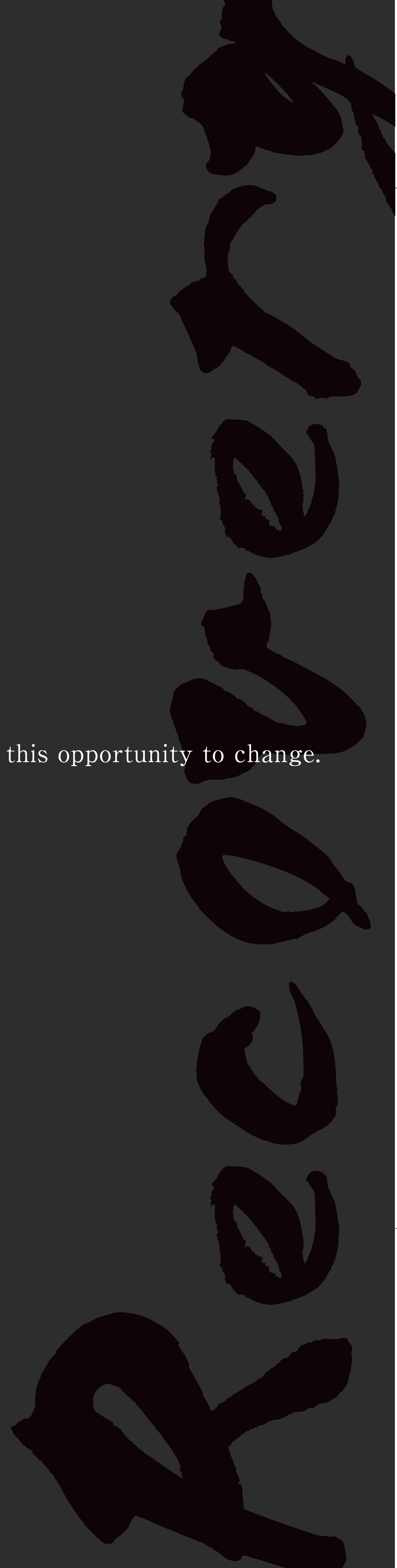
Create and Bring to Life "New Happiness."

J. FRONT RETAILING

No Change, No Full Recovery

Integrated Report 2021



Waiting will not recover anything. We will never miss this opportunity to change.

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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 2020 (March 1, 2020 through February 28, 2021) 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.

Environment
Social
Governance
Guidance for Collaborative Value Creation

Corporate Credo

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.

Basic Mission Statement

We aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations.

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

Group Vision

Create and Bring to Life “New Happiness.”

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. 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.”

JFR WAY

Ideas we value to realize the Vision

Create the future!

We will create things that society and consumers have never before perceived as well as create new amazing and delightful things.

Try without fear of failure!

We will take action without fear of result, and we will all learn from the challenges we have faced.

Introduce new ideas!

We will not succumb to an inward-looking approach, but instead will take a broader view developed by coming into contact with people, tangible goods and intangible goods in the outside world.

Act for yourself!

We will think for ourselves when taking action without waiting to be told, and will enthusiastically accomplish our goals.

Be sensible and honest!

We will take action as members of society in a manner commensurate with a sense of social decency, while unwaveringly conducting ourselves with sincerity and honesty at all times.

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.

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.

Systems to encourage “creation”

The JFR Creation Award is one of our initiatives to realize the Vision. It started with the purpose of having employees’ ideas and creation take root as corporate culture by not only competing against each other in the entire Group but also boosting and sharing them across the Group. In fiscal 2020, Shizuoka MIRUI Project won the Grand Prix among approximately 11,000 entries. The Matsuzakaya Shizuoka store, Shizuoka PARCO, Shizuoka Shimbun, Shizuoka Broadcasting System and BOOSTER, a crowdfunding platform operator, united efforts to support companies and people in Shizuoka that try to revitalize the area and solve social issues. By doing so, they helped businesses develop new products, operate events, and launch new businesses, which will lead to local contribution such as the expansion of locally produced goods and the inheritance of local tradition and history. The culture where employees enjoy creation and changes has steadily prevailed in the Group.

Values and Vision ► Top Message

First, Achieve "Full Recovery," And Then, Alter Our Course to "Regrowth."

The current COVID-19 pandemic, which can be said to have changed the world drastically, confronted the Group with an unprecedented crisis. The vulnerability of the business overly dependent on physical stores was exposed and concerns have arisen about the advantage of urban locations, which we considered as a strength. Thus it is urgent to address essential issues.

The business environment is changing even more rapidly than before. I feel COVID-19 has shifted the gear up by several steps. It is not too much to say that currently we are in the very situation where a delay in responding to changes and a delay in decision-making may be detrimental to corporate survival.

On the other hand, I am sure that this situation gave us an opportunity to strongly realize how important it is to have person-to-person connections and communication and face-to-face communication, and above all, how important it is to give the highest priority to the safety and security of customers and workers, and that we are with all stakeholders including customers, shareholders, suppliers and local communities.

In this situation, the Group got the new Medium-term Business Plan started in fiscal 2021. Under the assumption that the unpredictable situation will continue, we will accelerate structural reform as our top priority, and at the same time, we will drastically change the business models of our core businesses.

The Group's strength is to have "commercial production capability," "good customer base," "partners including suppliers and creators" and "real estate assets in major urban areas." Considering these strengths and medium- to long-term environmental changes, we have decided to focus our initiatives for growth on three major strategies in the new Medium-term Business Plan. The first of the three strategies is the Real × Digital Strategy, the second is the Prime Life Strategy, and the third is the Developer Strategy.

Through these initiatives, we will steadily overcome the unprecedented crisis facing us now and achieve "full recovery" to the operating profit level of fiscal 2019 over the three-year period. Amid ever more rapid changes, waiting will not recover anything. That is to say, based on the assumption that the situation will not return to what it was, I think now is the time to drive change boldly.

No change, no full recovery. There will be no future for the Group unless we can turn this crisis into an opportunity for change. I think the full recovery we will achieve under this medium-term plan is absolutely corporate transformation to survive in the future.

Since its foundation, the Group has overcome a number of corporate crises by basing its management on the Corporate Credo "Service before Profit," which means that those who give priority to service over profit will prosper. The current COVID-19 pandemic is a more formidable enemy than imagined. However, we would like to get back to the starting point and put heads together all the more during tough times to definitely overcome this difficulty.

It is evident that the current changes triggered by COVID-19 cannot be resolved only with experience. "Readiness for change" on a level different from the past is required to respond to ever more rapid changes in society and values.

First of all, we will steadily achieve full recovery over the three-year period, and then, alter our course to regrowth. In fiscal 2030, ten years from now, we would like to develop into a highly efficient corporate group with consolidated operating profit of ¥80 billion and ROE of 10% or more, which is expected on a global level. At the same time, the Group will squarely face social issues and environmental issues, which are happening globally, and carry out its responsibilities to solve them.

Through these initiatives, we will contribute to creating a sustainable society while achieving both social value and economic value to realize the Group Vision "Create and Bring to Life 'New Happiness.'"

June 2021

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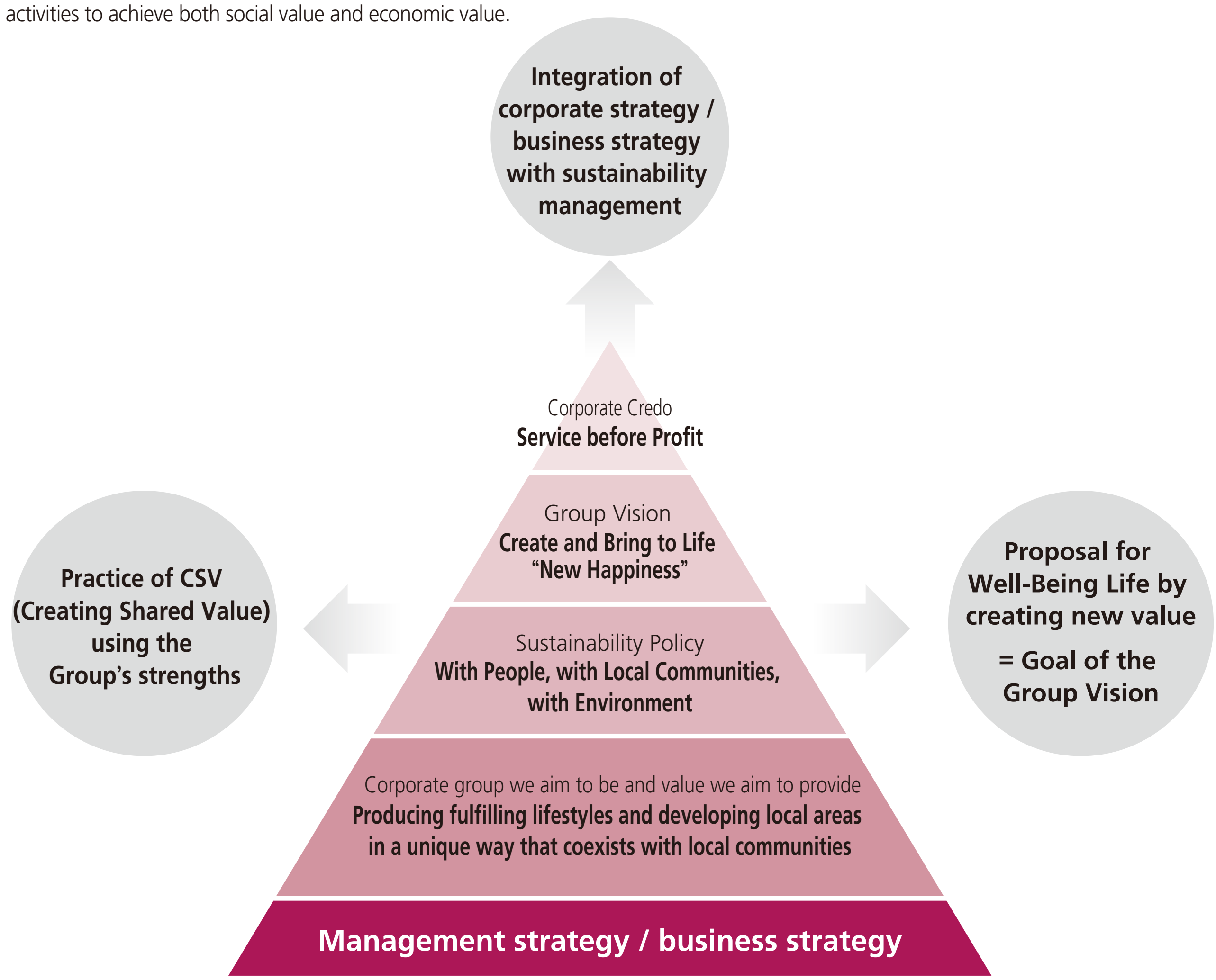
YOSHIMOTO Tatsuya
Director, President and
Representative Executive Officer
J. Front Retailing Co., Ltd.

Sustainability Management

The Group has encountered a number of crises over its 300 and 400 year history. Every time we have faced these situations, we have returned to our Corporate Credo, "Service before Profit" and carried out business activities honestly while responding to changes in customers and society quickly. We firmly believe this is what has led us to our current management. Currently it is essential for the management to paint the vision of what the company should be in the future, which will have a prominent presence in a society, from a longer-term perspective. It is evident that we cannot conduct business activities looking away from issues such as the environment, society and human rights. We think we will be able to obtain a framework for sustainable management for future growth by incorporating the concept of sustainability for the solution of these issues into our corporate strategies and business strategies.

Based on the Corporate Credo and with sustainability at the core of management, we will strive to solve social issues through business activities to achieve both social value and economic value.



Review of materiality issues

Recently, a movement to create a new business model is accelerating as a supply chain-wide initiative to create a circular economy mainly in Europe in order to solve global social issues such as resource depletion and the disposal of food and clothing. Consumers are also increasing their interest in ethical consumption, fair trade, traceability and recycling and thus their environmental awareness is greatly changing.

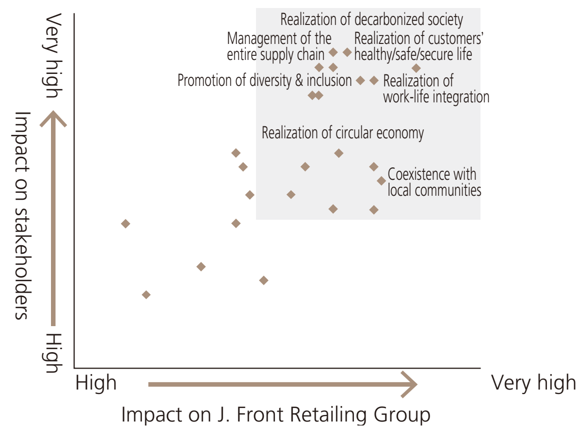
In addition, with the current COVID-19 pandemic, there is a growing need for safety and security with infection prevention in mind, wellness and healthcare, and new values and lifestyles are beginning to take root.

Looking at such a situation, and as a result of repeated discussions at the Management Meetings and the Board of Directors meetings, we decided to newly add two items including "promotion of circular economy" and "realization of customers' healthy/safe/secure life" to our five materiality issues that we identified in the past.

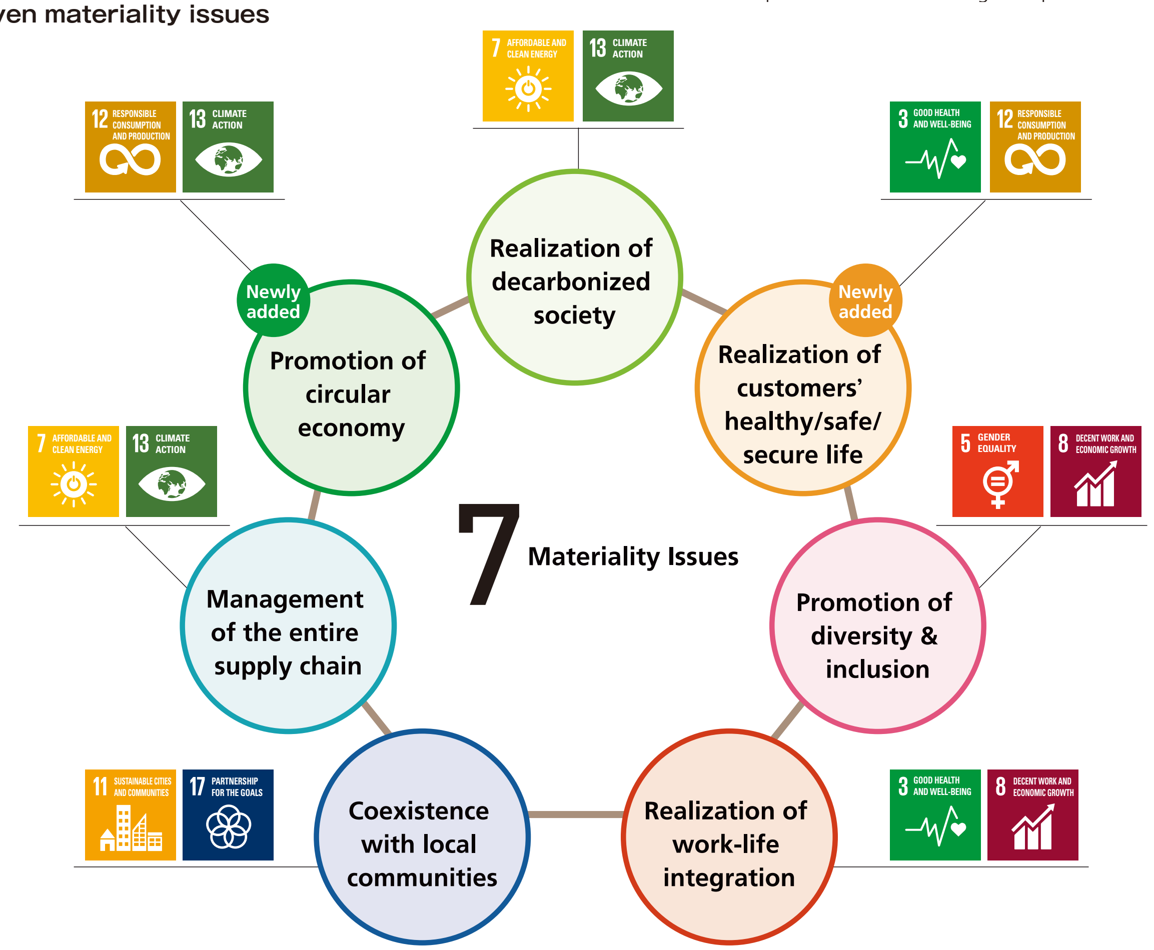
In the meantime, we also revised some of existing materiality issues. Specifically, with regard to "contribution to a low-carbon society," in response to the growing awareness of decarbonization in Japan and abroad, we revised it to "realization of decarbonized society" to strengthen our actions. And we also revised "promotion of diversity" and "realization of work-life balance" to "promotion of diversity & inclusion" and "realization of work-life integration," respectively, to improve our actions in response to changes in society.

Going forward, with regard to these seven materiality issues, we will identify both risks and opportunities and create business opportunities for each materiality issue to achieve social value and economic value at the same time.

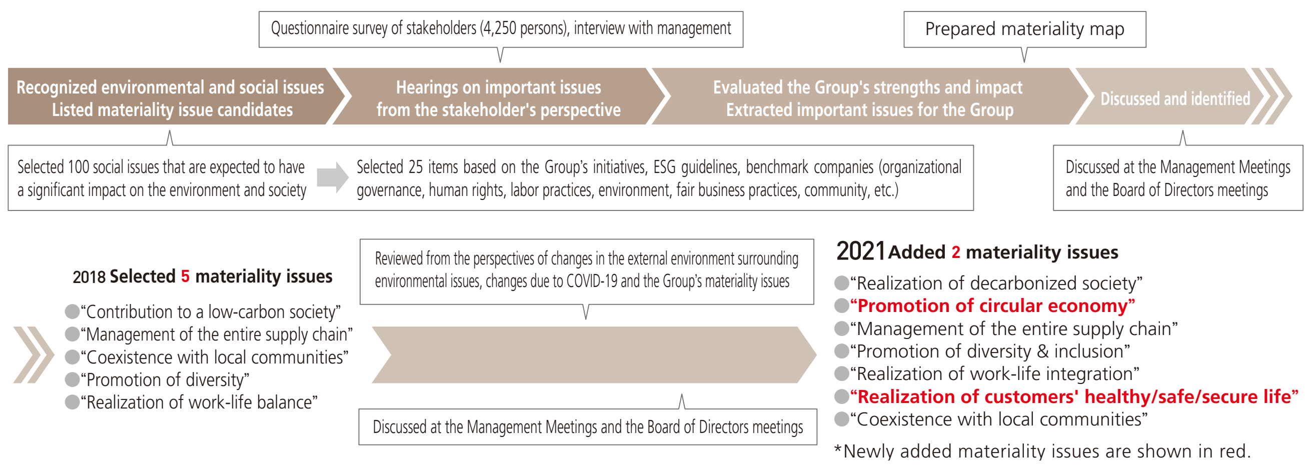
J. Front Retailing Group materiality map



Seven materiality issues



Process for identifying materiality issues



History Is a Series of Response to Changes

Daimaru

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

Shinsaibashisuji Osaka store

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

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

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

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

1757
Built Kiba Villa near Han-ei Bridge at Kiba 4-chome, Fukagawa, Edo and set up a shrine of Han-ei Inari in one corner of the property (still present on the premises of 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 "Kabushiki Goshi Kaisha Daimaru Gofukuten" with a capital of ¥0.5 mn.

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

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

1913
Revised and registered the trademark.

1920
Established "Kabushiki Kaisha Daimaru Gofukuten" with a capital of ¥12 mn.

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

First partnership with a foreign designer

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

1928
Changed the company name to "Kabushiki Kaisha Daimaru."

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

1959
Launched private label men's clothing "Trojan."

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

1964
Signed an exclusive contract with Givenchy.

Tokyo store opened

1983
Umeda store opened in Osaka Terminal Building "Acty Osaka." Adopted a new CI and created a new logo.

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

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

2003
Sapporo store opened.

1600 1700 1800 1900 2000

Matsuzakaya

1611
Ito Genzaemon Sukemichi opened a kimono fabric and fancy goods wholesale store in Honmachi, Nagoya.

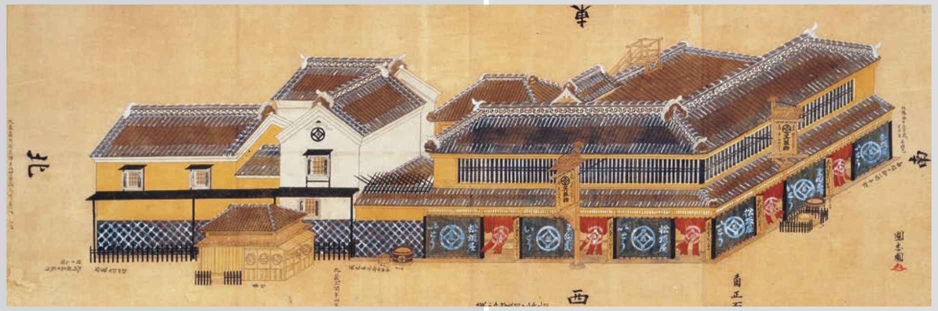
1659
Opened a kimono fabric and fancy goods wholesale store in Chayamachi, Nagoya.

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

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

1745
Opened a purchasing office in Muromachi Nishiki-koji, Kyoto.

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



Exterior of Ueno store in 1772

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

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

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

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

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

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

1917
Completed the new main building of Ueno store.

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

1924
Ginza store opened

Department store opened

Ginza store

1957
Designated cattleya as a symbol flower.

1972
Nagoya store built a north wing.

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

2003
Nagoya store built a new south wing and became the largest department store in Japan.

2006
Established a holding company "Matsuzakaya Holdings Co., Ltd."

Nagoya store built a new south wing

Accelerate Changes through Integration

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

September 2007
Established J. Front Retailing Co., Ltd.

2008

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

2009

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

November 2009
North wing of Daimaru Shinsaibashi store opened

2010

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

Phase of business integration and reorganization

2011

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

March 2011
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.
Phase II expansion of Daimaru Tokyo store

October 2012
Daimaru Tokyo store reopened with phase II expansion

2013

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

FY 2014 to FY 2016 Medium-term Business Plan started

Phase of building foundations

2014

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

2015

Increased floor space of the main building of Fukuoka PARCO.
Acquired a 22.6% stake in Senshukai Co., Ltd. and converted it into an equity method associate.
Shanghai New World Daimaru Department Store opened.
Decided to rebuild the main building of Daimaru Shinsaibashi store.
Decided to rebuild Shibuya PARCO
Invested in Scrum Ventures.

2016

Phase III renovation and grand opening of Matsuzakaya Nagoya store
Sendai PARCO 2 opened.

FY 2017 to FY 2021 Medium-term Business Plan started

Phase of dramatic growth / changing the Group structure

April 2017
Ginza Six opened

November 2017
Ueno Frontier Tower opened

November 2020
PARCO opened in the north wing of Daimaru Shinsaibashi store

2017

Voluntarily applied the International Financial Reporting Standards (IFRS).
Transferred the business of JFR Online Co. Ltd.
"Ginza Six" opened.
Transitioned to a Company with Three Committees (Nomination, Audit and Remuneration Committees).
Transferred shares of Forest Co., Ltd.
Ueno PARCO_ya opened.
Ueno Frontier Tower opened.
JFR Plaza Inc. was dissolved and liquidated.

2018

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

2019

Kinshicho PARCO opened (Mar).
SAN-A Urasoe West Coast PARCO CITY opened (Jun).
The new main building of Daimaru Shinsaibashi store opened (Sep).
New Shibuya PARCO opened (Nov).
Commenced TOB to convert Parco Co., Ltd. into a wholly owned subsidiary (Dec).

September 2019
Main building of Daimaru Shinsaibashi store opened

November 2019
New Shibuya PARCO opened

2020

Daimaru Matsuzakaya Department Stores Co. Ltd. absorbed The Shimonoseki Daimaru, Inc. and converted it into a store directly managed by the company (Mar).
Converted Parco Co., Ltd. into a wholly owned subsidiary (Mar).
Halted the then Medium-term Business Plan and began to formulate a new Medium-term Business Plan.
Transferred the Real Estate Business of Daimaru Matsuzakaya Department Stores Co. Ltd. to Parco Co., Ltd. (Sep).
Shinsaibashi PARCO opened in the north wing of Shinsaibashi store (Nov).

New Medium-term Business Plan started

2021

Transferred all shares of a consolidated subsidiary J. Front Foods Co., Ltd. (Feb).
The new Medium-term Business Plan started (Mar).
Transferred all shares of a consolidated subsidiary Neuve A Co., Ltd. (Jun).

Create and Bring to Life "New Happiness."

J. Front Retailing Value Creation Process

Under the Corporate Credo and the Basic Mission Statement, J. Front Retailing is committed to creating fulfilling life with 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 the Department Store and Parco.
It is nothing less than to create, as a public entity of society, new value with which its various stakeholders emphasize.
Circulating the Group's business model and creating new value using the six capitals of J. Front Retailing effectively and efficiently are the process to create the brand value of J. Front Retailing, which will result in the creation of new value with which society emphasizes.
Through this initiative, we will strive to achieve social value and economic value at the same time.

External environment recognition (Risk recognition)

P.22

- Decline of existing business models
- Advanced sustainability management
- Increasingly accelerating digitalization
- Urban decentralization
- Changes in consumer behavior after COVID-19
- Accelerating reorganization and M&A beyond industry
- New normal era
- Accelerating income polarization
- Declining birthrate and aging population / longevity
- Frequent natural disasters / epidemics
- Increasing importance of information security

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Input

Financial capital
Capital investment / growth investment
¥90 bn
(Total FY2021 – FY2023)

Human capital
No. of the Group employees
Approx. 9,600 people
(End of February 2021)

Manufactured capital
Daimaru/Matsuzakaya
PARCO
GINZA SIX
35 stores
(End of February 2021)

Intellectual capital
Brand value
Know-how for store planning
Know-how for sales floor development
Know-how for store operation

Social relationship capital
No. of major business partners of the Group
Approx. 9,000 companies
(End of February 2021)

Natural capital
Energy consumption
403,973 MWh
(Data in FY2020)

Business model

Business structure

- Department Store Business
- SC Business
- Developer Business
- Payment and Finance Business

Core Businesses

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Strength

- Commercial production capability
- Good customer base
- Partners including suppliers and creators
- Real estate assets in urban locations

Core Competence

IT P.46

Human resources P.48

Governance P.64

Strategy

Real × Digital Strategy P.34

Prime Life Strategy P.42

Developer Strategy P.44

Output

	FY2023	FY2030
ROE	7%	10%
Consolidated operating profit	¥40.3bn	¥80bn
Women in management positions	26%	50%
Scope1 and 2 GHG emissions	△40% (vs. FY2017)	△60% (vs. FY2017)

Outcome

- Realization of decarbonized society (SDGs 7, 13)
- Promotion of circular economy (SDGs 12, 13)
- Management of the entire supply chain (SDGs 7, 13)
- Promotion of diversity & inclusion (SDGs 5, 8)
- Realization of work-life integration (SDGs 3, 8)
- Realization of customers' healthy/safe/secure life (SDGs 3, 12)
- Coexistence with local communities (SDGs 11, 17)

Customers
We will provide genuine satisfaction captivating customers by offering new value.

Shareholders
We will enhance corporate value over the long term by implementing highly profitable and highly efficient management.

Business partners
We will build the relations of trust by working hard together and aim to grow together.

Employees
We will realize workplaces in which employees' performance and contribution are fairly evaluated and they can realize their exhibition of ability and growth and have job satisfaction.

Communities
We will contribute to community development and promote environment-friendly business activities as a good corporate citizen.

Realization of the Vision

Create and Bring to Life "New Happiness."

The Sustainable Development Goals (SDGs) are a set of international goals listed in the 2030 Agenda for Sustainable Development, which was adopted unanimously by all UN Member States at the UN Summit held in September 2015 building on the Millennium Development Goals (MDGs), which were developed in 2001. The SDGs consist of 17 goals and 169 targets that aim to achieve a sustainable and better world by 2030 and pledge to "leave no one behind." They are universal goals applicable to not only developing countries but also developed countries and Japan makes utmost efforts to achieve them.

Business Model ▶ Top Interview

Now Is the Time to Change. Break This Impasse with Diversity as a Driver.

YOSHIMOTO Tatsuya
Director, President and Representative Executive Officer

Awareness that the world will not return to normal

It has been more than one year since the COVID-19 pandemic started. My thought about the "worst" has changed fundamentally over the past year. For example, manufacturers have to write down their newly built plants, or in some cases, close them if strong competitors emerge or alternatives emerge suddenly. In our case, in terms of sales, I think the worst was an approximately 10% decrease after the collapse of Lehman Brothers. As retail is a stable business model in a way, we were in a "boiling frog" situation. On the other hand, manufacturers may achieve a V-shaped recovery when they make new products that their competitors do not make. But it is difficult for retailers.

The department store market had been shrinking after peaking in 1991, but recently, it was coming back to life mainly in urban stores because the inbound market expanded rapidly. Taking our company as an example, our inbound sales in fiscal 2019 were ¥60.1 billion, which grew to almost 10% of our department store sales. In the previous fiscal year 2020, however, people were globally restricted from traveling and the inbound market almost evaporarated due to COVID-19. Though it was often pointed out that we depended too much on inbound sales, I think no one expected we would have almost zero inbound sales.

Meanwhile, looking at Japan, spending by affluent people, mainly *gaisho* sales activities based on strong relations with customers, has been robust but crowd restrictions have an immense impact. Customer traffic to Daimaru Matsuzakaya Department Stores decreased by 47.9%, almost half, in fiscal 2020. It is true that this is largely due to temporary closures and business hours reduction at the request of the national and local governments and our efforts to strengthen our safety and security measures "not to create close contact between people" to the greatest extent possible to prevent infection from spreading. However, we have to pay more attention to the fact that consumption structure is greatly changing with changes in customer values and behaviors triggered by COVID-19.

The world will return to normal in time — I never think so. The Group has overcome a number of crises over its 300 and 400 year history. But in order to respond to unprecedented changes facing us currently, to what extent will we become serious after awakening from the boiling frog situation? I think our readiness for change on a level different from the past is called into question.

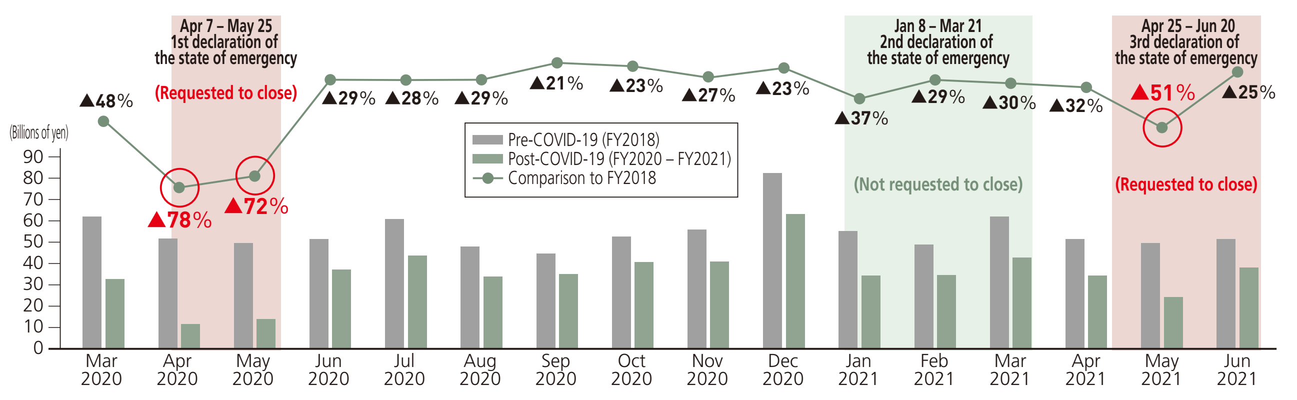
COVID-19 is not the main reason

The Group fell into the red for the first time in 19 years. It is true that it was greatly affected by a dramatic decrease in foot traffic and the evaporation of inbound sales due to the COVID-19 pandemic spreading around the world. More importantly, however, I think the underlying cause is that the core department store business has not reached a solution of the conventional problem of the obsolescence of its business model. That is to say, its ability to respond to changes is weakened due to over-dependence on apparel, over-dependence on elder people and over-dependence on physical stores. The COVID-19 pandemic has only exacerbated and exposed these problems at a stretch.

I do not think our awareness of issues and the direction we took were wrong. But I regret that there was a lack of speed in addressing these problems. In addition, since new variables including changes in customer values and behaviors were added, as a matter of course, I think we will be forced into a quite insufficient situation if we only continue in the same direction as in the past.

As for the direction of our business model reform, based on the major premise of creating a more lean

Daimaru Matsuzakaya Department Stores sales and comparison to pre-COVID-19



business structure, we need to change the look of physical stores and boost digitalization with stores as its starting point to capture new customer segments. The creation of synergy with Parco such as content development and the mutual transfer of customers will be a big point.

I have no intention of blaming COVID-19 for current poor department store performance. Instead, I think we should take this opportunity to face anew the essential issues of department stores. On the other hand, in fact, department stores are said to be an "industry in structural recession." However, I feel uncomfortable about summing up all in this single phrase. I believe we will be able to change such perception depending on our ability to respond to the situation.

As sort of 10 years of changes have come all at once, we are expected to respond to changes more quickly than ever. I would like to clearly show that department stores are never "outdated" by accelerating business model reform that meets changes in the times and changes in customers appropriately without misjudging the true nature of the problem.

Management based on sustainability

We could obtain a lot of awareness from the current COVID-19 pandemic. The vulnerability of the business overly dependent on physical stores was exposed. Concerns arose about the advantage of urban locations which we had considered as our strength. In this way, the problems with the business model, which we have had since before the COVID-19 pandemic, became more conspicuous. In the meantime, precisely because we are in such a situation, I am sure we were given an opportunity to strongly realize again how important it is to have person-to-person relationship and communication and real face-to-face meetings, how important it is to give first priority to the safety and security of customers and employees, and that we are with all stakeholders including customers, shareholders, business partners and local communities.

The Group has identified the materiality issues considered to have a significant impact on the Group and its stakeholders from issues related to environmental, social and economic sustainability to promote sustainability management. The Group 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." However, considering that environmental problems are rapidly becoming serious and that the current COVID-19 pandemic is changing values and establishing new lifestyles, we have decided to newly add two items including "promotion of circular economy" and "realization of customers' healthy/safe/secure life."

At the same time, concerning "contribution to a low-carbon society," we went a step further and revised it to "realization of decarbonized society." And in light of changes in society, we renewed "promotion of diversity" and "realization of work-life balance" with "promotion of diversity and inclusion" and "realization of work-life integration," respectively. With regard to these materiality issues, while identifying both risks and opportunities, we will create business opportunities to achieve both social value and economic value.

The Group has a long history of 300 and 400 years. I am proud that we are a corporate group that continues to represent sustainability. The Corporate Credo "Service before Profit" underlies that. Those who give priority to service over profit will prosper. I think it suggests that it is important to solve social issues through business activities by offering support to customers and society. Our idea of achieving both social value and economic value is not something new. What is really important? When we face a difficult situation, we return to this Corporate Credo.

First, achieve "full recovery" in three years

Recently, the Group has prepared the FY2021 to FY2023 Medium-term Business Plan to integrate its corporate strategy and business strategy based on such sustainability management. It aims to achieve "full recovery" by recovering both PL and BS back to fiscal 2019 levels in the three years through fiscal 2023 after bottoming out in fiscal 2020. The numerical plan for fiscal 2023, the final year of the Medium-term Business Plan, which symbolizes full recovery, is operating profit of ¥40.3 billion, ROE of 7% and interest-bearing liabilities of ¥260.0 billion. In fiscal 2019, operating profit was ¥40.2 billion. So it shows our determination to definitely go beyond it. We will also decrease interest-bearing liabilities, which ballooned because we gave priority to securing liquidity on hand to prepare for "emergencies," back to normal levels. However, we do not assume that the top line will recover to the previous level in these three years. We assume it is inevitable that the markets for both domestic consumption and inbound consumption will shrink if we continue to do the same things as we do now. Therefore, I think we will not be able to achieve full recovery without transforming our business structure to a leaner one through structural reform.

What we should do first is to lower the break-even point by reducing fixed costs. There is no doubt that the Group's cost reduction efforts were much ahead of its peers. In that situation, I am often asked, "Can you reduce costs more?" I think there is still ample room for cost reduction as long as we have an intention of changing business structures and operation systems instead of simply cutting costs. We would like to cut fixed costs by ¥10.0 billion or more in these three years by reforming our human resource structure through business model transformation, reviewing the right size of offices because remote working has become established to a certain degree, and promoting the digitalization of advertising.

The Group will also reorganize its businesses and narrow down its business foundation. As part of these efforts, we sold J. Front Foods, which operated restaurants, at the end of the previous fiscal year and decided to close Tsudanuma PARCO and Shintokorozawa PARCO. After fiscal 2021 began, we decided to absorb and merge Daimaru Matsuzakaya Sales Associates, which is commissioned mainly to operate the sales floors of Daimaru Matsuzakaya Department Stores, into the company and to sell Neuve A to select and concentrate the Group's businesses. Going forward, we would like to assess our businesses and stores with an eye to the future as quickly as possible.

Three strategies drawn from strengths

Meanwhile, concerning how we will restore the top line, which was extremely damaged due to the COVID-19 pandemic, we have decided to clarify anew what the Group's strengths are and put them into practice as growth strategy.

The Group's strengths include "commercial production capability," "good customer base," "partners including suppliers and creators" and "real estate assets in major cities." Based on these strengths and medium- to long-term environmental changes, we have decided to focus our growth initiatives on "three major strategies" in the new Medium-term Business Plan. The first of the three strategies is the Real × Digital Strategy, the second is the Prime Life Strategy, and the third is the Developer Strategy.

Needless to say, digitalization is a must for retailers. The greatest theme that the COVID-19 pandemic made us aware of is that Parco and the Department Store, which are the core businesses of the Group, conduct their businesses within "time and place constraints." Digital or OMO (Online Merges with Offline) is one of the solutions for that. We would like to aim to create added value using customer service and counseling expertise through "people" in real places such as stores, which are our intangible assets, instead of expanding e-commerce, which mainly deals in products. That is to say, I think the digital that the Group should handle cannot exert a presence without synergy with physical stores.

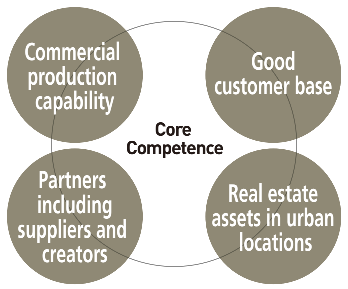
Therefore, in promoting digitalization, I think it is more important to improve physical stores and content. During this three-year period, however, from the standpoint of fully restoring financial health as well, we have no choice but to limit investment to some extent. For the Department Store, we will focus investment on Nagoya, Sapporo and Kobe stores to expand luxury items, which are its strength, and strengthen watches and art. And for Parco, while developing new content, we will renovate flagship stores including Nagoya, Hiroshima, Sendai, Urawa and Ikebukuro stores to increase their appeal so that they will become the stores of choice in their local areas.

Under the Prime Life Strategy, we will strengthen proposals for "consumers who value culture and art and enjoy fulfilling and sustainable lifestyles." Main initiatives include the development and provision of solution services for loyal customers, the acquisition of new loyal customers and the improvement of *gaisho* online communication. In order to advance these initiatives, we will improve our

digital infrastructure, for example, by equipping "connaisligne," a closed website for its members who are *gaisho* customers, with payment function, and at the same time, we will actively consider collaboration and alliance with companies outside the Group.

The Developer Strategy is a long-term business. So it will not significantly contribute to profit over these three years. But we will steadily proceed with the preparation for growth in 2024 and beyond including the investment of ¥30.0 billion. In September last year, the Real Estate Business of Daimaru Matsuzakaya Department Stores was centralized into Parco and 47 properties held by Daimaru Matsuzakaya Department Stores were transferred. We will strive to monetize these assets mainly by effectively using them. In the past, real estate development was conducted mainly for commercial purposes. But going forward, we will promote multiple initiatives without being limited to commercial use.

Strengths of the Group



Create new value through synergy

Though Shinsaibashi PARCO opened last November when we started to see the signs that a third wave of COVID-19 was starting, it has performed better than our internal plan since opening. Particularly, luxury items, art and culture enjoy strong sales. In March, a restaurant mall, which is unique to Parco, opened on the second basement floor. The essences, which led Shibuya PARCO to success, were incorporated throughout the store and I feel it is building a strong presence as a new popular site in Shinsaibashi mainly among tuned-in young people.

