department store must provide all possible services. They say they think of customers hard. It may have been good in the past. But if it takes time, it is not good now. Now it is lighter, shorter and changing quickly. So-called “disruptors” lightly jump without thinking of past constraints. It is obvious that they cannot defeat disruptors if they compete with them only with tradition. Tradition and conveniently located physical stores are certainly their strength. However, they cannot take advantage of physical stores without something to compete in e-commerce. Only physical stores are not strength. They become strength only by operating e-commerce.

They do not want to take a risk and lack flexible thinking. It may be because they have long succeeded as a department store. When I was a child, the department store that I visited with my parents was like a “dreamland” that carries everything including toys and clothes and has restaurants and an amusement park on the top. However, the times have greatly changed. Due to these past successes, I feel their intentions to provide products and services across the board remain strong. They should recognize that customer values are more increasingly changing than they think. Past successes impede flexible thinking. I think it is a major factor.

Seeing execution from a broader perspective

I think Outside Directors also have a role as a coach. The present Outside Directors are from various fields and selected in a very balanced manner. Through an objective perspective, I can see what is not enough and what is too much. When I tell them they had better do something, sometimes they follow my advice promptly and other times they do not do so even if I tell them repeatedly. I think it is the greatest problem.

It is important to stand back to see things. As I have no experience of management and do not know how execution is conducted actually, I consciously take a step or a half step back to see things from a broader perspective. I try not to step into execution too much but to see both what is not enough and what is good as objectively as possible. If seeing only within execution, it is highly likely to become short-sighted. So when taking a step back to see things, we can find what is not still enough and what to do.

For example, when considering M&A, we should start with a familiar one, not a large one. If they aim to become a Multi Service Retailer, they can make a difference by starting with considering customer needs. I think it will be better to invest small amount firstly, and then acquire know-how or grow it big. I think the first step should be alliance and investment. The Company cannot become a manufacturer, but if they find a D-to-C business, they will get an idea like a manufacturer by investing in it. By returning to the starting point of the Company that started with kimono fabric, found various things and developed as a department store, I think they can provide various products and services.

Concerning the new Medium-term Business Plan, which is being formulated, I expect the business that makes good use of e-commerce and physical stores. We may have to expect the impact of the COVID-19 crisis will continue for about two years and we have to expect that the main consumption channel will be e-commerce. Conveniently located physical stores will not perform well unless e-commerce is improved. I think the idea of “Multi Service Retailer” is excellent. So I hope they will think flexibly outside of the traditional business category of department store, starting with considering what customers need.
Number of the Company’s shares held: 89,412
Chairperson of Board of Directors Nomination Committee Member
Remuneration Committee Member

Apr 1973 Joined The Daimaru, Inc.
May 2003 President and COO and General Manager of Department Store Operations Group (Headquarters of the same company)
Sep 2007 Director in charge of Sales Reform and Out-of-Store Sales Reform of J. Front Retailing Co., Ltd.
Jun 2008 Executive Director of Department Store Operations Headquarters and Executive General Manager of Planning Office for New Umeda Store of Head Office of The Daimaru, Inc.
Director of Matsuzakaya Co., Ltd.

Mar 2008 Executive General Manager of Sales Headquarters of Head Office of The Daimaru, Inc.

Mar 2010 President and Representative Director of Daimaru Matsuzakaya Department Stores Co., Ltd.

Sep 2012 President and Representative Director of the same company and President and Representative Director of Daimaru/Matsuzakaya Sales Associates Co., Ltd.

Apr 2013 President and Representative Director of J. Front Retailing, Co., Ltd.

May 2017 Director and Representative Executive Officer of the same company

May 2020 Director and Chairman of Board of Directors of the same company (present)

Number of shares held: 1,800
Chairperson of Audit Committee

Apr 1970 Joined Hitachi Ltd.
Aug 1995 Vice President of Hitachi America, Ltd.
Jul 2001 Managing Officer and General Manager of Global Business Development Division of Hitachi, Ltd.

Apr 2003 Manager of Business Development Division of the same company

Jun 2003 Executive Officer and General Manager of Business Development of the same company

Apr 2007 Senior Vice President and Executive Officer in charge of Business Development of the same company

Jun 2010 Senior Vice President and Executive Officer in charge of Business Development of the same company

Apr 2010 Senior Vice President and Executive Officer of Hitachi Cable, Ltd.

Apr 2013 Senior Vice President of Hitachi Research Institute

Mar 2014 Outside Director of Kyoei Hako Kikin Co., Ltd.

May 2015 Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd.

Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co., Ltd.

May 2017 Outside Director of J. Front Retailing Co., Ltd. (present)

May 2018 Director of Daimaru Matsuzakaya Department Stores Co., Ltd. (present)

Number of the Company’s shares held: 17,298
Chairperson of Remuneration Committee Nomination Committee Member

Apr 1986 Joined The Daimaru, Inc.
Mar 1993 General Manager of Accounting Division of Hong Kong Daimaru Limited

Mar 2001 General Manager of Finance Headquarters of The Daimaru, Inc.

Sep 2007 General Manager of Finance Division of Administration Unit of Daimaru Matsuzakaya Department Stores Co., Ltd.

Mar 2010 General Manager of Finance Division of Administration Unit of Daimaru Matsuzakaya Department Stores Co., Ltd.

May 2013 Executive Officer and Senior General Manager of Financial Division of Administration Unit of J. Front Retailing Co., Ltd.

Mar 2016 Senior General Manager of Finance and Accounting of Financial Strategy Unit of the same company

May 2017 Director of the same company (present)

Audit & Supervisory Member of Directors Matsuzakaya Department Stores Co., Ltd. (present)

Number of the Company’s shares held: 15,810
Chairperson of Audit Committee Member

Apr 1985 Joined The Daimaru, Inc.

Mar 2000 Senior Manager of Men’s Wear & Accessory Division of Osaka Umeda Store of the same company

Sep 2002 Senior Manager of Business Planning Department of Business Planning & CS Promotion Division of Osaka Umeda Store of the same company

Jun 2005 Deputy General Manager of Osaka Umeda Store of the same company

Jun 2006 Deputy General Manager of Osaka Umeda Store of J. Front Retailing Co., Ltd.

Jun 2010 Executive Officer and General Manager of Osaka Umeda Store of J. Front Retailing Co., Ltd.

May 2016 Corporate Officer and Executive Officer Manager of Osaka Umeda Store of Daimaru Matsuzakaya Department Stores Co., Ltd.

Apr 2019 Corporate Executive Officer, Executive General Manager of Sales Management and Marketing Headquarters and Senior General Manager of Marketing Strategy Promotion Unit of the same company

May 2019 Corporate Officer of the same company

Apr 2017 Director and Corporate Executive Officer of the same company

May 2019 Managing Executive Officer, Senior General Manager of Administration Unit and in charge of Compliance of J. Front Retailing Co., Ltd.

May 2019 Director of the same company (present)

Number of shares held: 1,933
Chairperson of Audit Committee

Apr 1984 Registered at attorney law

Aug 1989 Shishibei & Shishibei LLP

Jul 1998 Partner of the same company

Jun 2004 External Audit & Supervisory Board Member of Ajinomoto Co., Inc.

Jun 2012 Outside Corporate Auditor of NTT Data Corporation

Jul 2015 Outside Director of The Daichi Life Insurance Company, Limited

Oct 2016 Outside Director of Daichi Life Holdings, Inc. Audit & Supervisory Committee Member (present)

May 2018 Outside Director of J. Front Retailing, Co., Ltd. (present)

May 2018 Outside Director of Daimaru Matsuzakaya Department Stores Co., Ltd. (present)

Jun 2020 Outside Director of J. Front Retailing Co., Ltd. (present)

Outside Audit & Supervisory Board Member of Matsuzakaya Corporation (present)

Number of shares held: 3,866
Chairperson of Nomination Committee Remuneration Committee Member

Apr 1970 Joined Yamana Chemicals Co., Ltd.

May 2017 Outside Director of the Board of the same company and Chairman of Yamanouchi America, Inc.

May 2013 Director of the Board of the same company and Chairman of Yamanouchi USA, Ltd.

Jun 2013 Managing Director of the Board of Yamana Chemicals Pharmaceutical Co., Ltd.

Jun 2014 Senior Corporate Executive of the same company

Apr 2015 Senior Corporate Executive of Actis Pharma Co., Ltd. and Chairman of Actis Pharma Europe Ltd.

Jun 2018 Executive Vice President and Representative Director of Actis Pharma, Inc.

Jul 2011 Vice Deputy Chairman and Representative Director of the same company

May 2015 Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd.

May 2016 Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co., Ltd. (present)

May 2017 Director of the same company (present)

May 2020 Director of Parco, Ltd. (present)

Number of shares held: 1,500
Chairperson of Remuneration Committee Nomination Committee Member

Apr 1979 Joined Toray Industries, Inc.

Jun 1996 Executive Vice President of Toray Industries (America), Inc.

Jan 2000 General Manager on Special Assignment of Corporate Strategic Planning Division, General Manager on Special Assignment of Corporate Communications Department of Toray Industries, Inc.

Jun 2004 Counsellor of Corporate Strategic Planning Division and Counsellor of Investor Relations Department of the same company

Jun 2005 Member of the Board, General Manager of Finance and Corporate Division of the same company

Jul 2009 Senior Vice-President Member of the Board, General Manager of Finance and Corporate Division of Toray Industries, Inc.

President of Toray Holdings (U.S.A), Inc.

Jan 2012 Senior Vice-President Member of the Board, General Manager of Finance and Corporate Division of the same company

Jun 2016 Advisor of the same company

Mar 2019 Retired from the office of Adviser of the same company

May 2018 Director of Daimaru Matsuzakaya Electric Corporation (present)

Jun 2018 Director of Daimaru Matsuzakaya Department Stores Co., Ltd. (present)

Number of shares held: 800
Chairperson of Audit Committee

Apr 1980 Joined The Daimaru, Inc.