Shinsaibashi PARCO is almost integrated with the adjacent Daimaru Shinsaibashi store across a road. Combined, they are a large commercial complex with a floor space of more than 80,000 square meters. We could choose to further expand the department store but we decided to open a Parco store because we wanted to provide new value to the area. I can say confidently that only the Group could develop this large commercial complex. It also serves as a touchstone for what synergy will be created by the Department Store and Parco whose main customer bases are different from each other.

We are already seeing the results in various forms. I said before that luxury items enjoy strong sales. Actually, the customers of the Daimaru Shinsaibashi store, particularly *gaisho* customers, shop feeling that the assortment of luxury items was significantly expanded because Shinsaibashi PARCO opened next to the store. After a modern art event in Shinsaibashi PARCO was closed, we offered a special sale of art works to *gaisho* customers at the closed website and they were sold out immediately.

Customers and content mingle between the Department Store and Parco — It is one form of synergy creation we have aimed for. I am quite sure that enhancing customer experience value makes greater chances. I think it will lead to the medium- to long-term value creation of the Group.

Create a portfolio 10 years from now

In our business portfolio based on operating profit in fiscal 2019 before the COVID-19 pandemic, the Department Store and Parco accounted for about 80% of the total. The current COVID-19 pandemic greatly damaged these two businesses and renewed our awareness that the unbalanced business portfolio increases risk. Above all, the Department Store generates the greatest sales and profits but it is most severely damaged in this unexpected situation. I think COVID-19 is steadily receding with accelerated vaccination rollout. However, there is no doubt that another pandemic will happen in the future. Increased globalization gave us a good opportunity to generate inbound sales. On the other hand, the pandemic increased risk.

Then, what is the optimum balance of portfolio? Looking ahead to 2030, 10 years from now, the declining birthrate and aging population, depopulation, technological advancement and the maturation of consumption will continue. At the same time, the new normal created by COVID-19 will become established. In the meantime, I think the ideas that the Group has valued, including "respect for human thoughts and individuality," "coexistence with local communities," and "inheriting traditional culture and communicating cutting-edge culture," will become even more important.

One of the directions in which we will spread our wings based on the above is shift to the Developer Business. Around our department stores, we have many properties that are not fully used in terms of profit generation. Particularly, in the Shinsaibashi area, Osaka, and the Sakae area, Nagoya, I think there is room for large-scale development in the medium- to long-term term. We will create new value in these areas by developing not only commercial facilities but also residences and offices with the aim of coexisting with local communities.

Rendering of redevelopment of Nagoya Nishiki 3-chome District 25 (planned to be completed in 2026)　Provided by Mitsubishi Estate

Another direction is the growth of the Payment and Finance Business using the expansion of customer touchpoints in the Department Store, Parco and Developer Businesses. It has just made a fresh start by renewing cards in January 2021. Absolutely, it has a great potential in terms of compatibility with the core businesses of the Group. On top of it, we also consider M&A and alliance to spread our wings.

We need to further improve business management so that the Developer Business and the Payment and Finance Business will become growth drivers. To this end, the Group has decided to officially adopt ROIC as a key performance indicator. We set hurdle rates above the cost of capital for each business segment and aim for ROIC above them to enhance corporate value.

Through these efforts, in 2030, 10 years from now, we would like to increase the operating profit share of the Developer Business, the Payment and Finance Business and Other and decrease the share of the Department Store and Parco to around 60% from the current share of about 80%. By doing so, we would like to change our portfolio to strongly balanced one and develop ourselves to the "corporate group that produces fulfilling lifestyles and develops local areas in a unique way that coexists with local communities," which is what we aim to be.

Diversity and resilience

There are two major differences between the new Medium-term Business Plan and the previous plan that started in fiscal 2017.

One is to clarify non-financial indicators as well as financial indicators as quantitative targets. We set specific numerical targets for fiscal 2023, which is the final year of the current Medium-term Business Plan, for operating profit as a business growth indicator, ROE as a capital efficiency indicator, interest-bearing liabilities as a financial health indicator, and others. In addition, as sustainability indicators, we have committed to 40% reduction of greenhouse gas (GHG) emissions (compared to fiscal 2017) and the ratio of women in management positions of 26%. Among them, operating profit, ROE and two sustainability indicators are linked to stock-based remuneration to be provided when the Medium-term Business Plan is completed. Especially, the evaluation weight of sustainability indicators is 20%. I think our commitment to solving social and environmental issues is becoming stronger.

The other is to use human resources diversity in the process of formulating the Medium-term Business Plan. The holding company's team that played a central role in formulating the plan comprised a mixed group of people from the Department Store, Parco and companies outside the Group. As seen from this, fusion with Parco, which became a wholly owned subsidiary last year, is steadily progressing.

A person who is responsible for the digital development of the Department Store, which is one of the points of the current medium-term plan, is an employee in his 40s who had made a career move from Daimaru Matsuzakaya Department Srores to a leading IT company once. The Group employed him again because he was considered as the right person to strengthen digital in the Department Store's distinctive way. Concerning the newly launched subscription business, a young employee in his early 30s formulated a business plan and is responsible for the business.

In terms of the oversight of execution, one of six Outside Directors was a woman when the Medium-term Business Plan was formulated. Currently we have two female Outside Directors. The Board of Directors has a total of three female Directors and their percentage increased to 25%. We support Keidanren's Challenge Initiatives for 30% of Executives to be Women by 2030. We started to disclose a skill matrix this fiscal year. I feel the skills held by Directors have become more diverse.

The Group's ratio of women in management positions (manager and above positions) increased to 19.9%, almost 20%, in fiscal 2020. Some mid-career female workers employed under our unique Mother Recruitment program are working as key persons. The Women's School for female employees who are working for shorter hours while raising children has become established. I would like to develop more and more female employees who serve as leaders. To this end, it is more important to change our awareness and develop talents than simply to select.

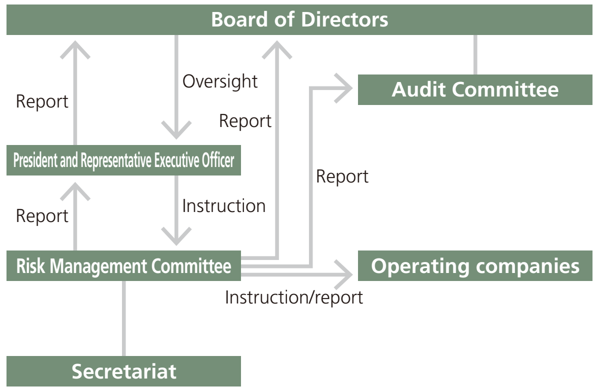
It is true that experience is more important when confronted with crisis. Currently, however, changes are increasing in speed and complexity to the extent we cannot solve only with experience. Respond to changes and create new value by going beyond boundaries such as culture, gender and age and crossing, accepting and gathering different views. Increase resilience to overcome the current difficulties — I think it is the greatest driving force.

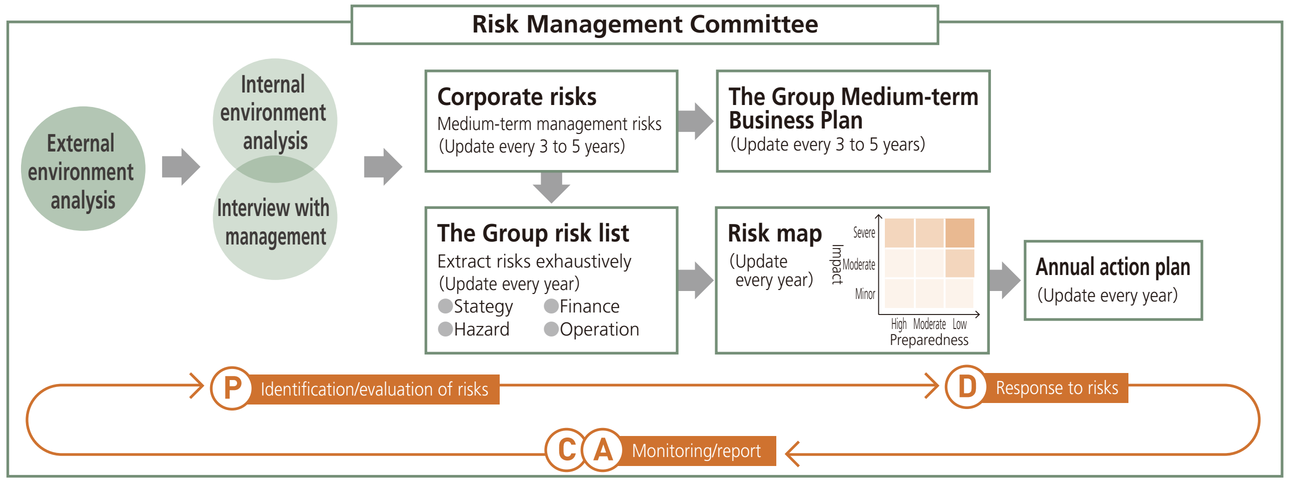
"Create and Bring to Life 'New Happiness.'" I think this Group Vision deeply and clearly shows what direction we should take in the current era. With the aim of realizing this Vision, first, we will strive to achieve "full recovery," and then, gear up to "regrowth" to achieve sustainable growth and enhance corporate value.

Link Risk to Strategy

The Group defines risk as “uncertainty that affects the achievement of business management goals and has both a positive side and a negative side.” We believe a company will grow in a sustainable way if the positive side and the negative side of risk 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 headed by an officer in charge of risk management. The secretariat shares important matters decided by the committee with operating companies to promote enterprise risk management (ERM).





We position risk as the starting point of strategy and link risk to strategy so that we can enhance corporate value through risk management. Extremely important risks in the Group’s management over the medium term are reflected in the Medium-term Business Plan as “corporate risks.”

We extracted a total of 14 “corporate risks” including strategy risks, finance risks and hazard risks by factoring in long-term megatrends forecast for 2030 and the impact of COVID-19 and back casting to avoid short-term thinking. (See page 73 for the list of 82 risks of the Group.)

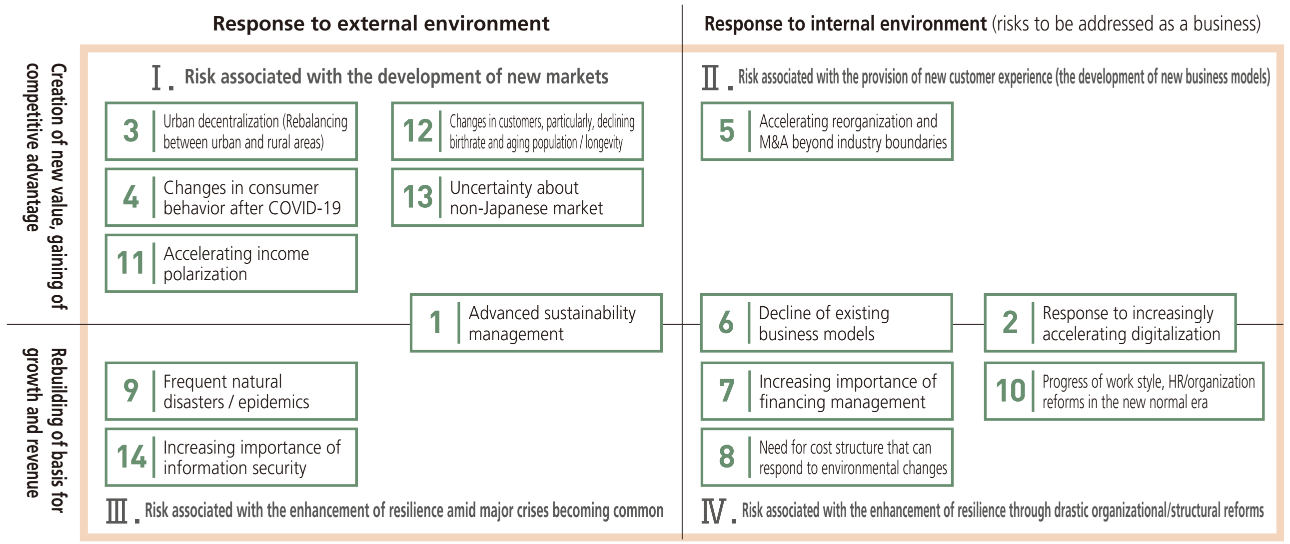
Long-term megatrends for 2030

Geopolitics	●US-China struggle for supremacy, leaderless ●Rise of state capitalism countries ●Increasing occurrence of pandemics
Economy	●Progress of globalization ●Global economy’s shift to Asia ●Establishment of stakeholder capitalism
Society	●Population growth in emerging countries ●Increasingly aging population ●Widening gaps between the rich and the poor and between social classes
Technology	●DX accelerated by 6G ●Practical use of self-driving cars ●Establishment of digital economic zone
Environment	●Global warming ●Accelerating switch to renewable energy ●Resource depletion

Impact of COVID-19

Economy/ companies	Short term	●Economic slump due to prolonged COVID-19 ●Growing concern about unemployment and inflation ●Evaporation of demand and supply
	Long term	●Financial crisis in response to continuing easy monetary policy ●Growing demand for sustainability-oriented management ●Accelerating technological evolution ●Rebuilding of global supply chain ●Changing urbanization ●Paradigm change of organizations and work styles
Society/ individuals	Short term	●Rising unemployment / decreasing income / anxiety about the future ●Avoiding the 3 Cs (closed spaces / crowds / close contact) ●Consumer trends emerging from COVID-19 (stay-at-home consumption, neighborhood consumption)
	Long term	●Growing awareness of realizing a sustainable society ●Investment in safety and security such as healthcare and insurance ●Increasing importance of rural areas ●Expansion of virtual consumption and virtual communication ●Increasing importance of physical things (person-to-person connections and places) ●Epidemics and disasters becoming new normal

Corporate risk matrix



Corporate risks and measures

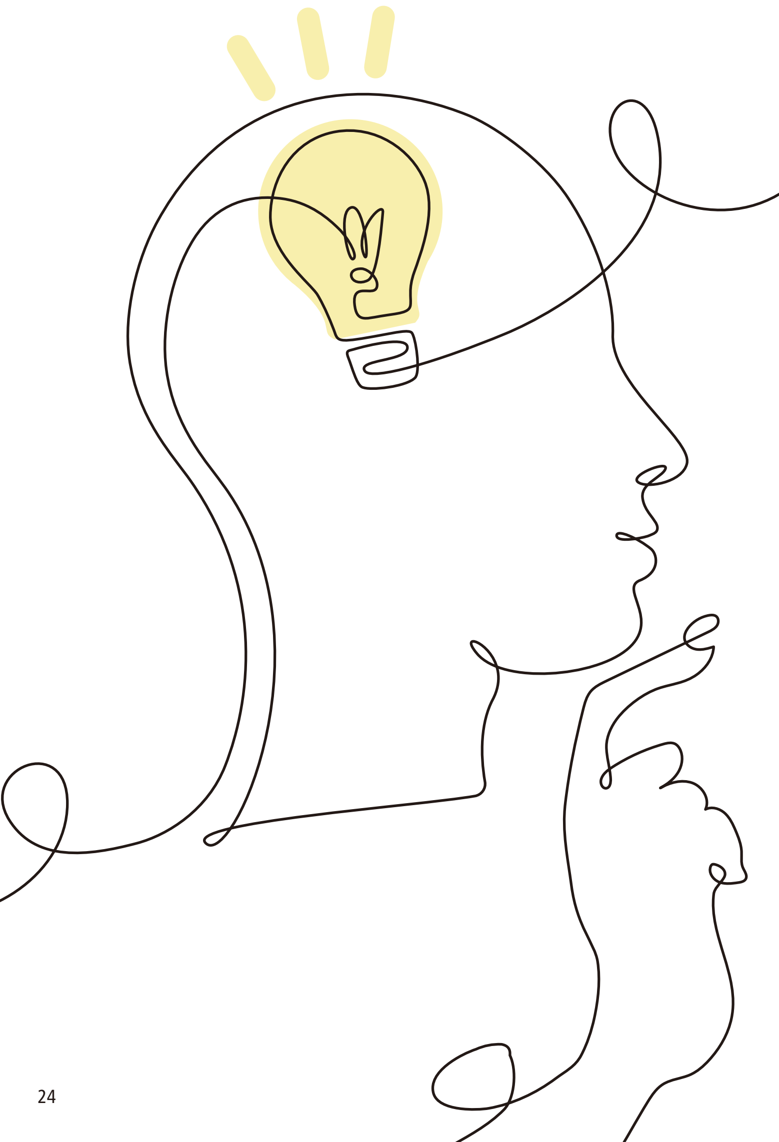
Category	Item	Impact	Outlook for next FY	Negative side	Positive side	Measures
Strategy risk	Decline of existing business models	Very severe	↑	●Decreased vitality of the entire Group due to the weak performance of core businesses	●Regrowth by radically changing the business models of the core businesses	●Enhancing the appeal of content, merging with digital, enhancing the appeal of stores by enhancing environmental value, and enhancing the asset value of large urban stores
	Advanced sustainability management	Very severe	↑	●Defection of investors and shareholders, lower rating due to a delay in taking action	●Sustainable growth by steady action	●Realizing Well-Being Life by promoting 7 materiality issues including “realization of decarbonized society”
	Response to increasingly accelerating digitalization	Very severe	↑	●Sluggish growth of the entire Group ●Declining competitiveness	●Changing the business models of existing businesses ●Renewing awareness of real person-to-person connections	●Changing business models through OMO (Online Merges with Offline) ●Improving communication physically and digitally ●Changing operations through digitalization
	Urban decentralization (Rebalancing between urban and rural areas)	Severe	↗	●Decline in conventional urban commercial facilities’ ability to attract customers	●Business in response to urban decentralization	●Strengthening epidemic prevention and contactless services in urban stores ●Real estate development in urban and semi-urban areas for not only commercial but also mixed use
	Changes in consumer behavior after COVID-19	Severe	↗	●Poor performance due to a failure to meet consumer needs	●New market development	●Rightsizing commodities ●Enhancing customer satisfaction through OMO ●Strengthening art, culture and ethical products
	Accelerating reorganization and M&A beyond industry boundaries	Severe	↗	●Hostile takeover of the Group	●Overhaul of business portfolio ●Corporate growth using M&A	●Increasing the resilience of business portfolio ●Creating new businesses through M&A and business alliance with other companies
	Progress of work style, HR/organization reforms in the new normal era	Severe	↗	●Talent drain ●Losing the war for talent	●Creating innovation by changing corporate culture	●Strengthening mid-career employment ●Improving flexibility in work styles ●Changing to a sustainable organization
	Accelerating income polarization	Severe	↗	●Poor performance due to shrinkage of volume market	●Emergence of new affluent market	●Rightsizing products/services in volume price ranges ●Deep cultivation of affluent market with diverse approaches
	Changes in customers, particularly, declining birthrate and aging population / longevity	Severe	→	●Shrinkage of domestic market	●Expansion of senior market	●Deep cultivation of high quality children’s market ●Creation of safe and secure store environment ●Strengthening art/culture/wellness
	Uncertainty about non-Japanese market	Severe	→	●Prolonged significant decrease in inbound sales	●Acquisition of foreign demand with new approach	●Review of inbound strategy ●Strengthening cross-border EC and live commerce
Finance risk	Increasing importance of financing management	Severe	→	●Business failure due to a lack of funds ●Sluggish growth due to financing on unfavorable terms	●Business development by securing funds for investment in growth areas	●Centralizing the Group’s financing and improving fund efficiency ●Diversifying financing methods
	Need for cost structure that can respond to environmental changes	Very severe	↗	●Business survival crisis ●Delay in performance recovery	●Business portfolio realignment ●Investment in growth businesses	●Cost reduction through business model reform ●Narrowing down business base
Hazard risk	Frequent natural disasters / epidemics	Very severe	→	●Damage to the lives of customers and employees ●Business continuity crisis	●Contribution to ensuring the safety and security of local communities	●Development of manuals for “business continuity” and “response to infections” ●Continuously conducting BCP training
	Increasing importance of information security	Severe	↗	●Loss of social credibility and operating loss due to the leakage of important information ●Delay/stagnation of operations	●Promotion of smooth digital transformation (DX)	●Development of Information Security Policy and IT Governance Policy ●Promotion of transition to cloud-based systems ●Improvement of information literacy through education/training

How Will We Use "Awareness" from COVID-19?

01

Vulnerability of business model

A state of emergency was declared for the first time on April 7, 2020 due to the spread of the COVID-19 infection and Daimaru, Matsuzakaya and Parco in the Group were forced to close their stores for a long time to reduce the flow of people. Approximately 300 million customers visited the physical stores of the Department Store and Parco every year and they offered value through products and services every day. However, no matter how good a lineup of goods and services we have, we cannot do anything unless we can open physical stores. If the flow of people declines rapidly or stops, uncertainty about performance due to opportunity loss will increase at once. We were made aware how vulnerable the core businesses of the Group overly dependent on physical stores, which are "constrained by time and place," are. If we can eliminate these constraints, we will have a lot of opportunities.



02

Concern about the advantage of urban location

One of the Group's strengths is to have stores in urban prime locations. For example, the Daimaru Tokyo store and the Daimaru Osaka Umeda store are located in the massive terminal buildings of the Tokyo Station and the Osaka Station, respectively, and they are strongly supported by the rail traffic of business people and office workers who commute to the surrounding offices or travel on business and tourists. However, the situation has drastically changed due to the COVID-19 pandemic and traffic to urban stores decreased rapidly. Tourists may return some day but we cannot deny the possibility that expanded remote working and decreased business trips will become new normal in the medium- to long-term. On the other hand, it is also true that the areas surrounding both the Tokyo Station and the Osaka Station are being actively developed even now. We need to correctly understand the facts and behavior changes and calmly rethink what our stores should be from a medium- to long-term perspective.

03

Delay in digital response

The Department Store is rebuilding their e-commerce by narrowing down the categories to their strong gifts, *depachika* (department store basement floor) food products and beauty products. Basically, except for gift items, inventory control and shipment were incorporated into store operation. Therefore, though there was a demand, we could not move products after the first temporary store closure. And then, by strengthening our measures, for example, by keeping products exclusively for e-commerce in stock outside the stores, the Department Store's e-commerce sales finally exceeded ¥10 billion. In the meantime, the Group owes its strength to physical stores' communication and service capabilities. It also became clear that the medium- to long-term direction we aim for is OMO, that is, using the strengths of physical stores and merging digital with them, rather than expanding e-commerce with a full line-up.

04

Lack of resilience of business portfolio

The Department Store Business and the Parco Business accounted for about 80% of the Group's operating profit in fiscal 2019. These two segments were most severely damaged by the current COVID-19 pandemic and we cannot deny that it showed the current unbalanced portfolio carries a great risk in our ability to respond to rapid environmental changes. It is the issue we continue to address since the previous medium-term plan and its urgency has become clearer. Though retail is expected to grow to a certain extent, we will expand the domains such as the Developer and the Payment and Finance using synergy without overly depending on retail. While providing a medium- to long-term outlook for the Group in our business portfolio, in order to realize it, we think we need to work on the portfolio reform and the balance sheet reform with a focus on capital profitability through optimal resource allocation.

05

Importance of person-to-person communication

When we were forced to close stores due to the COVID-19 pandemic last year, real communication with customers was suspended for about two months. Communication between customers and sales people based on the relations of trust underlies the core retail business of the Group. Through such communication, we provide highly satisfactory buying experience and we pick up not yet visible needs and wants through conversation with customers. In the past, basically, communication was conducted in real places. But the COVID-19 pandemic rapidly drove use of digital devices in the Group and we feel we can communicate online as satisfactorily as in real places. What is more important than digital literacy are so-called "human warmth" of sales people who can offer enough support to customers and human resources.

06

Renewed awareness of consideration for safety and security

Needless to say, it is our great responsibility to create the environment that enables safe and secure shopping. The current COVID-19 pandemic made it clear that our effort to carry out this responsibility is not enough. Customers could not shop when physical stores were closed and customers could not go out for fear of infection even if they wanted to go shopping. How much of such frustration and concern could we relieve? At the same time, can workers on the sales front line including those from suppliers work safely and securely in the situation in which they cannot avoid a certain contact with people? These are the Group's priority material issues. It is certain that the recheck of operation process from the standpoints of safety and security was not only the effort to reduce risk but also gave an opportunity to review existing business model to make it stronger.

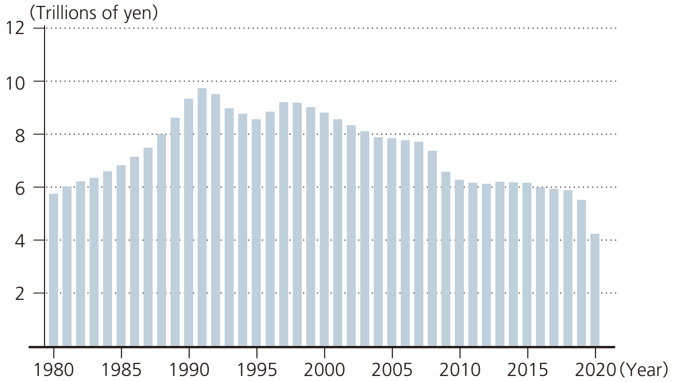
07

Attention to all stakeholders

The stakeholders of the Group include customers, shareholders, business partners, employees and communities. The outcome resulting from business activities leads to value for all the stakeholders. If it is inevitable that the core businesses become lackluster and perform poorly because they cannot attract customers actively, uncertainty about the future of the company will grow. In order to avoid such a chain of events, we need to provide clear messages, including specific safety and security measures in stores, enough financial arrangements for corporate survival and the clear vision for the future, timely with what is important for individual stakeholders in mind. In this situation, we think it is also important for employees to foster a healthy sense of crisis.

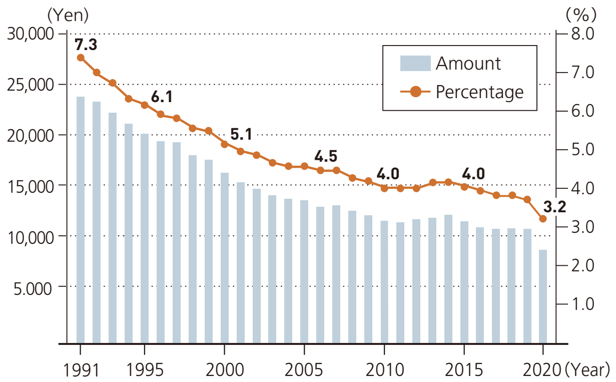
Acceleration of Business Model Transformation Urged by COVID-19

National department store sales



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

Share of "clothing and footwear" in total household consumption expenditure



*Source: Monthly Expenditure per Household (two-or-more-person households) from the "Family Income and Expenditure Survey" by the Ministry of Internal Affairs and Communication

Shrinkage of department store market accelerated by COVID-19

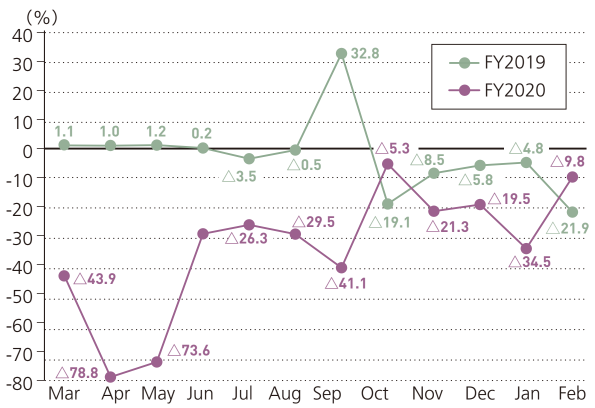
National department store sales are on a downward trend after peaking at ¥9.7 trillion in 1991 and fell below the ¥6 trillion levels in 2016. Recently, while mainly urban stores had strong sales thanks to brisk spending by inbound tourists and affluent people, the severity of rural stores was accelerated. Thus the disparity between urban and rural areas was further widened. What is worse, in 2020, inbound consumption, which had driven sales, was hit by the COVID-19 pandemic and evaporated at once. Domestic consumption also decreased to ¥4.2 trillion partly due to the temporary closure of stores for almost two months because of the declaration of the state of emergency and the impact of subsequent continuing crowd restrictions such as voluntary ban on leaving home to avoid infection risk.

The shrinkage of department store market is partly attributable to external factors such as the collapse of the middle class due to increasingly declining and polarized population, and furthermore, fiercer competition beyond industry boundaries mainly caused by rapidly growing e-commerce. However, we cannot deny that our essential problem is the obsolescence of the business model, which fails to respond to changes in customers. The COVID-19 pandemic has reset many things, and so to speak, 10-year changes have come all at once. Department stores stand at a crucial turning point. They will have to exit unless they can change at this point.

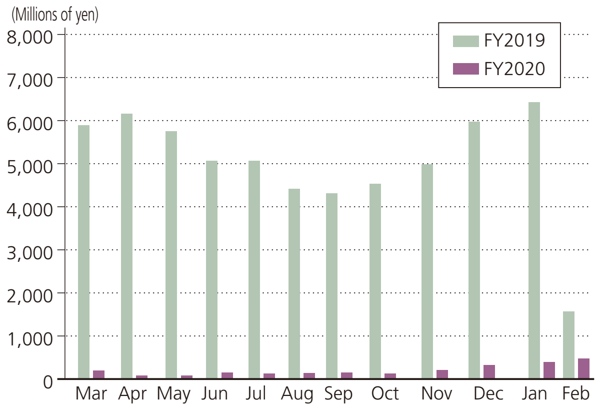
The business model of department store was born approximately 100 years ago. Department stores are called *hyakkaten* (literally, stores selling hundreds of products) in Japanese because they were large stores selling various products ranging from men's and women's clothing to kimono, children's clothing, furniture, home appliances and food. In the past, department stores mainly purchased products on a no return basis and took inventory risk, which is called *kaitori* in Japanese. But in the 1980s, a new form of transaction without inventory called *shoka shiire* expanded to around 80%. In *shoka shiire*, purchase is recorded when the product is sold to a customer and the product is not recorded as department store inventory. And the focus of the business shifted from merchandising to marketing or brand assortment. At the same time, department stores overly depended on clothing, particularly women's clothing, against the backdrop of the DC brand boom, instead of carrying a full line of products, which is the origin of the word *hyakkaten*. It was then that department store sales peaked.

In the meantime, around that time, the breakdown of consumer spending in Japan began to rapidly change. According to the Family Income and Expenditure Survey by the Ministry of Internal Affairs and Communication, the percentage of expenditure on clothing and footwear decreased to 3.7% in 2019, almost half of 7.3% in 1991. However, department stores could hardly get out of past successes and continued to allot too much space to women's clothing. It widened the gap with customers' tastes and buying behavior. Drastic structural changes are absolutely necessary to eliminate the mismatch between the content provided by department stores and the era.

Daimaru Matsuzakaya Department Stores monthly sales (comparable stores, YoY percentage changes)



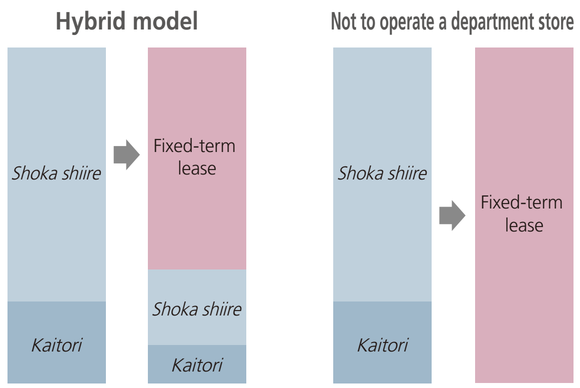
Daimaru Matsuzakaya Department Stores duty-free sales



Seek a new business model

Therefore, we decided to take two major directions as a new department store business model.

The one is an option "not to operate a department store," that is, a 100% transition to a real estate rental business. One of its examples is GINZA SIX, which was created in 2017 by developing the two blocks including the former site of the Matsuzakaya Ginza store as one. The other is to build a "hybrid model" that combines real estate rental with *kaitori* and *shoka shiire* under the "department store brand." Its typical example is the new main building of the Daimaru Shinsaibashi store, which opened in 2019.



The advantage of *shoka shiire* is to realize sales growth, which enables us to seek greater return. On the other hand, the advantages of fixed-term lease are not only to realize stable revenue and the reduction of operation costs but also to increase the variety of tenants to strengthen the response to service consumption and experience-based consumption, which makes the store look fresher. It is important to find the optimal balance for each store considering its customer target, the characteristics of the area and the building form.

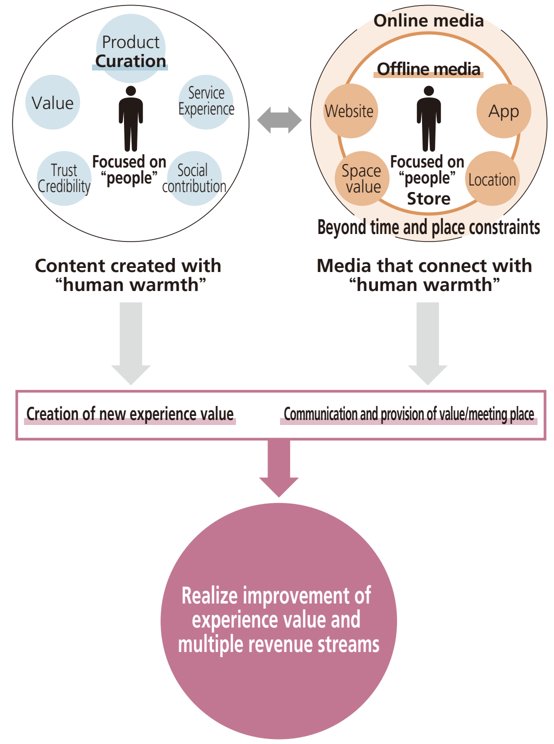
Medium-term bold overhaul of sales floor configuration

1. **Decrease originally curated areas by half**
   13,200㎡→7,000㎡
2. **Restructure and expand content by shifting to lifestyle-based one**
   e.g. cosmetics → beauty/wellness
3. **Introduce new content by shifting to experience-based one**
   e.g. education, entertainment, incubation

Currently, the perspective of sustainability is essential for store planning. Approximately 80% of Scope 1 and 2 GHG emissions of the Group come from electricity use at stores. That is to say, we will be able to greatly contribute to realizing a decarbonized society by reviewing the store environment. In light of this, the Daimaru Shinsaibashi store whose reconstruction was completed in 2019 switched to 100% renewable energy. And Shibuya PARCO was chosen by the Ministry of Land, Infrastructure Transport and Tourism as a "Leading Sustainable Building Project (CO_2 Reduction Leader)." Going forward, we will expand these initiatives to other stores.

Evolution through the merger of real and digital

We will take this direction to change the business model of physical stores. The current COVID-19 pandemic has revealed how much the business centered on physical stores is constrained by "time and place." It is needless to say that digital response is vital to overcome that. However, our major battlefield is increasing the value we offer through person-to-person communication, which is our strength. Expanding e-commerce with an omnidirectional full line of items using digital technologies is not the direction we will take. The starting point is to create a world view based on the content provided in physical stores and our own curation. We will try to build our own media focused on people and overcome the time and place constraint by further improving physical stores and merging them with digital. And we will provide the content that creates new experience value through the media to develop into "media commerce" that achieves multiple revenue streams.



New Medium-term Business Plan (FY2021 – FY2023)

Review of the previous Medium-term Business Plan

Some of our initiatives such as portfolio reform and business model transformation in the previous Medium-term Business Plan, which started in fiscal 2017, are steadily achieving results, but as a whole the plan is only half done and we think we need to drastically re-examine the process of promoting it.

On the other hand, the business environment is changing even more rapidly than before. We feel COVID-19 has shifted up the speed of these changes by two or three steps. It is not too much to say that currently we are in the very situation where a delay in responding to changes and a delay in decision-making may be detrimental to the company's survival.

	Major initiatives	Results	Evaluation
Growth strategy	Multi Service Retailer (expansion of business domain)	●Entered into childcare business ●Invested in only 2 companies to develop new businesses ●Could not show path for the growth of 3 key businesses (JFR Card, J. Front Design & Construction, Dimples')	×
	Urban Dominant (development project)	●Promoted redevelopment projects ・Opened GINZA SIX, Ueno Frontier Tower	○
	Urban Dominant (Real Estate Business)	●Expanded real estate rental business ・Renovated *machiya*, Gion Machiya, Blue Bottle Kyoto Café, beauty & health BINO (Higashinotoin, Okachimachi, Sakae)	○
	ICT (defense)	●Formulated the Group IT governance ・Created IT governance definition, policy, regulations, rules ●Developed systems to strengthen security	○
	ICT (offense)	●Created the Group integrated customer DB (LTS-Hub) ●Developed digital communication base using ICT ・Introduced department store smartphone app, *gaisho* SFA	△
	Innovation of Department Store Business	●Right-sized women's wear space - Decreased 10,240 m^2 in total for FY2017 - FY2020 (down 21% from FY2016) ●Main building of Daimaru Shinsaibashi opened as a hybrid model ●Placed Shimonoseki Daimaru under direct management, renewed Daimaru Ashiya/Suma, closed Daimaru Yamashina	△
	Innovation of Parco Business	●Opened Shibuya PARCO, Ueno PARCO_ya, Kinshicho PARCO, Shinsaibashi PARCO ●Expanded small commercial business by promoting development ・Opened ZERO GATE (Sannomiya, Kyoto, Harajuku), SAN-A Urasoe West Coast PARCO CITY	△

Overview of FY2021 – FY2023 Medium-term Business Plan

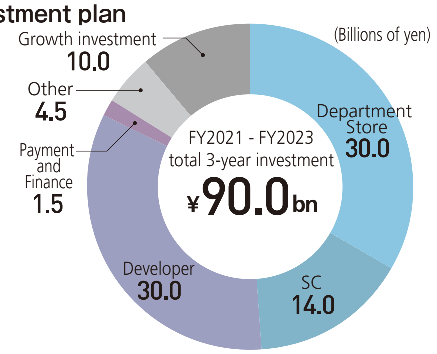
We position this Medium-term Business Plan as the period for achieving "full recovery" from the COVID-19 pandemic by returning our financial figures to fiscal 2019 levels and for getting back on track for "regrowth" from fiscal 2024 onward.

Key performance indicator targets

FY2023		
Capital profitability	ROE 7%	ROIC 5%
Business growth	Operating profit ¥40.3bn	Business profit ¥44.0bn
Financial health	Interest-bearing liabilities*1 ¥260.0bn	Net D/E 0.6times
Sustainability	GHG emissions*2 △40%	Ratio of women in management positions 26%

*1 Lease liabilities are excluded. *2 Scope 1 and 2 emissions compared to FY2017

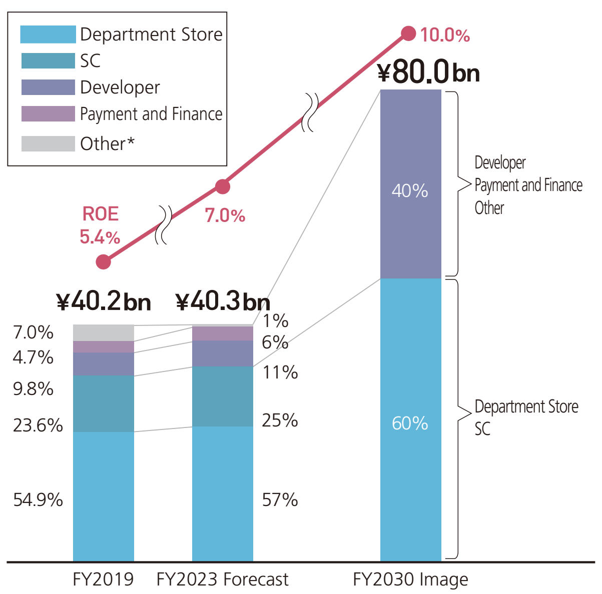
Capital investment plan



Portfolio reform

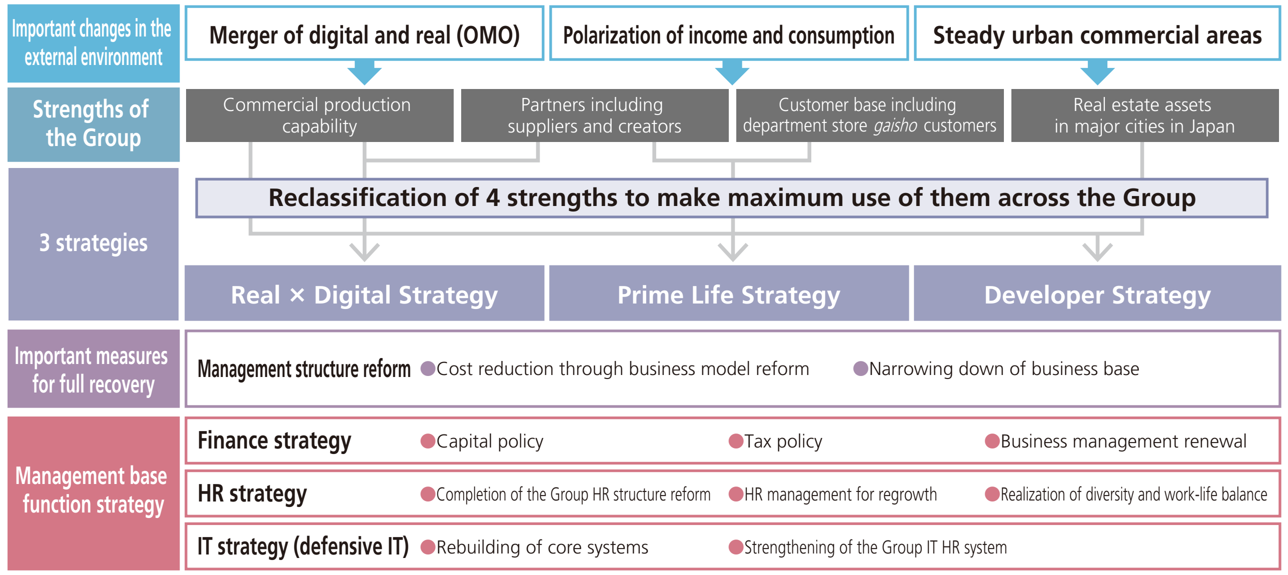
When we achieve full recovery in fiscal 2023, the operating profit share of retail businesses including the Department Store and Parco is expected to remain more than 80%. However, the share will be reduced to around 60% in fiscal 2030. On the other hand, we would like to increase the share of non-retail businesses such as the Developer and the Payment and Finance to around 40%. Through these initiatives, we will strive to change our portfolio to a highly resilient one.

"Operating profit" share of each segment



*"Other" includes consolidation adjustments.

Whole picture of the Medium-term Business Plan



Three strategies

The Group's strengths are "commercial production capability," "good customer base," "partners including suppliers and creators" and "real estate assets in major cities." Considering these strengths and medium- to long-term environmental changes, we have decided to focus our initiatives for growth on "three key strategies" in the new Medium-term Business Plan.

Real × Digital Strategy

- We will convert physical stores into places not only for buying but also for finding attractive products and services and enjoying high quality customer experiences.
- Using digital technologies with stores as a starting point, we will transform our commercial model into one that provides new experience value beyond time and space.
- We will improve customer data analysis and the use of digital tools so that individual workers including sales staff, *gaisho* staff and buyers will deepen relationships with customers.
- We will diversify revenue streams into real estate, commissions earned using digital technologies, and so forth, in addition to sales.

Prime Life Strategy

- We will further strengthen our proposals for consumers who value culture and art and who enjoy fulfilling and sustainable lifestyles.
- We will improve our content by utilizing the Group's entertainment and art, as well as developing new products and services that provide premium experiences through alliances with other companies.
- We will promote the acquisition of customers beyond department store's *gaisho*, such as the nouveau riche in Japan and affluent people in Asia who sympathize with such lifestyles, for example, through alliances with other companies.
- By improving customer management using digital technologies, we will capture diversified customer insights and strengthen our proposal capability to maximize the lifetime value of good customers.
- We will increase the number of loyal customers by offering new payment methods and will provide high value added financial services through life planning for customers.

Developer Strategy

- We will maximize the value of real estate assets held by the Group. In the redevelopment of complexes and so forth, we will right-size department stores and Parco stores and make use of relaxed restrictions on their floor area ratios. We will increase the share of non-commercial use to increase profitability.
- In the development of large-scale complexes in key areas, we will contribute to attracting crowds to the areas by making them more attractive in a way that respects their uniqueness such as local histories and environments to increase consumers' mind share.
- We will diversify revenue streams, for example, by acquiring and developing new real estate, forming private funds, and engaging in asset management. In addition, we will expand our development areas to include semi-urban areas.

Management structure reform

<Reduction of fixed costs>

- We will reduce fixed costs by ¥10.0 billion compared to fiscal 2019 through organizational and personnel structure reform and cost structure reform to lower our break-even point.

<Increase of management efficiency and asset efficiency>

- We will narrow down the Group businesses based on the future and growth potential of each business and identify idle assets and low-yield assets to increase efficiency.

Policy on alliance, M&A, and wing expansion

- We will actively work on creation of new businesses and alliances with other companies and business acquisitions that will expand our capabilities, which will contribute to increasing the scale of and accelerating the speed of our three key strategies.

Management Strategy ►【Special Report】Interview **01**

Digitally Expand the Power of “People”

SAWADA Taro

Director and Senior Managing Executive Officer
President and Representative Director
Daimaru Matsuzakaya Department Stores Co. Ltd.

“What will not recover” and “what will recover”

During the period of the previous Medium-term Business Plan, in spite of awareness of the issues inherent in the Department Store, we developed growth strategies beyond them such as increased inbound sales, opening of Ueno Frontier Tower and GINZA SIX, and rebuilding and opening of the main building of the Daimaru Shinsaibashi store and strengthened efforts to carry them out.

However, our previous assumptions crumbled at their foundations due to the COVID-19 pandemic. What was worst was that our customer touch points depended on stores and temporary store closures made us completely helpless for some time.

Sluggish sales of women's clothing as an inherent issue and other various issues including the rapidly increased share of inbound sales in cosmetics market came to the surface all at once.

Women's clothing sales were most adversely affected and decreased by almost half. Then, will damaged sales 100% recover when COVID-19 comes to an end? We often say that the future 10 years from now has come, and in addition to a consumer shift to casual clothing, the conventional business model, in which a trend is set, and then, it is spread among followers, and leftover products are sold at bargain prices, no longer suits the current markets. It is undeniable that women's clothing occupies too much space. So it is important to further strengthen our initiatives continuing from the previous medium-term plan including narrowing down of brands and the selection of distinctive brands while right-sizing women's clothing area.

I do not expect that sales of cosmetics, which drove inbound sales, will 100% recover even if COVID-19 comes to an end and foreign tourists come back. Some Japanese manufacturers started to strengthen sales in China. Meanwhile, I also expect that our market will become bigger if we expand the category to include beauty and wellness instead of limiting to cosmetics.

On the contrary, seeing the second half of last year, we could keep sales of luxury items almost at its preceding year's level though inbound sales disappeared. The luxury watch market was above its preceding year's level and sales of art, mainly modern art, significantly increased.

Looking into the future market based on these facts, I think there is still considerable room for growth in the luxury market in a broad sense even if the inbound market is excluded. As it is the field in which the Department Store can very much capitalize on its strength, we will develop a strategy so that we can capture the top share among department store chains. Food sales and stay-at-home consumption are robust even amid the COVID-19 pandemic. I would like to further pursue proposals that satisfy customers both mentally and physically.

What will recover and what will not recover. And what will grow further in the future. I think we are expected to steadily identify them.

Started to see the signs of “evolution”

Recently, more and more people, particularly a new generation in their 30s to 50s, visit our website for the categories such as modern art and luxury watches. The touch points to serve these new customers will be online or digital, not in the way to approach existing affluent customers. In this situation, we have a website dedicated to *gaisho* customers “connaissligne,” which is linked with app. *Gaisho* customers who registered the app can visit connaissligne. Originally, connaissligne was positioned as a tool for communication with customers but now it is also used as commerce. I feel this commerce works very well now. For example, we made a substantial purchase of premium sake and offered all of them on connaissligne instead of allotting them to each store as we did in the past. Many customers showed their desire to buy them in one night and we sold them by lot. As for modern art, after an exhibition in Shibuya PARCO, we posted around 20 works, which had been shown there, on the website and they were sold out immediately. We will further strengthen such collaboration with Parco.

In the past, we mainly approached the customers who have a purchase record. However, by posting products on connaissligne, they will be open to potential customers we did not approach. It is rapidly growing into media that increase customer touch points and lead to our “winning strategy.”

We made many trials such as various live streaming and online customer service using Zoom in 2020. We will equip connaissligne with a reservation system that connects customers directly to shops this fall. Soon it will become possible to connect physical stores with customers at home and serve them digitally, which is more than mere e-commerce. We will hold talk events by the creators and producers of the art works and products posted on connaissligne and tasting in *gaisho* salons. By doing so, we will connect the online world with real places. Merger of online and offline using our strength – I would like to build such a world as a new business model.

Expand the power of “people”

Digital technologies enable us to further expand the power of “people.” We plan to launch a cosmetics OMO website DEPACO by the end of this fiscal year. I think it will greatly change customer experience. For example, a female office worker visits DEPACO at around 8:00 p.m. when she relaxes herself after returning home. She is connected to many beauty advisers and she can learn how to take care of her skin and make up using pre-ordered samples. If she likes, she can buy it immediately by clicking. This will be realized soon. In the past, when a customer wanted to see a popular beauty adviser in Kobe, she had to go to Kobe. But she will be able to see her wherever she is. There are some beauty advisors employed by Daimaru Matsuzakaya Department Stores who can provide advice on cosmetics across brands. Based on services in physical stores, we would like to provide the same services online.

We will make open the power of as many specialized “people” as possible online so that customers can select persons from whom they want to receive advice directly or with whom they want to consult. By doing so, I think we will be able to provide unique experience value, which catalog-type e-commerce cannot provide.

Department stores started with having large stores in prime downtown locations and have provided value that improves customers' lives through retailing. Both in the past and present, “people” were and are present at all touch points. With the power of “people,” we have gained trust and credibility from customers. I think the accumulation of these efforts has become our strength. This is a very important thing. How shall we operate the Department Store in the future based on these assumptions? I think we have to aim to attract more customers and build deeper relations with customers both in physical stores and online by further improving our production capability, curation capability and hospitality.

Speaking in a little more detail, I think the retail format is not enough to propose colorful lifestyles to customers. “Purchasing products and selling them” is not enough. We need to add on the function of “media” that provide more information to customers, the function of “gallery” that shows high value tangible and intangible goods, and the function of entertainment to make customers' lives colorful and make proposals to this end. I would like to remove the “time and place constraints” by expanding the power of “people” present at all touch points digitally or online. I think this is the Department Store of the future.

Management Strategy ▶【Special Report】Interview **02**

"Renaissance" after COVID-19

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

Growth as a developer

One of the important tasks of the Group is business portfolio transformation and I think the growth of the Developer Business has its key. The Real Estate Business was transferred from Daimaru Matsuzakaya Department Stores to Parco last September and more expectations have been placed on Parco.

We will invest more money and human resources in the Developer Business to steadily grow it. I think this is a big point. The Developer Business is also responsible for using corporate real estate (CRE) strategy. So we have a very heavy role and responsibility and it is challenging. The Developer Business strategy takes long from getting an idea to crystallizing it. While gaining understanding about it, we would like to work hard on large scale projects such as urban joint development considering our strength and how we will work with other companies which are strong in such projects.

In the development of the Osaka Shinsaibashi area and the Nagoya Sakae area, people from the Department Store and the employees of Parco are working together and brushing up the plans at an accelerated pace.

As a matter of course, the Developer Business and the Parco SC Business require attractive content. Parco has connections with many people including tenants, artists, designers and creators.

I think it is desirable to develop through co-creation by involving them in necessary content businesses to improve tenant services digitally and grow tenants.

In the working space business and the wellness business, we are already seeing success by bringing people who have various talents and empathize with what Parco is doing. We would like to foster content businesses in the Parco SC Business and provide content beyond boundaries, which will also give a great appeal to the Developer Business, to contribute to the Group.

A survey shows that the places the most foreign people want to visit after COVID-19 comes to an end are Tokyo in Japan and New York in the world. Parco creates various things physically and digitally by altering expression every day, which urban, global and cutting-edge people can enjoy most. I think expectations for Parco are heightened because of such appeal of content, which will become the main pillar of the Parco SC Business and the Developer Business.

Deeper synergy with the Department Store

On November 22 last year, Shinsaibashi PARCO newly opened amid the third wave of spreading COVID-19 infections. However, more synergy with the adjoining Daimaru Shinsaibashi store is created than we imagined.

Most notably, newly opened Shinsaibashi PARCO widened the selection of products for the customers of the Department Store. There is something about which we could not get an idea if the Department Store was expanded into the site of Shinsaibashi PARCO and some items that cannot be carried by the Department Store are provided there. Parco's appeal was widened in the J. Front Retailing Group.

To take an example, we held an exhibition of a famous artist when Shinsaibashi PARCO opened. We sold some of his works to *gaisho* customers of the Department Store and they were sold out immediately. The Department Store is very strong in making proposals to affluent customers typified by *gaisho* customers and can conduct a business with *gaisho* specialists between customers and the stores in the system that is not constrained by physical stores in a sense.

It was very impressive that *gaisho* staffs were pleased that their offerings increased when Shinsaibashi PARCO opened. They know individual customers' preferences and what to propose next to please them. I feel "through people" is the most important.

In this respect, the next role of Parco is to show the nouveau riche and the MZ generation what they need to enjoy the world with a rich spirit and to ask them to shop with us because the Parco Group provides many such products and experiences and also produces various things.

It must be well possible for the Group to deepen and widen the customer strategy, which we might say is completed in the Department Store. I think we will be able to develop strategies so that the spiritually rich MZ generation who has a touch point with Parco thinks it is wonderful to spend at a department store.

The problem is that the MZ generation does not think of going shopping at a department store because they has no shopping experience in a department store like not reading a newspaper and not watching a television. The role of Parco is to carry out the "entry function," that is to say, to show people who swagger around the world and make the nicest couple consumption, which is organized by Parco, that there is a department store beyond them when their lives become rich in a real sense.

Toward "renaissance"

We formulated the current Medium-term Business Plan by back casting from 2030. We may say that we cannot imagine the world in 2030. The situation of the COVID-19 pandemic will greatly change with the progress of vaccination. I think people will want to go to physical Parco stores when they can travel freely after COVID-19 comes to an end.

The subject of Parco's popular entertainment "Pizarro" (PARCO Theater) is who is an enemy. It is also a story that people in Utopia are not necessarily happy. It is a story of people who fight for someone, but ultimately, a story about how we should live. Currently, we live in a precious era in a sense. I think the desire to enhance our lives arises only because we are restricted from freely traveling due to COVID-19.

Then, it will have more value to provide experiences to spend precious time through Parco's entertainment. As it is Parco's strong point, I am sure that unchanged value provided by Parco will become more important in the future.

Awareness of sustainability will become more important in the future. As I believe the employees of Parco are unknowingly aware of the Sustainability Policy, I would like to show what will become important in the next era and co-create exciting sustainable lifestyles with the next generation. And I would like to hear people say that it is Parco that incubated the coolness and appeal of urban life.

I think "renaissance" will come after COVID-19 comes to an end. New unconventional tangible and intangible goods, art and culture we have never seen, and furthermore, the business formats and business models that will greatly change customers' lives and values, which are digital transformation, will be created in the process of achieving recovery and reconstruction in the world. Parco will carve out a path to such an era by finding new buds and trying as an "adventure." I believe the role of the Parco Group will get bigger and bigger.

It is only creativity that drives us to overcome this unprecedented crisis and achieve recovery. In the J. Front Retailing Group and in the current rapidly changing society, we will continue to take on new challenges and realize Parco's vision "Excite, Design and Create" to have an overwhelming presence.

Connect Real and Digital with "Human Warmth"

Digital centering on the strength of physical stores

The current COVID-19 pandemic made more apparent the vulnerability of the business models of the core Department Store and Parco Businesses. As you may know, the Department Store and Parco could hardly conduct sales activities when people were restricted from traveling. We must say that it is the limitation of our current retail model that overly depends on physical stores. Therefore, we think we are required to redefine an out-of-the-box fundamental commercial model that does not depend only on physical stores to respond to drastic changes like the current ones. On the other hand, physical stores remain important "places" that increase value through "people." That is to say, we think it is important to create new experience value centering on physical stores and by merging them with digital (OMO).

The COVID-19 pandemic renewed our awareness that department stores conduct business amid "time and place constraints." There is no doubt that there are business opportunities in overcoming these constraints. The point is to design department store's OMO in a customer journey. We will create a unique shopping site from which people feel "human warmth" instead of expanding so-called e-commerce.

OMO shopping site begins with cosmetics

Specifically, we are preparing to launch a cosmetics OMO shopping site within fiscal 2021. We will create a distinctive website that combines the real world, e-commerce and our owned media DEPACO. We will create buying experiences so that customers can receive consulting and other services and special information online like in physical stores. Customer journey is complicated by diversified customer touch points.

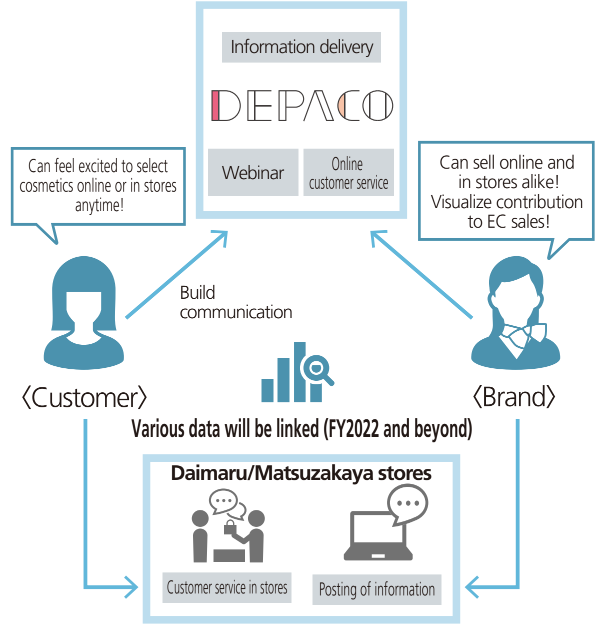
Conceptual diagram of OMO

	Get interested	Select/consider Consult	Buy	Receive	Share
	Information via media	Customer service	Payment	Delivery	Share by customers
Online	External SNS App/email Shop blog connaisslign VR store	Remote customer service Live streaming Personal stylist	EC payment OMO-EC payment (blog/connaisslign)	Receipt at home Smart locker, etc.	External SNS In-house community
Offline	Store signage	Customer service at store	Payment at store (POS)	Pickup at store	Customers' voice
	DB	DB	DB	DB	DB

It has become common to come and go between the digital and real worlds in the process of buying. In this situation, customer experience provided through "people" can be said to be exclusive additional value generated by the Group. A crucial difference from general e-commerce is in increasing customer satisfaction through person-to-person mutual communication. We will realize OMO using human attraction by digitally reproducing our strength brushed up in the real world.

In addition, we will create our own OMO shopping site for art in fiscal 2022. Its beta version will be released within this fiscal year at the earliest. These are just a few examples. Going forward, we will develop and expand the Group's unique and distinctive OMO centering on "people."

Image of OMO shopping site DEPACO

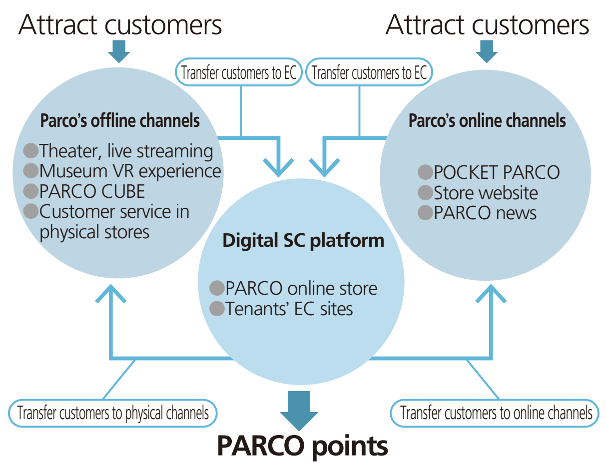


Build a digital SC platform

Parco has online channels including POCKET PARCO, individual stores' websites and PARCO news and offline channels including physical stores, a theater, video streaming, museums and PARCO CUBE. Using their ability to attract customers at their customer touch points, we will build a digital SC platform linking online and offline channels. We will provide e-commerce services, which support both online and offline channels, through the digital SC platform tailored to the needs of the tenants that provide products online. By giving "PARCO points" when customers buy through the digital SC platform, we will transfer them to physical stores and serve them online again. We would like to achieve such OMO customer transfer cycle.

Concerning Parco's strong entertainment, we will strengthen hybrid entertainment by merging live and digital instead of depending only on physical stores' ability to attract customers.

Parco's OMO



Interview ► OKAZAKI Rui, Senior General Manager, DX Promotion Division, Daimaru Matsuzakaya Department Stores Co. Ltd.

Merge Real and Digital Based on Strength

Our DX is business model transformation centered on our strong categories and domains. As the first step, we are preparing for cosmetics OMO shopping site. We will renew our online media DEPACO and set up our own editorial department in the company to focus on disseminating information online. As for service, we are creating a foundation using our strength fostered offline so that sales people in stores can well serve customers online. We will create an EC site with these characteristics, which enable customers to buy whenever they want. For art, we are aiming to create one of the biggest platforms in Japan. We conducted some PoC experiments, which achieved more results than imagined.

I am a rare person who returned to the company as a DX leader after moving to an IT company. It was a valuable experience to learn about a business model other than retail. The entire team has come to consider not only retail that sells products but also customer experience value and select the most appropriate business model to diversify revenue streams. In the past, before launching projects, sometimes we were too cautious to succeed. I think what has changed the most is our stance of trying to do first.

*DX stands for Digital Transformation.
PoC stands for Proof of Concept.

Content Resonant with Customers

Grand opening of Shinsaibashi PARCO

In November 2020, Shinsaibashi PARCO, which is the 18th PARCO store in Japan, opened in Shinsaibashi, Osaka, for the first time in about nine years. This store, which comprises 16 floors including two basement floors and 14 floors above the ground and a roof floor, is positioned as a flagship store in Osaka like Shibuya PARCO in Tokyo and Nagoya PARCO in Nagoya.

Its concept is "NEW COMPLEX Building." Beyond a fashion building and a department store, large specialty shops, a cinema complex and a multipurpose hall and event space were added. It was created as a complex building beyond conventional commercial facilities. It is a new urban PARCO store in which mode, animation, new restaurants, and art, which are the essences of Shibuya PARCO, which opened in 2019, and luxury, high class restaurants, and golf and other sports, which are the themes of a "department store," were added and "tangible and intangible goods," "daily lives and art," "real and technology" meet borderlessly.

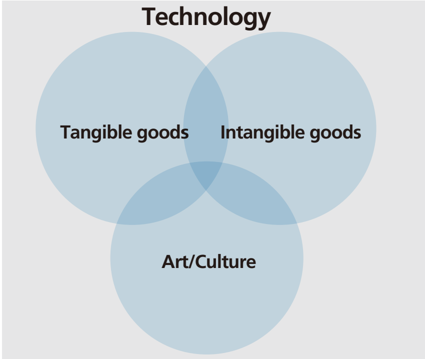
For the Group, it is a building united with its adjacent main building of the Daimaru Shinsaibashi store to promote the realization of the "business model for growing with local communities." It is connected to the main building of the Daimaru Shinsaibashi store with the access ways on the 2nd to 10th aboveground floors as well as the subway concourse and the Daihoji-dori street. Only in the Shinsaibashi store, we provide a mutual point service using both Parco's and Daimaru's in-house credit cards to link Parco and Daimaru. They provide new values, intangible goods and experiences to various customers who visit Shinsaibashi using their respective strengths.

Though it opened when we started to see the signs of a third wave of COVID-19, it had a better start than imagined, attracting customer expectations. In March, a cinema complex on the 12th floor and Shinsaibashi Neon Shokudogai with unique restaurants on the 2nd basement floor opened and distinctive Shinsaibashi PARCO was completed.

It generates synergy in the building united with its adjacent Daimaru Shinsaibashi store and performs above our internal plan. We would like to lead this merger of the Department Store and Parco to possibilities in other areas.

Four focus themes

Precisely because we are in the period of COVID-19, we provide or show differentiated and colorful tangible and intangible goods and art and culture that stimulate sensitivity using technologies to people who value individuality.



The symbolic zone unique to Shinsaibashi is the luxury zone on the 1st and 2nd floors. It is a zone with great diversity combining traditional luxury with trends and the uniqueness of Parco. It is also well received by the customers of its adjacent Daimaru Shinsaibashi store and drives synergy creation.

The 6th floor attracts attention as Japan's leading hub that disseminates experience-based Japanese culture from Japan to the world. It carries internationally popular content and provides not only goods but also experience value available only there. It globally provides strong content that attracts customers.

Shinsaibashi Neon Shokudogai on the 2nd basement floor is unique. It has popular neo bars in Osaka and the most talked about, up-and-coming restaurants and bars, and in addition, Tank Hiroba, which disseminates entertainment and culture, is placed in the center of the floor. They provide one and only amazing-experience-based "stimulating food space" unique to Parco.

In addition, SPACE 14 and PARCO EVENT HALL, which took over the former Daimaru Shinsaibashi theater and event hall, serve as a western hub that disseminates information on Parco's culture coming from Shibuya including theaters, movies, music, art and culture.

Shinsaibashi Neon Shokudogai on B2F (Shinsaibashi PARCO)

Entrance on the Midosuji side on 1F (Shinsaibashi PARCO)

Increase the appeal of physical stores by strengthening content

There is no doubt that digital and real are heading in the direction of merging. However, we think digital cannot function without physical stores' ability to disseminate information and experience value. We need to further improve physical stores, which are the Group's strength and customer touch points, in order to promote digitalization.

For example, by redefining the category of cosmetics as "beauty and wellness," the image of floor composition and zoning will be expanded. Beauty includes beauty care, anti-ageing and treatment. Wellness includes sleep and bath time. We think it is important to capture changes in customers appropriately and redefine the value to be provided.

We think we will also be able to add a new appeal that attracts customers in terms of "learning," "entertainment" and "incubation." They are Parco's strongest areas and positioned as a key for creating synergy to change the department store business model and the appearance of stores.

Importantly, however, "people" are the strongest content and the strongest media. We believe the gathered power of people who have customer touch points including sales people in stores, people who produce store space, people who plan promotions, people who develop content and people who support them will become a driving force for adding an exclusive appeal to stores as media.

Interview ► ANDO Ayako, Supervising Manager of Operations, Digital Promotion Department, Parco Co., Ltd.

Better Understand Customers Using Data and Provide Valuable Experiences

The mission of Digital Promotion Department is the promotion of DX. And we create a CRM execution environment, develop and operate apps and online stores and implement digital measures such as xR. I am responsible for PARCO points, which are the basic service of Parco's CRM, creating the system of PARCO's own QR code payment service POKEPARU PAYMENT, which can be used with our app POCKET PARCO, and analyzing and using data obtained from these services and customer touch points. I think the purpose of CRM is to "build high quality and good mutual relations between customers and the company while providing corporate value as customer value and to achieve a stable profit over a long period." I would like to achieve results from CRM by working with tenants in PARCO stores to provide the value and appeal of not only shopping complexes PARCO, but also entertainment, art, culture and their combination, which are valuable and attractive for customers. Now we need to use digital technologies and data to create and provide value by combining different fields. We will understand customers using data, provide valuable experiences physically and online, and furthermore, better understand customers using these data and change Parco's services and businesses to more valuable ones for customers. We aim for such DX.

*DX stands for Digtal Transformation.
CRM stands for Customer Relationship Management.
xR stands for Extended Reality (generic term for technologies that combine the real world with the virtual world).

"Heat" of Entertainment

More attractive and diverse content is required to propose cultural and fulfilling lifestyles to consumers beyond the boundaries of online and offline (stores). We recognize that proposals for not only tangible goods, as in the past, but also intangible goods will differentiate ourselves.

Since its establishment, Parco has actively introduced new cultural offerings in the fields of theater, music and art through its Entertainment Business. We produce varied, highly appealing content from the standpoints of theater, music, movies and publishing. We also produce multimedia across field boundaries by creating DVD and book versions of this content and organizing collaborations to offer entertainment with real emotion and discovery.

In this business, by incorporating digital technologies and the awareness of SDGs and communicating information on trends and creating added value, we will realize the creation of synergy and the improvement of our corporate brand.

THEATER

Theater

Plays, musicals, dance performances and other productions are staged at PARCO Theater (8th floor of Shibuya PARCO) and other theaters in Japan. Quality works are produced with talented creators and highly appealing actors.

PARCO Theater

PARCO Theater newly opened in January 2020. Some performances were cancelled due to the COVID-19 pandemic. But various plays were performed by prestigious creators and actors in its opening series. "Guernica," which was performed in September, received the Excellent Work Award of the Yomiuri Theater Awards and caused a buzz. We will continue to produce our own performances to provide theatrical experiences.

PARCO Theater, photo by OSAKO Futoshi

PARCO STAGE @ONLINE

PARCO STAGE @ ONLINE

This project is intended to communicate the appeal of the theater online. Responding to people's desire to "see," "participate in," "know more about," and "see a bit behind the scenes of" the theater, we stream a variety of content. We provide enjoyable experiences to aficionados of plays and musicals and also provide people who have never stepped foot in a theater with opportunities to develop a new love.

https://stage.parco.jp/

MUSIC

Music

CLUB QUATTRO

We operate CLUB QUATTRO live music venues in four locations including Shibuya, Nagoya, Hiroshima and Umeda. The club books up-and-coming artists both in Japan and abroad and offers top-quality live music experiences. It is also famous as a springboard for new recording artists. It has hosted many artists at an early stage in their careers who later went on to play at even larger venues.

In addition, in Shibuya, we operate a music cafe and dining bar QUATTRO LABO that offers music and food and drinks in a space with a collection of various analog records and CDs.

Shibuya CLUB QUATTRO

https://www.club-quattro.com/

MOVIES

Movies

We operate two small movie theaters CINE QUINTO and WHITE CINE QUINTO in Shibuya. We distribute, buy and invest in films to show a wide range of unique and high quality national and international works.

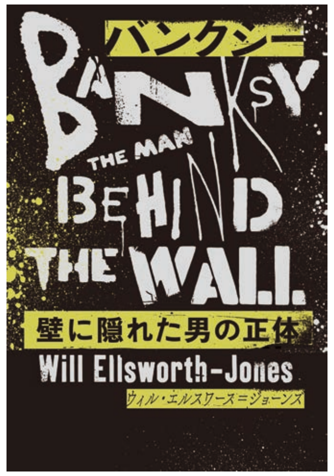
"American Utopia" distributed by Parco

A completely new type of film by David Berne and Spike Lee. It is a live recording of a Broadway performance. It was shown with a loud blast at CINE QUINTO, which was full many times!

https://www.cinequinto.com/

CINE QUINTO

WHITE CINE QUINTO



PUBLISHING

Publishing

Parco publishes a variety of genres, from art books and practical guidebooks to works of literature. We also profile contemporary artists and creators active in Japan and overseas, hold events, and develop a wide range of projects tied to the works we publish.

"Banksy: The Man Behind the Wall"

We have published the Japanese translation of a critical mid-life biography of the artist Banksy, a carefully researched account that brings the artist into sharp relief. It is invaluable reportage for a global audience. Who is Banksy, a man who turned the art world upside down and is becoming the most famous on earth while keeping himself behind the wall? A journalist in UK pursued the artist through detailed, thorough investigation. By tracing his footsteps, this book delivers a true portrait of Banksy: How did one boy become a world-class artist while maintaining his anonymity?

Author: Will Ellsworth-Jones List price: ¥2,000 (tax exclusive)

https://publishing.parco.jp/

GALLERY & CAFE

Gallery café

We conduct a wide range of entertainment-related businesses in cooperation with other departments, including planning and operating galleries, operating cafes through collaboration, and organizing exhibitions.

MR. BRAINWASH EXIBITION "LIFE IS BEAUTIFUL"

We held a large-scale solo exhibition of MR. BRAINWASH, a street artist who lives in Los Angeles, for the first time in Japan to commemorate the opening of Shinsaibashi PARCO. The exhibition titled "LIFE IS BEAUTIFUL" showed approximately 80 pieces of his two-dimensional and three-dimensional works including the works created for this exhibition and limited works themed on Japan as well as his past works.

At the same time, the exhibition was presented three-dimensionally online. A viewer at home can move in the exhibition venue and see a 360-degree view as if he/she were actually there.

Banksy Thrower, 2019 Silkscreen and Mixed Media on Paper

Entered Subscription Business

Challenge to new market

The fashion subscription business AnotherADdress launched in March 2021 is a service to respect the intrinsic value of fashion and sustainable initiatives and aim to shift to a socially and environmentally sustainable business model based on the belief that clothes are not disposable. We would like to create fashion subscription experiences with a sophisticated brand lineup and the freedom for customers to choose what they want to wear now and build a new market which is not present in existing businesses.

AnotherADdress or Another + Address. This new "another place" will make customers' fashion more pleasant. This name represents our hope that customers will interact with fashion freely not in a fixed place but at another address (AnotherADdress).

We will provide this service from here toward the future by loving each "dress" to be worn at the "address" while fulfilling our role of inheriting valuable fashion resources.

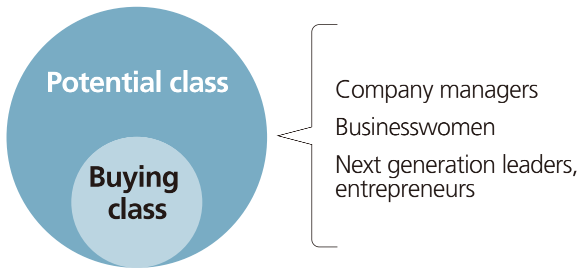
Face environmental issues

Department store operators and retailers have grown with the trends around the fashion industry such as mass production and mass consumption. However, environmental issues behind them including mass disposal have a very great impact on society and the earth. We think it is the Group's great responsibility to face these issues seriously and change the whole business model to a more sustainable one.

We believe fashion has the "power to energize and excite people." However, we feel we have fewer opportunities to feel such power after the collapse of the bubble economy in Japan. The Group has developed with the fashion industry by offering fashion that colors the times to customers. The Group needs to communicate the empowerment of creative clothing to more people because we are in an era in which awareness of ownership and consumption is changing.

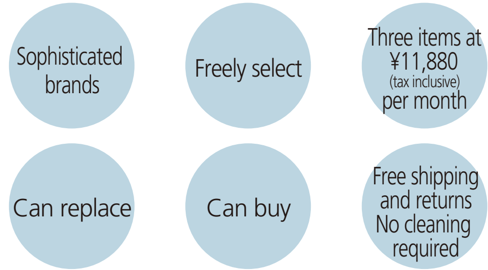
Our target is ageless

We have set a target based on behavior to be "all people who try to become new and remain brilliant" regardless of age and aim to provide services favored by people who think positively about the current era. Specifically, we assume four personas including businesswomen, company managers, next generation leaders and entrepreneurs to take measures.



We would also like potential customers who did/could not buy because of a difference in appetite for possession and economic rationality to experience the power of sophisticated brands and fashion through our service.

It is a subscription-type service that enables customers to freely select from national and international sophisticated brands. Customers can rent three items they like for one month at ¥11,880 (tax inclusive). The monthly fee includes shipping and return, cleaning and basic repair costs. Wear, scratch and stain from general use will be repaired at no extra fee. Customers can also suspend or cancel the subscription whenever they like.

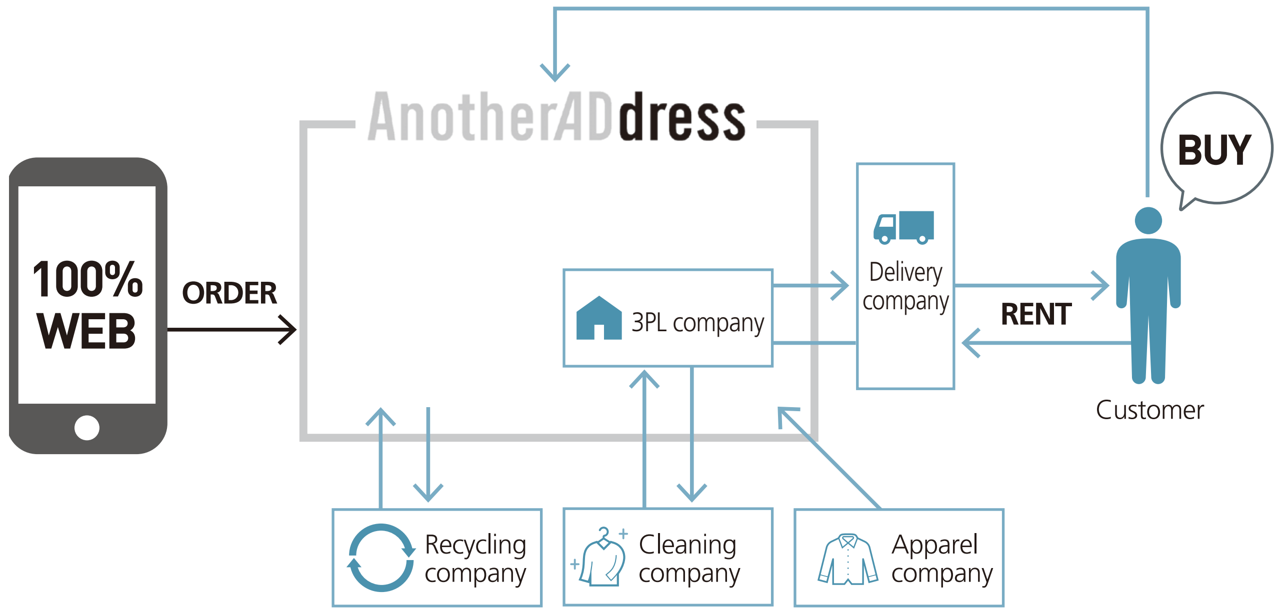


With sustainable partners

In AnotherADdress, we, as its operating body, accept orders from customers and deliver clothing seeking an environment-friendly way every day in partnership with a 3PL company, a delivery company, a cleaning company and a recycling company, which promote unique sustainable initiatives.

Through the subscription-based stock business that accepts all orders online, we will also try to depart from the conventional department store flow business model that depends on physical stores.

Business Model



Interview ► TABATA Ryuya, Head of AnotherADdress Business

Create New Consumption Style

AnotherADdress, which was launched in March this year, has received much more orders than expected and keeps many customers waiting. Anyway, we are surprised at the great eagerness of customers. Concerning this service, it may be said that an old department store will rent dresses online. But it is not true. The concept of this business "Fashion New Life" means combining the intrinsic value of fashion and simple life, that is, creating a new consumption style of fashion. Rental is only one scheme to realize it. Our efforts include encouraging customers to find their favorite clothing and buy them as a result of rental, helping them more frequently wear their clothing at home, which was worn once or twice, and furthermore, receiving the clothing they want to clean or repair in the cardboard boxes shuttling once a month and taking appropriate care of it so that it will last a long time. Customers who use this service will become sustainable through "Fashion New Life." AnotherADdress has such a view of the world and aims to grow as a scalable platform.

Quality Experience

Deepen *gaisho* customer strategy

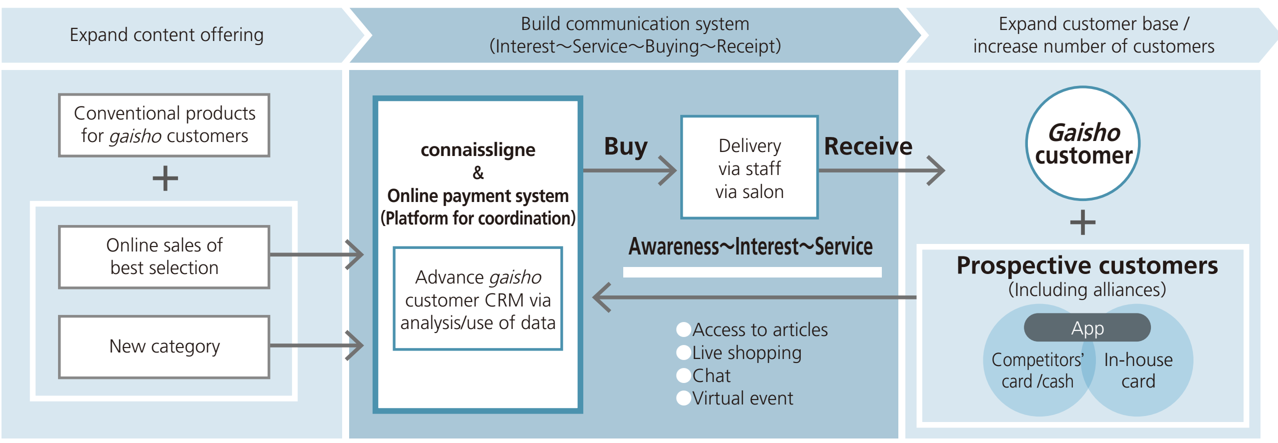
Spending by affluent people remains strong even amid the COVID-19 pandemic. The number of the credit cards issued for the *gaisho* customers of Daimaru Matsuzakaya Department Stores was approximately 330,000 at the end of February 2021 and their sales account for about one fourth of total sales of the Department Store. There is no doubt that the system of *gaisho*, which is unique to Japanese department stores, depends largely on trust in brands in physical stores, selected content, and the ability to propose by communication through "people." Above all, in the communication process, efforts using digital technologies are progressing dramatically.