Mar 2000 Senior Manager of Men’s Wear & Accessory Division of Osaka Umeda Store of the same company

Sep 2002 Senior Manager of Business Planning Department of Business Planning & CS Promotion Division of Osaka Umeda Store of the same company

Jun 2005 Deputy General Manager of Osaka Umeda Store of the same company

Jun 2006 Corporate Officer and General Manager of Osaka Umeda Store of J. Front Retailing Co., Ltd.

Jun 2010 Executive Officer and General Manager of Osaka Umeda Store of J. Front Retailing Co., Ltd.

May 2016 Corporate Officer and Executive Officer Manager of Osaka Umeda Store of Daimaru Matsuzakaya Department Stores Co., Ltd.

Apr 2019 Corporate Executive Officer, Executive General Manager of Sales Management and Marketing Headquarters and Senior General Manager of Marketing Strategy Promotion Unit of the same company

May 2019 Director of J. Front Retailing, Co., Ltd. (present)

May 2019 Director of Daimaru Matsuzakaya Department Stores Co., Ltd. (present)

Jun 2020 Outside Director of J. Front Retailing Co., Ltd. (present)

Outside Audit & Supervisory Board Member of Matsuzakaya Corporation (present)

Number of shares held: 1,933
Chairperson of Audit Committee

Apr 1979 Joined Itochu Corporation

Jun 1996 General Manager of Finance Division of Itochu International Inc. (Established in New York)

Aug 2004 Executive Officer of ITOHO Holding Company / Itochu Corporation

Apr 2007 Managing Executive Officer and General Manager of Finance Division of the same company

Jun 2008 Representative Director, Managing Director, Chief Officer for Finance, Accounting, Risk Management and CFO of the same company

Jun 2012 Representative Director and Senior Managing Executive Officer of the same company

May 2011 Representative Director, Senior Managing Executive Officer and CFO of the same company

Apr 2013 Representative Director, Executive Vice President and CFO of the same company

Apr 2014 Representative Director, Executive Vice President, Executive Advisory Officer, CFO and CBO of the same company

Aug 2015 Adviser of the same company

May 2016 External Director of the same company

Jun 2016 Outside Director of Nippon Vanca Industries, Ltd. (present) Valqua, Ltd. (present)

Jul 2017 Advisory Member of Itochu Corporation (present)

Jul 2017 Outside Director of Nippon Vanca Industries, Ltd. (present)

May 2020 Outside Director of the same company (present)
**Outside Director**

Nomination Committee Member

Remuneration Committee Member

MAKIYAMA Kozo

Number of the Company’s shares held: 20,700

Senior Managing Executive Officer

APR 1981 Joined Parco Co., Ltd.

MAR 2004 Executive Officer and Executive General Manager of Store Operation Division of the same company

MAR 2007 Senior Executive Officer, Senior Executive General Manager of Store Operation Headquarters and Executive General Manager of Store Management Division of the same company

MAR 2008 Director and Senior Executive Officer of the same company

MAR 2009 Director of Store Operation Division of the same company

MAR 2010 In charge of Store Management of the same company

MAR 2011 In charge of Business Management of the same company

MAR 2011 Director, President and Representative Executive Officer of the same company

MAR 2013 Director of 1st. Front Retailing Co., Ltd. (present)

MAR 2017 Managing Executive Officer of the same company

MAR 2020 Managing Executive Director of Parco Co., Ltd. (present)

**Number of the Company’s shares held: 9,647**

Managing Executive Officer

WAKABAYASHI Hayato

APR 1981 Joined Matsushita Electric Industrial Co., Ltd. (present)

APR 1985 Director of Panasonic Financial Center Malaysia Co., Ltd.

APR 2007 Director and Chief Executive Officer of Matsushita Biochemicals Co., Ltd.

FEB 2009 Finance Planning Team Leader of Panasonic Corporation

JUL 2013 General Manager of Finance & Risk Management of Corporate Strategy Division and Finance Planning Team Leader of Panasonic Corporation

MAR 2015 Joined 1st. Front Retailing Co., Ltd. (present)

MAR 2015 In charge of Finance Policy of Administration Unit of the same company

SEP 2015 Executive Director in charge of Financial Strategy and Policy of Administration Unit of the same company

MAR 2016 Senior Executive General Manager of Financial Strategy Unit of the same company

MAR 2016 In charge of Finance Policy of the same company

MAR 2017 Managing Executive Director of the same company

MAR 2018 Senior General Manager of Finance and Finance Policy Division of the same company

MAY 2020 Director of Parco Co., Ltd. (present)

**Number of the Company’s shares held: 6,065**

President and Representative Executive Officer

YOSHIMOTO Tatsuya

APR 1979 Joined The Daimaru, Inc.

MAR 2000 Senior Manager of Preparatory Office for Opening Support Store of Running Support Store of Head Office of the same company

MAR 2001 General Manager of Tokyo Store of the same company

MAR 2010 Corporate Officer and General Manager of Tokyo Store of the same company

MAR 2010 Corporate Officer, General Manager of Sales Planning Promotion Division and General Manager of Marketing Promotion Planning Division of Department Stores Coordination Division of 1st. Front Retailing Co., Ltd.

MAR 2010 Corporate Officer and Senior General Manager of Management Planning Division of Daimaru Matsuzakaya Department Stores Co., Ltd.

MAR 2012 Director and Corporate Officer of the same company

APR 2013 President and Representative Director of the same company and President and Representative Director of Daimaru Matsuzakaya Sales Associates Co., Ltd.

MAY 2013 Director of 1st. Front Retailing Co., Ltd.

MAY 2017 Managing Executive Director of the same company

MAY 2020 President and Representative Executive Officer of the same company

**Number of the Company’s shares held: 17,747**

Senior Managing Executive Officer

SAWADA Tarō

APR 1983 Joined The Daimaru, Inc.

JUN 2004 Department Manager of Sales Promotion Department of Sales Running & C3 Promotion Division of Kobe Store of the same company

MAR 2010 Division Manager of Management Planning Division of Daimaru Matsuzakaya Department Stores Co., Ltd.

JAN 2011 Executive Store Manager of Daimaru Osaka of the same company

MAR 2010 Corporate Officer of the same company

MAY 2012 Executive Store Manager of Daimaru Osaka Shinshubashi of the same company

SEP 2015 Executive Store Manager of Daimaru Osaka Shinshubashi and Executive General Manager of Namba New Store Planning Office of the same company

JUL 2016 Executive General Manager of Management Running Unit of the same company

SEP 2017 Executive General Manager of Management Running Unit and Executive General Manager of Future Standard Laboratory of the same company

MAY 2017 Director and Managing Executive Officer of the same company

MAY 2018 Director and Managing Executive Officer, Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management of 1st. Front Retailing Co., Ltd.

MAY 2018 Director of Daimaru Matsuzakaya Department Stores Co., Ltd.

MAY 2018 Director of Parco Co., Ltd.

MAR 2019 Senior General Manager of New Business Division of J. Front Co., Ltd.

MAY 2020 Director and Senior Managing Executive Officer of the same company

**Number of the Company’s shares held: 20,700**

Senior Managing Executive Officer

YAGO Natsumesuke

Nomination Committee Member

Remuneration Committee Member

**Number of the Company’s shares held: 9,647**

Managing Executive Officer

WAKABAYASHI Hayato

APR 1985 Joined Matsushita Electric Industrial Co., Ltd. (present)

APR 1988 President and Representative Director of Panasonic Corporation

APR 2007 Director and Chief Executive Officer of Matsushita Biochemicals Co., Ltd.

FEB 2009 Finance Planning Team Leader of Panasonic Corporation

JUL 2013 General Manager of Finance & Risk Management of Corporate Strategy Division and Finance Planning Team Leader of Panasonic Corporation

MAR 2015 Joined 1st. Front Retailing Co., Ltd.

MAR 2015 In charge of Finance Policy of Administration Unit of the same company

SEP 2015 Executive Director in charge of Financial Strategy and Policy of Administration Unit of the same company

MAR 2016 Senior Executive General Manager of Financial Strategy Unit of the same company

MAR 2016 In charge of Finance Policy of the same company

MAR 2017 Managing Executive Director of the same company

MAR 2018 Senior General Manager of Finance and Finance Policy Division of the same company

MAY 2020 Director of Parco Co., Ltd. (present)
## 10-year Data (Financial/Non-financial)

**Financial data**

<table>
<thead>
<tr>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales / Gross sales</td>
<td>950,102</td>
<td>941,415</td>
<td>1,092,756</td>
</tr>
<tr>
<td>SGA</td>
<td>229,588</td>
<td>226,646</td>
<td>245,615</td>
</tr>
<tr>
<td>Business profit</td>
<td>209,265</td>
<td>205,052</td>
<td>214,757</td>
</tr>
<tr>
<td>Operating profit</td>
<td>20,323</td>
<td>21,594</td>
<td>30,857</td>
</tr>
<tr>
<td>Ordinary profit / Profit before tax</td>
<td>21,092</td>
<td>22,941</td>
<td>32,202</td>
</tr>
<tr>
<td>Profit / Profit attributable to owners of parent</td>
<td>8,862</td>
<td>18,804</td>
<td>12,183</td>
</tr>
</tbody>
</table>

**Total assets**

<table>
<thead>
<tr>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td>21,270</td>
<td>24,365</td>
<td>26,025</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td>(8,432)</td>
<td>(26,781)</td>
<td>(73,977)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td>(23,128)</td>
<td>(6,872)</td>
<td>58,275</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>20,020</td>
<td>19,246</td>
<td>19,038</td>
</tr>
<tr>
<td>Depreciation (including cost)</td>
<td>13,610</td>
<td>13,347</td>
<td>16,482</td>
</tr>
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</table>

**Per share information [Yen]**

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</thead>
<tbody>
<tr>
<td>Earnings per share (EPS) / Basic earnings per share</td>
<td>33.53</td>
<td>71.15</td>
<td>46.11</td>
</tr>
<tr>
<td>Book value per share (BSP) / Equity attributable to owners of parent per share</td>
<td>1,203.24</td>
<td>1,259.60</td>
<td>1,292.36</td>
</tr>
<tr>
<td>Dividends per share</td>
<td>14.00</td>
<td>16.00</td>
<td>18.00</td>
</tr>
</tbody>
</table>

**Financial indicators [%]**

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<th>FY2010</th>
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<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio of gross profit to net sales / Ratio of gross profit to revenue</td>
<td>24.16</td>
<td>24.08</td>
<td>22.48</td>
</tr>
<tr>
<td>Ratio of SGA to net sales / Ratio of SGA to revenue</td>
<td>22.0</td>
<td>21.8</td>
<td>19.7</td>
</tr>
<tr>
<td>Ratio of operating profit to net sales / Ratio of operating profit to revenue</td>
<td>2.1</td>
<td>2.3</td>
<td>2.8</td>
</tr>
<tr>
<td>Return on equity (ROE) / Return on equity attributable to owners of parent (ROA)</td>
<td>2.8</td>
<td>5.8</td>
<td>3.6</td>
</tr>
<tr>
<td>Return on assets (ROA) / Return on assets (ROA)</td>
<td>2.6</td>
<td>2.8</td>
<td>3.5</td>
</tr>
<tr>
<td>Return on investment (ROI) / Return on investment (ROI)</td>
<td>4.9</td>
<td>5.3</td>
<td>6.5</td>
</tr>
<tr>
<td>Equity ratio / Ratio of equity attributable to owners of parent</td>
<td>41.0</td>
<td>43.4</td>
<td>33.8</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>41.8</td>
<td>22.5</td>
<td>39.0</td>
</tr>
</tbody>
</table>

**Non-financial indicators**

<table>
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<tr>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees (consolidated) [People]</td>
<td>14,307</td>
<td>13,413</td>
<td>14,838</td>
</tr>
<tr>
<td>Ratio of female employees (consolidated) [%]</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Ratio of female employees in management positions (consolidated) [%]</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Employee turnover rate (consolidated) [%]</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Post-retirement re-employment rate (consolidated) [%]</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Department store sales floor area (directly managed stores) [m²]</td>
<td>549,739</td>
<td>573,323</td>
<td>569,137</td>
</tr>
<tr>
<td>Parco sales floor area [m²]</td>
<td>454,000</td>
<td>443,000</td>
<td>442,600</td>
</tr>
<tr>
<td>Customer traffic (Daimaru Matsuzakaya) [1,000 people]</td>
<td>224,242</td>
<td>236,876</td>
<td>246,764</td>
</tr>
<tr>
<td>Average spend per customer (Daimaru Matsuzakaya) [Yen]</td>
<td>3,842</td>
<td>3,797</td>
<td>3,838</td>
</tr>
<tr>
<td>Number of cards issued by Daimaru Matsuzakaya [1,000 cards]</td>
<td>4,056</td>
<td>4,365</td>
<td>4,580</td>
</tr>
<tr>
<td>Number of holders of cards issued by Parco [1,000 people]</td>
<td>1,618</td>
<td>1,612</td>
<td>1,614</td>
</tr>
<tr>
<td>GHG (CO2) emissions (consolidated) [t-CO₂] [Scope 1, 2]*4</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>GHG (CO2) emissions (consolidated) [t-CO₂] [Scope 1]*4</td>
<td>—</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Energy consumption (consolidated) crude oil equivalent [kl] [Scope 1, 2]*4</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Packaging material consumption (Daimaru Matsuzakaya) [t]*6</td>
<td>2,574</td>
<td>2,627</td>
<td>2,669</td>
</tr>
<tr>
<td>Waste disposal (Daimaru Matsuzakaya) [t]*7</td>
<td>10,803</td>
<td>11,004</td>
<td>10,797</td>
</tr>
<tr>
<td>Food waste disposal (Daimaru Matsuzakaya) [t]*8</td>
<td>2,517</td>
<td>2,517</td>
<td>2,109</td>
</tr>
</tbody>
</table>

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1. The Company’s common shares were consolidated at the ratio of one share for every two shares as of September 1, 2014. Per share information has been calculated as if this consolidation of shares was conducted at the beginning of FY2007.
2. Manager and above positions
3. Number of retired employees during the year / Number of employees at the beginning of the year x 100 (%)
4. Received third-party assurance from Lloyd’s Register Quality Assurance Limited (LRQA).
### Financial Indicators

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<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
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<tbody>
<tr>
<td>Profit / Profit attributable to owners of parent</td>
<td>543,785</td>
<td>573,323</td>
<td>569,137</td>
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<tr>
<td>Equity / Equity attributable to owners of parent</td>
<td>318,033</td>
<td>332,917</td>
<td>341,318</td>
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<td>442,600</td>
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<tr>
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<td>775,029</td>
<td>767,543</td>
<td>1,009,165</td>
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</tr>
<tr>
<td>Total net sales / Gross sales</td>
<td>950,102</td>
<td>941,415</td>
<td>1,092,756</td>
</tr>
<tr>
<td>Interest-bearing liabilities</td>
<td>108,658</td>
<td>106,025</td>
<td>213,085</td>
</tr>
<tr>
<td>Earnings per share (EPS) / Basic earnings per share</td>
<td>33.53</td>
<td>71.15</td>
<td>46.11</td>
</tr>
<tr>
<td>Equity / Equity attributable to owners of parent</td>
<td>318,033</td>
<td>332,917</td>
<td>341,318</td>
</tr>
<tr>
<td>Operating profit</td>
<td>20,323</td>
<td>21,594</td>
<td>30,857</td>
</tr>
<tr>
<td>Return on assets (ROA)</td>
<td>2.6</td>
<td>2.8</td>
<td>3.5</td>
</tr>
<tr>
<td>Return on investment (ROI)</td>
<td>4.9</td>
<td>5.3</td>
<td>6.5</td>
</tr>
<tr>
<td>Ratio of SGA to net sales / Ratio of SGA to revenue</td>
<td>22.0</td>
<td>21.8</td>
<td>19.7</td>
</tr>
</tbody>
</table>
The inventory valuation method has been changed to the specific identification method since fiscal year 2015.

The Company has applied the International Financial Reporting Standards (IFRS) since fiscal year 2017. The amounts for fiscal year 2016 and before are under JGAAP.

The Company has applied IFRS 16 since FY2019. Accordingly, operating leases are recognized as right-of-use assets and lease liabilities, which caused significant changes in capital expenditures, depreciation and interest-bearing liabilities.

*The inventory valuation method has been changed to the specific identification method since fiscal year 2015.

*The Company has applied the International Financial Reporting Standards (IFRS) since fiscal year 2017. The amounts for fiscal year 2016 and before are under JGAAP.

*The Company has applied IFRS 16 since FY2019. Accordingly, operating leases are recognized as right-of-use assets and lease liabilities, which caused significant changes in capital expenditures, depreciation and interest-bearing liabilities.
*The main building of the Shinsaibashi store temporarily closed for rebuilding on December 30, 2015 and reopened on September 20, 2019 (rental area increased).
*The Urawa store closed on July 31, 2017.
*The portions transferred to the Real Estate Business of real estate lease revenue, which had been included in store sales, for both current and previous years have been deducted since fiscal year 2017.
*The Yamashina store closed on March 31, 2019.

*Data have been compiled and disclosed on a consolidated basis since FY2017. They have received an independent assurance statement from Lloyd’s Register Quality Assurance Limited (LRQA).
The Group recognized right-of-use assets and lease liabilities on the effective date of IFRS 16 for leases previously classified as operating leases in accordance with IAS 17. Lease liabilities are measured at the present value of the total outstanding lease payments discounted using the borrower’s additional borrowing interest rate at the start date of application. Right-of-use assets are measured retrospectively as if IFRS 16 had been applied from the inception date of the lease.

As a result, assets and liabilities increased by ¥210.6 billion and ¥225.2 billion, respectively, and equity decreased by ¥14.5 billion in the consolidated statement of financial position at the beginning of fiscal 2019. In the consolidated statement of profit or loss for fiscal 2019, operating profit increased by approximately ¥4.6 billion compared with the previous accounting standard (prior to the adoption of IFRS 16), but the impact on profit was immaterial.

New lease accounting standards (IFRS 16)

The reference to the percentage of total revenue represents the ratio of revenue to external customers after eliminating intersegment transactions. Revenue and operating profit include intersegment transactions. Calculation of percentage of total operating profit of “Other” segment includes adjustments.
Department Store Business

From June to July, the peak season of the first half of the fiscal year, temperatures remained low for a long time, and sales of summer items, mainly apparel, at both full and discounted prices were sluggish. In August, the typhoon landing in western Japan forced the three stores in Kansai to close temporarily, and the impact of the rapid progress of the heat wave resulted in a temporary shutdown in duty free sales, which forced a difficult struggle.

In September, in addition to the grand opening of the main building of the Daimaru Shinsaibashi store, consumption surged ahead of the consumption tax hike, which led to a sales increase of more than 30% for high-end products. In October, we saw a reactionary decline in double digits. Subsequently, the rate of decline began to shrink every month. However, due to record-breaking warm weather, the winter sales were extremely sluggish, and the pace of improvement slowed drastically.

Furthermore, from late January onward, due to the spread of the COVID-19 infection, not only inbound consumption slowed down sharply but also more and more people avoided going out in Japan. This resulted in a sharp decline in the number of customers visiting our stores both from Japan and overseas, which caused unprecedented damage to sales.

As a consequence, gross sales decreased by 3.8% on a year-on-year basis but business profit increased by 5.2% partly due to a substantial decrease in retirement benefits. Operating profit decreased by 27.2% partly due to one-time expenses associated with personnel system reforms and the recording of a loss on retirement of the north wing of the Shinsaibashi store.

Parco Business

New openings including the opening of Kinschlo PARCO in March, the grand opening of Shibuya PARCO in November, and the sale of reserve floor area related to Shibuya PARCO (¥21.7 billion) resulted in an increase in gross sales of 11.5% compared with the previous fiscal year. Sale of reserve floor area was carried at the same cost.