Front page of connaissligne

One of the things of which awareness was renewed by the COVID-19 pandemic is that *gaisho* business has an unexpectedly high affinity for digital technologies. Particularly, the closed website for *gaisho* customers "connaissligne" produces results. Connaissligne offers rare products and services as well as luxury items and art worthy of being bought by *gaisho* customers and enables its users to contact with *gaisho* staff. Recently, among *gaisho* customers, the number of relatively young customers in their 30s and 40s who use the website is increasing rapidly. Many customers applied for lotteries to buy extremely expensive modern art, hardly available whiskey priced at more than ¥2 million and others. We believe we will be able to expand new market for the nouveau riche if we can increase customer touch points and develop appealing content. Also in events outside stores, we strengthen efforts to provide faraway customers with highly satisfying customer experiences through live shopping using remote meeting systems.

We would like to overcome the "time" and "place" constraints of the current department store business model using digital technologies and lead it to *gaisho* business innovation.

Overview of *gaisho* customer strategy



Strengthen luxury content

Department stores are particularly strong in solid value added categories such as the best selection of brands, luxury watches and art. During the three-year period, we will position the Matsuzakaya Nagoya, Daimaru Sapporo and Kobe stores as key physical stores and focus our investment on them to strengthen sales of luxury items.

One example is the overwhelming luxury zone, which will be created in the Nagoya store with the aim of making it "Japan's top" watch department. The *gaisho* sales ratio of the Nagoya store is approximately 40% and it is known as a store that is highly favored by *gaisho* customers compared to other stores. Digital technologies may enable people not only in Nagoya but anywhere in Japan to shop in this "Japan's top" watch department.

Rendering of renovated watch department Matsuzakaya Nagoya store

With respect to art, we think the key is to improve content using digital media from the perspective of customer segments because modern art is trendy. Actually, *gaisho* customers bought some works of modern art found by Parco on the connaissligne website. We are starting to see such synergy, which is unique to the Group.

Further expand our customer base

We significantly renewed Daimaru Matsuzakaya Card as a card with a new point program in January 1, 2021. We will take this opportunity to expand our customer base through collaboration between the Department Store and JFR Card. The Department Store is actively working to acquire app users and the total number of downloads exceeded 1.4 million. We will strengthen approach to the customers who do not hold our in-house credit cards among them and develop new customers.

At the same time, in order to acquire app users, we will improve user experiences so that more people will register our app.

For the purpose of acquiring *gaisho* customers, our team dedicated to developing the new holders of *Gaisho* Otokuisama Gold Card continues to develop more than 10,000 accounts every year and we will further strengthen efforts to expand an affluent customer base. Specifically, we will strive to convert the customers whose purchase amount exceeds a certain level regardless of the method of payment into *gaisho* customers, and at the same time, we will strengthen approach to new affluent customers including alliance with other companies. Concerning the admission procedures, we will promote operation reform that meets the needs of the times by creating a new online system. We will also build a scheme for affluent inbound tourists who make a large purchase to convert them into regular customers.

We will collect and accumulate data through such expansion of our customer base. And we will improve CRM by looking for potential customers from many sides, visualizing customer insights using analysis tools, and strengthening the recommendation function.

Interview ► UENISHI Noriko, General Manager, Tokyo Area Out-of-Store Sales Division, Daimaru Matsuzakaya Department Stores Co. Ltd.

Combine "Human Power" with Digital

We cover almost the entire Greater Tokyo Area including Kanagawa, Saitama, Chiba, Gunma and Tochigi as well as Tokyo. Recently, we have more customers from the Tohoku and Hokuriku areas, which are easily accessible to the Tokyo store. In order to "overcome the time and place constraints," we send tablets to faraway customers and talk with and show products to them through video calling. For customers who are busy during the day, we create personalized videos so that they can watch them at any time they like.

We are developing customers in their 30s and 40s smoothly. They have a strong interest in art works and watches, which enrich their lives, and we are improving the content of "connaissligne" to meet such demand. We identify the customers who have an interest in each merchandise category by widely presenting rare products in webinars and through sales by lottery and use information thus obtained for subsequent approach. When we can smoothly help a customer obtain a desired rare product with our staff's inspiration and footwork and the heart-tugging experience impresses him/her, our bonds with the customer will be further deepened.

The systems supported by digital technologies include the analysis of customers' behavior histories and the content of conversation with them as well as their buying histories to find customers for whom our product offerings will work. It is my mission to increase the number of lifetime customers by combining our strong human power with digital technologies.

Develop as "Developer Business"

Rendering of redevelopment of Nagoya Nishiki 3-chome District 25 (provided by Mitsubishi Estate Co., Ltd.)

Centralized the Real Estate Business in Parco

The Real Estate Business of the Group existed separately in the Department Store and Parco. However, when Parco became a wholly owned subsidiary, the Group has decided to centralize the Real Estate Business in Parco. As part of this centralization, 47 properties held by Daimaru Matsuzakaya Department Stores were transferred to Parco to intensify the Group resources and centralize the management and development functions. Thereby we got ready to further promote joint development of stores including large-scale complexes, which was difficult for the Department Store or Parco alone to implement.

The current COVID-19 pandemic made it apparent how vulnerable the Group's business portfolio overly dependent on the Department Store and Parco SC is. Therefore, it is urgent to build the third pillar following the Department Store and Parco SC to increase the resilience of the Group's business structure. One of the Group's strengths is to have stores in major cities and a fair amount of real estate around them, which we do not use well in terms of revenue generation. We think it has a potential enough to grow as the third pillar by promoting these developments.

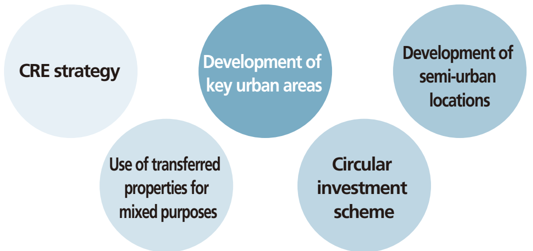
From the Real Estate Business to the "Developer Business"

Basically, the main activity of the Real Estate Business in the Group was commercial development. As a matter of course, however, the functions required of communities are not only commercial ones. The Group's key social role is to coexist and grow with communities. We need to continue to look for optimal solutions by staying with local communities and having a dialogue with them.

To this end, the Group will promote real estate development for not only commercial but mixed use such as offices, residences and hotels, and at the same time, implement CRE* strategies by selling and replacing assets to maximize real estate value. That is to say, we would like to pave the way for dramatic growth by developing into the Developer Business through portfolio transformation to diversify revenue streams beyond the former Real Estate Business.

*CRE stands for Corporate Real Estate.

Portfolio transformation to diversify revenue streams



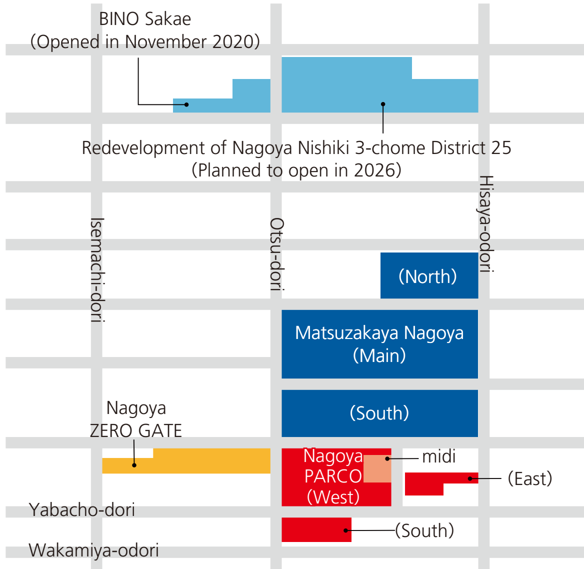
Particularly, the Nagoya Sakae area and the Osaka Shinsaibashi area have a great potential for growth in the Group at present. We think we will be able to create exclusive zones making full use of the Group's management resources.

One example is the redevelopment of the "Nishiki 3-chome District 25," which will be completed in the Sakae area in 2026. It is a large-scale complex development project pursued through collaboration among three parties including Parco Co., Ltd. in the Group, Nagoya City and Mitsubishi Estate Co., Ltd. These parties organically combine introduced functions (a hotel, an innovation hub, offices and a theater), which will create good quality and sophisticated culture and exchange, with high quality commercial functions in the approximately 200-meter high symbolic building with 36 floors above the ground and four basement floors to steadily attract a crowd in the entire building both on weekdays and weekends throughout the year and contribute to enhancing the brand power of Sakae. The Group plans to operate an upscale commercial specialty store business on the 4th floor above the ground to the 2nd basement floor.

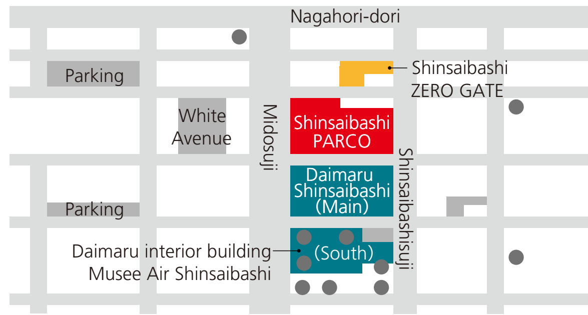
In addition, we will right-size the Department Store and Parco, make use of relaxed floor area ratio and consider complex development. In that process, we will improve profitability by increasing the share of non-commercial use.

The Developer Business will not fully contribute to profits until after 2024 when the Group will alter its course to "regrowth" after achieving "full recovery," that is, the next Medium-term Business Plan. During the period of the current Medium-term Business Plan, we will steadily make preparations and upfront investment to ensure results.

Map of Nagoya Sakae area



Map of Osaka Shinsaibashi area



Medium-term pipeline

Interview ▸ NOHIRA Tsutomu, Supervising Manager of Operations, Urban Development Department, Parco Co., Ltd.

Create Our Original Real Estate Portfolio

"The Real Estate Business of J. Front Retailing was centralized in Parco ahead of the social situation in which conventional values are rapidly changing." Seeing this as the biggest opportunity, I would like to complete our real estate portfolio, which only Parco can achieve, in the new market in the with corona era. To this end, I think it is important to sprint from the start. The developer business strategy group is an agile organization whose members can work in cooperation with each other having an overview of the entrance/development, construction, design, leasing, operation and an exit strategy of real estate. Using human resources strengthened by this centralization, we will develop unique branding early. In the "development of the Nishiki 3-chome District 25," which is the first large-scale complex development after centralization, the members with different careers from different departments discuss vigorously to proceed with the project. I think the merit of centralization is reflected in a tangible manner immediately. Going forward, we would like to contribute to increasing the resilience of the business structure by having more and deeper discussions, realizing various ideas early, and completing our original real estate portfolio."

“Offensive” and “Defensive” DX

Creation of Digital Strategy Committee

While striving to achieve “full recovery through early revenue recovery” by fiscal 2023, which is the final year of the Group's current Medium-term Business Plan, we will create a Digital Strategy Committee that creates an environment for and promotes “offensive digital” field across the Group looking at “regrowth” in fiscal 2024 and beyond to accelerate “offensive DX.”

In its activities, we will implement the following three measures including redefining value to be provided in our commercial model, finding and developing content, and promoting advanced use of customer data to further promote the DX strategies of the Department Store and Parco in the Group.

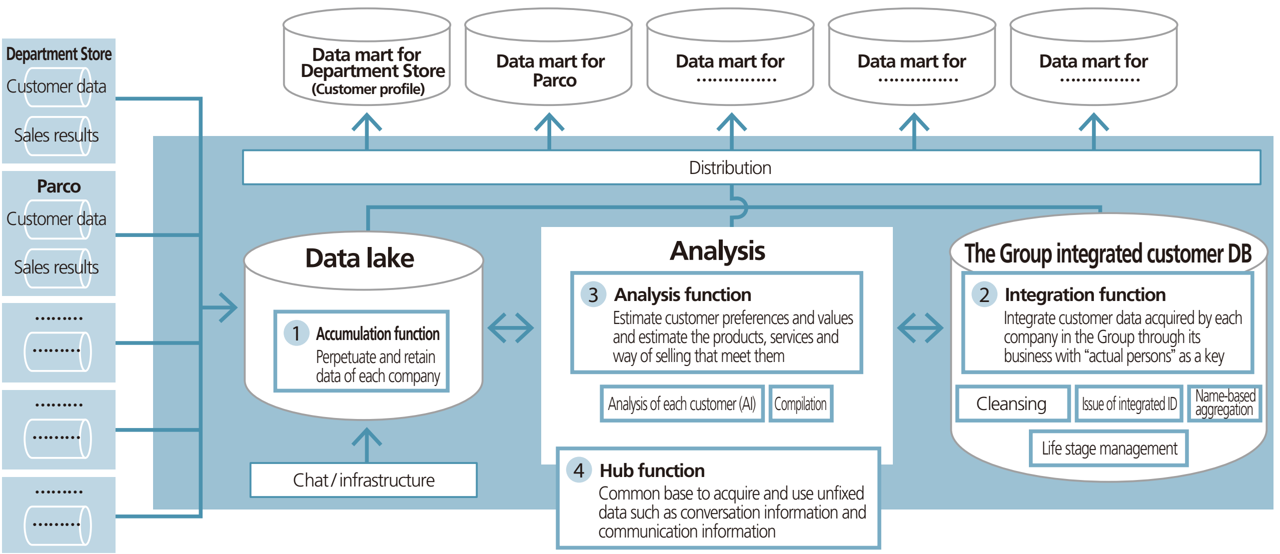
(1) Development of the “next generation DX business model”

We will develop the next generation business model, which keeps a distance from the previous business models of the Department Store and Parco, using the latest digital technologies. We will find and develop new content, which the Department Store did not provide until now. By doing so, the Group will provide new customer value (customer experience) and diversify revenue streams to build the basis for “regrowth” in 2024 and beyond.

(2) Provision of customer experience across the Group using the Lifetime Service HUB

The Group integrated customer database Lifetime Service HUB (LTS-HUB) is intended to manage and use all customer data of each company in the Group. Parco, following the Department Store, finished importing its data into the HUB. Going forward, we will provide the Group's united buying experiences and services to customers in the areas where the Department Store and Parco are located next to each other, including Shinsaibashi and Nagoya. We will provide high quality customer experiences that cater to individual customers to achieve full recovery through early revenue recovery.

Conceptual diagram of Lifetime Service HUB



(3) Strengthening of organization functions to promote DX

The DX promotion departments of the Department Store and others lack human resources who can plan, carry out, and operate DX and it is urgent to strengthen the systems. Therefore, we will strongly work on individual DX themes by strengthening the systems actively using external human resources through an alliance with external partners and other measures.

We need to develop the capabilities of individual employees in order that the Group will work as one to promote DX in the future. To this end, we will introduce a development program and carry it out in all companies to improve the skills and knowledge on DX of all employees of the Group. We will define the type of desirable DX talent and launch initiatives to have all employees and DX specialized talents acquire necessary skills.

“Offensive” DX of operating companies

Daimaru Matsuzakaya Department Stores redefined the company it aims to be as a “‘media commerce’ company that promotes sustainability and communicates content both online and offline” in the Medium-term Business Plan. Based on this policy, we will start to expand the business that uses the internet to overcome the time and place constraints. Specifically, we will launch a beauty (cosmetics) OMO shopping business, create an art-focused website (digital gallery) that attracts customers, and rebuild food EC. In addition, we will open and operate D2C malls.

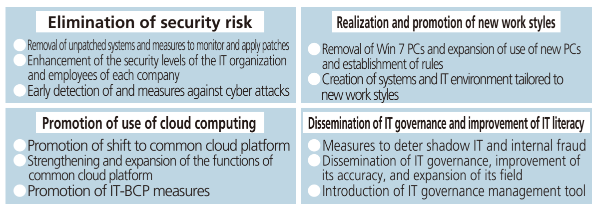
Parco will promote the four pillars of its DX strategy with “foundation building centered on two core businesses including the SC Business and the Developer Business + content business” as the basic policy of the Medium-term Business Plan. Specifically, we will increase the number of our ID customers and centralize customer IDs (integration of Parco's online store members' IDs), and actively promote customer exchange in entire Parco and the Group to create synergy. Going forward, we will also build multi EC (Parco's online store and tenants' EC sites) platform and create the appeal of real × digital Parco using xR technology for further digital shift.

“Defensive” DX

Increasing information security risk due to increasingly complex and sophisticated cyber attacks is a severe threat in conducting business activities. Therefore, we formulated the Group's common Security Policy in July 2018 and continuously take security measures using the policy as guidelines at each company in the Group to minimize such risk. In addition, in April 2020, we formulated the IT Governance Policy and Rules as guidelines for controlling a series of activities from formulating IT strategies to implementing them.

With regard to visualizing and improving the status of security measures, we interviewed each company using a checklist and assessed vulnerability to confirm the safety of their websites that had a high risk of data breaches and their systems that hold personal information, and made improvements to promptly ensure the safety of the websites and systems where problems were found. In addition to continuing these efforts, 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.

Strengthening and improvement of “defensive IT”



In order to strengthen the security management system, we established CSIRT* in the Company and joined the Nippon CSIRT Association in July 2019. The Company works with people responsible for information security management of the Group companies to develop manuals in preparation for incidents while continuously providing incident response training. By doing so, we go on strengthening the security management system of the entire Group.

Employee education is an important element to ensure information security. We started to provide e-learning-based education and targeted attack email training for all employees in fiscal 2018 and continue activities to raise the level of information security of employees through education and training.

*CSIRT stands for Computer Security Incident Response Team.

In terms of infrastructure, we introduced cloud-enabled computers and improved a communication environment promptly to enable back-office staff to work from home. In anticipation of telework continuing due to the declaration of the state of emergency and the priority preventative measures, we will take measures such as making our operation systems cloud-based, building the Group's common integrated base for authorization, and introducing EDR* to enable more flexible work styles. Thereby we will achieve the same security level both inside and outside the company and employees will be able to work safely and securely anywhere.

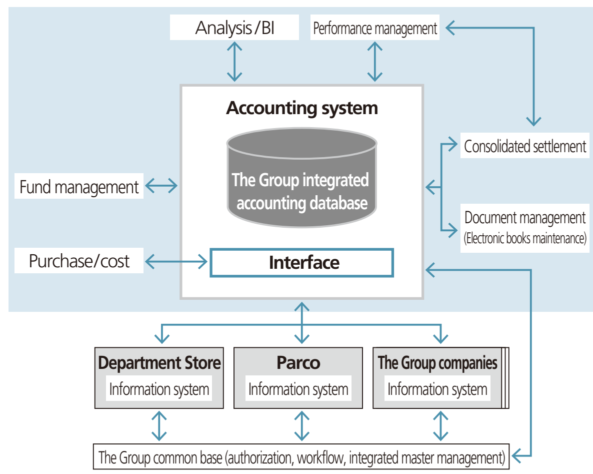
*EDR stands for Endpoint Detection and Response

In terms of operation systems, we plan to rebuild the core systems aiming for data-driven management. We will start to alter our course to data-based management. To begin with, we started to build the Group common accounting system (system renewal, etc.) in March 2021. This system building is intended to “centralize financial information,” “standardize and streamline operations” and “strengthen financial functions using digital technologies” with the aim of supporting decision-making in future-oriented management and financial management and realizing operation reform in finance and accounting departments.

The Group common accounting system will be introduced to Daimaru Matsuzakaya Department Stores in fiscal 2024, and then, expanded into all companies in the Group. After introducing the system, we will predict and analyze using various financial and non-financial data to realize sophisticated and prompt decision-making. We will also rebuild other core systems to standardize and streamline operations at the Group level.

In addition, in order to build a base that supports the implementation of DX, the standardization of cloud environment, the introduction of security guidelines and the development of rules for security check (system vulnerability assessment) before introducing systems were completed. In fiscal 2021, we will continue to promote the shift to a cloud environment that enables us to digitalize and realize our business strategies promptly and flexibly. We have already built the Group's cloud foundation that has data connection function and job execution and monitoring function and all systems that will be introduced in the future will be cloud based. By doing so, we will promote the shift to cloud in terms of both hardware and software. We will actively use cloud to build infrastructure in a short time and quickly start to provide services and enter markets.

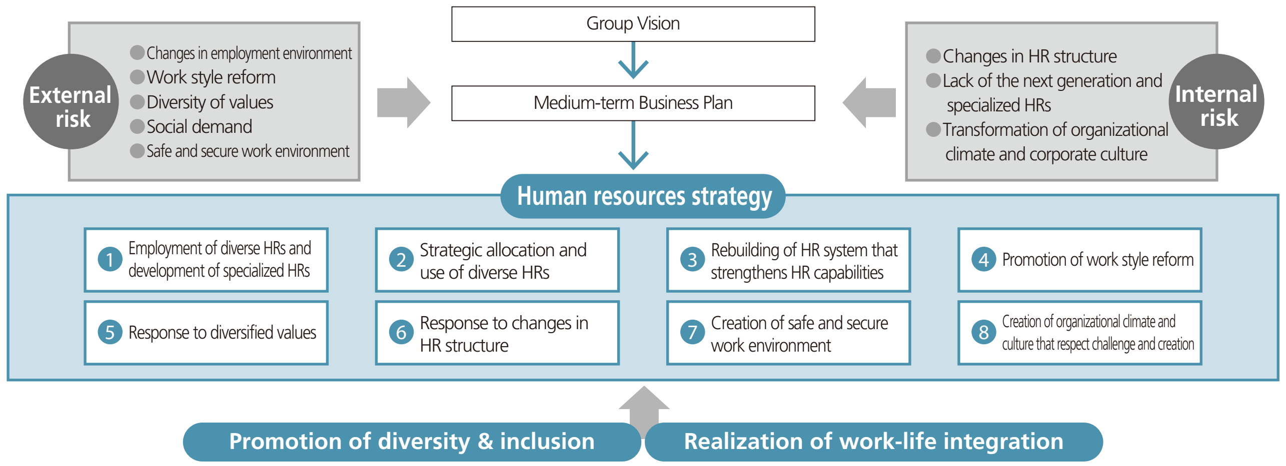
Overview of the Group common accounting system



Drive Innovation with "Human Resource Capabilities"

J. Front Retailing promotes sustainability management as described in the new Medium-term Business Plan and we think the greatest management resources to achieve our business goals are "people" and that a company cannot grow and develop without the growth of human resources. Positioning "employees as treasure (assets)," we aim to realize a "human resource development company" that maximizes employees' personalities and abilities and develops human resource capabilities. At the same time, by respecting diversity and creating an environment that enables diverse and flexible work styles, we would like to be a company whose individual employees can feel satisfied, rewarding and happy.

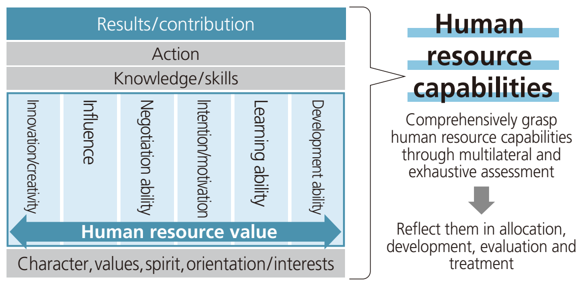
Overview of human resources strategy



From a job performance-based system to a "human resource capabilities"-based system

In fiscal 2020, our personnel system was converted from the former job performance-based system to the one that puts a greater focus on the "human resource capabilities" of individual employees. Therefore, our human resource operation, ranging from "recruitment" to "allocation," "development," "evaluation and assessment," and "treatment and working conditions," always centers on human resource development.

"Human resource capabilities" are comprehensive strengths including actions that lead to the realization of results, highly specialized knowledge and skills, underlying job execution capabilities, energy and learning to promote reforms, and underlying character and spirit. Particularly, we define the ability to perform duties, which directly leads to results and contributions, and the ability to create new value as "human resource value" and value it.



Human resources strategy that supports the Medium-term Business Plan and key strategies

We started the new Medium-term Business Plan in fiscal 2021. The abilities and skills fostered by the past career in the Department Store, SC, etc. are not enough to implement our three key strategies including Developer Strategy, Real × Digital Strategy and Prime Life Strategy and achieve results. And we need to develop new human resource capabilities for regrowth. To this end, we will actively develop employees' abilities and strengthen the employment of specialized talents from outside the Group to build a stronger human resource structure.

With business model transformation, the roles, abilities and skills required of employees will change. The Company will thoroughly face employees based on "human resource capabilities" and place the right people in the right jobs according to their individual aptitudes and potentials so that they can succeed in their new roles and positions. In this process, we will appoint young employees to important positions at an early stage and develop them through jobs and roles.

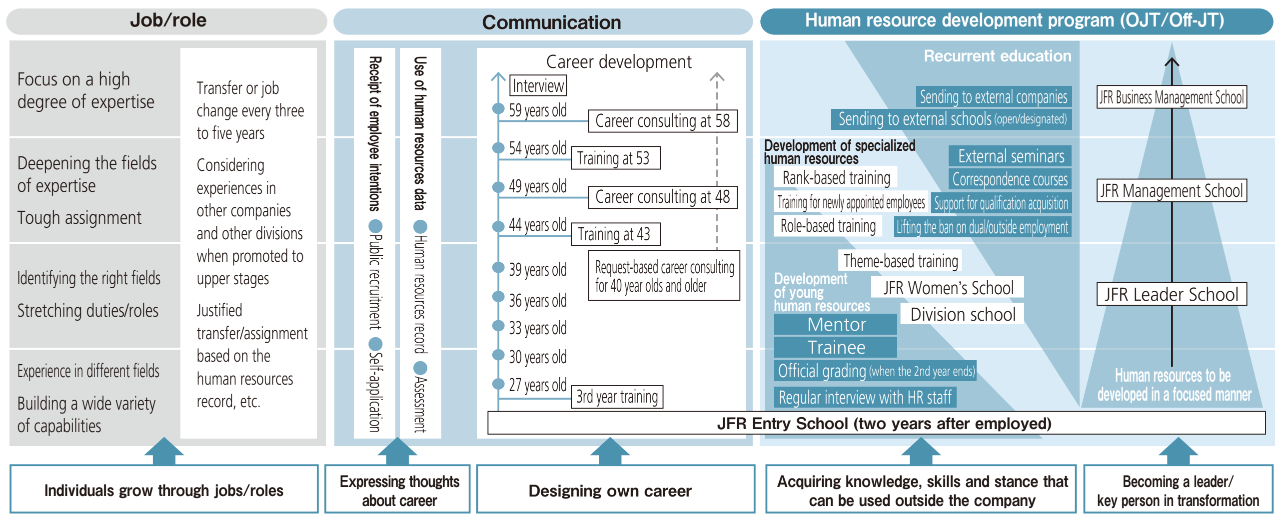
The Group human resource structure reform

We will tackle organization and human resource structure reform to realize an optimal human resource structure based on the Medium-term Business Plan. With the business model reform of existing businesses and changes in the strategic positions of businesses, we will make a focused allocation to the fields of the new key strategies set forth in the Medium-term Business Plan. At the same time, we will (i) strengthen the recruitment of mid-career specialized talents; (ii) allocate and use employees across the Group based on their individual statuses (experience, aptitude, etc.); and (iii) develop new jobs and support career development outside the Group。

Human resource development

Premised on the idea that people grow through jobs, we will link four actions including recruitment, allocation, evaluation and development and increase the energy that will become a growth engine to develop human resources. Our training programs include the ones provided to all employees at certain career stages and when they are promoted to line positions and the ones for selected employees such as the JFR Schools that aim to develop the next managerial talents (Some sessions were suspended or provided remotely due to COVID-19 in fiscal 2020). We also provide extensive self-development courses named Career Support College for employees. Employees can receive a subsidy from the Company when they complete the course. A total of 1,038 employees in the Group took these courses in fiscal 2020. They help develop employees' attitude of "learning by themselves" and organizational climate. Going forward, we will rebuild the Group's common development system and provide versatile content beyond business fields.

Overall diagram of human resource development



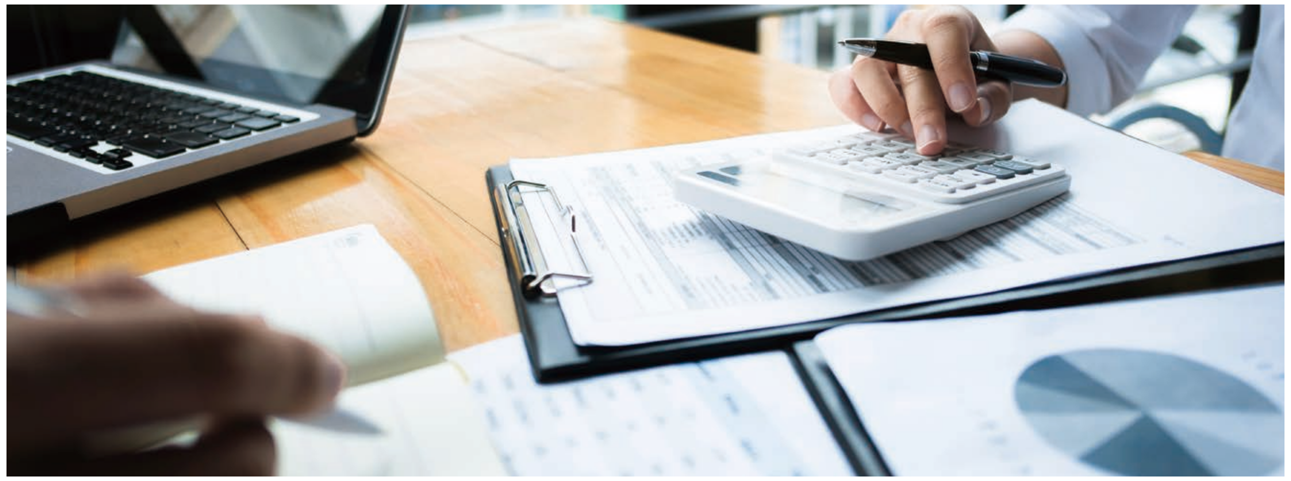
Acquisition of human resources

We strengthen the employment of professional people who have advanced specialized knowledge acquired through abundant experience as well as new graduates. In fiscal 2020, we hired a total of 49 mid-career people throughout the Group, in the digital department of the Department Store, the Payment and Finance Business and others. We also continue the Mother Recruitment program for women who left their jobs for child care but aim to advance their career by exercising their abilities to the fullest and four women were hired in fiscal 2020 under this program. Going forward, we will 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.

Materiality issues that support human resources strategy

The "promotion of diversity & inclusion" and the "realization of work-life integration," which are identified as our materiality issues, are the bases of our human resources strategy. In the "promotion of diversity & inclusion," we respect the diversity of employees such as nationality, gender, LBGT and disability and aim to realize business strategies by exercising diverse abilities. In the "promotion of work-life integration," we will allow new diverse and flexible work styles to keep employees physically and mentally healthy and realize the Well-Being Life of employees and their families.

Accelerate Portfolio Transformation by Introducing ROIC by Business



We promote capital cost (WACC)-conscious management, and in the current Medium-term Business Plan, we aim to achieve consolidated operating profit of ¥40.3 billion, ROE of 7% and ROIC of 5% in fiscal 2023, which is the final year of the plan.

The cost of capital refers to the level of return expected on the company by the funders that invest in it, including financial institutions, investors and shareholders. From the perspective of fund management, it is investment return, and from the perspective of the company that receives funding, it should be recognized as the cost of financing.

We recognize that the level of the cost of shareholders' equity (shareholders expected return) is around 6% to 7% in the medium to long term. We set the target of ROE above the cost of shareholders' equity to meet the expectations of shareholders. Specifically, our target ROE for fiscal 2030 is 10%, and as its milestone, we plan to achieve 7% in fiscal 2023.

The cost of capital is affected by market interest rate trends and the company's total interest-bearing liabilities and market capitalization. We recognize the level of our capital cost is around 3.5% to 4% in the medium term. Therefore, we also set the target level of ROIC, which we adopted as a management indicator of capital profitability beginning from the current Medium-term Business Plan, for fiscal 2023 to be 5%, which is above the cost of capital.

Purpose of introducing ROIC

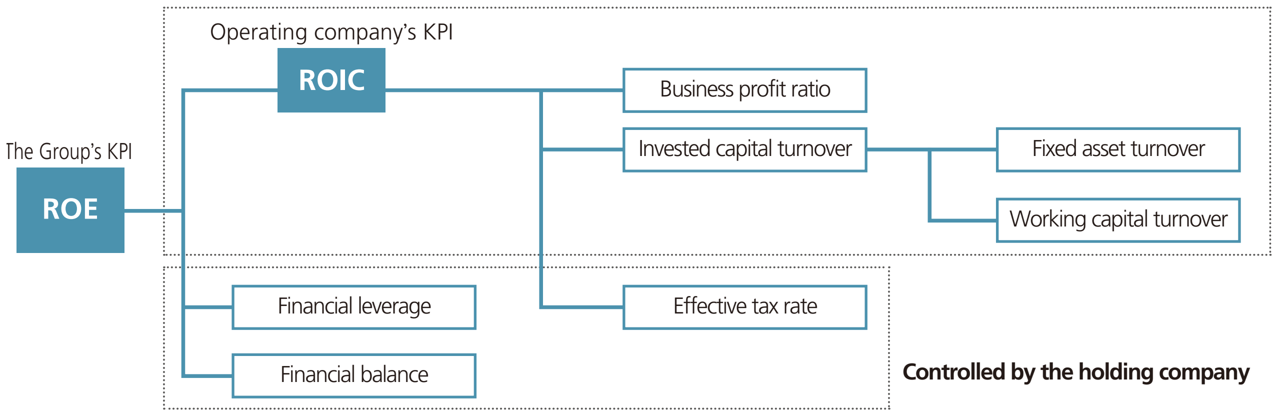
Funds invested in businesses include funds procured from financial institutions and others as well as shareholders' equity. It is important to manage our businesses from the perspective of how efficiently we will use these funds.

The theme of our business portfolio transformation is shift to the Developer Business and the Payment and Finance Business and its point is use of interest-bearing liabilities. Therefore, we introduced ROIC by business segment to implement management with a focus on the profitability of "invested capital," which is the total of shareholders' equity and interest-bearing liabilities, as well as the growth potential and profitability of businesses.

Each operating company focused on ROA to use their assets efficiently in the past, but by introducing ROIC, they will evolve their business management. It also makes apparent the connection between the improvement of business profit ratio and the efforts of employees. And the holding company will focus the investment of management resources on the core businesses, implement the withdrawal and sale of non-core businesses, and add new businesses to increase capital profitability (increase the ROIC spread) and thereby maximize corporate value.

We think the dissemination of the importance of capital profitability in the Group will result in the achievement of business portfolio transformation and the improvement of ROE.

Management of capital profitability using ROIC



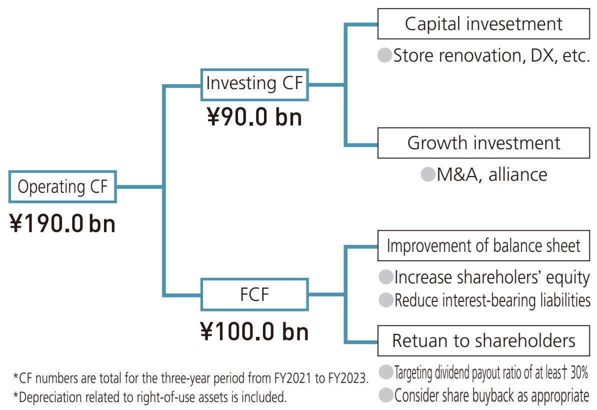
Generation of cash flows and the balance between growth and return

The finance policy in the current Medium-term Business Plan aims to recover both PL and BS to the levels of fiscal 2019 "before the COVID-19 pandemic."

We will generate operating cash flows of ¥190.0 billion or more, of which ¥90.0 billion will be allocated to growth investment and capital investment, over these three years. We will give priority to investment in the matters that will contribute to profits by fiscal 2023 and the Developer Strategy.

In the meantime, free cash flow is expected to be ¥100.0 billion over these three years. We plan to use it for the improvement of BS and return to shareholders. In order to improve BS, we will strive to decrease interest-bearing liabilities (excluding lease liabilities) to ¥260.0 billion by reducing cash and deposits, which we have accumulated as the measures against the current COVID-19 pandemic, to the appropriate amount as well as increasing shareholders' equity. Our basic policy on return to shareholders is targeting a consolidated payout ratio of 30% or more and considering share buyback as appropriate.

Cash flow allocation



*CF numbers are total for the three-year period from FY2021 to FY2023.
*Depreciation related to right-of-use assets is included.

Management structure reform

We will also tackle the "management structure reform" as the most important measures for full recovery from the COVID-19 pandemic. Specifically, we will reduce fixed costs and narrow the business base through business model reform. We plan to reduce fixed costs by ¥10.0 billion or more in fiscal 2023 compared to fiscal 2019 through the reforms of human resource structure and cost structure. We are considering narrowing the business base from the perspective of whether the Company is the best owner of each operating company, regardless of the size of the current profits and looking ahead to the future business portfolio.

Investment Project Review Committee and Revitalization Plan Review Committee

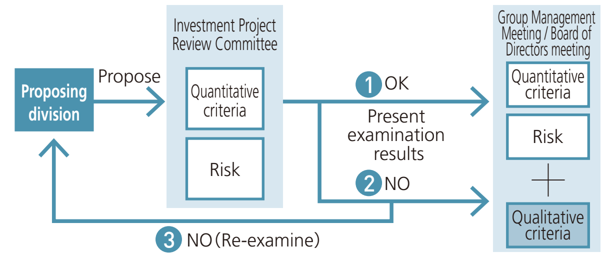
The Investment Project Review Committee and the Revitalization Plan Review Committee are in place to support management decision-making on the implementation of investment projects and business revitalization and withdrawal from a financial perspective.

The Investment Project Review Committee quantitatively assesses the adequacy of a profit and loss plan and whether it meets our investment criteria and judges whether it is suitable for investment from a financial perspective. To offer more objective opinions, we have also put in place a system in which outside organizations can participate.

The Revitalization Plan Review Committee verifies business operations and examines the adequacy of countermeasures based on business performance and forecasts by managing in three phases: I) Normal, II) Caution needed, and III) Revitalization and withdrawal to be considered. In fiscal 2020, the committee verified all existing businesses from a financial perspective twice and conducted a stress test considering the risk of delay in business recovery due to the COVID-19 pandemic.

Each committee provides information to facilitate rapid decision-making at the Group Management Meetings and the Board of Directors meetings.

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



Classification into phases by the Revitalization Plan Review Committee

Sustainability

Well-Being Life as the goal of the Group Vision

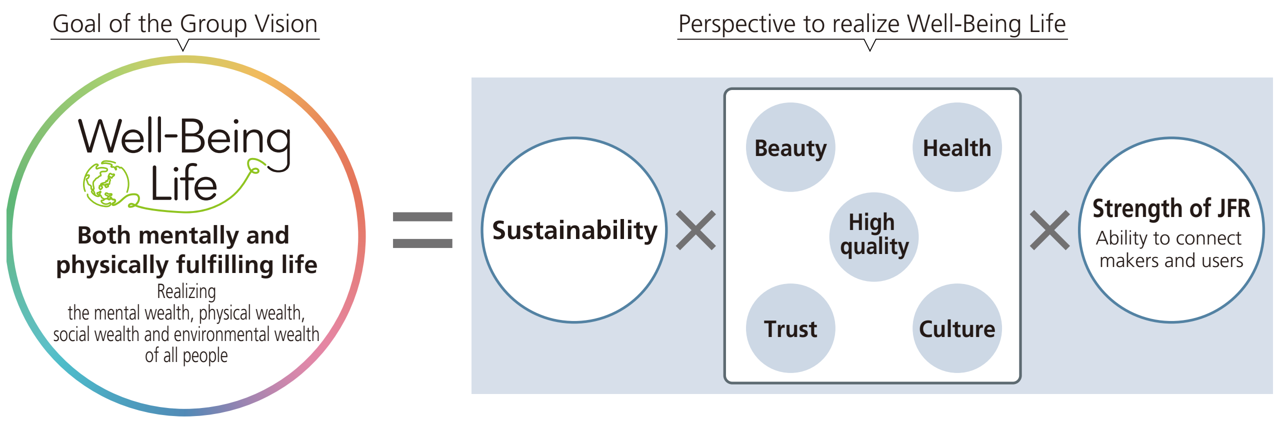
Recently, the business environment has become increasingly uncertain. In addition, in the society that has transitioned to the new normal due to the prolonged COVID-19 impact, companies should understand social value and carry out management under the umbrella of sustainability management.