Due to the spread of the COVID-19 infection, the outlook for fiscal 2020 is extremely uncertain. In particular, our department stores were hit hard by both inbound and domestic consumption. Sales in February were down 20% from the previous year, while sales in March were down 40% and in April most department stores and Parco stores were forced to shut down due to the declaration of a state of emergency. In late May, sales resumed gradually, but department stores and Parco finally improved to a decrease of 20%-plus in June, but the outlook remains uncertain. For this reason, in the forecast for FY2020 at the announcement of the results for the first quarter of the fiscal year ending February 28, 2021, we forecast a decrease of ¥984 billion in consolidated gross sales for the risks of COVID-19. For consolidated totals, we expect to avoid business loss and operating loss in the second half of the fiscal year by thoroughly reducing costs, mainly in the Department Store Business.

Fixed costs of ¥11.2 billion (¥9.3 billion for cost of sales and ¥7.3 billion for selling, general and administrative expenses) arising from the suspension of operations will be reclassified to other operating expenses. In addition, as a result of deteriorating business performance, impairment loss of ¥11.5 billion was recorded in the Department Store Business, Parco, Neuve A, etc. as of the first quarter of the fiscal year under review.

Despite the positive impact of the opening of these new stores, business profit declined 1.6% due to sluggish sales at some rural stores and sluggish sales at Naeve A, which operates accessories shops. Mainly department stores (98.7%) due to an increase in compensation income related to Shibuya PARCO and a reactionary increase from the previous year, when losses on the closure of Utsumoyma PARCO and Kumamoto PARCO were recorded.

Real Estate Business

Sales of Ginza Six and Ueno Frontier Tower were firm, and the transfer of many department stores to the Real Estate Business also contributed to a 4.0% year-on-year increase in gross sales. On the other hand, operating profit declined 13.8% due to higher depreciation and property taxes resulting from the transfer of the north wing of the Daimaru Shinsaibashi store to the Real Estate Business after the opening of the main building in September. However, operating profit significantly increased 44.2% due to the posting of a gain on sale of real estate.

Credit and Finance Business

Gross sales increased 2.4% year on year, due in part to higher external merchant fee. However, business profit decreased 18.7% year on year and operating profit decreased 19.1% year on year, mainly due to higher personnel expenses associated with organizational reforms, such as the hiring of specialist personnel for future growth, and higher facility expenses associated with the relocation of the Tokyo office.

Other

J. Front Design & Construction, which increased sales significantly due to the interior construction work of the main building of the Daimaru Shinsaibashi store, which opened in September, covered the sluggish performance of businesses such as Daimaru Kogyo. As a result, gross sales increased 9.6%, business profit increased 36.7% and operating profit increased 34.0%.

Overview of Fiscal 2019

Data Section

Overview of Fiscal 2019

Department Store Business

Due to the spread of the COVID-19 infection, the outlook for fiscal 2020 is extremely uncertain. In particular, our department stores were hit hard by both inbound and domestic consumption. Sales in February were down 20% from the previous year, while sales in March were down 40% and in April most department stores and Parco stores were forced to shut down due to the declaration of a state of emergency. In late May, sales resumed gradually, and both department stores and Parco finally improved to a decrease of 20%-plus in June, but the outlook remains uncertain. For this reason, in the forecast for FY2020 at the announcement of the results for the first quarter of the fiscal year ending February 28, 2021, we forecast a decrease of ¥984 billion in consolidated gross sales for the risks of COVID-19. For consolidated totals, we expect to avoid business loss and operating loss in the second half of the fiscal year by thoroughly reducing costs, mainly in the Department Store Business.

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Credit and Finance Business

In the current fiscal year, we will issue the "Daimaru Matsuuraika Card," which will revamp our program and design, and we will be finally ready to prepare for medium-term growth. However, the impact of COVID-19 will result in a certain degree of relaxation of the rent conditions for real estate, which is income from tenants, and in the second half of the fiscal year, we expect the number of seats to be 50% in the entertainment business. In addition, as real estate related to the north wing of the Shinsaibashi store is scheduled to be transferred to Parco in the second half of the fiscal year, expenses such as the registration and license tax related to the asset will increase, and this segment expects to continue to record a loss in the second half of the fiscal year.

Real Estate Business

Credit and Finance Business

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Other

In addition to a reaction in relation to a special demand for the renovation of the main building of the Shinsaibashi store in J. Front Design & Construction, which operates the design and construction business, last year, COVID-19 is likely to affect the supply chain of the design and construction business and wholesale business, which will lead to a delay in delivery. In addition, greatly affected by a decrease in needs in the staffing business due to the shutdown of commercial facilities, we expect both sales and profits to decline.
## Analysis of Financial Condition and Operating Results

### Operating overview

In the fiscal year under review, the Japanese economy rose and fell. For various reasons, including stagnant exports and production and a decline in capital investments and domestic demand due to the impact of the slowdown in overseas economies, natural disasters, and other developments, the Japanese economy's recovery trend leveled off, and uncertainty regarding various aspects of the Japanese economy, such as corporate production, capital investments, and spending, rapidly increased near the end of the fiscal year. Although the employment and income environments were firm, personal spending was not only lackluster due to continued weak spending as a result of the consumption tax hike but also further deteriorated toward the end of the fiscal year as both inbound and domestic spending fell because of the novel coronavirus (COVID-19).

Amid this environment, the J. Front Retailing Group (hereinafter the “Group”) worked to implement the following five strategies to generate growth and reinforce its foundation as part of its efforts in the third year of the “FY2017–FY2021 Medium-term Business Plan” to realize the Group Vision and transform its business portfolio.

In regard to the “Multi Service Retailer strategy,” we not only worked to expand our existing business fields by concluding a licensing agreement with VISA and MasterCard in July for our Credit and Finance Business and moving forward with creating an environment to conduct the Group’s acquiring (merchant contract) business but also updated our existing cards by overhauling various card features, such as the point program (a new point program is expected to be introduced in the fall of 2020) and ancillary services. As for efforts to expand new business fields, we moved forward with efforts to gain an understanding of the clothing rental business and an examination of the Japanese economy for advanced needs of individual consumers. In the process, we developed a business model that balances growth and profitability through novel floor compositions for department stores but also moved forward with developing new sales areas that match changes in the market at various stores. We also steadily promoted structural reforms at rural and suburban stores, such as Shimonoseki Daimaru and the Daimaru Akihabara store. Parco celebrated its fiftieth anniversary, and we opened the new Shibuya PARCO, a next-generation commercial facility that embodies the new appeal of the Parco brand, and this included expanding experience-based content, re-proposing fashion, and creating futuristic sales areas that make use of ICT. In addition, we made steady progress in developing various types of stores, including opening Kinshicho PARCO, San-A Urasoe West Coast PARCO CITY, and Kawasaki ZERO GATE.

As for “ESG initiatives,” we moved forward with company-wide efforts to resolve five materiality issues, such as “contribution to a low-carbon society.” At the main building of the Daimaru Shinsaibashi store, our flagship store for promoting ESG, we switched to renewable energy sources for the whole interior, and at Daimaru Matsuzakaya Department Stores, we held our first explanatory meeting for suppliers regarding the “IFR Principles of Action for Suppliers,” which were established in 2019, in order to promote cooperation in ESG activities. Because of these efforts, there has been an increase in ESG related certifications and evaluations by independent parties, including a climate change survey (ESG: environment, society, and governance).

### Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>40,891</td>
</tr>
<tr>
<td>2019</td>
<td>40,286</td>
</tr>
</tbody>
</table>

### Operating profit

<table>
<thead>
<tr>
<th>Year</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>27,354</td>
</tr>
<tr>
<td>2019</td>
<td>21,251</td>
</tr>
</tbody>
</table>

### Profit attributable to owners of parent

<table>
<thead>
<tr>
<th>Year</th>
<th>(Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>36.00</td>
</tr>
<tr>
<td>2019</td>
<td>21.25</td>
</tr>
</tbody>
</table>
As for reforming personnel affairs, with the goal of becoming a human resources development company that aims to generate sustainable growth, we moved forward with reforms to the personnel system that draws out creation and challenges and promoted efforts to recruit specialized human resources and to push back the retirement age at the various group companies to 65 from the perspective of making use of seniors in order to establish human resources management centered on “human resource capabilities” that creates new value.

As for the Group’s fiscal strategy, we not only worked to improve asset efficiency by promoting B-5-oriented management and administration to build a management system that boasts high capital efficiency but also steadily adopted new lease accounting standards that are based on the International Financial Reporting Standards (IFRS). Furthermore, we held the first business strategy briefing to expand opportunities for dialogue with investors.

As for the Group’s administrative systems innovation, we strove to strengthen information security and increase business efficiency by not only promoting the automation of operations, primarily in the Group back-office operations, through the greater use of robotic process automation (RPA) but also introducing business tools to raise productivity.

Revenue / Operating profit

Spending continued to be weak as a result of the consumption tax hike, and Japan faced natural disasters, a warm winter, and the spread of COVID-19. However, revenue was ¥480,621 million, up 4.5% year on year, for various reasons, including sale of reserve floor space in the Shibuya redevelopment project.

Operating profit was ¥40,286 million, down 1.5% year on year.

Profit before tax / profit attributable to owners of parent

Profit before tax was ¥37,161 million, down 11.8% year on year.
Profit attributable to owners of parent was ¥21,251 million, down 22.3% year on year.

Analysis of financial position

Total assets as of February 29, 2020 was ¥1,240,308 million, up ¥210,735 million compared with February 28, 2019. This was mainly attributable to an increase in right-of-use assets due to the application of IFRS 16 “Leases.” Total liabilities was ¥840,627 million, an increase of ¥279,540 million. Interest-bearing debt was ¥478,773 million, up ¥304,395 million. This was mainly attributable to an increase in lease liabilities due to the application of IFRS 16 “Leases.”

Total equity was ¥399,681 million, a decrease of ¥68,804 million compared with February 28, 2019. This was mainly attributable to a decrease in capital surplus and non-controlling interests due to an additional acquisition of shares of Parco.

Cash flow

The Group aims to secure adequate funds for our business activities, maintain liquidity, and maintain a sound financial position, and to achieve stable operating cash flows.

We strive to generate cash flow and secure a wide range of financing methods. In addition to cash on hand and cash provided by operating activities, the Group also issues bonds and borrows money from financial institutions to fund the working capital, capital expenditures and investments required to maintain the Group’s growth.