We believe that we will be able to obtain a "framework for sustainable management" for future growth by incorporating the concept of sustainability into our corporate strategies and business strategies. And we have named unique new wealth as Well-Being Life and positioned it as the goal of the Group Vision.

Well-Being Life = Both mentally and physically fulfilling life

We think of Well-Being Life as "both mentally and physically fulfilling life" that realizes spiritual (intellectual and cultural), physical and social wealth as well as conventional material and economic wealth and the wealth of the environment surrounding them.

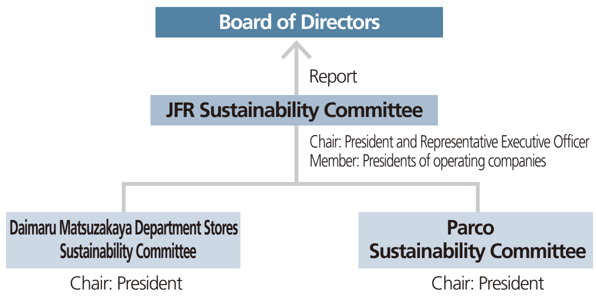
We will propose Well-Being Life to stakeholders from the perspective that combines "sustainability," our unique characteristics including "beauty," "health," "high quality," "culture" and "trust," and our "ability to connect makers and users," which is our strength.



Sustainability promotion system

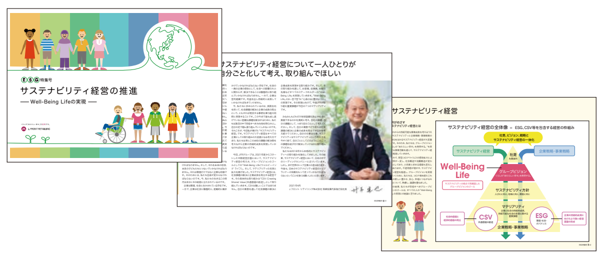
The Sustainability Committee, which is an advisory committee directly under the President and Representative Executive Officer, meets semiannually since fiscal 2019 to promote sustainability management across the Group. The committee shares the Group's policies to respond to environmental and social issues, formulates the Group's action plans on environmental and social issues, and monitors the progress. In addition, the Board of Directors receives the reports on the content of discussions and decisions made at the committee and discusses and oversees the Group's policies and action plans to respond to environmental and social issues.

Sustainability promotion system



Internal dissemination

In order to promote sustainability management, we recognize that it is important for individual employees to correctly understand the importance of sustainability management and seven materiality issues and treat them as the matters that concern themselves. To this end, the President and Representative Executive Officer has in person a dialogue with employees in briefing and training sessions. We also provide information to employees by publishing internal newsletters and using internal website and internal SNS that are dedicated to sustainability information.



List of long-term goals for seven materiality issues

Materiality issue Related SDGs	Major stakeholder	KGI for 2030	KPI for 2030
Highest priority issue **Realization of decarbonized society** 7 AFFORDABLE AND CLEAN ENERGY / 13 CLIMATE ACTION	Customers Suppliers Employees Local communities	● Leading a carbon-free society and creating a global environment for the next generation	● 60% reduction of Scope 1 and 2 GHG emissions (vs. FY2017) ● Share of renewable energy in total electricity used for business activities: 60% ● Expansion of in-house generation and consumption of renewable energy
Newly added **Promotion of circular economy** 12 RESPONSIBLE CONSUMPTION AND PRODUCTION / 13 CLIMATE ACTION	Customers Suppliers	● Realizing a sustainable global environment for the future and corporate growth through the promotion of circular economy	● 50% reduction of waste (including food) (vs. FY2019) ● Total weight of the items collected via ECOFF for recycling: 3,000 t ● Expansion of recycling and remanufacturing of used products ● Expansion of the share of businesses such as sharing, subscription and upcycling
Management of the entire supply chain 7 AFFORDABLE AND CLEAN ENERGY / 13 CLIMATE ACTION	Customers Suppliers	● Realizing decarbonization throughout the supply chain created along with suppliers ● Realizing sustainable supply chain created along with suppliers ● Realizing Well-Being in which we, along with suppliers, protect the human rights and health of the people working along the supply chain	● Aiming for 40% reduction of Scope 3 GHG emissions (vs. FY2017) ● Assessment of the Principles of Action for Suppliers, collection ratio of questionnaires: 95%, dissemination ratio: 100% ● Establishment of business activities in which the human rights of suppliers and employees are respected
Promotion of diversity & inclusion 5 GENDER EQUALITY / 8 DECENT WORK AND ECONOMIC GROWTH	Customers Employees	● Realizing a highly diverse society where everyone recognizes each other's diversity and flexibly demonstrates his/her individuality	● Aiming for the ratio of women in management positions of 50% ● Aiming for retirement at 70 ● Employment ratio of the disabled: 3.0% ● Realizing business growth by use of diverse abilities ● Providing sales floors, products and services that cater to the needs of diverse customers
Realization of work-life integration 3 GOOD HEALTH AND WELL-BEING / 8 DECENT WORK AND ECONOMIC GROWTH	Employees	● Realizing Well-Being for the employees and their families through new work styles for the future in which diversity and flexibility will be realized	● Turnover rate due to childcare and nursing care: 0% ● Childcare leave usage rate: 100% ● Employee satisfaction: 80% ● Improving productivity by creating organization in which employees can work anytime and anywhere
Newly added **Realization of customers' healthy/safe/secure life** 3 GOOD HEALTH AND WELL-BEING / 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Customers	● Realizing a future-oriented Well-Being Life that satisfies the mind and body of customers ● Creating safe, secure, and resilient stores with an eye on the future	● Customer awareness and empathy of the Group's sustainability activities: 80% ● Expansion of offerings for ethical consumption in all lifestyles ● Adding color to lifestyles by expanding entertainment business and wellness business ● Creating highly resilient stores by adopting the latest technologies to prevent disasters and epidemics and providing comfortable spaces with consideration of health
Coexistence with local communities 11 SUSTAINABLE CITIES AND COMMUNITIES / 17 PARTNERSHIP FOR THE GOALS	Customers Local communities	● Together with local communities, creating prosperous future-oriented communities in which people gather, centered on our stores	● Enhancement of the appeal of area leveraging local uniqueness including culture and history, development that contributes to attracting a crowd to the area ● CSV in stores across the Group (making stores sustainable) ● Promoting local revitalization in collaboration with governments, educational institutions, NGOs, NPOs ● Promoting local revitalization by finding and providing locality content such as local production for local consumption *(chisan-chisho)*

Response to Climate Change & Information Disclosure in Line with TCFD Recommendations

Nowadays, climate change and other environmental issues are becoming serious in the world. Japan has been heavily affected as well, suffering frequent major natural disasters caused by abnormal weather. Climate change has developed into a situation companies cannot overlook.

Against that background, we consider "realization of decarbonized society" as the most important issue based on the perception that risks and opportunities stemming from climate change have a major impact on our business strategy. We will go ahead with sustainability management.

In the future as well, the Group will support the TCFD recommendations, using them as guidelines for verifying the appropriateness of the Group's response to climate change. We will proceed with information disclosure in accordance with the four recommended items of "governance," "risk management," "strategy," and "metrics and targets."

Governance over environmental issues

In order to promote sustainability management at all the Group companies in a cross-sectional manner, the "Group Management Meeting," which is the highest decision-making body in business execution, holds talks and adopts resolutions regarding specific initiatives and measures associated with environmental issues. At a semiannual meeting of the "Sustainability Committee," we share policies and other matters on our response to environmental issues discussed and decided by the "Group Management Meeting," and draw up execution plans concerning the Group's environmental issues as well as monitoring progress in their implementation.

Meanwhile, the Board of Directors discusses and supervises the Group's policies on response to environmental issues, policy execution plans and the like, acting on reports over discussions and decisions at the "Group Management Meeting" and the "Sustainability Committee."

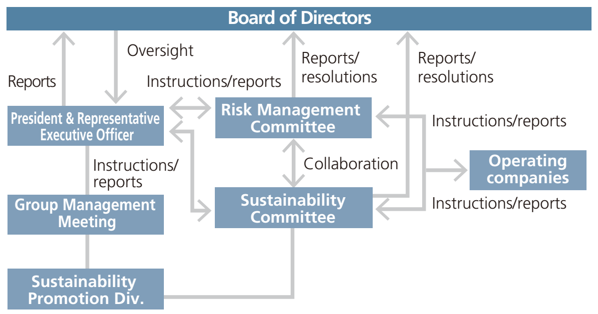
The President and Representative Executive Officer chairs the "Group Management Meeting" as well as the "Risk Management Committee" and the "Sustainability Committee," both advisory panels under his control. He thus bears final responsibility for management judgments associated with environmental issues. Details of matters discussed and decided by the "Group Management Meeting" and the "Sustainability Committee" are eventually reported to the Board of Directors.

Risk management

The Group, positioning risk as a starting point for strategy, defines it as "uncertainty that affects the achievement of business management goals and has both a positive side and a negative side." We believe that a company will grow in a sustainable way by properly addressing risk.

Regarding risk associated with environmental problems, the Group examines it in detail at the "Sustainability Committee" and shares its results with the operating companies in the Group. Each operating company factors initiatives for climate change into execution plans, and confirms their progress while discussing them at each company's meetings headed by its president. Details of such plans are reported to the "Group Management Meeting" as well as the "Risk Management Committee" and the "Sustainability Committee" to monitor progress in their execution. The results of progress are eventually reported to the Board of Directors.

Sustainability promotion structure



Strategy

The Group conducts a scenario analysis to know the risks and opportunities posed by climate change to it and their impact. It is also designed to discuss the resilience of the Group's strategy that assumes the world in 2030 and examine the need for additional measures.

For reference, the scenario analysis uses existing scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC). The Group assumes two possible worlds: one scenario assumes "limiting the average global temperature rise to no more than 2°C above pre-industrial levels," or the Paris Agreement goal (a below-2°C scenario), and another scenario under which it is assumed that already published national policies and regulations are achieved without introducing new policies and schemes, entailing an increase in the volume of global greenhouse gas emissions from the current level (a 4°C scenario).

Toward the "realization of decarbonized society," which the Group regards as the most important materiality issue, we are analyzing effects caused by climate change, discussing means of addressing them, and verifying the Group's strategic resilience, all in connection with the Group's business activities, on the basis of the above scenarios.

* Scenarios used for reference

Assumed worlds	Existing scenarios
Below-2°C scenario	"Sustainable Development Scenario (SDS)" (IEA, 2019 & 2020), "Representative Concentration Pathways (RCP 2.6)" (IPCC, 2014)
4°C scenario	"Stated Policy Scenario (STEPS)" (IEA, 2019 & 2020) "Representative Concentration Pathways (RCP6.0, 8.5)" (IPCC, 2014)

Impact on bussiness and finance of the Group in below-2°C and 4°C scenarios for 2030

The degree of impact on business & finance is shown qualitatively by the slope of arrows in three stages.

↑ :The impact on the Group's business & finance is expected to be very large. ↗ :The impact on the Group's business & finance is expected to be slightly large.
→ :The impact on the Group's business & finance is expected to be negligible.

Type of risk/opportunity			Overview of the Group's risks/opportunities	Financial impact	
				Below-2°C scenario	4°C scenario
Risk	Transition risk	Policy regulation	●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 ●Increased disclosure obligations related to GHG emissions and the risk of fines due to inadequate response	↑	↗
		Market	●Loss of growth opportunities due to a delay in response to market changes such as increased demand for low-carbon (carbon-neutral) products resulting from diversification of consumer behavior and increased customer awareness of environmental issues ●Loss of growth opportunities due to a delay in response to increased risk of infectious diseases (COVID-19, etc.) caused by climate change	↗	→
	Physical risk	Acute	●Loss of sales opportunities for products and services resulting from disruption of procurement and logistics routes due to natural disasters caused by climate change ●Damage to stores and offices and suspension of operations due to natural disasters caused by climate change ●Loss of sales opportunities at stores due to increased risk of infectious diseases (COVID-19, etc.) caused by climate change	↗	↑
Opportunity	Energy source		●Progress in the introduction of policies and institutions related to renewable energy and subsequent reduction in energy procurement costs ●Avoidance of energy procurement risks resulting from the expansion of renewable energy, greater energy conservation and energy creation	↗	→
	Products & services		●Expansion of sales revenue caused by greater demand for reused/recycled products ●Reduction in Scope 3 emissions by greater use of reused/recycled products	↑	↗
	Market		●Expansion of new growth opportunities by foraying into the spheres of sharing economy and upcycling ●Improvement of profitability by restructuring the business portfolio beyond the framework of retail and entering or expanding low-carbon (carbon-neutral) product markets, taking advantage of diversification of consumer behavior and increased customer awareness concerning environmental issues ●Expansion of new growth opportunities by addressing increased risk of infectious diseases (COVID-19, etc.) caused by climate change	↑	↗

The Group believes that, among the financial impacts estimated for 2030 in the two scenarios, the introduction of a carbon tax* and fluctuations in renewable energy-derived electricity rates in Japan, in particular, will be important parameters (indicators). Therefore, for the two parameters of the below-2°C scenario and the 4°C scenario, we quantitatively estimate their financial impacts on the Group.

*Taxes levied on CO_2 emissions, the main cause of climate change

Financial impacts on the Group estimated for 2030

Important parameter (indicator)	Financial impacts on the Group estimated for 2030		
	Item	Below-2°C scenario	4°C scenario
Carbon tax	●Carbon tax (thousands of yen/t-CO_2)	10	3.3
	●Cost increase due to carbon tax (millions of yen)	770	254
Renewable energy-derived electricity rates	●Increase in renewable energy-derived electricity rates (yen/kWh)	1～4	
	●Increase in procurement costs of renewable energy-derived electricity (millions of yen)	196～784	

Assumptions for 2030

- ●Carbon tax price: $100/t-$CO_2$ (below-2°C scenario), $33/t-$CO_2$ (4°C scenario)
- ●The Group's GHG emissions: about 77,000 t-CO_2 (down 60% from FY2017)
- ●Renewable energy-derived electricity rate: Increase of 1 to 4 yen/kWh (vs. electricity rate other than renewable energy)
- ●The Group's usage of renewable energy-derived electricity: 196,000 MWh (ratio of renewable energy: 60%)

The Group will strengthen its strategic resilience from medium- to long-term perspectives in both below-2°C and 4°C scenarios. Therefore, we will seek to acquire new opportunities of growth in our business strategy and Medium-term Business Plan, formulating measures to properly avoid risks, or negative factors, while addressing opportunities, or positive factors, by proactively responding to market changes, for example.

Metrics & targets

In FY2020, the Group's Scope 1 and 2 GHG emissions were 132,106 t-CO_2 (down 18.7% from FY2019), and Scope 3 GHG emissions were 2,922,739 t-CO_2 (down 22.7% from FY2019). The Group obtained third-party assurance regarding the Scope 3 GHG emissions in FY2020.

The Group's long-term GHG emission targets were approved by the Science-Based Targets initiative (SBTi)*1 in 2019. Given progress in our initiatives to date, we have revised the Scope 1 and 2 target to a more ambitious goal of "reducing GHG emissions 60% (from FY2017) by 2030."

To achieve these long-term targets, the Group began procuring renewable energy-derived electricity at its facilities in FY2019, and joined "RE100*2" in October 2020. Going forward, we will strive to increase procurements of renewable energy-derived electricity toward realizing carbon neutral.

*1 Established by a collaboration among the four organizations of CDP, the United Nations Global Compact, World Resources Institute (WRI) and World Wide Fund for Nature (WWF) in 2015 for the purpose of promoting the achievement of science-based GHG emission reduction targets to limit the temperature increase to below 2°C compared with pre-industrial levels.
*2 An international initiative seeking to source 100% of electricity consumption in business activities from renewable energy by 2050

Future efforts

The Group believes it important to respond to climate risks and opportunities using the strength of a corporate group with retail at its core. Specifically, we will take on the following initiatives, among others:

- ●Realization of a resilient supply chain by enhancing measures to address physical climate risks
- ●Contribution to local communities by creating sustainable stores through CSV initiatives with stores at the core
- ●Realization of new business opportunities through the promotion of "circular economy"
- ●Positive response to low-carbon products & services meeting changes in the consumption behavior of consumers

Going forward, the Group will strengthen governance in environmental management, under the oversight of the Board of Directors, and proceed with the Group-wide initiatives, including the formulation of execution plans, toward the realization of medium- to long-term targets

"Realization of Decarbonated Society" by Use of Renewable Energy

Realization of decarbonized society

Background

Given the global trend of decarbonization aimed at a breakaway from reliance on fossil fuel, the Group positions "realization of decarbonized society" through the use of renewable energy as the most important issue.

Goals (commitments)

To hand down our precious global environment to future generations, we will strive in the Group-wide efforts to expand renewable energy procurement and maximize energy conservation, among other things, thus contributing to the realization of decarbonized society.

Targets/KPIs for FY2023

- 40% cut in Scope 1 & 2 GHG emissions (from FY2017, consolidated)
- Rate of renewable energy to electricity used in business activities: 40%
- Introduction of in-house power generation from renewable energy in partnership with new electricity producers/suppliers

Major actions in FY2020

- 18.7% cut in Scope 1 & 2 GHG emissions (from FY2019, consolidated)
- Admitted to climate change "A List" of CDP 2020
- Joined "RE100"
- Rate of renewable energy up 10.3% through expanded switch to such energy (up 6.3 percentage points from FY2019)
- Shinsaibashi PARCO store, 100% operated by renewable energy, opened with a grand ceremony.
- Introduction of energy-saving & highly energy-efficient equipment, expansion of EVs in fleet of company cars

Toward 100% renewable energy by 2050

The Group joined "RE100" (100% Renewable Energy)* in October 2020. We will seek to use renewable energy for 100% of our electricity consumed in business operations by 2050.

Shinsaibashi PARCO, which opened with a grand ceremony in November 2020, has switched 100% of electric power used at the entire store to renewable energy. The store depending on renewable energy for 100% of its power consumed is the first PARCO outlet to do so. Together with the adjacent Daimaru Shinsaibashi store, the PARCO outlet plays the role of a model ESG store of the Group.

Through these initiatives, the Group's ratio of renewable energy in FY2020 stood at 10.3%, improving 6.3 percentage points from FY2019. In the future as well, we will go ahead with a gradual transition to renewable energy in a planned manner, focusing on Daimaru Matsuzakaya Department Stores and Parco outlets.

* An international initiative seeking to source 100% of electricity consumption in business activities from renewable energy by 2050.

Shinsaibashi PARCO

Initiatives for Scope 1 & 2 GHG emission cuts

The Group is a corporate group focused on retail, and much of its GHG emission volume stems from the use of electric power. Therefore, we place emphasis on the use of electricity, promoting initiatives to switch power, particularly electricity consumed at stores, to renewable energy.

At the same time, we are striving to reduce GHG emissions by thorough energy conservation through the replacement of illumination with LED lighting and by direct reduction in emissions through the replacement of company cars with EVs.

As a result, the Group's Scope 1 and 2 GHG emissions in FY2020 decreased 18.7% to 132,106 t-CO_2 from FY2019. Compared with the SBT base year of FY2017, the Group achieved a 32.0% reduction, proceeding steadily toward the attainment of SBT.

The Group obtained a statement of third-party assurance from Lloyd's Register Quality Assurance Limited (LRQA) for Scope 1 and 2 GHG emissions in FY2019.

The Group's Scope 1 & 2 GHG emission reduction targets & results in FY2020

		FY2020	vs. FY2019	vs. SBT base year
		Emissions (t-CO_2)	Reduction (%)	Reduction (%)
Target	Scope 1 & 2 total	156,007	▲4.0	▲19.6
Results	Scope 1 & 2 total	132,106	▲18.7	▲32.0

Toward Realization of Circular Society

Promotion of circular economy

Background

As we face the globally challenging issue of environmental problems caused by the conventional "linear economy" based on mass production and mass disposal, the Group has positioned as one of its new materiality issues the "promotion of circular economy" that maximizes the value of resources and products.

Goals (commitments)

We will create innovative business models for the purpose of generating new environmental value, and acquire a competitive advantage in a circular economy, working together with suppliers and customers.

Targets/KPIs for FY2023

- Amount of waste (incl. food) down 14% (from FY2019)
- Amount of goods collected via ECOFF recycling 1,500 tons
- Recycling of used products & their reproduction in partnership with suppliers and customers
- Entry into new businesses such as sharing economy and upcycling in collaboration with suppliers

Major actions in FY2020

- Reduction in & recycling of store food waste, initiatives to reduce food loss
- Reduction in packaging materials by charging for plastic bags
- Collection, reuse, recycling of clothing through ECOFF blitz
- Fashion subscription service launched
- Floor gathering shops for clothing repair, shoe cleaning, specialist secondhand dealers (Shibuya PARCO)

Build circular economy business models toward a sustainable future

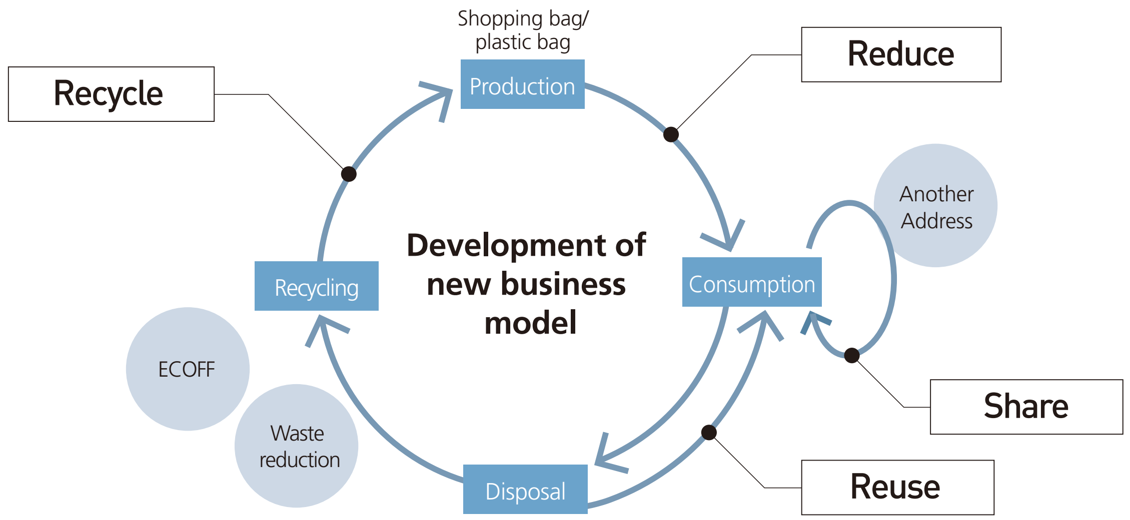
A circular economy is an economic system in which we use natural resources and products efficiently and cyclically, minimize the generation of waste, and commercialize such practices. The concept of a circular economy emerged in Europe in 2015. It has spread globally as an economic system, replacing conventional "linear economy" that is based on mass production and mass disposal.

To date, the Group has been engaged in activities associated with the 3 Rs* that constitute part of the circular economy. Daimaru Matsuzakaya Department Stores is undertaking an "ECOFF" campaign in which we collect clothing, bags, shoes, etc. disused by customers at storefronts, recycling and reusing them to reduce environmental burden. In the campaign, we give customers "shopping support tickets" in proportion to the number of goods collected. We have had many customers participate in this cyclical shopping and recycling drive, which allows them to shop at a discount.

On the other hand, the Group believes it important to acquire new business opportunities at the same time as reducing the environmental burden, in order to further evolve the 3 Rs initiative and eventually realize a circular economy. Daimaru Matsuzakaya Department Stores launched a fashion subscription service dubbed "AnotherADdress" in March 2021. "AnotherADdress" is a service seeking to evolve into a highly sustainable business model in social and environmental terms by giving priority to the essential value and sustainability initiatives of fashion.

The Group will strive to establish business models, taking advantage of its strengths and take on the challenge of developing new businesses with a view to realizing a circular society.

Schematic overview of the Group's initiatives for circular economy



*The 3 Rs stand for Reduce, Reuse and Recycle.

Scope 3 GHG Emission Reduction Undertaken with Business Partners

Background
Toward realizing a decarbonized society, companies are required to identify and manage the amount of GHG emissions associated with not only their own business activities but also supply chain activities. Emission reductions are being given priority from the perspective of corporate risk management as well as environmental aspects.

Goals (commitments)
We will strive to procure and sell eco-friendly products and services together with suppliers and, at the same time, replace electric power with renewable energy and pursue greater energy conservation, thus contributing to the realization of decarbonized society.

Targets/KPIs for FY2023
- 10% cut in Scope 3 GHG emissions (vs. FY2017, consolidated)

Major actions in FY2020
- 22.7% cut in the Group's Scope 3 GHG emissions (vs. FY2019, consolidated)
- Reduction in waste
- Switch to eco-friendly packaging materials
- Promotion of telework, greater efficiency in business trips

Efforts for Scope 3 GHG emission reduction in collaboration with suppliers

As the Group is a corporate group with retail at its core, about 90% of its total GHG emissions are constituted by emissions stemming from the production of goods and services purchased from suppliers (Scope 1 emissions), and by emissions involved in product transport and distribution (Scope 4 and 9). For this reason, we believe it important to reduce Scope 3 GHG emissions not only by the Group independently but also in collaboration with suppliers.

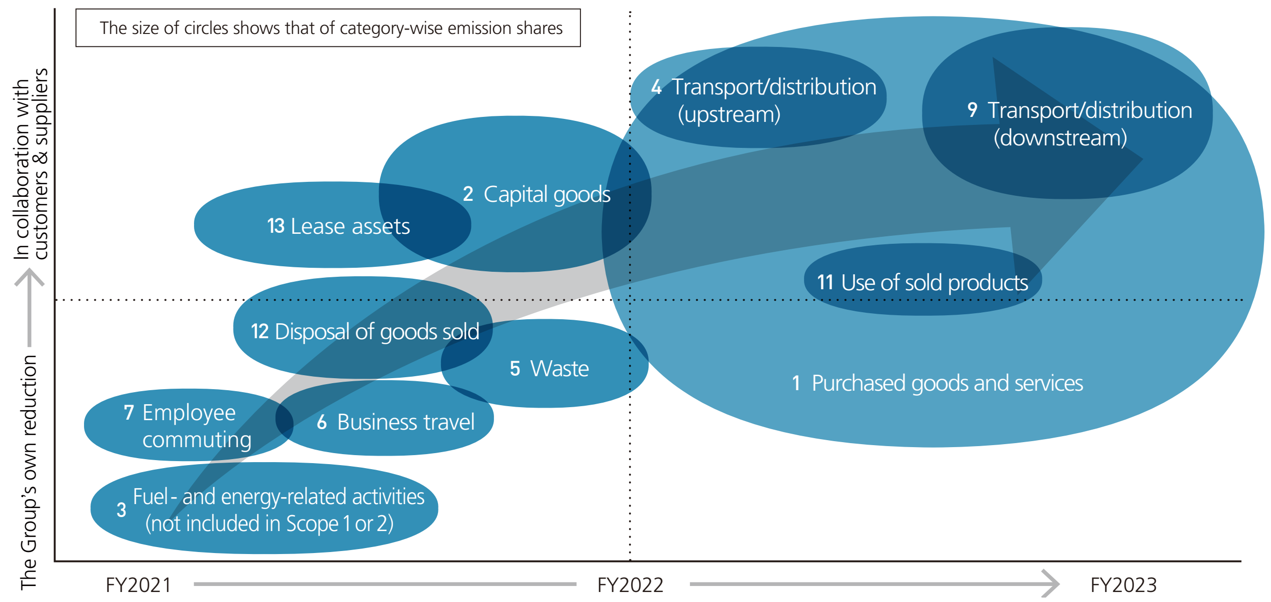
Daimaru Matsuzakaya Department Stores, which emits a relatively large amount of GHG in the Group, began a campaign in FY2021 urging suppliers to cooperate in reducing such emissions. It will seek to expand the volume of eco-friendly products handled and improve efficiency in logistics.

From now on, we will expand the number and scope of suppliers cooperating in such initiatives.

Actual Scope 3 GHG emissions in FY2020

The amount of the Group's Scope 3 GHG emissions in FY2020 totaled 2,922,739 t-CO2. The Group began calculating its entire GHG emission volume in the SBT base year of FY2017. We have since been doing such calculations, trying to improve the accuracy of emission volume calculated year after year. As a result, the Group's record of Scope 3 GHG emissions in FY2020 was given a statement of third-party assurance from Lloyd's Register Quality Assurance Limited (LRQA).

Directionality of the Group's Scope 3 GHG emission reduction



Sustainable Supply Chain Created Along with Suppliers

Background
Human rights issues that arise in the supply chain, such as discrimination and forced labor, and the prolonged pandemic of COVID-19 have had a major impact on the supply chain. Companies are expected to address risks hidden in their supply chain and build a sustainable supply chain.

Goals (commitments)
We will share our views on sustainability with our suppliers and fulfill our social responsibilities together with them to contribute to the creation of a sustainable future society by a supply chain as a whole. In addition, we will work with our suppliers to create a work environment in which the human rights of the people working in the supply chain will be protected and the people will be able to continue to work in good health.

Targets/KPIs for FY2023
- Questionnaire to assess dissemination of the JFR Principles of Action for Suppliers:
  Collection rate: 80%
  Dissemination rate: 25%
- Expansion of the initiatives for human rights due diligence
- Human rights education to employees: 100%

Major actions in FY2020
- Preparation for conducting a Principles of Action for Suppliers assessment (scheduled for autumn in 2021)
- Initiatives for human rights due diligence (Identified human rights risks and enhanced human rights policies)

To conduct the assessment

In 2019, the Group sent the Principles of Action to its suppliers and asked them to support our views and rules regarding social responsibilities. We also held briefing sessions at Daimaru Matsuzakaya Department Stores.

In fiscal 2021, we will conduct an assessment of the suppliers that have supported the Principles of Action to see the understanding of and compliance with the Principles of Action we have shared, and promote improvements through dialogue as necessary.

By repeating this process, we will understand the risks in the supply chain and build a sustainable supply chain that will be created along with our suppliers.

Initiatives for human rights due diligence

The Group pursues human rights initiatives in accordance with the Guiding Principles on Business and Human Rights established by the United Nations. Respect for human rights underlies all our business activities. We have deepened our understanding of human rights issues related to all our activities in associated countries and businesses. We also identified human rights risks in the Group, and formulated our human rights policy.

In the future, we will promote our human rights due diligence activities by assessing the status of compliance with the human rights policy shared with our suppliers and conducting dialogue for improvement with suppliers who were found to have a problem.

Process of human rights due diligence

Identification of human rights risks	Formulation of human rights policy	Assessment	Dialogue for improvement	Disclosure to stakeholders
Identify human rights risks in the list of the Group risks.	Adopt a human rights policy that responds to social conditions as a commitment to human rights.	Confirm compliance with the shared human rights policy by assessment.	Conduct dialogue for improvement with suppliers who were found to have a problem as a result of assessment.	Periodically disclose information on human rights due diligence.

Identification of human rights risks
In 2020, the Group identified human rights risks arising from its business activities. The Risk Management Committee identified and assessed risks based on environmental analyses, narrowed them down to the ones to be prioritized, and shared risk awareness throughout the Group as the list of the Group risks.

In particular, we selected important human rights-related risks from them and identified them as the human rights risks of the Group.

Identified human rights risks

Subject	Human rights risk
The Group	Inadequate labor management, such as the health of the Group's employees (including foreigners and disabled people)
The Group + Primary suppliers	Inappropriate employment, subcontracting, outsourcing, and worker dispatch
Primary suppliers	Sustainability of the supply chain

Formulation of human rights policy
The Group formulated its human rights policy in 2019 based on the International Bill of Human Rights, the Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the Ten Principles of the United Nations Global Compact. This policy provides our ideas for deepening the understanding of various human rights issues and taking appropriate actions.

In-house education on human rights
In order for individual employees to correctly recognize and understand human rights, create a corporate culture based on respect for human rights, and further promote the fulfillment of corporate social responsibilities, the Group uses its intranet to help all employees deepen their understanding of human rights at any time. Furthermore, every year, we provide human rights training for managers.

Growth of Business through Respect for Diverse Individualities and Abilities

Promotion of diversity & inclusion

Background

The decrease in the working-age population due to the declining birthrate and the aging population has become a social problem. In addition, the Group has an environment in which diverse human resources work together, such as women, elderly people, and people hired with prior work experience. We have therefore taken the materiality issue one step further to "promotion of diversity & inclusion." We respect diverse abilities and create unity, which will lead to enhanced competitiveness of the company.

Goals (commitments)

With diversity and flexibility as keywords, we will create a company where all stakeholders will appreciate different individualities and perspectives that are the essence of diversity, and be able to demonstrate their diverse abilities. Furthermore, by having diverse individualities and abilities interact with each other and function with each other (inclusion), we will create innovation, meet the expectations of diverse customers, and aim to grow our business.

Targets/KPIs for FY2023

- Ratio of women in management positions: 26%
- Employment ratio of disabled people: 2.6%
- Dissemination of diversity & inclusion among employees: 100%
- Development of departments, products, and services for diverse customers, including LGBT people
- Increase the number of operating companies that introduce retirement at 65

Major actions in FY2020

- Promotion of women's empowerment: Ratio of women in management positions: 19.9% (consolidated)
- Appointment of an inside female director
- Promotion of empowerment of the elderly: Retirement age extended to 65 (introduced at J. Front Retailing, Daimaru Matsuzakaya Department Stores, JFR Card, Daimaru Kogyo, and JFR Information Center)
- Initiatives for employment of disabled people: Employment ratio of disabled people: 2.21% (employment ratio of disabled people in the special scope of the affiliated companies as of June 2020)
- Creation of systems related to LGBT
- Diversity training for managers

Evolution to diversity & inclusion

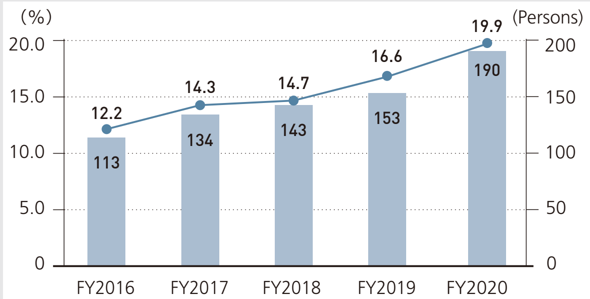
The Group evolved the materiality issue from "promotion of diversity" to "promotion of diversity & inclusion," with the aim of becoming a company in which diverse human resources respect each other's diversity and appreciate each other's individuality so that they are able to demonstrate their individual abilities and play active roles. Through the promotion of diversity and inclusion, we will further revitalize the organization and grow business. To that end, we will assist our employees to deepen their understanding of diversity & inclusion and foster a corporate culture in which they will be able to work in their unique ways. Furthermore, we respect the diversity of our customers and aim to grow business by meeting the diverse needs of our customers.

Promoting women's empowerment

The Group utilizes human resources on the basis of their individual abilities, aptitudes, ambitions, etc., regardless of their gender. In particular, we promote system development and education to create an environment in which women are able to demonstrate their abilities. We have systems in place to support female employees who are raising children, providing an environment in which they can work continuously, unaffected by changes in their life stages. As for education, we provide training, including training for managers and the JFR Women's School primarily for short-time workers who keep working while raising children. As for recruitment, Daimaru Matsuzakaya Department Stores has adopted the Mother Recruitment program to hire experts who left their jobs due to childbirth or for childcare. The employees hired in the program have drawn on their careers at other companies and readily played active roles in human resources, finance, management strategy, and other divisions.

We also appointed an inside female director for the first time in May 2021. Together with the two outside directors, we now have three female directors, making the ratio of women 25%.

Appointment of female managers in the Group (consolidated)



Actions on LGBT issues

The Group is strengthening its support for LGBT in order to create a work environment in which diverse employees are able to play active roles. As for systems, in March 2021, we newly established Same-sex partnership rules and Gender change support leave. We also set up a LGBT Consultation Desk at all our operating companies, putting in place a system where LGBT employees are able to have consultations anonymously. In addition, we are also actively making efforts to promote understanding of all employees and create a new corporate culture, such as providing training for managers and an e-learning course for all employees and raising awareness through LGBT pages on the company intranet. We aim to create a work environment in which diverse employees are able to work in their unique ways and realize their Well-Being Life.

Fiscal 2021 actions on LGBT issues and description

Actions on LGBT issues	Description
Same-sex partnership rules*	Made the rules applied to a spouse applicable to a same-sex partner
Gender change support leave*	Newly established a leave system for hormone treatment, gender reassignment surgery, etc.
LGBT Consultation Desk	Set up a consultation desk exclusively for LGBT issues at all operating companies
Training for managers	Provided training on LGBT issues
Training for all employees	Provided an e-learning course on LGBT issues
LGBT Guidebook	Created a portable pocket guide for all employees
Raising awareness on the intranet	Created a site where all employees are able to learn about LGBT issues at any time

*Applicable rules depend on operating companies.

Realization of Well-Being Life of Employees and Their Families

Realization of work-life integration

Background

Work styles are diversifying due to the evolution of IT, an increase in the number of people that achieve a balance between work and childcare and family care, and the impact of COVID-19. We have taken the materiality issue one step further to "realization of work-life Integration." We will create an environment in which employees are able to work on both work and life, which will lead to increased productivity of the company.

Goals (commitments)

As new work styles in the new normal era, we will promote work styles with the keywords of diversity and flexibility, and maintain physical and mental health at the same time. It will realize the Well-Being Life of employees and their families and lead to increased productivity of the organization.

Targets/KPIs for FY2023

- Turnover rate due to childcare and family care: Less than 1.0%
- Acquisition of childcare leave by male employees: 100%
- Establishment of systems and evaluations toward building an organization in which employees are able to work anytime and anywhere
- Employee satisfaction: 60%

Major actions in FY2020

- Prevention of employees from leaving due to childcare and family care: Turnover rate due to childcare and family care: 1.1% (consolidated)
- Promotion of participation of fathers in childcare
  Acquisition of childcare leave by male employees: 18.8% (consolidated)
- Expansion of teleworking systems
- Increase in the number of employees that are allowed to have a side job (J. Front Retailing)
- Provision of support for mental health issues arising from the impact of the spread of COVID-19 as health management

Evolution to work-life integration

The Group has evolved the materiality issue from "realization of work-life balance" to "realization of work-life integration" in order to realize the Well-Being Life of employees and their families. As new work styles, we will allow flexible work styles that enable everyone to work anytime and anywhere, and build a work environment in which everyone is able to work in his/her unique way. In this way, we will increase the sense of fulfillment of employees by integrating the work of employees and the lives of individuals flexibly and at a higher level to attain synergistic effects and aim to improve the productivity of the organization. In addition, we aim to make these efforts facilitate the realization of Well-Being Life, in which employees are both physically and mentally healthy.

Prevention of employees from leaving due to childcare and family care

Daimaru Matsuzakaya Department Stores is working to provide an environment in which employees are able to continue working while raising children and caring for family by enhancing systems that exceed the legal requirements in order to support employees achieve a balance between work and childcare and family care. At the same time, with various work systems in place, including flexi-time systems, combined with teleworking, we have allowed flexible working styles and prevented employees from leaving due to childcare and family care. In the future, we will further support each individual's career design.

The number of users of systems related to childcare and family care that exceed statutory requirements in FY2020 (Daimaru Matsuzakaya Department Stores)

System	Description	Number of users
Childcare leave	Up to the last day of the month in which the child enters an elementary school (at the longest until the child reaches two years of age under law)	139
Shortened working hours for childcare	Up to the last day of the month in which the child enters an elementary school (for children under three years old under law)	209
Family care leave	Up to a total of one year of leave 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.)	2
Nursing care leave	Paid (Unpaid leave is permitted by law.)	30

Encouraging fathers to take childcare leave

The Group promotes participation of fathers in childcare. In 2019, Daimaru Matsuzakaya Department Stores introduced the short-term childcare leave system, a paid childcare leave system (maximum of two weeks), creating an environment in which it is easy for male employees to take childcare leave. Parco gives incentives to employees that have taken childcare leave regardless of their gender. In the future, we will introduce the short-term childcare leave system at other companies in the Group and urge managers and human resources divisions to encourage employees to use the system. We are striving to create an environment by 2030 in which all employees, including women, men, and LGBT people, who are raising children, are able to take 100% of childcare leave.

Expansion of teleworking systems

The Group introduced a work-from-home system in 2019 and promotes the use of teleworking to create an environment aimed at improved productivity.

In March 2021, J. Front Retailing enhanced its teleworking system. Flexible work styles are now allowed: employees are allowed to work outside of their home, take a temporary break from work for personal reasons (My time system), and combine teleworking and working in the office in one day. At the same time, we have an "interval system" in place to prevent overwork. In addition, we provide work-from-home allowances in accordance with the number of teleworking days. We will create an environment in which employees are able to work anytime and anywhere, and aim to realize the Well-Being Life of employees and increase the productivity of the organization.

Well-Being Life We Suggest to Our Customers

Realization of customers' healthy/safe/secure life

Background

Triggered by the COVID-19 pandemic, consumers' values and lifestyles have changed significantly, and there are growing needs for solutions for environmental and social issues, products and services that enhance health, and safety and security with the aim of preventing infections. Against the backdrop of these changes in the external environment, we will strengthen our effort as a new materiality issue to realize customers' health, safety, and security.

Goals (commitments)

We suggest Well-Being that is unique to each customer and a rich and exciting future by staying close to the lives of customers with physical and mental health and security, and providing high-quality and comfortable products and services. In addition, we will create new customer touch points with consideration given to safety and security and promote the creation of stores that meet the expectations of society. To that end, we will prevent disasters, respond to infection risks, comply with our BCP (business continuity plan), increase store resilience, and at the same time, build operational systems that utilize digital technology.

Targets/KPIs for FY2023

- Start carrying more products certified for food safety and environmental protection
- Expand the areas in our entertainment business, such as traditional culture, art, and culture
- Launch a wellness business
- Customer awareness and empathy of sustainability activities of the Group: 30%
- More sophisticated BCP and stronger measures to prevent epidemics
- Strengthen contactless touch points with customers through communication utilizing digital technology

Major actions in FY2020

- Held ethical life events and attracted shops that carry fair trade products
- Online cosmetics counseling and use of live commerce
- Offering of virtual tours of Shinsaibashi PARCO with 360-degree cameras at the time of its grand opening
- Strengthened HACCP efforts at the Consumer Product End-Use Research Institute
- Revision of JFR Crisis Management Rules and formulation of JFR Crisis Management Manual
- Taking measures for COVID-19

To suggest Well-Being Life that will meet the expectations of customers

In response to growing customer awareness of ethical consumption, such as selecting products that will solve environmental and social issues, Daimaru Matsuzakaya Department Stores and Parco are working to increase products and services that support ethical consumption. To be specific, we hold ethical life events with brands that work on SDGs and have shops that carry fair trade products. In the future, we will carry more ethical products, the purchase of which will allow customers to not only live comfortable lives, but also contribute to the environment and society.

In addition, Parco launched a wellness business division in September 2020 in response to the growing awareness of health and inner fulfillment due to the COVID-19 pandemic. We aim to suggest new lifestyles and provide value related to the area of wellness in a broad sense for consumers to live a better life in terms of health.

In the future, we will conduct a survey on customer awareness and empathy of sustainability activities performed by the Group and utilize the results to enhance our sustainability activities.

Shibuya PARCO held CYCLE, its first whole-building project with the theme of "sustainable" in March 2021.

Creating store environments resistant to disasters and epidemics that will allow customers to visit our stores with a sense of security

The Group is strengthening its efforts for safety and security. The stores of Daimaru Matsuzakaya Department Stores and Parco, and other operating companies regularly have disaster prevention drills and BCP drills in preparation for an earthquake or a fire. In 2020, we revised the JFR Crisis Management Rules and formulated the JFR Crisis Management Manual to have manuals in a structured manner.

Furthermore, Daimaru Matsuzakaya Department Stores and Parco are taking safety and security measures, such as creating an environment that does not have the three Cs, strengthening air conditioning in buildings, etc. as measures to prevent the spread of COVID-19. We ask our customers to wear masks, measure their body temperature with thermography, and use alcohol sanitizer at the entrance. In addition, for employees, health management is thoroughly implemented and measures are taken to prevent infections, including the use of anti-droplet shields. As for COVID-19, we will continue to make efforts to thoroughly implement systematic measures to prevent infections, such as establishing an emergency response headquarters at an early stage. At the same time, we are verifying the measures we have taken so far and formulating the "manual to respond to infectious diseases" in preparation for a new pandemic in the future.


Taking body temperature at the entrance of a store

Revitalization of Local Areas with Our Stores at the Core

Coexistence with local communities

Background

Japan's population, while continuing to shrink and age, is increasingly concentrated in urban areas, leaving the non-urban societies to face the challenge of boosting their attractiveness and revitalizing the regions. Meanwhile, the changes in work styles due to the COVID-19 pandemic are giving rise to the needs for integration of work and home life, and a growing interest in migration to rural areas. These trends are urging companies to work to revitalize rural areas, in addition to urban areas.

Goals (commitments)

Together with local communities, governments, NGOs, and NPOs, we will use our stores as a base to contribute to the creation of sustainable communities that draws on local assets. We will also identify the charm and attractions of each area and make them widely known, so as to offer exciting new experience to its visitors.

Targets/ KPIs for FY2023

- Engage in local development projects that draw on the culture, history, and other features of each area to enhance its attractiveness and contribute to invigorating the area
- Adopt CSV (for sustainability) across the stores
- Promote regional revitalization in collaboration with local governments, educational institutions, NGOs, and NPOs
- Promote regional revitalization by driving local production for local consumption (*chisan-chisho*) and identifying and publicizing things unique to each locality (All stores engage in community collaboration)

Major actions in FY2020

- Development of areas around newly opened Shinsaibashi PARCO and BINO Sakae
- Sales support to local firms and local producers affected by COVID-19
- Web-based promotion of *chisan-chisho*
- Regional revitalization efforts using "BOOSTER, a crowdfunding platform operated by Parco"
- Conclusion of industry-academia collaboration agreement between Parco and Showa Women's University

Developing local areas with our stores at the core

The Group's business model has been to boost the attractiveness of the whole area surrounding our stores, with the store acting as a hub for the growth of our business and the local area. The model has its roots in the development project of shops in the neighborhood of the Daimaru Kobe store in the Former Foreign Settlement in Kobe, which succeeded in invigorating the whole area. Building on the know-how gained, we are working to enhance the attractiveness of other local areas and contribute to the local communities.

In November 2020, Parco opened Shinsaibashi PARCO in Shinsaibashi area, Osaka and BINO Sakae in Sakae area, Nagoya city. Shinsaibashi PARCO has since become a new landmark of Shinsaibashi area alongside the main building of the Daimaru Shinsaibashi store, which was reopened after renovation in 2019. The two facilities leverage each other's strengths to offer more than just shopping of goods but new values, services, and experiences to a variety of customers who come to Shinsaibashi, and draw new crowd to the area. BINO Sakae is living up to its keyword "Bi ('beauty' in Japanese)," which are the initial letters of BINO, by offering shoppers a choice of goods to make their life rich and beautiful, and contributes to improving shopper circulation around Sakae area and enhancing the attractiveness of the area as a whole.

BINO Sakae

"Think LOCAL"–a web-based project for coexistence with local communities

The Group's network of stores spans across the country. Making the most of this advantage, the Group is playing its part in revitalizing the regions in which it has stores by carrying more goods unique to each location and driving the "*chisan-chisho*" initiative of local production for local consumption.

As part of its sustainability actions, Daimaru Matsuzakaya Department Stores is engaged in "Think LOCAL" project to give a thought to local issues and provide support toward their solutions. In September 2020, the company ran the "Let's Buy, Eat, and Be a Part! Campaign" consisted of online sales of local specialties from around the country and a digital charity box through which donations go to NPOs in areas where the stores are located. The campaign's "The Best of Japan Delivered to Your Door Local Food Mart" selling online appetizing local specialty foods and recommended delicacies from where our stores are located and the online fund-raising for local NPOs were carried out to support the local companies, facilities, and organizations hit by the COVID-19 crisis.

We will continue pouring our efforts into online sales and work in harmony with local areas around each of our store locations.

Think LOCAL

For the town, for the people.
Be a place where thoughts meet thoughts

Corporate Governance

As a holding company, J. Front Retailing regards the strengthening of corporate governance–by building and maintaining an internal control system for the entire Group and supervising its operation–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.

In line with this, we have adopted the Company with Three Committees (Nomination, Audit, and Remuneration Committees) system. The reasons for this are:

(1) To strengthen management oversight functions by separating supervision and execution;
(2) To clarify authorities and responsibilities in business execution and promote flexible management;
(3) To improve the transparency and objectivity of management; and
(4) To build a globally applicable governance system;

and thereby further strengthen our corporate governance.

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 execution of business operations of operating subsidiaries is delegated to respective subsidiaries except for matters that are important to the Group's management.

Our roles and responsibilities as a pure holding company are as follows:

- To establish 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 manage their progress and performance;
- To optimize allocation of the Group's management resources;
- To establish a risk management system for the entire Group and conduct internal audits;
- To make decision 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 five supervisory units (Management Strategy Unit, Group Digital Strategy Unit, Financial Strategy Unit, Human Resources Strategy Unit, and Administration Unit) as our management organizations. We clarify the roles, responsibilities, and authorities of each unit to strengthen supervisory functions and enhance the internal control system of the Group as a whole.

2014 — Japan's Stewardship Code was formulated
- Started to evaluate the Board of Directors
- Established the Corporate Governance Guidelines
- Formed the Governance Committee
- Started to evaluate managerial talents

2015 — Corporate Governance Code was adopted

2016
- Studied an optimal organizational structure
- Reviewed criteria for proposals to the Board of Directors
- The Board of Directors retreat (once a year)
- Started to reduce cross-shareholdings

2017
- Voluntarily applied IFRS
- Reviewed criteria for proposals to the Board of Directors
- Formulated Officer Remuneration Policy
- Added "matters to be consulted" to the Board agenda
- Opened the JFR Business Management School

2018 — Corporate Governance Code was revised
- Initiatives to strengthen group governance
- Revised the Corporate Governance Guidelines
- Response to each cross-shareholding partner based on our policy for the exercise of voting rights

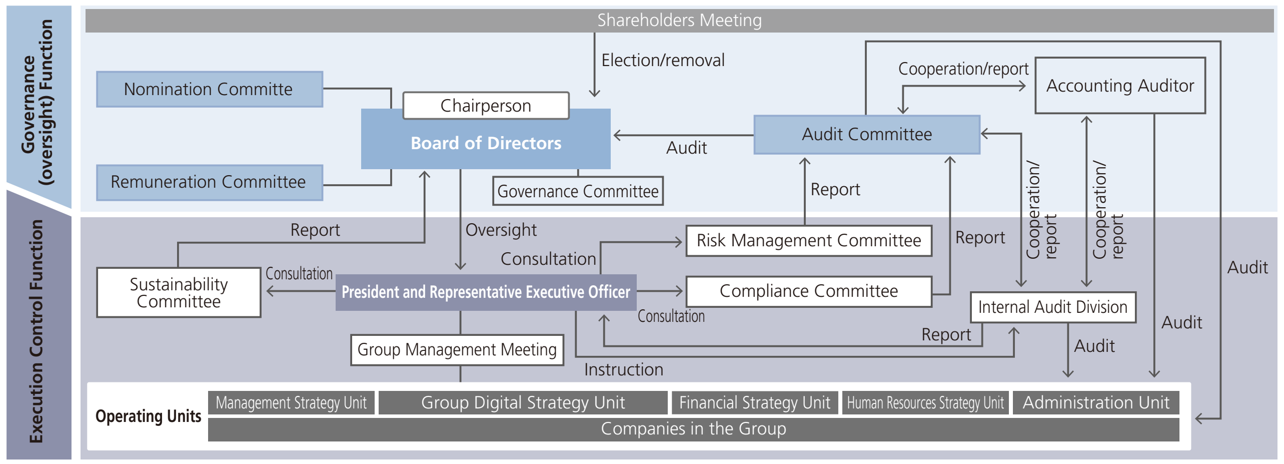
Company with an Audit & Supervisory Board ▶ Company with Three Committees (Nomination, Audit, and Remuneration Committees)

2019
- Established the Management Advisory Board
- Appointed an Outside Director as the Chairperson of the Audit Committee
- Reviewed criteria for proposals to the Board of Directors
- Increased the number of Outside Directors from 5 to 6

2020
- Made Parco a wholly-owned subsidiary
- Revised the Remuneration Policy
- Established the Governance Committee
- Reviewed criteria for proposals to the Board of Directors

2021 — Corporate Governance Code was revised
- Raised the ratio of Outside Directors to 50%
- Revised the Remuneration Policy

Company with Three Committees (Nomination, Audit, and Remuneration Committees)



Board of Directors

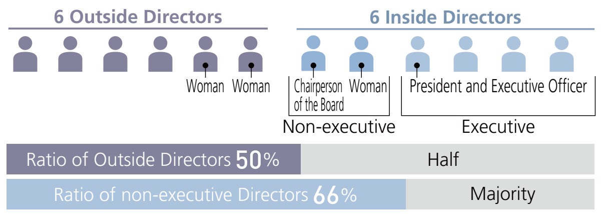
(1) Basic roles and responsibilities of the Board of Directors

Directors are appointed and entrusted by our shareholders to manage the Company and therefore owe fiduciary responsibility and accountability to the shareholders. Keeping this in mind and aiming to realize our Group Vision, the Board of Directors performs the following roles and responsibilities:

- ●To discuss the Group Vision, the Group Medium-term Business Plan, the Group Management Policy, and other basic management policies thoroughly and in a constructive way, as well as to deliberate on their risk assessments and other matters from various angles and with objectivity, so as to set a general direction for the Group's management;
- ●To make appropriate decisions on the overall policy and plans related to the Group management based on the direction mentioned above, and to supervise the progress and results of the said plans;
- ●To develop an environment that facilitates aggressive management efforts toward achieving discontinuous growth;
- ●To build and develop an internal control system for the entire Group and supervise its operation;
- ●To supervise conflicts of interest between related parties; and
- ●To supervise 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 members in an appropriate number not exceeding 15, as set forth in the Articles of Incorporation. As of May 27, 2021, the Board of Directors had 12 members including six independent Outside Directors. Their term of office is one year. When nominating candidates for Directors, we aim to ensure balance and diversity in composition of the Board, taking into account the numbers of supervisors and executives or the mix of talents with experience and expertise in business management. In the election of Outside Directors, the Company selects, in light of the independence criteria established by the Company, candidates who are substantially independent and therefore unlikely to have any conflicts of interest with our shareholders.



Skills matrix (Skills expected of Directors)

Name	Management Strategy	Finance	Marketing	HR & Organization Development	Legal Affairs & Compliance	IT & Digital	E: Environment	S: Society	G: Governance
YAMAMOTO Ryoichi	○		○				○		○
HAMADA Kazuko				○				○	○
YAGO Natsunosuke	○						○		○
HAKODA Junya	○	○							○
UCHIDA Akira	○	○							○
SATO Rieko					○	○		○	○
SEKI Tadayuki		○			○			○	
KOIDE Hiroko	○		○	○					
YOSHIMOTO Tatsuya	○		○				○		○
SAWADA Taro	○		○			○		○	
MAKIYAMA Kozo	○		○	○		○		○	
WAKABAYASHI Hayato	○	○		○					

(3) Key issues discussed at Board meetings and efforts to solve the issues

Against the backdrop of COVID-19 crisis and its huge impact on our performance, and in consideration of the Group's earning power and financial stability, the Board of Directors in fiscal 2020 made a decision at its meeting to tackle the top-priority issue of management restructuring, which was reflected in the setting of agenda for subsequent Board meetings. In the course of formulating the Medium-term Business Plan launched in March 2021, the Board debated on setting the goal of bringing our performance back to the pre-COVID level of fiscal 2019 in fiscal 2023, a final year of the Plan, which would be achieved through a scheme to capitalize on the Group's strengths across our business sections.

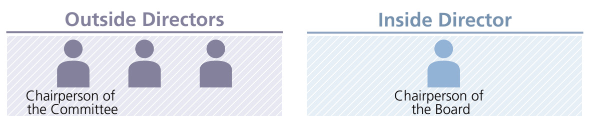
In capitalize on addition to the setting of agenda mentioned above, various efforts have been made to further facilitate substantial discussions, such as introducing an issue tracking sheet and holding regular meetings of chairpersons of the Board and the three statutory committees.

- ●FY2021–FY2023 Group Medium-term Business Plan
- ●Management restructuring
- ●ESG three-year medium-term plan
- ●Initiatives to strengthen IT governance
- ●Basic policy for developing an internal control system
- ●Shareholder policy and IR activities
- ●Reviewing of reasonableness of cross-held shares

Nomination Committee, Audit Committee, and Remuneration Committee

(1) Nomination Committee

The Nomination Committee consists of three independent Outside Directors and non-executive Chairperson of the Board of Directors. 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 also the content of reports to be made to the Board of Directors with respect to the appointment and dismissal of Executive Officers, including the President and Representative Executive Officer, the selection and dismissal of the chairpersons and members of statutory committees, as well as the succession plans for the President and Representative Executive Officer and other management positions.



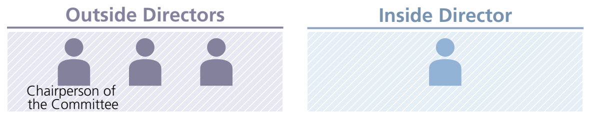
<Key agenda items>

- ●Appointment and dismissal of Directors
- ●Selection and dismissal of Representative Executive Officers
- ●Appointment and dismissal of Executive Officers, assignment and removal of duties
- ●Selection and dismissal of the Chairperson of the Board of Directors
- ●Selection and dismissal of chairpersons and members of the three statutory committees
- ●Matters related to succession planning

(2) Audit Committee

The Audit Committee consists of three independent Outside Directors and one full-time non-executive Inside Director who is well-versed in internal matters and is therefore expected to help in maintaining and improving 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 duties of Executive Officers and Directors are executed in compliance with laws, regulations, and the Articles of Incorporation, with efficiency, and in accordance with our Basic Mission Statement and Group Vision. The 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 the Accounting Auditor to be submitted to the Shareholders Meeting.



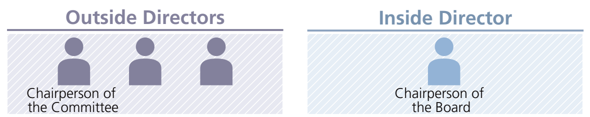
<Key agenda items>

- ●Formulation of audit policies and audit plans
- ●Internal Audit Division's reports
- ●Accounting Auditor's reports
- ●Preparation of audit findings
- ●Preparation of audit reports

(3) Remuneration Committee

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

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



<Key agenda items>

- ●Whether or not Officer Remuneration Policy requires revision
- ●Levels of individual officers' remuneration (base amount by mission grade)
- ●Performance targets and evaluation table for bonus
- ●Performance evaluation and individual payment amounts for bonuses for the previous fiscal year
- ●Performance evaluation and individual payment amounts for stock-based remuneration for the previous fiscal year
- ●Examination of officer remuneration level, composition, KPIs, and other aspects using external data, etc.
- ●Measures regarding officer remuneration following significant changes to the management environment, etc.

Fiscal 2020 (March 2020 to February 2021)

	Board of Directors	Nomination Committee	Audit Committee	Remuneration Committee
Number of meetings	15	14	18	15
Attendance rate of Inside Directors	100%	100%	100%	100%
Attendance rate of Outside Directors	98.8%	100%	100%	100%
Average duration of meetings	2 hours and 48 minutes	46 minutes	1 hour and 45 minutes	1 hour and 1 minute

Executive sessions

Executive sessions are exclusive meetings of independent Outside Directors for free exchange of opinions and sharing of information. Participants debate on matters that require the attention of supervisors, such as on issues regarding the Board meeting or problems to be addressed in order to improve the effectiveness of the Board, among others (Lead director: Ms. SATO Rieko, an independent Outside Director). At the request of the lead director, the President and Representative Executive Officer and the Chairperson of the Board of Directors also participate in discussions.

In fiscal 2020, participants led the move to revise the Board agenda based on the discussion that the Company should, in light of the impact of COVID-19, give priority to management restructuring.

Governance Committee

It has been some time since we made a transition to a Company with Three Committees (Nomination, Audit, and Remuneration Committees) in 2017, during which time Parco Co., Ltd. became our wholly-owned subsidiary and a new Medium-term Business Plan was developed. In view of these and other changes that have taken place, as well as the issue regarding the gap between the ideal and the real state of governance that came into light in the effectiveness evaluation of the Board of Directors, we decided that we needed a platform on which to reexamine our governance system and its operational rules, etc. for the Group as a whole. Consequently, the Governance Committee was established in October 2020 as an advisory organ of the Board of Directors tasked to rebuild the Group governance structure that would support the healthy growth of the whole Group and contribute to enhancing our corporate value in the medium to long term. The Governance Committee consists of six independent Outside Directors, Chairperson of the Board of Directors, and the President and Representative Executive Officer.

In fiscal 2020, the Committee discussed such matters as the desirable system for the Group's governance, reviewing of criteria for proposals to the Board of Directors aimed at a more speedy decision-making in management, the Board's approach to sustainability, and skills matrix, among others.

Succession planning

Selection of the President and Representative Executive Officer is the most important strategic decision-making process, so we position the formulation and implementation of succession plans (for the next senior management team) as a matter of particular importance on our management strategy agenda. When selecting successor candidates, the Nomination Committee, whose majority are Outside

Directors, deliberates on the evaluation of each candidate, which is prepared based on internal data and the results of assessment conducted by a third-party organization. In this way, the process for selecting successor candidates is made clear and transparent. Successors are decided by resolution of the Board of Directors based on the results of deliberation submitted by the Nomination Committee and with an eye to realizing our Basic Mission Statement and Group Vision.

Regarding the qualities required of successors, our Corporate Governance Guidelines stipulates the five items below as "desirable qualities required of JFR managerial talent," defining the values, capabilities, and behavioral traits our officers need to have.

❶Strategic mindset
❷Reform-oriented leadership
❸Tenacity to achieve results
❹Organization development strengths
❺Human resource development strengths

The Nomination Committee shares these principles, fixes its eye on where the Group wants to be in ten years, and discusses what the prerequisites would be for our president, then, so that we have consistent indicators for the evaluation and development of human resources, based on which we work to train and select our future leaders. Regarding the dismissal of the President and Representative Executive Officer, the Board of Directors will decide the report submitted by the Nomination Committee, which the Committee has prepared—in light of the set targets, expected outcome, and resulting achievements (i.e., performance for each period, state of implementation of the strategies, etc.) as well as the accomplishments of the successor candidates who have been selected under the succession plan—and resolved after deliberation. The Nomination Committee deliberates succession plans on a planned and ongoing basis to ensure that the plans take into account changes in the environment and circumstances surrounding the Company and the progress of its strategies. As for other members of the senior management, the Nomination Committee deliberates and resolves their dismissal as in the case of the President and Representative Executive Officer.

Evaluation of the Board of Directors

Based on a preliminary questionnaire, a third-party organization conducts individual interviews with all Directors (both Inside and Outside). The Board of Directors then examines the report on the collected and analyzed results of the interviews. We believe that after a series of improvements made following the past five evaluations, we have come a long way in establishing a framework for the Board of Directors and the governance system. In fiscal 2020, considering that we started off under a new management team due to the changes of the Board Chairperson and the President and Representative Executive Officer, we focused our evaluation on bringing to light the challenges pertaining to the Board's deliberations and operation in particular, in addition to reviewing the state of responses to the issues pointed out in the previous fiscal year.

[Evaluation items]

Evaluation items are set in light of the roles and responsibilities of the Board of Directors, in consideration of the balance between regular questions to determine continuity and new questions, and in a way that the response can be grasped for each different position such as Inside Directors, Outside Directors, committee members, etc., and evaluated and analyzed accordingly.

[Key evaluation items for fiscal 2020]

- Board of Directors' contribution to the Group as a whole
- Board composition
- State of operation
- Content of discussions
- Effectiveness of the Nomination, Remuneration, and Audit Committees

A total of 37 items

([Evaluation results and efforts to address the issues]

With regard to the sixth evaluation of the Board of Directors conducted in September and October, 2020, the third-party organization reported that vigorous discussions were being conducted from diverse perspectives and with increased objectivity of its deliberations in the current Board composition. Meanwhile, the Board of Directors recognized the need to address the following:

- Redefining the roles of the Board
- Intensifying discussions on medium- to long-term strategies
- Reviewing the Board composition
- Strengthening the "Plan" and "Check" functions of the Board
- Strengthening the functions of the Nomination Committee

In response to these challenges, in fiscal 2021 we will carry out the following with an eye to improving efficiency of the Board.

- Review the roles of the Board of Directors, delegate more authority to the executives, and thereby speed up decision-making in management
- With regard to the medium- to long-term growth strategy, tighten the monitoring of business execution while keeping in view the state of COVID-19 crisis
- Create a Board of Directors' issue tracking sheet to keep track of the progress on each issue
- Review the process for the evaluation of management team and reinforce collaboration between the Nomination Committee and the Remuneration Committee

Officer remuneration system

In April 2017, we formulated and announced an Officer Remuneration Policy, which includes a stock-based remuneration system for officers in order to steadily implement the Medium-term Business Plan toward realizing the Group Vision. Upon formulating the new Medium-term Business Plan, we reviewed the content and revised it in April 2021.

In conjunction with the revision of the policy, the scope of stock-based remuneration has been expanded to include Directors and Executive Officers of the Company, Directors and Executive Officers of Daimaru Matsuzakaya Department Stores, a major subsidiary of the Company, as well as Executive Officers of Parco.

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 yen.

(1) Basic policies on officer remuneration

Our officer remuneration system is based on the following basic policies, aiming to realize and promote sustainability management (pay for purpose). Furthermore, our main subsidiaries, Daimaru Matsuzakaya Department Stores and Parco, have adopted the same basic policies.

- To contribute to the sustainable growth of the Group and the medium- to long-term improvement of corporate value, and be consistent with our corporate culture;
- A compensation system that encourages professional managers to carry out their roles (missions) based on the management strategy;
- 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;
- Enhanced transparency and objectivity in the remuneration decision process

(2) Process for determining remuneration

In order to ensure the appropriateness of the level and amount of remuneration and the transparency of the decision-making process, the specific remuneration amount is decided by deliberation and resolution of the Remuneration Committee, which consists of independent Outside Directors and a Chairperson of the Board of Directors who does not execute business and is chaired by an independent Outside Director. Revisions to the officer remuneration system will be implemented in accordance with the period of the Medium-term Business Plan. However, the level of basic remuneration will be reviewed if a drastic change in the external environment requires a significant revision during the Medium-term Business Plan period.

[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

The remuneration for Executive Officers consists of (a) "basic remuneration" (monetary remuneration) in accordance with the mission grade, (b) "bonus" (monetary remuneration) based on the individual evaluation, etc. for each fiscal year, and (c) "performance share (performance-linked stock-based remuneration)" (trust-type stock-based remuneration) linked to the achievement rate of consolidated performance, etc. as set forth in the Medium-term Business Plan. The remuneration for non-executive Directors consists of only fixed remuneration: (a) "basic remuneration" (monetary remuneration) based on job responsibilities, and (d) "restricted stock" (trust-type stock-based remuneration) that is not linked to performance as a stock-based remuneration system.

*Directors and Executive Officers of Daimaru Matsuzakaya Department Stores and Parco shall have the same remuneration composition as "Executive Officers excluding President" in the above figure.

(a) Basic remuneration (monetary remuneration)

Basic remuneration is positioned as fixed remuneration and is determined by mission grade for Executive Officers and by the table for non-executive Directors in accordance with the size (weight) of each officer's responsibilities.

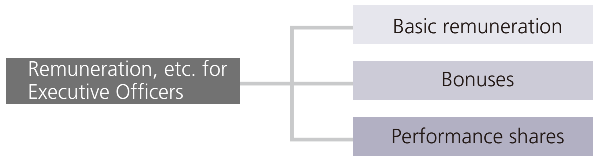
(b) Bonuses (monetary remuneration)

The bonus paid to Executive Officers is a performance-linked remuneration that encourages them to achieve the goals for each fiscal year, which are milestones in the Medium-term Business Plan. The performance-linked remuneration is evaluated based on the quantitative evaluation of "Annual Financial Targets" and the qualitative evaluation of "Annual Non-Financial Indicators."

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

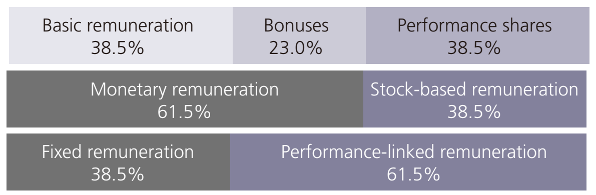
We issue our shares to Executive Officers in conjunction with the consolidated performance achievement rate set forth in the Medium-term Business Plan in order to achieve sustainable growth of the Group and increase corporate value over the medium to long term.

Executive Officers

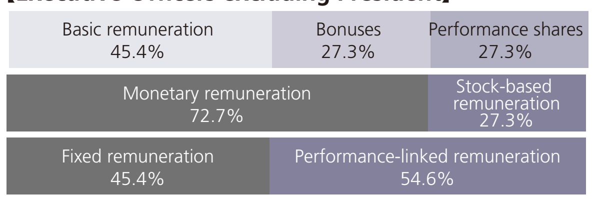


Proportion of remuneration by type for Executive Officers of each rank

【President】



【Executive Officers excluding President】



Note: The above figure represents the case of a bonus for a standard ranking where the performance achievement rate for stock-based remuneration was 100%.
Note: Directors and Executive Officers of Daimaru Matsuzakaya Department Stores and Parco shall have the same remuneration composition as "Executive Officers excluding President" in the above figure.

Target values and evaluation weights for performance-linked stock-based remuneration

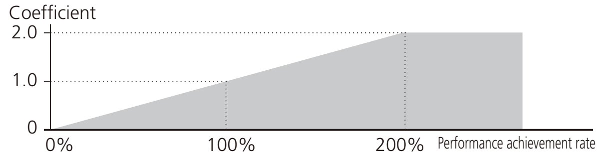
KPI			Medium- to long-term targets	Evaluation weight
Profitability	①	Consolidated operating profit	40.3 billion yen (FY2023)	40%
Efficiency	②	ROE	7% (as of the end of FY2023)	40%
Non-financial	③	GHG reduction (Scope 1&2) emission	-40% (compared to FY2017)	10%
	④	Raising the ratio of women in management positions	26% (as of the end of FY2023)	10%

Note: KPI stands for Key Performance Indicator.
Note: Short-term targets adopt only ① consolidated operating profit. The initial forecasts for the fiscal year announced in the Consolidated Financial Results every April (IFRS basis) are used for the relevant target value. The target value for FY2021 is 11.0 billion yen.

Calculation method of performance-linked coefficient

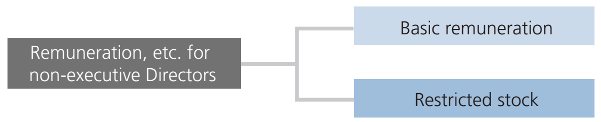
Performance achievement rate	Performance-linked coefficient
200% or more	2
0% or more but less than 200%	Actual results ÷ Target
Less than 0%	0

Image of changes in a performance-linked coefficient



Note: When performance achievement rate is 0, the performance-linked coefficient is 0 (0%), and when performance achievement rate is 200% or more, the performance-linked coefficient is 2.0 (200%).

Non-executive Directors



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% is to be issued annually in order to promote management from the perspective of shareholder.

(d) 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 executives as the representatives of stakeholders and to engage in management from a medium- to long-term perspective, we have adopted a restricted stock 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.

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 liabilities by taking into account the ability to generate free cash flow and the balance of the interest-bearing liabilities. 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.

In addition, as an important financial indicator for the realization of the Group Vision, we focus on ROE for capital efficiency, consolidated operating profit and ROIC for business profitability, free cash flow for profitability and safety, and the ratio of equity attributable to owners of parent (equity ratio) for financial soundness.

Shareholder return policy

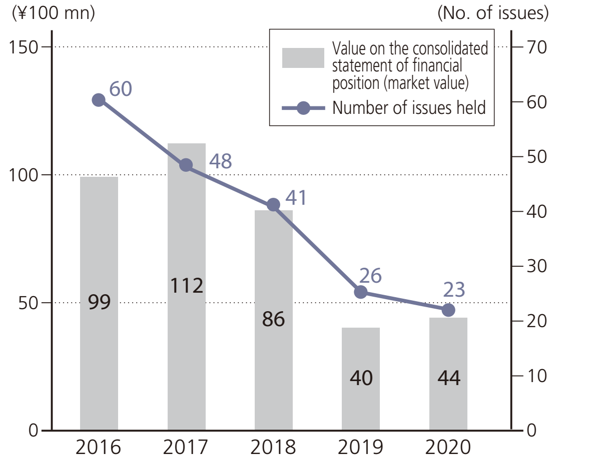
Our basic policy aims to offer stable dividends and return profits to shareholders appropriately with a consolidated dividend payout ratio of around 30 percent or more, taking into account profit levels, future capital investments, free cash flow trends, and other factors while maintaining and trying to improve financial health. Furthermore, we consider acquiring treasury stock from time to time in order to improve capital efficiency and enable agile implementation of capital policy.

Cross-shareholdings

(1) Shareholding policy

The Group does not acquire new shares for cross-shareholdings (listed shares to be held for purposes other than pure investment, excluding shares in subsidiaries and associates), in principle. However, this does not apply to a cross-shareholding arrangement that is deemed indispensable in driving forward the Group's business

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

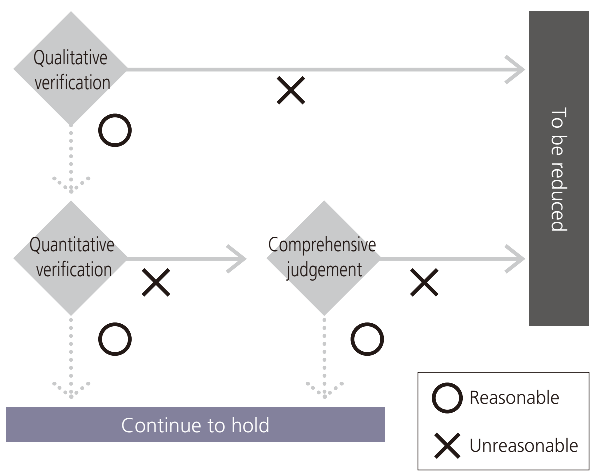


strategy and likely to contribute to improving its corporate value over the medium to long term through the verification of the reasonableness of the planned cross-shareholding. For instance, if a cross-shareholding arrangement is requested to facilitate local revitalization, it would be possible to acquire shares after it is fully considered within the executives whether such arrangement is appropriate from the viewpoint of "coexistence with local communities," which is one of the materiality issues designed to promote sustainability management. For the cross-shareholdings that are already in our possession, we will, as appropriate, cut down on those whose possession is deemed unreasonable as a result of verification, after holding negotiations with client companies and business partners and reaching agreement with them on the sales method, period, and other conditions.

For unlisted shares, we have continuously examined the appropriateness of their possession within the executives in view of their potential sell-off and reduction. From the current fiscal year, we will determine if it is reasonable to hold unlisted shares from both qualitative and quantitative aspects, as with listed shares, and will strengthen efforts to reduce unlisted shares.

(2) Verifying the reasonableness of cross-shareholdings

Cross-shareholdings are subject to a regular annual verification for each individual issue by the Board of Directors from both qualitative and quantitative aspects. Qualitative verification looks at business strategies, such as securing supply chains and maintaining smooth and good business relationships with client companies and business partners. Qualitative verification examines whether the amount of proceeds from shareholdings, including those from related transactions and dividends, is greater than capital cost.



(3) Policy for exercising voting rights

We determine whether to exercise our voting rights considering whether such exercise will contribute to sustainable growth and enhancement of the medium- to long-term corporate value of the company in which we hold the shares, and of the Group. In particular, we have a policy on which to base our decisions on the exercise of voting rights and will take action along this policy across the entire Group for proposals which are considered highly important in enhancing corporate governance, such as those on the corporate governance structure (election of officers) or the return of profits to shareholders (appropriation of surplus), and those that may impact shareholder value (adoption of anti-takeover measures). If necessary, we will also hold dialogues with the company in which we hold the shares before exercising our voting rights.

Improvement of Shareholders Meetings

To have a constructive dialogue with our shareholders, we send out the Notice of Convocation of Shareholders Meeting early (at least three weeks prior to the day of the Meeting) and post the content of the Notice of Convocation on the websites of the financial instruments exchange and the Company as soon as practically possible prior to the date of issuance of the Notice of Convocation. This will provide enough time for shareholders to consider as to the exercise of their voting rights. The Notice of Convocation of the 14th Shareholders Meeting was disclosed on the websites of the financial instruments exchange and the Company four weeks prior to the day of the meeting, before sending the Notice of Convocation in written form. For the convenience of shareholders, including domestic and international institutional investors, in exercising their voting rights, we have introduced an online voting system and used an electronic voting platform. Furthermore, we have the Notice of Convocation of Shareholders Meeting translated into English and disclose the translation on our website and the electronic voting platform so that international shareholders will be able to properly exercise their voting rights.

Since fiscal 2020, we have encouraged online voting more than ever before in order to reduce the risk of further spread of COVID-19 infection which may occur if shareholders visit the venue of the Shareholders Meeting in person. We also live-streamed sections of the Shareholders Meeting of explaining about "progress and results" and "issues to be addressed" for shareholders who could not come to the meeting.

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 seek to maintain and advance trustworthy relationships with shareholders, investors, and other stakeholders. To this end, we disclose important information relevant to the Company in an accurate, clear, fair, timely, and appropriate manner in order to raise management transparency and deepen understanding of the Company. This is what we aim for in carrying forward IR activities. We disclose any important information of the Company which is subject to the Timely Disclosure Rules via the Tokyo Stock Exchange's TDnet (Timely Disclosure network) and make its content available on our website, etc. as soon as possible. For any information which is not subject to the Timely Disclosure Rules but which we think will help deepen understanding of the Company, we try to make such information widely known by posting it on our website, publicizing Integrated Reports, and by other means. We disclose information timely and appropriately by using TDnet, EDINET, Sustainability Reports, and our website according to the nature of information to be disclosed. To ensure the fairness of information disclosure, we prepare English translations and disclose them for: the Notice of Convocation of Shareholders Meeting, Integrated Reports, Annual Securities Reports, timely disclosure information, financial results information, Sustainability Reports, and our website. We disclose on our website as soon as possible presentation videos, materials, and Q&A summary texts for financial results and ESG presentations, and Q&A summary texts for financial results conference calls, both in Japanese and English. In addition to timely disclosure and information transmission at our website, we organize a range of briefings and meetings and respond to inquiries from shareholders and investors on a daily basis, seeking to enhance communication with them. Opinions and requests from shareholders and investors are shared widely among the Company and relevant companies in the Group and used for reference in corporate management toward increasing corporate value.

Major dialogue activities with investors in FY2020

Item		Remarks
Financial results presentations for institutional investors and analysts (on financial results and management)	Twice	Videos were streamed on our website in Japanese and English. The summaries of Q&A sessions on the same days were also posted in Japanese and English.
Financial results conference calls for institutional investors and analysts (Q1, Q3)	Twice	The summaries of Q&A sessions on the same days were posted on our website in Japanese and English.
Small meetings for institutional investors and analysts	12 times	
ESG presentations for institutional investors and analysts	Once	Videos were streamed on our website in Japanese and English. The summaries of Q&A sessions on the same days were also posted in Japanese and English.
Store tours for institutional investors and analysts	Once	A tour of Shinsaibashi PARCO (which opened in November 2020)
Overseas IR	Twice/26 companies	Conducted online
Conferences for international investors organized by securities companies	3 times/17 companies	Conducted online
Individual meetings for institutional investors	137 times	Mostly in the form of conference call

External evaluation of IR activities

We were granted the Best IR Award of the 2020 IR Award program (organized by the Japan Investor Relations Association). It was the second time that we received the Best IR Award after 2016. In addition, our Integrated Report 2020 for the previous fiscal year received the Special Award of the 23rd NIKKEI Annual Report Awards 2020 organized by Nikkei Inc.

Risk management and compliance

(1) Risk management

We have a Risk Management Committee to organizationally manage and deal with risks in general, mostly strategic risks associated with securing growth opportunities, from a company-wide perspective. The Committee is chaired by the President and Representative Executive Officer and comprised of Senior Executive General Managers, the presidents of major operating companies, and other members. It identifies and evaluates risks associated with the Group. Decisions made by the Committee are shared with all divisions of the Company and Group companies so that risk management efforts will help enhance corporate value. In fiscal 2020, the Committee identified "corporate risks" (see page 22) which became the starting point of the FY2021–FY2023 Group Medium-term Business Plan, and made the Group risk list covering annual risks identified based on the corporate risks.