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

Net cash provided by operating activities was ¥73,358 million. In comparison with the previous fiscal year, cash provided increased by ¥38,488 million, largely reflecting an adjustment of depreciation and amortization expense due to an increase in the right-of-use asset and a decrease in inventories.

Net cash used in investing activities was ¥49,559 million. In comparison with the previous fiscal year, cash used decreased by ¥22,723 million, largely reflecting an increase in purchase of investment securities.

Net cash used in financing activities was ¥14,822 million. In comparison with the previous fiscal year, cash used decreased by ¥6,445 million, largely reflecting issuance of bonds and other financing activities, despite payment for an additional acquisition of shares of Parco and recording of repayments of lease liabilities.

We will continue to implement appropriate profit distribution and capital investment considering profit levels, cash flow trends and other such factors.

Basic policy on profit distribution and dividends

The Company’s basic policy is to return profits appropriately in accordance with a targeted consolidated dividend payout ratio of 30% or more while striving to provide a stable dividend, with the aim of maintaining and enhancing the Company’s sound financial standing while keeping profit levels, future capital investment, free cash flow trends and other such factors in consideration.

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

The Company has decided to pay an annual dividend of ¥36 per share in the current fiscal year, comprising an interim dividend of ¥18 per share and a year-end dividend of ¥18 per share.

Given unprecedented challenging operating environment, business outlook and financial position due to the impact of the spread of COVID-19, the forecast for the interim dividend is ¥9 per share, a decrease of ¥9 from the previous fiscal year, from the standpoint of ensuring stable operations, and the forecast for the year-end dividend is ¥18 per share, the same as in the previous fiscal year, from the standpoint of providing stable dividends to shareholders. Accordingly, the forecast for annual dividends is ¥27 per share (¥36 for the previous fiscal year).

<table>
<thead>
<tr>
<th>Basic earnings per share (yen)</th>
<th>Annual dividends per share (yen)</th>
<th>Total assets (Millions of yen)</th>
<th>Total equity (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>104.50</td>
<td>35.00</td>
<td>1,029,573</td>
<td>468,485</td>
</tr>
<tr>
<td>81.19</td>
<td>36.00</td>
<td>1,420,388</td>
<td>399,681</td>
</tr>
</tbody>
</table>
## Consolidated Statement of Financial Position

**J. Front Retailing Co., Ltd. and its consolidated subsidiaries**  
As of March 1, 2018, February 28, 2019 and February 29, 2020

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>38,883</td>
<td>25,659</td>
<td>34,633</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>125,649</td>
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<td>4,067</td>
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<tr>
<td>Inventories</td>
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<td>Other current assets</td>
<td>6,076</td>
<td>7,004</td>
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</tr>
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<td>Assets held for sale</td>
<td>6,732</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Total current assets</td>
<td>215,164</td>
<td>211,281</td>
<td>208,424</td>
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<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>458,877</td>
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<td>473,167</td>
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<td>Right-of-use assets</td>
<td>-</td>
<td>-</td>
<td>179,632</td>
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<tr>
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<td>523</td>
<td>523</td>
<td>523</td>
</tr>
<tr>
<td>Investment property</td>
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<td>197,162</td>
<td>219,354</td>
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<tr>
<td>Intangible assets</td>
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<td>4,489</td>
<td>5,662</td>
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<tr>
<td>Investments accounted for using equity method</td>
<td>16,425</td>
<td>16,716</td>
<td>37,439</td>
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<tr>
<td>Other financial assets</td>
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<td>96,225</td>
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<td>Deferred tax assets</td>
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<td>8,280</td>
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<td>Other non-current assets</td>
<td>24,857</td>
<td>22,754</td>
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<tr>
<td>Total non-current assets</td>
<td>807,183</td>
<td>818,291</td>
<td>1,031,883</td>
</tr>
<tr>
<td>Total assets</td>
<td>1,240,308</td>
<td>1,240,308</td>
<td>1,240,308</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and equity</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and borrowings</td>
<td>46,230</td>
<td>31,320</td>
<td>108,400</td>
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<tr>
<td>Trade and other payables</td>
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<td>138,938</td>
<td>144,020</td>
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<tr>
<td>Lease liabilities</td>
<td>-</td>
<td>-</td>
<td>29,493</td>
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<tr>
<td>Other financial liabilities</td>
<td>30,811</td>
<td>32,252</td>
<td>30,199</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>9,202</td>
<td>8,174</td>
<td>4,349</td>
</tr>
<tr>
<td>Provisions</td>
<td>202</td>
<td>1,851</td>
<td>999</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>64,561</td>
<td>62,490</td>
<td>56,427</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>292,351</td>
<td>275,028</td>
<td>373,889</td>
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<tr>
<td>Non-current liabilities</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Bonds and borrowings</td>
<td>137,972</td>
<td>143,058</td>
<td>149,876</td>
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<tr>
<td>Lease liabilities</td>
<td>-</td>
<td>-</td>
<td>191,003</td>
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<tr>
<td>Other financial liabilities</td>
<td>34,240</td>
<td>38,486</td>
<td>41,087</td>
</tr>
<tr>
<td>Retirement benefit liabilities</td>
<td>29,909</td>
<td>29,003</td>
<td>20,175</td>
</tr>
<tr>
<td>Provisions</td>
<td>4,595</td>
<td>5,176</td>
<td>4,909</td>
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<tr>
<td>Deferred tax liabilities</td>
<td>61,161</td>
<td>60,455</td>
<td>58,829</td>
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<tr>
<td>Other non-current liabilities</td>
<td>11,231</td>
<td>9,880</td>
<td>8,445</td>
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<tr>
<td>Total non-current liabilities</td>
<td>279,109</td>
<td>286,059</td>
<td>466,737</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>571,460</td>
<td>561,087</td>
<td>840,627</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>31,974</td>
<td>31,974</td>
<td>31,974</td>
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<tr>
<td>Capital surplus</td>
<td>211,864</td>
<td>212,210</td>
<td>189,340</td>
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<tr>
<td>Treasury shares</td>
<td>(15,244)</td>
<td>(15,090)</td>
<td>(14,974)</td>
</tr>
<tr>
<td>Other components of equity</td>
<td>15,772</td>
<td>14,745</td>
<td>11,641</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>151,151</td>
<td>168,861</td>
<td>169,206</td>
</tr>
<tr>
<td>Total equity attributable to owners of parent</td>
<td>395,519</td>
<td>412,700</td>
<td>387,188</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>55,368</td>
<td>55,784</td>
<td>12,493</td>
</tr>
<tr>
<td>Total equity</td>
<td>450,887</td>
<td>468,485</td>
<td>399,681</td>
</tr>
<tr>
<td>Total liabilities and equity</td>
<td>1,022,348</td>
<td>1,029,573</td>
<td>1,240,308</td>
</tr>
</tbody>
</table>
## Consolidated Statement of Profit or Loss

### Consolidated financial years ended February 28, 2019 and February 29, 2020

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>459,840</td>
<td>480,621</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(247,443)</td>
<td>(273,667)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>212,396</td>
<td>206,953</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>(166,882)</td>
<td>(161,590)</td>
</tr>
<tr>
<td>Other operating income</td>
<td>3,237</td>
<td>8,663</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(7,860)</td>
<td>(13,740)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>40,891</td>
<td>40,286</td>
</tr>
<tr>
<td>Finance income</td>
<td>1,104</td>
<td>1,091</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(1,170)</td>
<td>(5,862)</td>
</tr>
<tr>
<td>Share of profit (loss) of investments accounted for using equity method</td>
<td>1,301</td>
<td>1,644</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>42,126</td>
<td>37,161</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(12,950)</td>
<td>(13,767)</td>
</tr>
<tr>
<td>Profit</td>
<td>29,176</td>
<td>23,393</td>
</tr>
</tbody>
</table>

### Profit attributable to:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners of parent</td>
<td>27,358</td>
<td>21,251</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>1,817</td>
<td>2,141</td>
</tr>
<tr>
<td>Profit</td>
<td>29,176</td>
<td>23,393</td>
</tr>
</tbody>
</table>

### Earnings per share

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share</td>
<td>104.55</td>
<td>81.19</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>104.52</td>
<td>81.17</td>
</tr>
</tbody>
</table>

## Consolidated Statement of Comprehensive Income

### Consolidated financial years ended February 28, 2019 and February 29, 2020

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>29,176</td>
<td>23,393</td>
</tr>
</tbody>
</table>

### Other comprehensive income

<table>
<thead>
<tr>
<th>Items that will not be reclassified to profit or loss</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets measured at fair value through other comprehensive income</td>
<td>(471)</td>
<td>(2,318)</td>
</tr>
<tr>
<td>Remeasurements of investments benefit plans</td>
<td>(1,220)</td>
<td>256</td>
</tr>
<tr>
<td>Share of other comprehensive income of investments accounted for using equity method</td>
<td>33</td>
<td>(37)</td>
</tr>
<tr>
<td>Total items that will not be reclassified to profit or loss</td>
<td>(1,657)</td>
<td>(2,099)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Items that may be reclassified to profit or loss</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow hedges</td>
<td>58</td>
<td>0</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(71)</td>
<td>24</td>
</tr>
<tr>
<td>Share of other comprehensive income of investments accounted for using equity method</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Total items that may be reclassified to profit or loss</td>
<td>(100)</td>
<td>26</td>
</tr>
<tr>
<td>Other comprehensive income, net of tax</td>
<td>(1,668)</td>
<td>(2,073)</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>27,507</td>
<td>21,320</td>
</tr>
</tbody>
</table>

### Comprehensive income attributable to:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners of parent</td>
<td>25,631</td>
<td>19,259</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>1,875</td>
<td>2,060</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>27,507</td>
<td>21,320</td>
</tr>
</tbody>
</table>
## Consolidated Statement of Changes in Equity

J. Front Retailing Co., Ltd. and its consolidated subsidiaries
Consolidated financial years ended February 28, 2019 and February 29, 2020