(2) Compliance

We have a Compliance Committee (whose members include a corporate lawyer) to ensure proper handling of issues on the Group's compliance management. The Committee is chaired by the President and Representative Executive Officer. Working closely with the divisions in charge of promotion of compliance, the Committee builds the foundation of the compliance structure (including the formulation of promotion structures and plans) and oversees the status of operation on a continuous basis, and promotes compliance with laws, the corporate ethics, and other rules. In case of any material breach of compliance rules, the Committee sets a policy on how to respond to such breach.

Any and all matters that are up for debate at either committee are reported to the Audit Committee on a regular and timely basis.

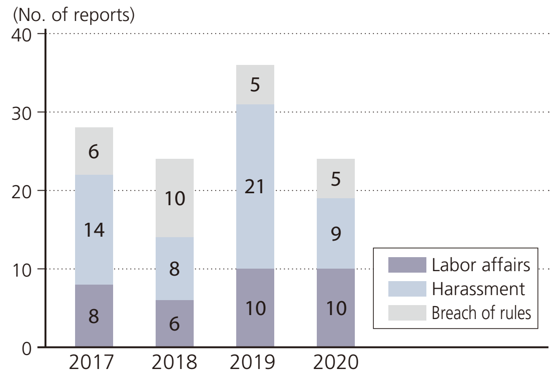
JFR Group Compliance Hotline

We have a whistleblowing system that enables all officers and employees of the Group and all individuals working at the Group (including part-time workers and temporary staff from suppliers) to notify the Compliance Committee directly of any compliance issues and seek corrective action. We have points of contact for whistleblowers both inside and outside the Company (a corporate lawyer). Regarding this whistleblowing system, the Group's internal company rules include rigorous provisions ensuring the protection of the whistleblower's privacy and prohibiting disadvantageous treatment of the whistleblower.

In March 2020, JFR Group Compliance Hotline was registered as a system conforming to the Consumer Affairs Agency's "Whistleblowing Compliance Management System certification (self-declaration of conformity registration system)" (WCMS certification) standards. The registration was renewed in March 2021.

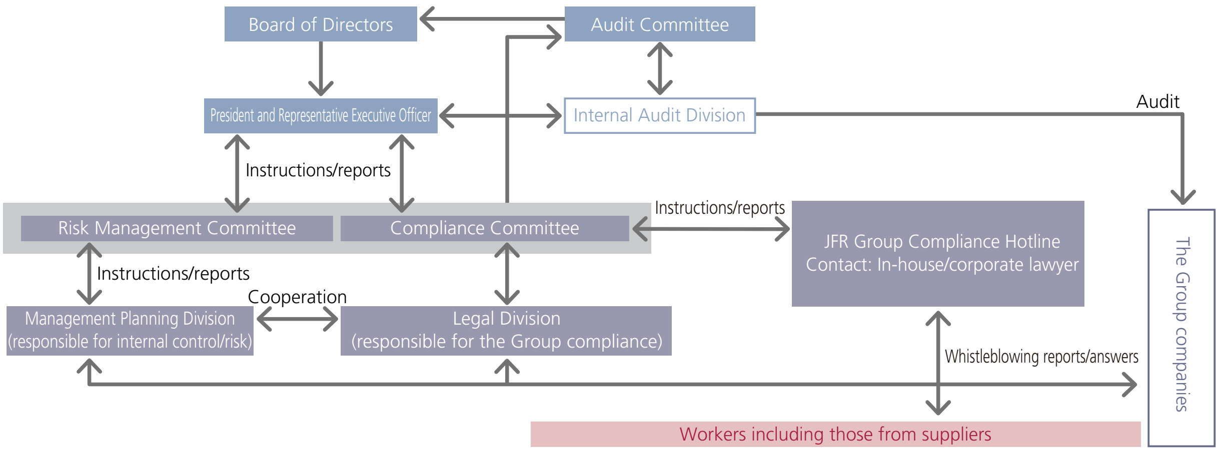
Whistleblowing Compliance Management System

Types of reports



Integrated Report 2021 on our website
https://www.j-front-retailing.com/ir/library/annual.php

Risk management and compliance structure



The Group risk list

Strategy risk	1	Escalating confrontation among major countries, particularly between the US and China
	2	Restriction on the global flow of people and goods
	3	Economic policy under COVID-19 crisis; response to epidemic and disaster
	4	Progress in implementation of new policies aimed at establishing a "new normal," including accelerated digitalization
	5	Prolongation of the worst post-WWII global recession
	6	Easing of overconcentration in Tokyo and its effect on market
	7	Increasing risk of burst of asset bubble formed under COVID-19 crisis
	8	Fluctuation of inbound market driven by external factors
	9	Expansion of overseas revenue mainly through cross-border e-commerce
	10	Increasing risk of financial crisis as a result of COVID-19 pandemic
	11	Emergence of the new rich
	12	Loss of job or decrease in income under COVID-19 crisis
	13	Continuing trend of less children and smaller population
	14	Acceleration of aging; longer life
	15	Reversal of population movement, from Tokyo's city center to local regions
	16	Sign of change in family structure represented by slowdown of growth for one-person household
	17	Emergence of a new type of consumption focusing on self-fulfillment and intangible values
	18	Growth in premium-item consumption
	19	Expansion of consumer activity combining online and real-world purchases
	20	Increase in environmentally and socially conscious consumption
	21	Reform of existing businesses through good use of technology
	22	Sophistication of marketing with effective use of data
	23	Rapid increase of cashless payment
	24	Advancement of digitalization of operations
	25	Development of sharing economy
	26	Emergence of new business model that poses threat to existing businesses
	27	Emergence of new market triggered by COVID-19 crisis
	28	Acceleration of industry realignment
	29	Increasing cross-industry mergers & acquisitions or alliance
	30	Vulnerability of existing business model
	31	Loss of existing supplier or strategy change at existing supplier
	32	Demonstration of truly customer-oriented practices
	33	Dependence on specific market or supplier
	34	Appropriateness of judgment for strategic investment or revitalization of or withdrawal from unprofitable business
	35	Analysis and reconstruction of business portfolio
	36	Sharing of corporate philosophy, vision, and purpose (reason d'etre)
	37	Development of overseas strategy based on shrinking domestic market
	38	Paradigm shift in work style and organizational structure
	39	Acceleration of open innovation
	40	Acquisition, development, deployment, and use of strategically-fit expert talent
	41	Sound organizational climate
	42	Demand for corporate value enhancement through CSV
	43	Response management for environmental issues
	44	Response management for social issues
	45	Sustainability of the supply chain
	46	Progress in corporate governance reform
	47	Establishment, management, and adequate assessment of internal control (company law and J-SOX)
	48	Steady execution and review of risk management process
	49	Effectiveness of IR/SR activities
	50	Effectiveness of public relations activities
Finance risk	51	Effectiveness of profit management under COVID-19 crisis
	52	Effectiveness of financing under COVID-19 crisis
	53	Investigation of optimal capital structure
	54	Abrupt change in exchange rates
	55	Fraud or error in financial statements; delay in disclosure
	56	Asset impairment (including goodwill)
	57	Response to tax reforms and new accounting standards
Hazard risk	58	Normalization of natural disasters
	59	Spreading of epidemic and its severity
	60	Stores and offices hit by disasters; breakdown of infrastructure
	61	Environmental disasters caused by the leakage of hazardous matters, etc.
	62	Accidents or equipment failure such as fire or electric leakage
	63	Injury or accident (as either offender or victim); health damage such as food poisoning
	64	Increasing system failure and unauthorized access through cyber attack
	65	Troubles with system managed by third party
	66	Shortfall and delay in Business Continuity Management (BCM)
	67	Inadequate public relations management under emergency situation
	68	Insufficient or lack of risk management documents
	69	Substandard safety management of building and equipment
Operation risk	70	Lack of proper labor management such as employee health management (including non-Japanese and handicapped employees)
	71	Inappropriate employment, subcontracting, outsourcing, and worker dispatch
	72	Faulty management of funds for retirement money or pension
	73	Connection with antisocial forces; involvement in unlawful business or trade
	74	Non-compliance with subcontract law or antimonopoly law
	75	Fraudulent acts by executives or employees
	76	Leakage of personal information, confidential information, or insider information
	77	Poor compliance mindset, including erosion of moral values
	78	Non-compliance with reporting line for matters related to compliance
	79	Lack of quality management for products and services and insufficient control of procurement costs
	80	Inadequate outsourcing management
	81	Shortcomings in contract management
	82	Bankruptcy or default of supplier or customer

Independent Outside Director Akira Uchida

Outside Director, Yokogawa Electric Corporation
Outside Director, Daimaru Matsuzakaya Department Stores Co. Ltd.

Using crisis awareness as springboard

As an Outside Director, I have had more opportunities to be involved with the Group through management supervision and consultation than with other companies. I believe the Group is making good use of the outside director system. They thoroughly provide a detailed briefing prior to the Board of Directors' meetings so that the Directors are sufficiently informed. Discussions in the meeting are lively and Outside Directors are allowed to offer their multifaceted opinions frankly. The management sincerely listen to our opinions and answer our questions. If they can't provide answers on the spot, they are sure to come back to us later with a report on actions taken. Thus, the PDCA cycle is properly working.

I think the management responded appropriately to the emergency situation that arose from the COVID-19 epidemic. They drastically cut business costs and investments. At the same time, they made timely investments in safety and security measures. They also acted swiftly to secure necessary funds from the shrinking financial market where sourcing of funds was getting more difficult. When they suspended the operation of physical retail outlets, they undertook new online initiatives. They also set up an exclusive department to further drive the structural reform. I am sorry to say, however, that the new online initiatives and the structural reform should have started earlier, regardless of the COVID-19 situation.

I joined the Group in 2019 as an Outside Director. When I was conducting the audit of the management as a member of the Audit Committee, I pointed out their lack of crisis consciousness. Retailers, particularly department stores, usually expect to receive customers and make sales every day. Even during the 2008 financial crisis when they experienced a sales decrease of 10 or 20% from the previous year, it was the same. On the other hand, manufacturers always face various risks. Their products may be suddenly replaced by their competitor's products. In the 2008 crisis, many factories were completely shut down. The company I used to work for, a materials manufacturer, was placed in the upstream of a supply chain and constantly exposed to a considerable demand fluctuation. In the case of department stores, a decrease in demand is not abrupt enough to generate a sense of crisis among the management and employees. They are like frogs slowly boiled alive. Then, facing an emergency situation where they were forced to close the stores under the COVID-19 crisis, the management and employees alike shared crisis awareness. Our future depends on whether everyone in the Group can become as one and come up with new ideas to overcome this crisis. I hope they will use the sense of crisis as a springboard to achieve a V-shaped recovery to return to where they were as quickly as possible.

A slow progress in the business portfolio reform also demonstrates the lack of crisis consciousness. In addition, there was a problem in management plan development. When the previous Medium-term Business Plan was made, the time span was set at five years. I thought it would be extremely difficult to complete a portfolio change within five years. I pointed out to the management that gradual improvement based on the existing situation could only bring about half-finished results. The management should develop a longer-term plan by first envisioning the desirable shape of the Group after 10 years, or an imaginary ideal portfolio, and then back casting from that point to create three-year plans and single-year budgets. They cannot realize transformational change unless they think hard about what should be done to reach their goal. This time, the new Medium-term Business Plan was developed from the discussion on the ideal shape of the Group after 10 years. To me, this is progress.

Focusing on sustainability

Sustainability is an issue shared all over the world today. In particular, the global environment and human rights are the focus of attention. The U.S. rejoined the Paris Agreement and Japan finally announced its intention to address environmental concerns in earnest by setting an ambitious target. Investors are shifting their money to companies that contribute towards a sustainable society and companies have no choice but to accelerate their efforts in this arena. In our Group, the initiative to switch the energy source to 100% renewable has been achieved in the Daimaru Shinsaibashi store, but we need to move faster to expand it to all of our stores. In addition, we need to broaden our effort outside the Group and involve our customers in our supply chain covered under Scope 3. This is not an easy task. The key is that the Group takes strong leadership in planning and execution. It is also important to establish a good relationship with a well-known clothing company in the West that has introduced recycled materials for their clothes.

Human rights is also a big issue. Today, companies are increasingly required to conduct human rights due diligence on a global scale to investigate any infringement within their supply chains. If a domestic retailer handles a certain product and a supply chain of that product is found to be involved in child labor or forced labor, the retailer is likely to be held accountable. Based on such risk, we need to grasp the human rights situation within our supply chain and make sure that there is no infringement.

Regarding diversity, our board has been further diversified with an increase of the number of female Directors to three. However, the proportion of female Directors on our board could be 50% or more if we consider the fact that the overwhelming majority of customers in the Department Store and SC are women. The same can be said about the Executive Officer and store manager. We might as well have a higher proportion of women in these positions if we are to conduct management, supervision, or consultation based on customers' viewpoints. In the long term, we may have a chance to build a new business model with more input from women. In the Group, the proportion of female employees is high. All we have to do is to develop their talent, promote them, and let them run the business. If we want to transform our business model, we need to change our way of thinking, and diversity is essential.

In accordance with the revision of the governance code, we are disclosing a skills matrix of Directors from this year. It shows a skills balance among Directors and is a way of providing guidance and explanation to investors and shareholders as to which direction the Group is heading. But in fact, what we need to achieve is more diversification within management. It will generate dynamism in daily operations and lead to the creation of a new business model. A homogenous organization functions well in a stable growth period, but it doesn't work in a period of change. My point is, a skills matrix for the Executive Officers should be created and disclosed in the same manner as Directors.

I understand that the Group had opened physical retail outlets outside Japan in the past with unsuccessful results. If they have already given up the ambition of overseas expansion because of these experiences, a growth opportunity will be lost forever. I would like to suggest that, in order to capture overseas demand through the internet or other means, the Group promotes diversity by bringing in talent from outside Japan not only for the Director's position but also for management and manager levels. If we remain focused on the domestic market, demand will keep decreasing. As it is too difficult to come up with workable ideas only through a Japanese way of thinking, we will have to have input from people outside Japan who are specialized in developing solutions for change.

Supervision and advice on the progress of the Medium-term Plan

During the course of medium-term plan discussions, we had a meaningful dialogue on where we should be after 10 years. We also talked about substantially expanding our finance business. Including such topics, I enjoyed the candid dialogue. We must take risks in pursuing our goal and there are three key things we must always remember: The first is to make sure we have substantial management resource, or a special weapon; the second is to find out if society is expecting us to take such action and to examine if our action leads to the solution of any social issues; and, the third is whether we are truly determined to carry it out. Only when these three elements are in place we can start to pursue our goal to become what we should be. The things we need to discuss are, for example, how to fill a considerable gap between what we are today and what we should be, or what we need to be doing in the next three years, including M&A, bringing in new talent, or forming an alliance. A structural reform with a short-term mindset will not receive employees' support. It is critical to show them in the beginning what we will be in 10 years and then explain what we need to be doing now to make it happen.

Through the discussions on the desirable shape of the Group after 10 years, we are beginning to understand what role we should play as a holding company. In the new Medium-term Business Plan, we have introduced a cross-organizational strategy. Previously, a medium-term plan was based on vertical business strategies. The addition of horizontal thinking helps us visualize group synergies and total optimization of the Group's strengths more specifically. Still, it is not clear to me which of the horizontal axes (committees) or the vertical axes (operating companies) is the main axis. A matrix management without a main axis tends to be dysfunctional. We need to watch carefully whether decisions will be made from the viewpoint of total optimization in actual operations.

The new Medium-term Business Plan was created by back casting from 2030. However, I have the impression that the desirable image of the Group after 10 years is still only an extension of, or gradual improvements from, the current status. Imagine the world after 10 years. There is no doubt that the population of Japan will have decreased. The more critical thing to note, however, is that the digital natives will definitely become the mainstream consumers. These generations have no psychological barrier to the internet, and if they become the mainstream consumers in 10 years, we need to set a higher online sales target in the Real × Digital Strategy. For example, we can assume 50% from real-world sales and 50% from digital. Or, we may have to change our mindset drastically and create a hybrid SC where our customers can enjoy their shopping easily online as well as in the real world.

In this case, the claim made by the Department Store that they will "remove the limitation of time and place" becomes a very useful concept, applicable to not only the Japanese market but also overseas expansion. All we have to do is imagine the future when online sales from customers outside Japan surpasses inbound demand and to consider how to accomplish it. We should be able to envisage this kind of thing to happen in 10 years. It is estimated that Japan's population will fall below 100 million around 2050 and, in 2100, it will be about half of it. Growth will hit the ceiling if we continue to rely only on real-world revenues from domestic stores. We must have a serious discussion about what needs to be done to achieve fifty-fifty revenue split between the real world and digital. Inevitably, we need to anticipate the restructuring of our industry in the medium- to long term.

The most essential role of Outside Director is the supervision of Executive Officers from an independent viewpoint. This is my biggest responsibility. Particularly, Outside Directors should be involved with the matters related to governance that are the most important responsibilities for the Board of Directors, including the supervision, selection, and dismissal of the President and Representative Executive Officer and successor planning. Also, I am fully aware of additional expectations laid on us, which are suggestions, advice, or counsel for proactive governance. Outside Directors are free from any restraints from the past. I am always prepared to make objective and fair judgments and contribute to the enhancement of the Group's corporate value in the medium- to long term.

Governance ▶ Management

Management (as of May 28, 2021)

Directors

YAMAMOTO Ryoichi

Number of the Company's shares held: 95,667

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 of Group Headquarters of the same company
Sep 2007	Director and in charge of Sales Reform and Out-of-Store Sales Reform of J. Front Retailing Co., Ltd. Executive General Manager 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, President and Representative Executive Officer of the same company
May 2020	Director and Chairperson of Board of Directors of the same company (present)

HAMADA Kazuko

Number of the Company's shares held: None

Audit Committee Member

Apr 1985	Joined Parco Co., Ltd.
Sep 2000	General Manager of Marketing Department of Sales Management Division of the same company
Mar 2002	Deputy General Manager of Kichijoji PARCO of the same company
Mar 2005	General Manager of Kichijoji PARCO of the same company
Mar 2007	General Manager of Shintokorozawa PARCO of the same company
Mar 2010	Executive Officer (Personnel) of the same company
Mar 2013	Executive Officer (Administration and Personnel) of the same company
Mar 2015	Executive Officer (Group Audit Office) of the same company
May 2020	Auditor of the same company (present)
May 2021	Director of J. Front Retailing Co., Ltd. (present)

YAGO Natsunosuke

Outside Director
Number of the Company's shares held: 2,208

Chairperson of Nomination Committee
Remuneration Committee Member

【Reasons for appointment】He has been involved in top-level company management for many years and he has abundant experience in strengthening financial bases and in compliance management as well as highly specialized knowledge of internal control and corporate governance. Accordingly, the Company expects him to apply them to the management of the Group.

Apr 1977	Joined Ebara Corporation
Jun 2002	Executive Officer of the same company
Apr 2004	Senior Executive Officer and Group Executive of Precision Machinery Group of the same company, Representative Director and Chairman of Ebara Precision Machinery Europe GmbH, Representative Director and Chairman of Ebara Technologies Inc. and Chairman of Ebara Precision Machinery Shanghai Inc.
Jun 2004	Director of Ebara Corporation
Apr 2005	Director of the same company and Chairman of Ebara Precision Machinery Taiwan Inc.
Jun 2005	Director of Ebara Corporation, President of Precision Machinery Company and General Manager of Fujisawa Operation
Apr 2006	Director and Managing Executive Officer of Ebara Corporation President of Precision Machinery Company
Apr 2007	President and Representative Director of Ebara Corporation
May 2007	President and Representative Director and General Manager of Internal Control Promotion Department of the same company
Jul 2009	President and Representative Director and General Manager of Internal Control Department of the same company
Apr 2013	Chairman and Director of the same company
Oct 2017	Representative Director of The Ebara Hatakeyama Memorial Foundation (present)
Mar 2019	Retired from the office of Chairman and Director of Ebara Corporation
Jun 2019	Outside Director of Subaru Corporation (present)
May 2020	Outside Director of J. Front Retailing Co., Ltd. (present)
May 2021	Director of Parco Co., Ltd. (present)

HAKODA Junya

Outside Director
Number of the Company's shares held: None

Chairperson of Audit Committee

【Reasons for appointment】He was involved in accounting audits, management consulting, and internal audits of auditing firms, etc. for many years and therefore has a high level of expertise in corporate governance and management auditing as well as corporate auditing. Accordingly, the Company expects him to apply them to the appropriate supervision of the management of the Group.

Apr 1974	Joined Mitsubishi Rayon Co., Ltd. (present Mitsubishi Chemical Corporation)
Nov 1980	Joined Pricewaterhouse CPA Office (Reorganized as Aoyama Audit Corporation in June 1983)
Apr 1984	Registered as certified public accountant
Apr 2000	Partner of ChuoAoyama Audit Corporation/PricewaterhouseCoopers
Aug 2006	Representative of Arata Audit Corporation/Partner of PricewaterhouseCoopers
Apr 2008	Eminent Professor of Graduate School of Keio University (internal audit theory)
Sep 2009	Member of the Agreement Monitoring Committee of the Japan External Trade Organization
Sep 2010	Director of Japan Internal Control Research Association
Dec 2014	Outside Corporate Auditor of Schroder Investment Management (Japan) Limited (present)
Mar 2015	Director of Institute of Corporate Governance, Japan (present)
Jun 2015	Outside Corporate Auditor of Yamaha Corporation
Jun 2015	Outside Director of Aeon Financial Service Co., Ltd.
Jun 2017	Outside Director and Chairperson of the Audit Committee of Yamaha Corporation
Sep 2019	Member of the Ethics Committee of the Japanese Institute of Certified Public Accountants (present)
Aug 2020	Vice Chairperson of the Committee on Training and Research for Outside Officers (present)
May 2021	Outside Director of J. Front Retailing Co., Ltd. (present)

UCHIDA Akira

Outside Director
Number of the Company's shares held: 3,118
Number of other shares as stock-based remuneration not yet granted: 1,933

Chairperson of Remuneration Committee
Nomination Committee Member

【Reasons for appointment】He has broad experience as the person responsible for management planning, IR and finance and accounting divisions. In addition, he possesses a high level of expertise in the fields of corporate governance and ESG management and the Company expects him to apply them to the management of the Group.

Apr 1975	Joined Toray Industries, Inc.
Jun 1996	Executive Vice President of Toray Industries (America), Inc.
Jun 2000	General Manager on Special Assignment of Corporate Strategic Planning Division 1, General Manager on Special Assignment of Corporate Communications Department of Toray Industries, Inc.
Jun 2004	Counsellor of Corporate Strategic Planning Division and Counsellor of Investor Relations Department of the same company
Jun 2005	Member of the Board, General Manager of Finance and Controller's Division of the same company President of Toray Holding (USA), Inc.
Jun 2009	Senior Vice President (Member of the Board), General Manager of Finance and Controller's Division of Toray Industries, Inc. President of Toray Holding (USA), Inc.
Jun 2012	Senior Vice President (Member of the Board) in charge of CSR; General Manager of General Administration and Legal Division, Investor Relations Department, Corporate Communications Department and Advertising Department; and General Manager of Tokyo Head Office of Toray Industries, Inc.
Jun 2016	Adviser of the same company
Mar 2019	Retired from the office of Adviser of the same company
May 2019	Outside Director of J. Front Retailing Co., Ltd. (present)
Jun 2019	Outside Director of Yokogawa Electric Corporation (present)
May 2020	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)

SATO Rieko

Outside Director
Number of the Company's shares held: 1,777
Number of other shares as stock-based remuneration not yet granted: 3,866

Audit Committee Member

【Reasons for appointment】She has abundant experience as an outside director and outside audit & supervisory board member at other companies, in addition to having made a career in handling many cases with in-depth and specialized knowledge as an attorney at law specializing in corporate legal affairs and the Company expects her to apply them to the management of the Group.

Apr 1984	Registered as attorney at law
Aug 1989	Shearman & Sterling LLP
Jul 1998	Partner of Ishii Law Office (present)
Jun 2004	External Audit & Supervisory Board Member of Ajinomoto Co., Inc.
Jun 2012	Outside Corporate Auditor of NTT Data Corporation
Jun 2015	Outside Director of The Dai-ichi Life Insurance Company, Limited
Oct 2016	Outside Director of Dai-ichi Life Holdings, Inc. (Audit & Supervisory Committee Member) (present)
May 2018	Outside Director of J. Front Retailing Co., Ltd. (present)
May 2019	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)
Jun 2020	Outside Director of NTT Data Corporation (Audit and Supervisory Committee member) (present) Outside Audit & Supervisory Board Member of Mitsubishi Corporation (present)

SEKI Tadayuki

Outside Director
Number of the Company's shares held: 984

Audit Committee Member

【Reasons for appointment】He was involved in international business management and risk management at a general trading company for many years, and as CFO, he has both abundant experience and highly specialized knowledge in relation to finance and accounting. He also has wide-ranging insights derived from roles as Outside Director and Audit & Supervisory Board Member at multiple companies, including Parco Co., Ltd. and the Company expects him to apply them to the management of the Group.

Apr 1973	Joined Itochu Corporation
Jun 1998	General Manager of Finance Division of Itochu International Inc. (Stationed in New York)
Jun 2004	Executive Officer and CFO of Food Company of Itochu Corporation
Apr 2007	Managing Executive Officer and General Manager of Finance Division of the same company
Jun 2009	Representative Director, Managing Director, Chief Officer for Finance, Accounting, Risk Management and CFO of the same company
Apr 2010	Representative Director and Senior Managing Executive Officer of the same company
May 2011	Representative Director, Senior Managing Executive Officer and CFO of the same company
Apr 2013	Representative Director, Executive Vice President and CFO of the same company
Apr 2014	Representative Director, Executive Vice President, Executive Advisory Officer, CFO and CAO of the same company
Apr 2015	Adviser of the same company
May 2016	External Director of Parco Co., Ltd.
Jun 2016	Outside Director of Nippon Valqua Industries, Ltd. (present Valqua, Ltd.) (present)
Apr 2017	Advisory Member of Itochu Corporation (present)
Jun 2017	Outside Director of JSR Corporation (present)
Jul 2017	Outside Statutory Auditor of Asahi Mutual Life Insurance Company (present)
May 2020	Outside Director of J. Front Retailing Co., Ltd. (present) Director of Parco Co., Ltd. (present)

KOIDE Hiroko

Outside Director
Number of the Company's shares held: None

Nomination Committee Member
Remuneration Committee Member

【Reasons for appointment】She served as an officer at foreign companies for many years, also engaged in corporate management as the head of marketing at the head office of a U.S. company, and therefore has abundant experience in global management and knowledge based on her extensive experience in the marketing field. She also has wide-ranging insight as an outside director of multiple listed companies. Accordingly, the Company expects her to apply them to the appropriate supervision of the management of the Group.

Sep 1986	Joined J. Walter Thompson Japan K.K. (present J. Walter Thompson Japan G.K.)
May 1993	Joined Nippon Lever K.K. (present Unilever Japan K.K.)
Apr 2001	Director of the same company
Apr 2006	General Manager of Marketing Management Division of Masterfoods Ltd. (present Mars Japan Limited)
Apr 2008	Chief Operating Officer of the same company
Nov 2010	President and Representative Director of Parfums Christian Dior Japon K.K.
Jan 2013	Outside Director of Kirin Co., Ltd.
Apr 2013	Senior Vice President of Global Marketing of Newell Rubbermaid Inc. (U.S.) (present Newell Brands Inc.)
Jun 2016	Outside Director of Mitsubishi Electric Corporation (present)
Apr 2018	Director of Vicela Japan Co., Ltd.
Jun 2019	Outside Director of Honda Motor Co., Ltd. (present) Outside Director of J-Oil Mills, Inc. (present)
May 2021	Outside Director of J. Front Retailing Co., Ltd. (present)

Directors

YOSHIMOTO Tatsuya

Number of the Company's shares held: 75,004

President and Representative Executive Officer

Apr 1979	Joined The Daimaru, Inc.
Mar 2000	Senior Manager of Preparatory Office for Opening Sapporo Store of Planning Office for Sapporo Store of Head Office of the same company
Jan 2008	General Manager of Tokyo Store of the same company
May 2008	Corporate Officer and General Manager of Tokyo Store of the same company
Jan 2010	Corporate Officer, General Manager of Sales Planning Promotion Division and General Manager of Marketing Planning Promotion Division of Department Stores Coordination Division of J. Front Retailing Co., Ltd.
Mar 2010	Corporate Officer and Senior General Manager of Management Planning Division of Daimaru Matsuzakaya Department Stores Co. Ltd.
May 2012	Director and Corporate Officer of the same company
Apr 2013	President and Representative Director of the same company and President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd.
May 2013	Director of J. Front Retailing Co., Ltd.
May 2017	Representative Managing Executive Officer of the same company
May 2020	President and Representative Executive Officer of the same company (present)

SAWADA Taro

Number of the Company's shares held: 20,114

Senior Managing Executive Officer

Apr 1983	Joined The Daimaru, Inc.
Jun 2004	Department Manager of Sales Promotion Department of Sales Planning & CS 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 Kobe of the same company
May 2011	Corporate Officer of the same company
May 2012	Executive Store Manager of Daimaru Osaka Shinsaibashi of the same company
Sep 2015	Executive Store Manager of Daimaru Osaka Shinsaibashi and Executive General Manager of Shinsaibashi New Store Planning Office of the same company
Jul 2016	Executive General Manager of Management Planning Unit of the same company
Mar 2017	Executive General Manager of Management Planning 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 J. Front Retailing Co., Ltd. Director of Daimaru Matsuzakaya Department Stores Co. Ltd. Director of Parco Co., Ltd.
Mar 2019	Senior General Manager of New Business Division of J. Front Retailing Co., Ltd.
May 2020	Director and Senior Managing Executive Officer of the same company (present) President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present) President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd. (present)

MAKIYAMA Kozo

Number of the Company's shares held: 26,844

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	Managing Executive Officer and Executive General Manager of Store Management Division of the same company
Mar 2008	Senior Executive Officer, Senior Executive General Manager of Store Operation Headquarters and Executive General Manager of Store Management Division of the same company
May 2008	Director and Senior Executive Officer of the same company
Mar 2009	Supervisor 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
May 2011	Director, President and Representative Executive Officer of the same company
May 2013	Director of J. Front Retailing Co., Ltd. (present)
May 2017	Managing Executive Officer of the same the company
May 2020	Senior Managing Executive Officer of the same company (present) Representative Director, President and Executive Officer of Parco Co., Ltd. (present)

WAKABAYASHI Hayato

Number of the Company's shares held: 12,165

Managing Executive Officer

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

*The numbers of the Company's shares held by Directors are as of February 28, 2021.

Executive Officers

YOSHIMOTO Tatsuya
President and Representative Executive Officer

SAWADA Taro
Senior Managing Executive Officer
President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd.

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

WAKABAYASHI Hayato
Managing Executive Officer
Senior Executive General Manager of Financial Strategy Unit
Director of Parco Co., Ltd.

HIRANO Hidekazu
Managing Executive Officer
Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management
Director of Daimaru Matsuzakaya Department Stores Co. Ltd.

MATSUDA Hirokazu
Managing Executive Officer
Senior Executive General Manager of Human Resources Strategy Unit and Administration Unit and in charge of Compliance

NAKAYAMA Takashi
Managing Executive Officer
Senior Executive General Manager of Group Digital Strategy Unit

IMAZU Takahiro
Executive Officer
Senior General Manager of Management Planning Division and Group Communications Division of Management Strategy Unit

IWATA Yoshimi
Executive Officer
Senior General Manager of Accounting and Tax Affairs Division of Financial Strategy Unit

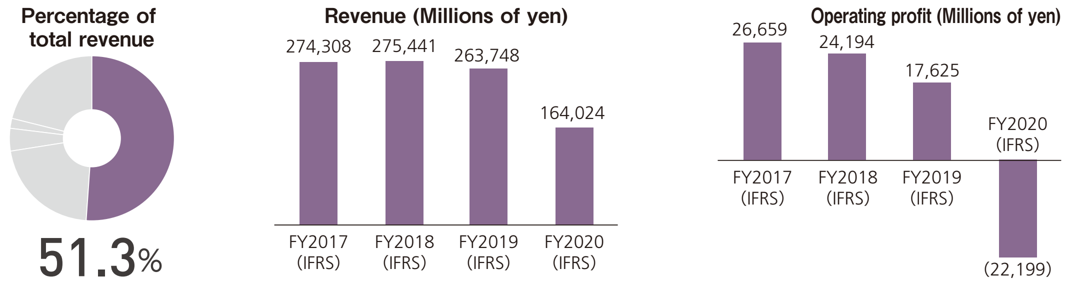
ONO Keiichi
Executive Officer
Senior General Manager of Structural Reform Promotion Division of Financial Strategy Unit

NINOBE Mamoru
Executive Officer
President and Representative Director of JFR Card Co., Ltd.

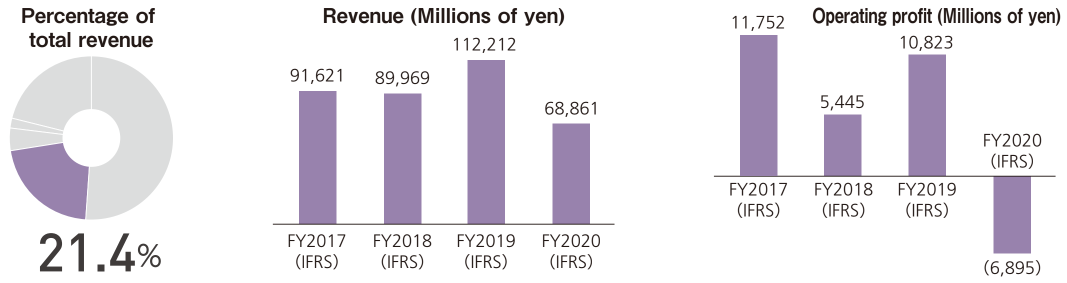
KONDO Yasuhiko
Executive Officer
President and Representative Director of J. Front Design & Construction Co., Ltd.

Business Overview (FY2020) At a Glance

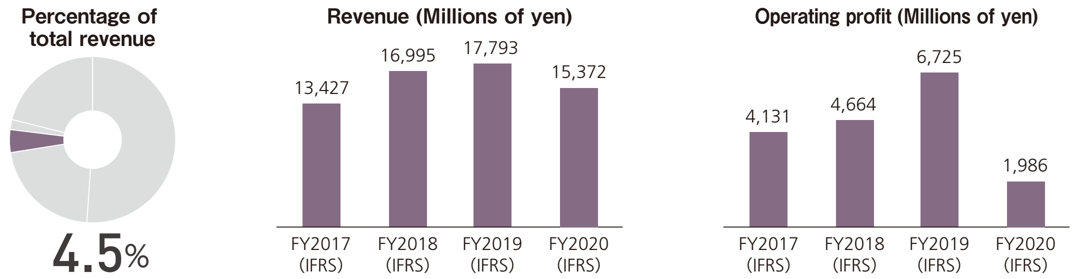
Department Store Business



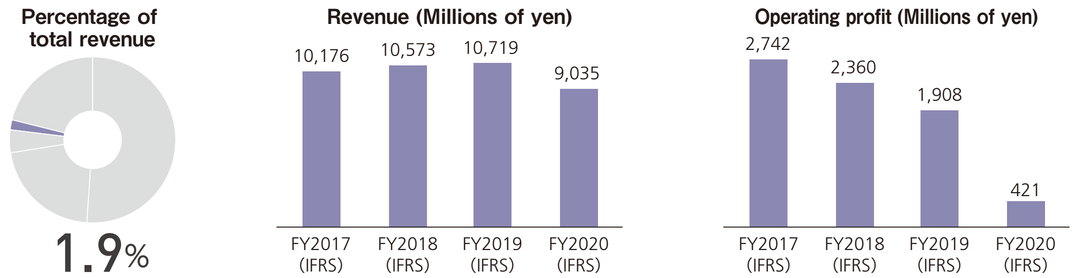
Parco Business



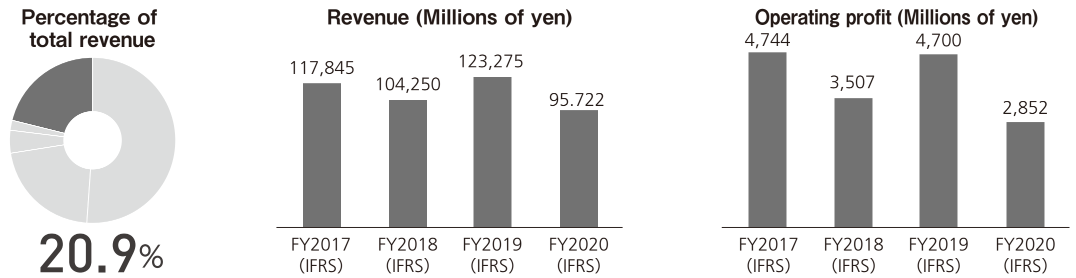
Real Estate Business



Credit and Finance Business



Other



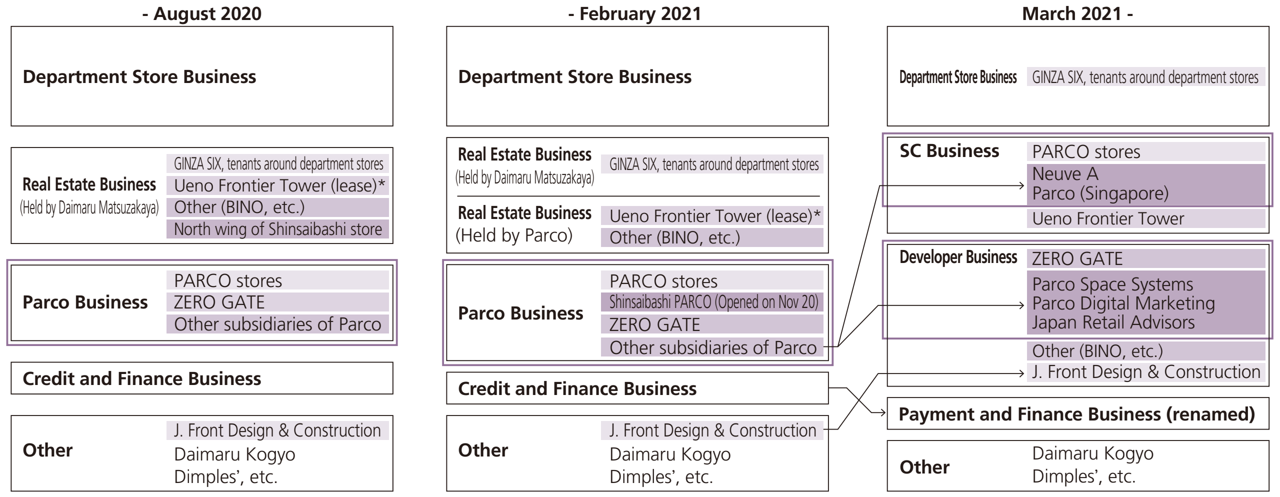
● The percentage of total revenue represents the ratio of revenue to external customers after eliminating intersegment transactions.
● Revenue and operating profit include intersegment transactions.

Reference New lease accounting standards (IFRS 16)

- 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.

Changes in reportable segments

Effective from March 2021, the Group changed its reportable segments to Department Store Business, SC Business, Developer Business, and Payment and Finance Business. For details of these changes, please refer to the diagram below.



*"Ueno Frontier Tower (lease)" up to February 2021 includes real estate lease revenue from Parco Co., Ltd. on PARCO_ya Ueno. * shows the scope of the former Parco Business.

Outlook

With regard to COVID-19, while preparations are being made to spread vaccination, currently variants are spreading rapidly and the situation remains unpredictable. In these circumstances, we think the vaccination rate provides criteria for domestic economic activities and closely re-examined the top line under the expected scenario for the year that considers restrictions on behavior and consumer spending in advanced nations in vaccination.

And we assumed that restrictions on travel, etc. will be eased in Japan when vaccination rate reaches 50% and that the situation will return to almost normal when vaccination rate reaches 70%. Though it depends on the progress of vaccination in the future, based on our assumption that the vaccination rate will reach 50% in November and that 70% or more will be vaccinated twice in January, we created a scenario that consumer spending will begin to recover gradually in November and start to show a full recovery trend in January. Under this scenario, we revised the forecasts for the top line and each profit item at the end of the first quarter.