<table>
<thead>
<tr>
<th>Equity attributable to owners of parent</th>
<th>Other components of equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>Capital surplus</td>
</tr>
<tr>
<td>----------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Balance at March 1, 2018</td>
<td>31,974</td>
</tr>
<tr>
<td>Profit</td>
<td>–</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>–</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>–</td>
</tr>
<tr>
<td>Disposal of treasury shares</td>
<td>–</td>
</tr>
<tr>
<td>Dividends</td>
<td>–</td>
</tr>
<tr>
<td>Changes in ownership interest in subsidiaries</td>
<td>–</td>
</tr>
<tr>
<td>Share-based remuneration transactions</td>
<td>–</td>
</tr>
<tr>
<td>Transfer from other components of equity to retained earnings</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>–</td>
</tr>
<tr>
<td>Balance at February 28, 2019</td>
<td>31,974</td>
</tr>
<tr>
<td>Effect of accounting changes</td>
<td>–</td>
</tr>
<tr>
<td>Restated balance</td>
<td>–</td>
</tr>
<tr>
<td>Profit</td>
<td>–</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>–</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>–</td>
</tr>
<tr>
<td>Disposal of treasury shares</td>
<td>–</td>
</tr>
<tr>
<td>Dividends</td>
<td>–</td>
</tr>
<tr>
<td>Changes in ownership interest in subsidiaries</td>
<td>–</td>
</tr>
<tr>
<td>Share-based remuneration transactions</td>
<td>–</td>
</tr>
<tr>
<td>Transfer from other components of equity to retained earnings</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>–</td>
</tr>
<tr>
<td>Balance at February 29, 2020</td>
<td>31,974</td>
</tr>
</tbody>
</table>

## Equity attributable to owners of parent

<table>
<thead>
<tr>
<th>Other components of equity</th>
<th>Total</th>
<th>Non-controlling interests</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remeasurements of defined benefit plans</td>
<td>15,772</td>
<td>151,639</td>
<td>396,006</td>
</tr>
<tr>
<td>Profit</td>
<td>–</td>
<td>27,358</td>
<td>27,358</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(1,186)</td>
<td>(1,727)</td>
<td>(1,727)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>(1,186)</td>
<td>(1,727)</td>
<td>25,631</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>–</td>
<td>–</td>
<td>(8)</td>
</tr>
<tr>
<td>Disposal of treasury shares</td>
<td>–</td>
<td>–</td>
<td>0</td>
</tr>
<tr>
<td>Dividends</td>
<td>–</td>
<td>–</td>
<td>(9,417)</td>
</tr>
<tr>
<td>Changes in ownership interest in subsidiaries</td>
<td>–</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>Share-based remuneration transactions</td>
<td>–</td>
<td>505</td>
<td>–</td>
</tr>
<tr>
<td>Transfer from other components of equity to retained earnings</td>
<td>1,186</td>
<td>719</td>
<td>(719)</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>(19)</td>
<td>–</td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>1,186</td>
<td>699</td>
<td>(10,136)</td>
</tr>
<tr>
<td>Balance at February 28, 2019</td>
<td>14,745</td>
<td>168,661</td>
<td>472,700</td>
</tr>
<tr>
<td>Effect of accounting changes</td>
<td>–</td>
<td>–</td>
<td>(12,675)</td>
</tr>
<tr>
<td>Restated balance</td>
<td>–</td>
<td>21,251</td>
<td>21,251</td>
</tr>
<tr>
<td>Profit</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>219</td>
<td>(1,992)</td>
<td>(1,992)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>219</td>
<td>(1,992)</td>
<td>21,251</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>–</td>
<td>–</td>
<td>(7)</td>
</tr>
<tr>
<td>Disposal of treasury shares</td>
<td>–</td>
<td>–</td>
<td>0</td>
</tr>
<tr>
<td>Dividends</td>
<td>–</td>
<td>–</td>
<td>(9,419)</td>
</tr>
<tr>
<td>Changes in ownership interest in subsidiaries</td>
<td>–</td>
<td>77</td>
<td>(23,028)</td>
</tr>
<tr>
<td>Share-based remuneration transactions</td>
<td>–</td>
<td>–</td>
<td>359</td>
</tr>
<tr>
<td>Transfer from other components of equity to retained earnings</td>
<td>(219)</td>
<td>(1,189)</td>
<td>1,189</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>(219)</td>
<td>(1,111)</td>
<td>(8,230)</td>
</tr>
<tr>
<td>Balance at February 29, 2020</td>
<td>11,641</td>
<td>169,206</td>
<td>387,188</td>
</tr>
</tbody>
</table>
Consolidated Statement of Cash Flows

J. Front Retailing Co., Ltd. and its consolidated subsidiaries
Consolidated financial years ended February 28, 2019 and February 29, 2020

Millions of yen

<table>
<thead>
<tr>
<th>Description</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>42,126</td>
<td>37,161</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>19,907</td>
<td>50,953</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>2,514</td>
<td>2,496</td>
</tr>
<tr>
<td>Finance income</td>
<td>(1,104)</td>
<td>(1,091)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>1,170</td>
<td>5,862</td>
</tr>
<tr>
<td>Share of loss (profit) of investments accounted for using equity method</td>
<td>(1,301)</td>
<td>(1,644)</td>
</tr>
<tr>
<td>Loss (gain) on sale of fixed assets</td>
<td>(23)</td>
<td>(2,832)</td>
</tr>
<tr>
<td>Loss on disposal of fixed assets</td>
<td>1,641</td>
<td>3,576</td>
</tr>
<tr>
<td>Decrease (increase) in inventories</td>
<td>(4,594)</td>
<td>20,173</td>
</tr>
<tr>
<td>Decrease (increase) in trade and other receivables</td>
<td>(7,500)</td>
<td>(6,899)</td>
</tr>
<tr>
<td>Increase (decrease) in trade and other payables</td>
<td>(2,087)</td>
<td>(4,071)</td>
</tr>
<tr>
<td>Increase (decrease) in retirement benefit liability</td>
<td>(905)</td>
<td>(8,828)</td>
</tr>
<tr>
<td>Decrease (increase) in retirement benefit asset</td>
<td>1,334</td>
<td>776</td>
</tr>
<tr>
<td>Other</td>
<td>(462)</td>
<td>364</td>
</tr>
<tr>
<td>Subtotal</td>
<td>50,714</td>
<td>95,995</td>
</tr>
<tr>
<td>Interest received</td>
<td>98</td>
<td>111</td>
</tr>
<tr>
<td>Dividends received</td>
<td>330</td>
<td>275</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(1,063)</td>
<td>(5,894)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(17,662)</td>
<td>(19,783)</td>
</tr>
<tr>
<td>Income taxes refund</td>
<td>2,453</td>
<td>2,654</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>34,870</td>
<td>73,358</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(28,954)</td>
<td>(33,073)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>9</td>
<td>930</td>
</tr>
<tr>
<td>Purchase of investment property</td>
<td>(4,250)</td>
<td>(2,759)</td>
</tr>
<tr>
<td>Proceeds from sale of marketable property</td>
<td>113</td>
<td>3,257</td>
</tr>
<tr>
<td>Purchase of investment securities</td>
<td>(1,040)</td>
<td>(19,574)</td>
</tr>
<tr>
<td>Proceeds from sale of marketable securities</td>
<td>8,826</td>
<td>4,558</td>
</tr>
<tr>
<td>Other</td>
<td>(1,459)</td>
<td>(2,898)</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>(26,836)</td>
<td>(49,559)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net increase (decrease) in short-term borrowings</td>
<td>(9,849)</td>
<td>53,480</td>
</tr>
<tr>
<td>Net increase (decrease) in commercial papers</td>
<td>(1,000)</td>
<td>4,000</td>
</tr>
<tr>
<td>Proceeds from long-term borrowings</td>
<td>20,350</td>
<td>10,300</td>
</tr>
<tr>
<td>Repayments of long-term borrowings</td>
<td>(19,360)</td>
<td>(13,800)</td>
</tr>
<tr>
<td>Proceeds from issuance of bonds</td>
<td>-</td>
<td>29,864</td>
</tr>
<tr>
<td>Repayments of lease liabilities</td>
<td>-</td>
<td>(29,241)</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>(9)</td>
<td>(10)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(9,389)</td>
<td>(9,396)</td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
<td>(942)</td>
<td>(972)</td>
</tr>
<tr>
<td>Purchase of shares of subsidiaries not resulting in change in scope of consolidation</td>
<td>(59,042)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>(1,073)</td>
<td>(10)</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>(21,274)</td>
<td>(14,829)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>(13,240)</td>
<td>8,970</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>38,883</td>
<td>25,659</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>25,659</td>
<td>34,633</td>
</tr>
</tbody>
</table>
**Group Companies**

**Department Store Business / Real Estate Business**

**Daimaru Matsuzakaya Department Stores Co. Ltd.**
Location: 18-11, Kiba 2-chome, Koto-ku, Tokyo 135-0042  
Capital: ¥10,000 million  Investment ratio: 100%  
http://www.daimaru-matsuzakaya.com

- **Daimaru Osaka Shinsaibashi Store**  
  Location: 7-1, Shinsaibashi-suji 1-chome, Chuo-ku, Osaka 542-8501  
  Phone: +81-6-6271-1231  
  Opened (Present location): November 1726
- **Daimaru Osaka Umeda Store**  
  Location: 1-1, Umeda 3-chome, Kita-ku, Osaka 530-8202  
  Phone: +81-6-6343-1231  
  Opened: April 1983
- **Daimaru Tokyo Store**  
  Location: 9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-6701  
  Phone: +81-3-3322-8011  
  Opened: October 1954
- **Daimaru Kyoto Store**  
  Location: 79, Takashimadai 1-chome, Nishi-ku, Shimogyo-ku, Kyoto 600-8511  
  Phone: +81-75-211-8111  
  Opened (Present location): October 1912
- **Daimaru Kobe Store**  
  Location: 40, Akasamachi, Chuo-ku, Kobe, Hyogo 650-0037  
  Phone: +81-7-331-8121  
  Opened (Present location): April 1927
- **Daimaru Sapporo Store**  
  Location: 7, Nishi 4-chome, Kita-ku, Sapporo, Hokkaido 060-0005  
  Phone: +81-11-828-1111  
  Opened: March 2003
- **Matsuzakaya Nagoya Store**  
  Location: 16-1, Sakae 3-chome, Naka-ku, Nagoya, Aichi 460-8430  
  Phone: +81-52-251-1111  
  Opened: March 1910
- **Matsuzakaya Ueno Store**  
  Location: 29-5, Ueno 3-chome, Taito-ku, Tokyo 110-8503  
  Phone: +81-3-3832-1111  
  Opened: April 1768

**The Hakata Daimaru, Inc.**
Location: 4-1, Tenjin 1-chome, Chuo-ku, Fukuoka 810-8717  
Phone: +81-92-712-8181  
Capital: ¥3,037 million  Investment ratio: 69.9%  
http://www.daimaru.co.jp/fukuoka/index.html

**Matsuzakaya Shizuoka Store**
Location: 10-2, Myuki-cho, Aoi-ku, Shizuoka 420-8560  
Phone: +81-54-254-1111  
Opened: November 1932

**Matsuzakaya Takatsuki Store**
Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522  
Phone: +81-72-682-1111  
Opened: November 1979

**Matsuzakaya Toyama Store**
Location: 85-1, Nishinmachi 6-chome, Toyama, Aichi 471-8560  
Phone: +81-565-37-1111  
Opened: October 2001

**Real Estate Division**
Location: 18-11, Kiba 2-chome, Koto-ku, Tokyo 135-0042  
Phone: +81-3-6860-1141

**Corporate Sales Division**
Location: 6th Fl., Kuromon Annex, Matsuzakaya Ueno Store, 18-6, Ueno 3-chome, Taito-ku, Tokyo 110-0005  
Phone: +81-3-5846-1431

**Kochi Daimaru Co., Ltd.**
Location: 6-1, Obiyamachi 1-chome, Kochi 780-8566  
Phone: +81-88-822-5111  
Capital: ¥300 million  Investment ratio: 100%  
http://www.kochi-daimaru.co.jp/

**Parco Business**

**Parco Co., Ltd.** (Shopping complex business)  
Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045  
Phone: +81-3-3477-5710  
Capital: ¥34,367 million  Investment ratio: 100%

**Parco (Singapore) Pte Ltd.** (Shopping complex business)  
Location: 10 Anson Road #09-05/06 International Plaza Singapore 079903  
Phone: +65-6595-9100  
Capital: S$4.5 million  Investment ratio: 100%

**Neuve A Co., Ltd.** (Retail business)  
Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045  
Phone: +81-3-5428-2600  
Capital: ¥490 million  Investment ratio: 100%

**Daimaru Suma Store**
Location: 2-4, Nakaouhachiyama 2-chome, Suma-ku, Kobe, Hyogo 654-0154  
Phone: +81-7-791-3111  
Opened: March 1980

**Daimaru Ashiya Store**
Location: 1-1, Funato-cho, Ashiya, Hyogo 659-0093  
Phone: +81-7-97-34-2111  
Opened: October 1980

**Daimaru Shimonoseki Store**
Location: 4-10, Takazaki-cho 4-chome, Shimonoseki, Yamaguchi 750-0025  
Phone: +81-83-232-1111  
*The Shimonoseki Daimaru, Inc. was merged into Daimaru Matsuzakaya Department Stores Co. Ltd. and renamed Daimaru Shimonoseki Store on March 1, 2020.*

**Matsumaya Shizuoka Store**
Location: 10-2, Mayo-cho, Aoi-ku, Shizuoka 420-8560  
Phone: +81-54-254-1111  
Opened: November 1932

**Matsuzakaya Takatsuki Store**
Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522  
Phone: +81-72-682-1111  
Opened: November 1979

**Matsuzakaya Toyama Store**
Location: 85-1, Nishinmachi 5-chome, Toyama, Aichi 471-8560  
Phone: +81-565-37-1111  
Opened: October 2001

**Real Estate Division**
Location: 18-11, Kiba 2-chome, Koto-ku, Tokyo 135-0042  
Phone: +81-3-6860-1141

**Corporate Sales Division**
Location: 6th Fl., Kuromon Annex, Matsuzakaya Ueno Store, 18-6, Ueno 3-chome, Taito-ku, Tokyo 110-0005  
Phone: +81-3-5846-1431

**Parco Space Systems Co., Ltd.** (Space engineering and management business)  
Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045  
Phone: +81-3-5459-6811  
Capital: ¥490 million  Investment ratio: 100%

**Parco Digital Marketing Co., Ltd.** (Internet-related business)  
Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045  
Phone: +81-3-3477-8910  
Capital: ¥10 million  Investment ratio: 100%
Credit and Finance Business

JFR Card Co., Ltd.
Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone: +81-72-686-0108
Location: 9th Fl., Nihon Seimei Nihonbashi Bldg., 13-12, Nihonbashi 2-chome, Chuo-ku, Tokyo 103-0027
Phone: +81-3-3548-8841
Capital: ¥100 million Investment ratio: 100%
http://www.jfr-card.co.jp/

Daimaru Kogyo, Ltd. (Wholesale business)
Location: Yushutsu Seni Kaikan, 4-9, Bingomachi 3-chome, Chuo-ku, Osaka 541-0051
Phone: +81-6-6205-1000 Capital: ¥1,800 million Investment ratio: 100%
http://www.daimarukogyo.co.jp/

Daimaru Kogyo International Trading (Shanghai) Co., Ltd. (Wholesale business)
Location: 6th Fl., Heng Seng Bank Tower, 1000 Lujiazui Ring Rd., Pudong New Area, Shanghai, China
Phone: +86-21-6841-3588 Capital: U.S.$2 million Investment ratio: 100%

Daimaru Kogyo (Thailand) Co., Ltd. (Wholesale business)
Location: Unit 1902, 19th Fl., Sathorn Square Office Building, 98 North Sathorn, Kwaeng Silom, Khet Bangrak, Bangkok 10500, Thailand
Phone: +66-21-613-2903 Capital: THB202 million Investment ratio: 100%

Daimaru Kogyo (Thailand) Co., Ltd. (Wholesale business)
Location: Unit 1902, 19th Fl., Sathorn Square Office Building, 98 North Sathorn, Kwaeng Silom, Khet Bangrak, Bangkok 10500, Thailand
Phone: +66-21-613-2903 Capital: THB202 million Investment ratio: 100%

Taiwan Daimaru Kogyo, Ltd. (Wholesale business)
Location: Room 709, No. 142, Sec. 3, Ming Chuan East Road, Taipei 10542, Taiwan, R.O.C.
Phone: +886-2-2718-7215 Capital: NT$60 million Investment ratio: 100%

J. Front Design & Construction Co., Ltd. (Design and construction contracting)
Location: 16th & 17th Fls., Harumi Island Triton Square Office Tower W Bldg., 8-8, Harumi 1-chome, Chuo-ku, Tokyo 104-0053
Phone: +81-3-6890-6710 Capital: ¥100 million Investment ratio: 100%
http://www.jfdc.co.jp/

Dimples’ Co., Ltd. (Staffing service)
Location: 22nd Fl., Osaka Ekimae 4th Bldg., 11-4, Umeda 1-chome, Kita-ku, Osaka 530-0001
Phone: +81-6-6344-0312 Capital: ¥90 million Investment ratio: 100%
http://www.dimples.co.jp/

J. Front Foods Co., Ltd. (Restaurant)
Location: 101, Louis Chatelet Nakanoshima, 3-92, Nakanoshima 5-chome, Kita-ku, Osaka 530-0005
Phone: +81-6-7220-0290 Capital: ¥100 million Investment ratio: 100%
http://www.j-frontfoods.co.jp/

Daimaru Matsuzakaya Sales Associates Co., Ltd. (Commissioned sales and store operations)
Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone: +81-72-684-8145 Capital: ¥90 million Investment ratio: 100%
http://www.dmtomonokai.co.jp/

Daimaru Matsuzakaya Tomonokai Co., Ltd. (Specified prepaid transaction service)
Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone: +81-72-684-8101 Capital: ¥100 million Investment ratio: 100%
http://www.dmtomonokai.co.jp/

Consumer Product End-Use Research Institute Co., Ltd. (Merchandise test and quality control)
Location: 20th & 21st Fls., Edobori Center Bldg., 1-1, Edobori 2-chome, Nishi-ku, Osaka 550-0002
Phone: +81-6-6445-4670 Location: 2nd Fl., Matsuzakaya Kuromon Annex, 18-6, Ueno 3-chome, Taito-ku, Tokyo 110-0005
Phone: +81-3-6695-6780 Location: 10th Fl., Matsuzakaya Park Place, 2-36, Sakae 5-chome, Naka-ku, Nagoya, Aichi 460-0008
Phone: +81-52-261-2030 Capital: ¥100 million Investment ratio: 100%
http://www.shoukaken.jp/

Angel Park Co., Ltd. (Parking)
Location: 16-10, Sakae 3-chome, Naka-ku, Nagoya, Aichi 460-0008
Phone: +81-52-261-5746 Capital: ¥400 million Investment ratio: 50.2%
http://www.angelpark.co.jp/

JFR Service Co., Ltd. (Commissioned back-office service / leasing / parking management)
Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Phone: +81-72-681-7245 Capital: ¥100 million Investment ratio: 100%

JFR Information Center Co., Ltd. (Information service)
Location: 3-24, Osaka 1-chome, Tennoji-ku, Osaka 543-0062
Phone: +81-6-6775-3700 Capital: ¥10 million Investment ratio: 100%
http://www.jfr-ic.co.jp/

J. Front Retailing Group
Integrated Report 2020
Daimaru, Matsuzakaya and PARCO
Cover Major Big Cities across Japan

J. Front Retailing Group operates stores in major cities across Japan, from Sapporo, Hokkaido in the north to Hakata, Kyushu in the south.

The Department Store Business operates 16 “Daimaru” and “Matsuzakaya” stores.

The PARCO Business operates 17 “PARCO” shopping complexes.

We also operate “GINZA SIX” and 10 “ZERO GATE” stores in a new business format which develops urban-style low- to medium-rise shopping complexes.

The Group will make the best use of the well-balanced network of store assets in major cities throughout Japan and accelerate new store opening and development strategies for further growth.

(J. Front Retailing Group)
Daimaru and Matsuzakaya Stores

Daimaru Osaka Shinsaibashi (Floor space: 46,490㎡)
Daimaru Osaka Umeda (Floor space: 64,000㎡)
Daimaru Kobe (Floor space: 50,656㎡)
Daimaru Kyoto (Floor space: 58,830㎡)
Daimaru Tokyo (Floor space: 64,000㎡)
Daimaru Sapporo (Floor space: 45,000㎡)
Daimaru Osaka Shimonoseki (Floor space: 23,912㎡)
Daimaru Suma (Floor space: 13,076㎡)
Daimaru Shimonoseki (Floor space: 23,912㎡)
Daimaru Ashiyah (Floor space: 3,395㎡)
Kochi Daimaru (Floor space: 16,068㎡)
Hakata Daimaru Fukuoka Tenjin (Floor space: 44,192㎡)

Matsuzakaya Takatsuki (Floor space: 17,387㎡)
Matsuzakaya Toyota (Floor space: 18,220㎡)
Matsuzakaya Nagoya (Floor space: 86,758㎡)
Matsuzakaya Ichinomiya (Floor space: 21,759㎡)
Matsuzakaya Ueno (Floor space: 21,759㎡)
Matsuzakaya Shizuoka (Floor space: 25,452㎡)
GINZA SIX (Floor space: 47,000㎡)

As of June 30, 2020
PARCO Stores

PARCO urban complexes

Sapporo PARCO
3-5, Minami 1-jo, Nishi, Chuo-ku, Sapporo, Hokkaido
B2F-8F
Opened: August 24, 1975

Sendai PARCO
1-2-3, Chuo, Asa-ku, Sendai, Miyagi
Main Building: B1F-9F
Sendai PARCO 2: 1F-9F
3-7-5, Chuo, Asa-ku, Sendai, Miyagi
Opened: July 1, 2016

Urawa PARCO
11-1, Higashitakasago-cho, Urawa-ku, Saitama
B1F-7F
Opened: October 10, 2007

Ikebukuro PARCO
1-28-2, Minami-ikebukuro, Toshima-ku, Tokyo
Main Building: B2F-8F
Opened: November 23, 1969
PARCO: B2F-8F
Opened: March 10, 1994

PARCO ya
3-24-6, Ueno, Taito-ku, Tokyo
B1F-6F
Opened: November 4, 2017

Kichijoji PARCO
1-5-1, Kichijoji-bunko, Musashino, Tokyo
B2F-8F
Opened: September 21, 1980

Shibuya PARCO
15-1, Udagawa-cho, Shibuya-ku, Tokyo
B1-10F
Opened: August 8, 1973
Reopened: November 22, 2019

Kinshicho PARCO
4-27-14, Kotobashi, Sumida-ku, Tokyo
B1F-7F
Opened: March 16, 2019

Chofu PARCO
1-3B-1, Kojima-cho, Chofu, Tokyo
B1-10F
Opened: May 25, 1989

Shizuoka PARCO
6-7, Koyamachi, Aoi-ku, Shizuoka
B1F-8F
Opened: March 15, 2007

Nagoya PARCO
3-1, Sakae, Naka-ku, Nagoya, Aichi
West Building: B1F-11F
East Building: B1F-8F
Opened: June 29, 1989
South Building: B1F-10F
Opened: November 6, 1998
PARCO mid: 1F-3F
Opened: March 27, 2015

Hiroshima PARCO
10-1, Honndori, Naka-ku, Hiroshima
Main Building: B1F-10F
Opened: April 9, 1994
New Building: B1F-9F
Opened: September 21, 2001

Fukuoka PARCO
2-11-1, Tenjin, Chuo-ku, Fukuoka
Main Building: B1F-8F
Opened: March 19, 2010
New Building: B2F-6F
Opened: November 13, 2014

PARCO ya
3-24-6, Ueno, Taito-ku, Tokyo
B1F-6F
Opened: November 4, 2017

PARCO Stores

PARCO community complexes

Tsudanuma PARCO
2-18-1, Matsubara-ni, Funabashi, Chiba
B2F-6F
Building A: B1F-6F
Opened: July 1, 1977

Shintokorozawa PARCO
1-2-1, Minami-cho, Tokorozawa, Saitama
PARCO: B1F-5F
Let’s: B1F-4F
Opened: June 23, 1983

Hibarigaoka PARCO
1-1-1, Hibarigaoka, Nishiibukiyo, Tokyo
B1F-5F
Opened: October 8, 1993

Matsumoto PARCO
1-10-30, Chuo, Matsumoto, Nagano
B1F-6F
Opened: August 23, 1984

ZERO GATE

Sapporo ZERO GATE
3-5-1, Minami 2-jo, Nishi, Chuo-ku, Sapporo, Hokkaido
B2F-4F
Opened: February 26, 2016

Shinsaibashi ZERO GATE
1-9-1, Shinsaibashisuji, Chuo-ku, Osaka
B2F-4F
Opened: April 13, 2013

Kawasaki ZERO GATE
1-11, Kajibashi-cho, Kawasaki-ku, Kawasaki, Kanagawa
1F-2F
Opened: August 8, 2019

Zero GATE

Shibuya ZERO GATE
16-9, Udagawa-cho, Shibuya-ku, Tokyo
B1F-4F
Opened: April 16, 2011

Dotombori ZERO GATE
1-8-22, Dotombori, Chuo-ku, Osaka
1F-3F
Opened: April 20, 2013

Harajuku ZERO GATE
4-31-12, Jingumae, Shibuya-ku, Tokyo
1F-4F
Opened: March 17, 2018

Hiroshima ZERO GATE
2-7, Shintenchi, Naka-ku, Hiroshima
1F-3F
Opened: October 10, 2013

Nagoya ZERO GATE
3-28-11, Sakae, Nagoya, Aichi
1F-3F
Opened: October 10, 2014

Kyoto ZERO GATE
3-1, Higashi-jo, Shiyo, Kita-ku, Kyoto
B1F-7F
Opened: November 4, 2017

Sannomiya ZERO GATE
2-11-3, Sannomiya-cho, Chuo-ku, Kobe, Hyogo
1F-4F
Opened: September 14, 2018

Other stores

Pedi Shiodome
1-9-1, Higashishinbashi, Minato-ku, Tokyo
B2F-8F
Opened: February 16, 2005

SAN-A Urasoe West Coast PARCO CITY
3-1-1, Nishihama, Urasoe, Okinawa
Commercial floors: 1F-3F
Opened: June 27, 2019

Overseas Japanese restaurant zone

Itadakimasu by PARCO
1004AM Mall 100 Tras Street, Singapore 079027
Opened: December 1, 2016
Share Information

Status of shares (as of February 29, 2020)

Number of shares authorized: 1,000,000,000 shares
Number of shares issued: 270,565,764 shares
Stock code: 3086

Stock exchange listings: Tokyo and Nagoya
Transfer agent: Mitsubishi UFJ Trust and Banking Corporation
Number of shareholders: 122,552

<table>
<thead>
<tr>
<th>Major shareholders</th>
<th>Number of shares held (1,000 shares)</th>
<th>Shareholding ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>23,620</td>
<td>8.94</td>
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<tr>
<td>2 Japan Trustee Services Bank, Ltd. (Trust Account)</td>
<td>16,598</td>
<td>6.28</td>
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<td>3 Nippon Life Insurance Company</td>
<td>9,828</td>
<td>3.72</td>
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<tr>
<td>4 J. Front Retailing Kyoei Supplier Shareholding Association</td>
<td>6,319</td>
<td>2.39</td>
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<tr>
<td>5 The Dai-ichi Mutual Life Insurance Company</td>
<td>5,732</td>
<td>2.17</td>
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<tr>
<td>6 Japan Trustee Services Bank, Ltd. (Trust Account 5)</td>
<td>4,779</td>
<td>1.81</td>
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<tr>
<td>7 Japan Trustee Services Bank, Ltd. (Trust Account 9)</td>
<td>4,444</td>
<td>1.68</td>
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<td>8 MUFG Bank, Ltd.</td>
<td>4,373</td>
<td>1.65</td>
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<tr>
<td>9 JP Morgan Chase Bank 385151</td>
<td>4,158</td>
<td>1.57</td>
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<td>10 State Street Bank West Client - Treaty 505234</td>
<td>3,472</td>
<td>1.31</td>
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</table>

*Shareholding ratio is calculated by deducting treasury stock (6,592,000 shares). The said treasury stock does not include the Company's shares held by the BP Trust.

<table>
<thead>
<tr>
<th>Distribution by shareholder type</th>
<th>Number of shareholders (People)</th>
<th>Number of shares (1,000 shares)</th>
<th>Ratio (%)</th>
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<tbody>
<tr>
<td>Government and local public entities</td>
<td>76</td>
<td>107,070</td>
<td>39.57</td>
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<td>Financial institutions</td>
<td>42</td>
<td>12,975</td>
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<td>Financial instruments firms</td>
<td>858</td>
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<td>6.17</td>
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<td>Foreign companies</td>
<td>609</td>
<td>56,801</td>
<td>20.99</td>
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<td>Individuals and others</td>
<td>120,966</td>
<td>70,430</td>
<td>26.03</td>
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<tr>
<td>Treasury stock</td>
<td>1</td>
<td>6,592</td>
<td>2.44</td>
</tr>
</tbody>
</table>

As of February 29, 2020

Corporate profile

Company name: J. Front Retailing Co., Ltd.
Main store: 10-1, Ginza 6-chome, Chuo-ku, Tokyo
Office: Nihonbashi 1-chome Mitsui Building, 4-1, Nihonbashi 1-chome, Chuo-ku, Tokyo
Established: September 3, 2007
Capital: ¥31,974 million
The Group's business lines: Department store operation; retail; restaurants; wholesale; import and export; design, supervision and contracting of construction works; direct marketing; credit cards; labor dispatch service; merchandise inspection and consulting, and others
Number of employees (consolidated): 6,579 (as of February 29, 2020)
Note: In addition to the above, there are 1,739 dedicated employees and 1,526 fixed-term employees on average during fiscal year 2019.

URL: https://www.j-front-retailing.com/english/