State of vaccination		Restrictions on travel	Consumer spending	Request to close stores	Trend of H2 FY2021
Nov	Vaccination rate reaches 50%	Restrictions are eased	Recover gradually	No	**Department Store / SC** Recover gradually toward the end of FY2021, inbound sales are the same as FY2020 level **Developer/Finance** As originally planned
Jan	More than 70% are vaccinated twice	Restrictions on travel in Japan are lifted	Full-scale recovery trend		

Consolidated full year forecast FY 2021 (IFRS)

(Billions of yen, unless otherwise stated)

Fiscal year ending February 28, 2022	H1			H2			Full year		
	Forecast	YoY %	vs. Apr forecast	Forecast	YoY %	vs. Apr forecast	Forecast	YoY %	vs. Apr forecast
Gross sales	415.0	29.8	(55.0)	520.0	16.4	(15.0)	935.0	22.0	(70.0)
Revenue	165.0	11.9	(15.0)	200.0	16.5	(14.0)	365.0	14.4	(29.0)
Gross profit (loss)	72.0	21.0	(9.5)	83.0	10.8	(9.5)	155.0	15.5	(19.0)
SGA	68.5	15.4	(6.5)	74.5	2.4	(6.0)	143.0	8.5	(12.5)
Business profit (loss)	3.5	-	(3.0)	8.5	304.0	(3.5)	12.0	402.9	(6.5)
Other operating income	1.0	(74.2)	0.0	6.0	197.0	5.5	7.0	28.1	5.5
Other operating expenses	7.0	(71.6)	3.5	6.5	(16.3)	1.0	13.5	(57.0)	4.5
Operating profit (loss)	(2.5)	-	(6.5)	8.0	-	1.0	5.5	-	(5.5)
Profit (loss) attributable to owners of parent	(3.0)	-	(4.0)	4.0	-	1.0	1.0	-	(3.0)

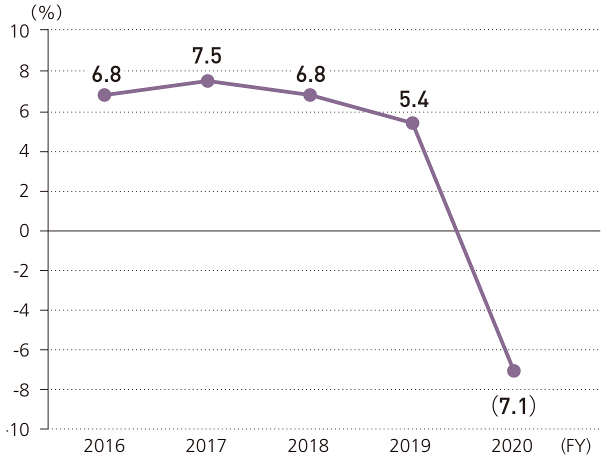
Segment full year forecast FY2021 (IFRS)

(Billions of yen, unless otherwise stated)

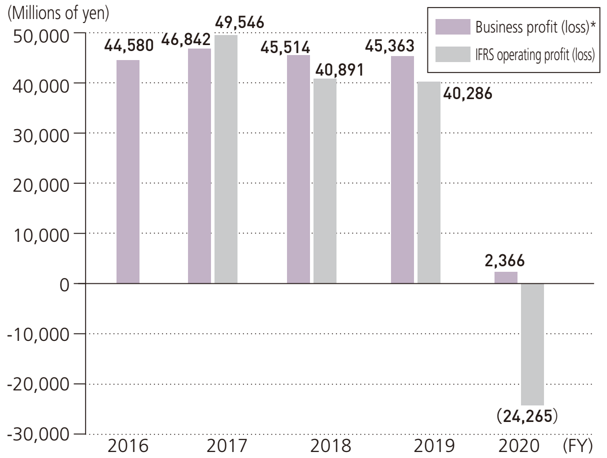
		H1			H2			Full year		
		Forecast	YoY %	vs. FY2019 %	Forecast	YoY %	vs. FY2019 %	Forecast	YoY %	vs. FY2019 %
Gross sales	Department Store	256.5	35.1	(27.7)	331.6	17.3	(8.0)	588.1	24.4	(17.8)
	SC	110.2	38.7	(20.6)	128.5	10.8	(22.6)	238.7	22.1	(21.7)
	Developer	28.4	(8.2)	(15.4)	31.9	36.6	(38.4)	60.3	11.1	(29.4)
	Payment and Finance	6.8	30.7	15.6	7.7	22.3	22.1	14.5	26.1	18.9
	Other	43.0	7.6	(11.1)	43.9	(11.1)	(3.8)	86.9	(2.7)	(7.5)
	Consolidation adjustments	(29.8)	--	--	(23.6)	--	--	(53.4)	--	--
	Total consolidated	**415.0**	**29.8**	**(24.0)**	**520.0**	**16.4**	**(12.8)**	**935.0**	**22.0**	**(18.2)**
Business profit (loss)	Department Store	(1.1)	--	--	4.4	--	(69.6)	3.3	--	(88.6)
	SC	2.9	100.4	(43.7)	1.5	492.6	(46.4)	4.4	157.8	(44.6)
	Developer	1.4	(51.6)	(69.1)	1.6	19.8	(53.0)	3.1	(25.3)	(60.6)
	Payment and Finance	0.2	(43.4)	(80.2)	0.7	--	(20.9)	0.9	294.4	(51.4)
	Other	0.4	(61.7)	(73.8)	0.5	(54.6)	(34.3)	1.0	(57.6)	(58.5)
	Consolidation adjustments	(0.4)	--	--	(0.3)	--	--	(0.7)	--	--
	Total consolidated	**3.5**	**--**	**(85.3)**	**8.5**	**304.0**	**(60.7)**	**12.0**	**402.9**	**(73.4)**
Operating profit (loss)	Department Store	(5.0)	76.4	--	3.5	--	(49.6)	(1.5)	--	--
	SC	0.4	--	(93.6)	1.4	--	(68.5)	1.8	--	(81.8)
	Developer	2.1	(13.8)	(69.8)	1.7	63.2	(50.8)	3.8	10.3	(62.6)
	Payment and Finance	0.2	(38.1)	(78.5)	0.6	--	(15.7)	0.9	275.6	(48.9)
	Other	0.4	(4.2)	(72.9)	0.5	(65.7)	(32.4)	0.9	(50.1)	(56.0)
	Consolidation adjustments	(0.6)	--	--	0.2	--	--	(0.4)	--	--
	Total consolidated	**(2.5)**	**87.8**	**--**	**8.0**	**--**	**(46.6)**	**5.5**	**--**	**(86.2)**

Financial/Non-financial Highlights

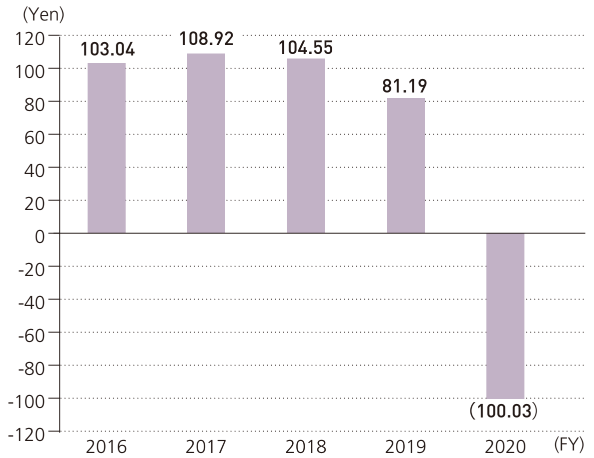
ROE



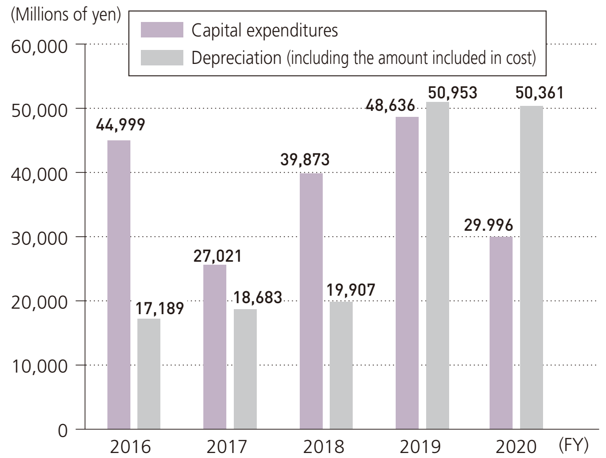
Consolidated business profit (loss) / IFRS operating profit (loss)



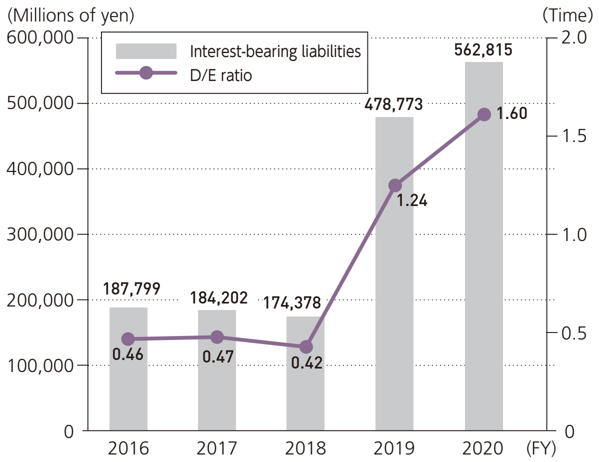
EPS



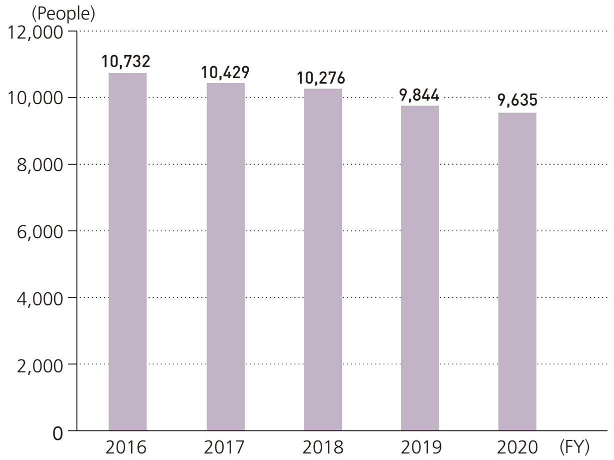
Capital expenditures/Depreciation (including the amount included in cost)



Interest-bearing liabilities and D/E ratio

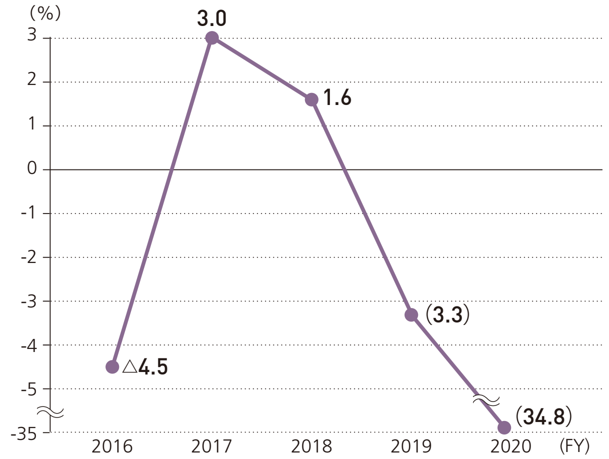


Consolidated number of employees

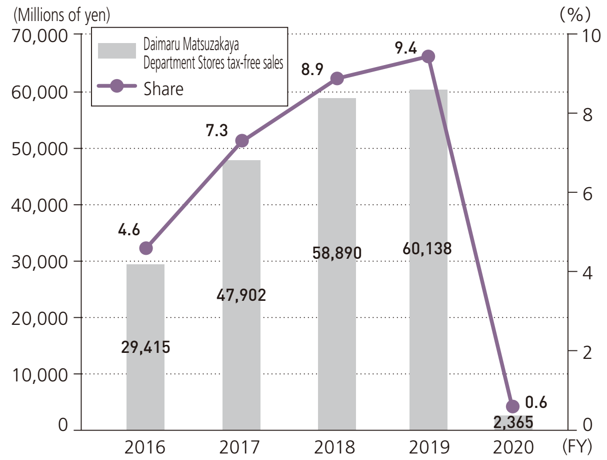


*The inventory valuation method has been changed to the specific identification method since fiscal year 2015.
*The Company has applied the International Financial Reporting Standards (IFRS) since fiscal year 2017. The amounts for fiscal year 2016 and before are under JGAAP.
*The Company has applied 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.

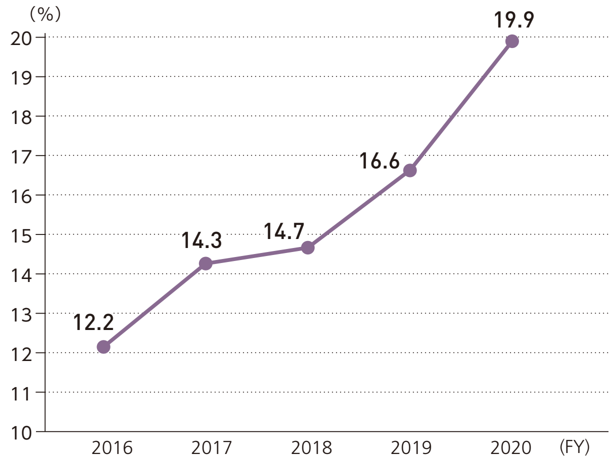
Daimaru Matsuzakaya Department Stores comparable store sales (YoY %)



Daimaru Matsuzakaya Department Stores tax-free sales and share

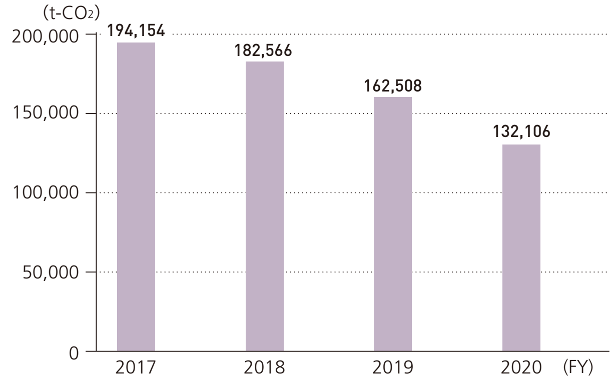


Ratio of female employees in management positions (consolidated)

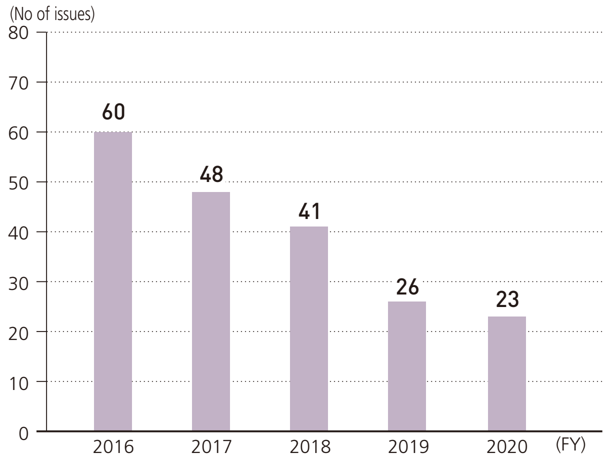


[Scope 1 and 2] GHG emissions (consolidated)

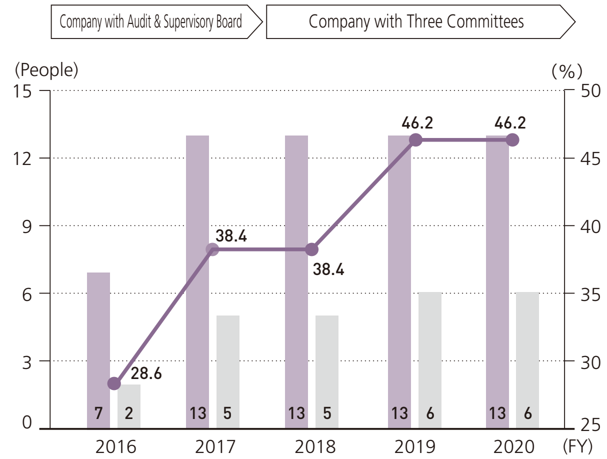
*Data have been compiled and disclosed on a consolidated basis since FY2017. They have received an independent assurance statement from Lloyd's Register Quality Assurance Limited (LRQA).



Year-end number of issues of cross-shareholdings



Number of Directors/Outside Directors and ratio of Outside Directors



*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.
*The Shimonoseki store was placed under the direct management of Daimaru Matsuzakaya Department Stores Co. Ltd. in March 2020. (The Shimonoseki Daimaru, Inc. was merged into Daimaru Matsuzakaya Department Stores Co. Ltd.)

10-year Data (Financial/Non-financial)

Millions of yen (except where otherwise indicated)

	JGAAP						IFRS				
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2016	FY2017	FY2018	FY2019	FY2020
Financial data											
Net sales / Gross sales	941,415	1,092,756	1,146,319	1,149,529	1,163,564	1,108,512	1,134,342	1,138,981	1,125,153	1,133,654	766,297
— / Revenue	—	—	—	—	—	—	452,505	469,915	459,840	480,621	319,079
Gross profit	226,646	245,615	244,130	243,739	245,532	234,785	212,567	212,935	212,396	206,953	134,368
SGA	205,052	214,757	202,313	201,572	197,494	190,205	167,668	166,688	166,882	161,590	132,001
Business profit	—	—	—	—	—	—	44,898	46,842	45,514	45,363	2,366
Operating profit (loss)	21,594	30,857	41,816	42,167	48,038	44,580	41,727	49,546	40,891	40,286	(24,265)
Ordinary profit (loss) / Profit (loss) before tax	22,941	32,202	40,502	40,480	47,910	44,425	42,608	48,271	42,126	37,161	(28,672)
Profit (loss) / Profit (loss) attributable to owners of parent	18,804	12,183	31,568	19,967	26,313	26,950	27,052	28,486	27,358	21,251	(26,193)
Total assets	767,543	1,009,165	998,730	1,018,495	1,019,146	1,050,109	1,005,069	1,022,348	1,029,573	1,240,308	1,263,722
Equity / Equity attributable to owners of parent	332,917	341,318	370,173	375,886	383,699	406,336	368,571	395,519	412,700	387,188	352,171
Interest-bearing liabilities	106,025	213,085	187,950	168,458	180,922	187,799	205,952	184,202	174,378	478,773	562,815
Cash flows from operating activities	24,365	26,025	37,532	44,650	36,799	36,239	33,764	57,079	34,870	73,358	56,471
Cash flows from investing activities	(26,781)	(73,977)	(8,858)	(16,272)	(39,741)	(30,353)	(27,952)	(19,030)	(26,836)	(49,559)	(20,870)
Cash flows from financing activities	(6,872)	58,275	(32,027)	(27,587)	(1,041)	(2,189)	(2,097)	(31,048)	(21,274)	(14,829)	58,727
Capital expenditures	19,246	19,038	52,758	24,277	37,110	44,999	44,999	27,021	39,873	48,636	29,996
Depreciation	13,347	16,482	17,698	17,963	18,345	17,189	17,284	18,683	19,907	50,953	50,361
Per share information [Yen]*1											
Earnings (loss) per share (EPS) / Basic earnings (loss) per share	71.15	46.11	119.55	75.66	100.42	103.04	103.43	108.92	104.55	81.19	(100.03)
Book value per share (BPS) / Equity attributable to owners of parent per share	1,259.60	1,292.36	1,402.53	1,424.28	1,467.05	1,553.60	1,409.20	1,511.91	1,576.68	1,479.07	1,344.90
Dividends per share	16.00	18.00	22.00	25.00	27.00	28.00	28.00	35.00	35.00	36.00	27.00
Financial indicators [%]											
Ratio of gross profit to net sales / Ratio of gross profit to revenue	24.08	22.48	21.30	21.20	21.10	21.18	46.98	45.31	46.19	43.06	42.11
Ratio of SGA to net sales / Ratio of SGA to revenue	21.8	19.7	17.6	17.5	17.0	17.2	37.1	35.5	36.3	33.6	41.4
Ratio of operating profit to net sales / Ratio of operating profit to revenue	2.3	2.8	3.6	3.7	4.1	4.0	9.2	10.5	8.9	8.4	(7.6)
Return on equity (ROE) / Return on equity attributable to owners of parent (ROE)	5.8	3.6	8.9	5.4	6.9	6.8	7.6	7.5	6.8	5.4	(7.1)
Return on assets (ROA) / Return on assets (ROA)	2.8	3.5	4.2	4.2	4.7	4.3	4.2	4.9	4.0	3.2	(1.9)
Return on investment (ROI) / Return on investment (ROI)	5.3	6.5	7.3	7.3	8.6	7.7	7.6	8.4	7.2	4.5	(3.2)
Equity ratio / Ratio of equity attributable to owners of parent	43.4	33.8	37.1	36.9	37.6	38.7	36.7	38.7	40.1	31.2	27.9
Dividend payout ratio	22.5	39.0	18.4	33.1	26.9	27.2	27.1	32.1	33.5	44.3	-
Non-financial indicators											
Number of employees (consolidated) [People]	13,413	14,838	11,561	11,149	11,023	10,732	—	10,429	10,276	9,844	9,635
Ratio of female employees (consolidated) [%]	—	—	—	—	—	—	—	57.2	56.8	57.0	56.3
Ratio of female employees in management positions (consolidated) [%]*2	—	—	—	11.1	10.4	12.2	—	14.3	14.7	16.6	19.9
Employee turnover rate (consolidated) [%]*3	—	—	—	—	—	—	—	3.6	3.3	3.9	1.9
Ratio of male employees who took childcare leave (consolidated) [%]*4	—	—	—	—	—	—	—	—	—	—	18.8
Department store sales floor area (directly managed stores) [㎡]	573,323	569,137	543,785	529,460	498,460	498,460	—	495,331	495,331	489,023	512,935
Parco sales floor area [㎡]	443,000	442,600	442,600	451,000	456,000	409,000	—	389,000	401,000	435,800	461,000
Customer traffic (Daimaru Matsuzakaya) [1,000 people]	236,876	246,764	237,647	220,411	207,512	197,250	—	200,966	202,066	194,879	101,336
Average spend per customer (Daimaru Matsuzakaya) [Yen]	3,797	3,838	4,107	4,215	4,414	4,420	—	4,676	4,841	4,979	4,737
Number of cards issued by Daimaru Matsuzakaya [1,000 cards]	4,365	4,580	4,659	4,595	4,217	4,062	—	4,029	3,939	4,017	3,629
Number of holders of cards issued by Parco [1,000 people]	1,612	1,614	1,643	1,754	1,885	1,990	—	2,031	2,018	1,939	1,771
GHG (CO_2) emissions (consolidated) [t-CO_2]【Scope 1, 2】*5	—	—	—	—	—	—	—	194,154	182,566	162,508	132,106
GHG (CO_2) emissions (consolidated) [t-CO_2]【Scope 3】*6	—	—	—	—	—	—	—	3,075,130	3,123,238	3,782,555	2,922,739
Energy usage (consolidated) [MWh]【Scope 1, 2】*5	—	—	—	—	—	—	—	475,513	468,366	466,214	403,973
Water usage (consolidated) [m^3]*5	—	—	—	—	—	—	—	—	—	—	2,065,467
Waste generation (consolidated) [t]*5	—	—	—	—	—	—	—	—	—	—	21,694
Packaging material usage (Daimaru Matsuzakaya) [t]*7	2,627	2,669	2,978	2,682	2,553	2,412	—	2,370	2,236	2,030	1,075

*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 FY2011.
*2 Manager and above positions
*3 Number of retired employees during the year / Number of employees at the beginning of the year ×100 (%)
The number of retired employees above excludes employees who retired because of retirement age, transfer and becoming officers.
*4 Number of male employees who took childcare leave during the year / Number of male employees whose children were born during the year × 100 (%)
*5 Received third-party assurance from Lloyd's Register Quality Assurance Limited (LRQA).
*6 Data for FY2019 and beyond received third-party assurance from Lloyd's Register Quality Assurance Limited (LRQA).
*7 Packaging material usage is the weights of wrapping paper, shopping bags, paper bags, plastic bags for food products, etc.

*IFRS 16 has been applied since FY2019.

Management Analysis of Financial Position and Operating Results

Operating overview

In the fiscal year under review, the Japanese economy was significantly affected by the spread of COVID-19. Although the economy bottomed out after it registered a record negative real GDP growth rate at the beginning of the fiscal year under review, and subsequently showed signs of picking up, it ended up with only a moderate recovery due to the rebound of the epidemic in the latter half of the fiscal year. While corporate earnings were robust in certain industries, many businesses were forced to control investments and reduce employment and wages. Despite a gradual recovery from a slump in the early fiscal year under review, personal spending remained weak mainly due to the declaration of another state of emergency in the late fiscal year.

Amid the unprecedented business environment, the Group strove to operate its respective businesses in response to the changing circumstances, with the highest priority given to ensuring the safety and security of customers and employees, as well as the viability of its business. At the same time, with an eye to the future, we promoted efforts to contribute to a sustainable society and to achieve the Group's medium- and long-term growth.

As part of "countermeasures against COVID-19" to adequately respond to the unprecedented business environment caused by the pandemic, the Group set up the Emergency Response Headquarters in the early stage of the infection spread and implemented a range of measures to ensure safety and security with thorough hygiene management as well as its business continuity and management stability.

In our sales activities, we suspended store operations or shortened operating hours taking into account demands by the Japanese government and each local government. For sales, we endeavored to prevent the spread of COVID-19 by taking such measures as creating a safe in-store environment, where customers can feel secure while shopping, by carrying out in-store disinfection, ensuring safe traffic flows for customers and adequate air circulation, and reviewing event plans. Also, while providing suppliers with sales support through the utilization of the Company's website, we worked to improve the work environment through meticulous hygiene management for sales staff at stores, including rest areas and lockers, and by encouraging remote work and staggered working hours and utilizing online meetings for back-office departments.

At the same time, from the perspective of ensuring business continuity and management stability, we took early actions to brace for a situation where the impact of COVID-19 becomes even more severe than expected, including controlling investments, cutting expenses, accumulating cash on hand and increasing the amount of credit lines for financing so as to ensure financial stability and liquidity.

Meanwhile, we promoted the use of digital technologies in our sales activities to adapt to new lifestyles amid the spread of self-curfew. Specifically, we worked on enhancing the selection of products in the online stores of our department stores and offering a remote sales service by providing online customer service and distributing videos from the department stores. In addition, as part of "Think LOCAL," which was launched in September as support for manufacturers in various regions, we introduced, on our website, local specialties in areas where our stores are located. In the PARCO Business, we also moved forward with our efforts toward the integration of brick-and-mortar stores with the online store by implementing measures such as distributing a virtual tour video of Shinsaibashi PARCO and strengthening online sales in cooperation with suppliers.

As part of "initiatives toward the achievement of medium- and long-term growth," we implemented organizational reforms and consolidation of the Real Estate Business as part of necessary structural adjustments following the conversion of PARCO into a wholly-owned subsidiary. In the organizational reforms, we set up the "New System Review Committee" and built a new structure which allows PARCO to be dedicated to strengthening its own business by restructuring and integrating head office functions for the holding company and PARCO from the perspective of promptly generating the Group synergies and facilitating highly efficient management. As for the consolidation of the Real Estate Business, we transferred the Daimaru Matsuzakaya Department Store's real estate business to PARCO in September to concentrate the Group assets and centralize operation, supervision and development functions.

As part of our efforts to generate the Group synergies, we also opened Shinsaibashi PARCO in November. Shinsaibashi PARCO is a new commercial facility that embodies sustainability management and fusion of our department stores and PARCO, which are what the Group promotes, and aims to expand the area customer base through coexisting with local communities and contributing to generating the prosperity of the Shinsaibashi area together with Daimaru Shinsaibashi store, with which its management was integrated, and by attracting new customers. After the opening, Shinsaibashi PARCO has been visited by a broad range of customers, and its synergy with Daimaru Shinsaibashi store has been demonstrated.

Along with such efforts to reinforce our foundation toward the achievement of medium- and long-term growth, we worked on the formulation of a new Medium-term Business Plan starting from fiscal 2021. Regarding the reform of management structure that is included in the plan, we aim to work on improving revenue by accelerating the transformation of business models and streamlining business operations by restructuring the Group's business to quickly build a future growth platform, while taking a serious look at the future survivability and growth potential of each of our businesses. As part of such efforts, in light of environmental changes in each of our businesses and the future survivability of the market, we decided to close Tsudanuma PARCO and Shintokorozawa PARCO in the PARCO Business (on February 28, 2023, and February 29, 2024, respectively), and excluded J. Front Foods Co., Ltd., which is engaged in the restaurant business, from the scope of consolidated subsidiaries by transferring all the shares in the company in February.

Revenue / Operating profit

As for consolidated revenue for the fiscal year under review, the spread of infectious disease caused the stagnation in both domestic and inbound spending, which impacted, among others, our core Department Store Business. Despite various measures including those mentioned above, sales revenue was ¥319,079 million, down 33.6% year on year.

In this environment, despite securing a profit of ¥2,366 million in business profit as a result of controlling investments and reducing expenses throughout the fiscal year, operating loss was ¥24,265 million (operating profit of ¥40,286 million in the previous fiscal year) as a result of reclassification of fixed costs primarily due to suspending store operations, and the recording of expenses, such as those for store closures and impairment loss.

Profit before tax / Profit attributable to owners of parent

Loss before tax was ¥28,672 million (profit before tax of ¥37,161 million in the previous fiscal year), and loss attributable to owners of parent was ¥26,193 million (profit attributable to owners of parent of ¥21,251 million in the previous fiscal year) due to an increase in expenses as a result of reversing the deferred tax assets of subsidiaries.

Financial position

Total assets as of February 28, 2021 was ¥1,263,722 million, up ¥23,414 million compared with February 29, 2020 mainly due to accumulating cash on hand. Total liabilities was ¥899,378 million, up ¥58,751 million compared with February 29, 2020. Interest-bearing debt (including lease liabilities) was ¥562,815 million, up ¥84,042 million compared with February 29, 2020 mainly due to loans from financial institutions and issuances of commercial papers.

Total equity was ¥364,343 million, down ¥35,338 million compared with February 29, 2020.

Cash flows

The balance of cash and cash equivalents (hereinafter "cash") as of February 28, 2021 was ¥128,925 million, up ¥94,292 million compared with February 29, 2020. This was due to an increase in cash on hand to secure financial stability.

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

Net cash provided by operating activities was ¥56,471 million. In comparison with the previous fiscal year, cash provided decreased by ¥16,887 million, largely due to the recording of loss before tax.

Net cash used in investing activities was ¥20,870 million. In comparison with the previous fiscal year, cash used decreased by ¥28,689 million, largely reflecting a decrease in purchase of property, plant and equipment.

Net cash provided by financing activities was ¥58,727 million. In comparison with the previous fiscal year, cash provided increased by ¥73,556 million, largely reflecting issuances of commercial papers.

Basic policy on profit distribution and dividend

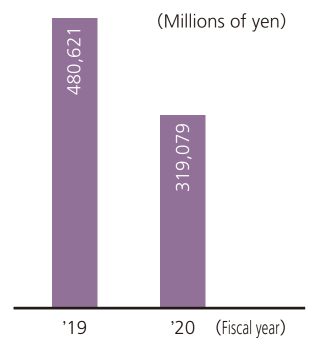
The Company's basic policy is to appropriately return profits. Hence, while maintaining and enhancing its sound financial standing, the Company strives to provide stable dividends and target a consolidated dividend payout ratio of no less than 30%, taking profit levels, future capital investment, free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

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.

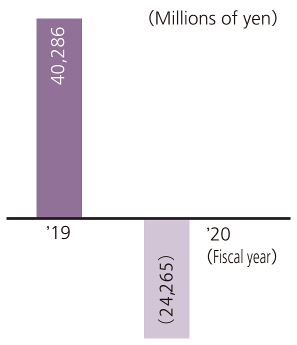
The Company has paid an annual dividend of ¥27 per share for the current fiscal year, comprising an interim dividend of ¥9 per share and a year-end dividend of ¥18 per share.

For the next fiscal year, the Company plans to pay an annual dividend of 29 yen per share, comprising an interim dividend of 14 yen per share and a year-end dividend of 15 yen per share.

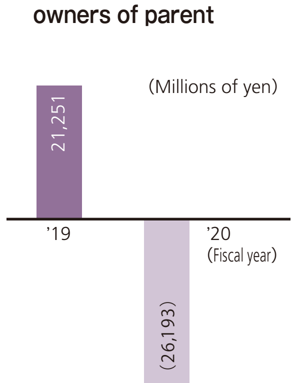
► Revenue



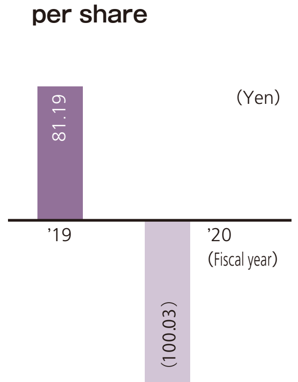
► Operating profit (loss)



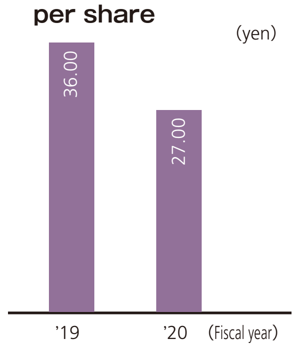
► Profit (loss) attributable to owners of parent



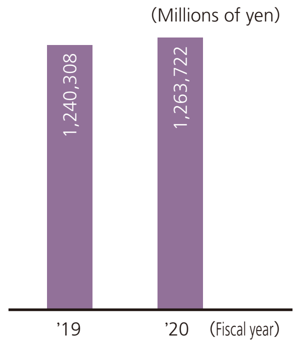
► Basic earnings (loss) per share



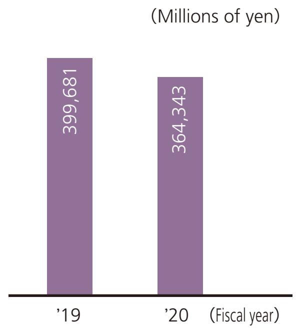
► Annual dividends per share



► Total assets



► Total equity



Consolidated Statement of Financial Position

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

As of March 1, 2019, February 29, 2020 and February 28, 2021

	Millions of yen		
	2019	2020	2021
Assets			
Current assets			
Cash and cash equivalents	25,659	34,633	**128,925**
Trade and other receivables	132,943	144,244	**113,414**
Other financial assets	7,324	5,095	**5,841**
Inventories	38,349	19,169	**20,684**
Other current assets	7,004	5,281	**4,739**
Total current assets	211,281	208,424	**273,605**
Non-current assets			
Property, plant and equipment	471,238	473,167	**493,644**
Right-of-use assets	–	179,632	**157,819**
Goodwill	523	523	**523**
Investment property	197,162	219,354	**188,879**
Intangible assets	4,489	5,662	**5,752**
Investments accounted for using equity method	17,616	37,439	**37,815**
Other financial assets	96,225	91,379	**86,870**
Deferred tax assets	8,280	9,988	**6,751**
Other non-current assets	22,754	14,734	**12,061**
Total non-current assets	818,291	1,031,883	**990,116**
Total assets	1,029,573	1,240,308	**1,263,722**
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	31,320	108,400	**145,151**
Trade and other payables	138,938	144,020	**121,937**
Lease liabilities	–	29,493	**29,799**
Other financial liabilities	32,252	30,199	**30,211**
Income taxes payable	8,174	4,349	**1,957**
Provisions	1,851	999	**914**
Other current liabilities	62,490	56,427	**59,953**
Total current liabilities	275,028	373,889	**389,926**
Non-current liabilities			
Bonds and borrowings	143,058	149,876	**214,779**
Lease liabilities	–	191,003	**173,085**
Other financial liabilities	38,486	41,087	**39,237**
Retirement benefit liabilities	29,003	20,175	**19,781**
Provisions	5,176	4,909	**10,534**
Deferred tax liabilities	60,455	58,829	**51,301**
Other non-current liabilities	9,880	855	**731**
Total non-current liabilities	286,059	466,737	**509,451**
Total liabilities	561,087	840,627	**899,378**
Equity			
Share capital	31,974	31,974	**31,974**
Capital surplus	212,210	189,340	**188,542**
Treasury shares	(15,090)	(14,974)	**(14,830)**
Other components of equity	14,745	11,641	**9,578**
Retained earnings	168,861	169,206	**136,906**
Total equity attributable to owners of parent	412,700	387,188	**352,171**
Non-controlling interests	55,784	12,493	**12,171**
Total equity	468,485	399,681	**364,343**
Total liabilities and equity	1,029,573	1,240,308	**1,263,722**

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

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

Consolidated financial years ended February 29, 2020 and February 28, 2021

	Millions of yen	
Consolidated Statement of Profit or Loss	2020	2021
Revenue	480,621	**319,079**
Cost of sales	(273,667)	**(184,711)**
Gross profit	206,953	**134,368**
SGA	(161,590)	**(132,001)**
Other operating income	8,663	**5,711**
Other operating expenses	(13,740)	**(32,343)**
Operating profit (loss)	40,286	**(24,265)**
Finance income	1,091	**962**
Finance costs	(5,862)	**(6,086)**
Share of profit (loss) of investments accounted for using equity method	1,644	**717**
Profit (loss) before tax	37,161	**(28,672)**
Income tax expenses	(13,767)	**2,251**
Profit (loss)	23,393	**(26,421)**
Profit (loss) attributable to:		
Owners of parent	21,251	**(26,193)**
Non-controlling interests	2,141	**(227)**
Profit (loss)	23,393	**(26,421)**
Earnings (loss) per share		
Basic earnings (loss) per share (Yen)	81.19	**(100.03)**
Diluted earnings (loss) per share (Yen)	81.17	**–**

Consolidated Statement of Comprehensive Income	2020	2021
Profit (loss)	23,393	**(26,421)**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(2,318)	**(2,106)**
Remeasurements of defined benefit plans	256	**1,107)**
Share of other comprehensive income of investments accounted for using equity method	(37)	**(94)**
Total of items that will not be reclassified to profit or loss	(2,099)	**(1,093)**
Items that may be reclassified to profit or loss		
Cash flow hedges	0	**13**
Exchange differences on translation of foreign operations	24	**(26)**
Share of other comprehensive income of investments accounted for using equity method	1	**3**
Total of items that may be reclassified to profit or loss	26	**(9)**
Other comprehensive income, net of tax	(2,073)	**(1,102)**
Comprehensive income	21,320	**(27,523)**
Comprehensive income attributable to:		
Owners of parent	19,259	**(27,296)**
Non-controlling interests	2,060	**(226)**
Comprehensive income	21,320	**(27,523)**

Consolidated Statement of Changes in Equity

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

Consolidated financial years ended February 29, 2020 and February 28, 2021

Millions of yen

	Equity attributable to owners of parent					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
Balance at March 1, 2019	31,974	212,210	(15,090)	(83)	(5)	14,834
Effect of accounting change	–	–	–	–	–	–
Restated balance	31,974	212,210	(15,090)	(83)	(5)	14,834
Profit (loss)	–	–	–	–	–	–
Other comprehensive income	–	–	–	24	1	(2,237)
Total comprehensive income	–	–	–	24	1	(2,237)
Purchase of treasury shares	–	–	(7)	–	–	–
Disposal of treasury shares	–	(0)	0	–	–	–
Dividends	–	–	–	–	–	–
Changes in ownership interest in subsidiaries	–	(23,106)	–	(6)	(0)	84
Share-based payment transactions	–	236	122	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(970)
Total transactions with owners	–	(22,870)	115	(6)	(0)	(885)
Balance at February 29, 2020	**31,974**	**189,340**	**(14,974)**	**(65)**	**(3)**	**11,710**
Profit (loss)	–	–	–	–	–	–
Other comprehensive income	–	–	–	(24)	(15)	(2,107)
Total comprehensive income	–	–	–	(24)	(15)	(2,107)
Purchase of treasury shares	–	–	(3)	–	–	–
Disposal of treasury shares	–	(0)	0	–	–	–
Dividends	–	–	–	–	–	–
Share-based payment transactions	–	(796)	148	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	53
Total transactions with owners	–	(797)	144	–	–	53
Balance at February 28, 2021	**31,974**	**188,542**	**(14,830)**	**(89)**	**(11)**	**9,656**

	Equity attributable to owners of parent					
	Other components of equity					
	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total
Balance at March 1, 2019	–	14,745	168,861	412,700	55,784	468,485
Effect of accounting change	–	–	(12,675)	(12,675)	(1,914)	(14,590)
Restated balance	–	14,745	156,185	400,025	53,869	453,895
Profit (loss)	–	–	21,251	21,251	2,141	23,393
Other comprehensive income	219	(1,992)	–	(1,992)	(80)	(2,073)
Total comprehensive income	219	(1,992)	21,251	19,259	2,060	21,320
Purchase of treasury shares	–	–	–	(7)	–	(7)
Disposal of treasury shares	–	–	–	0	–	0
Dividends	–	–	(9,419)	(9,419)	(972)	(10,392)
Changes in ownership interest in subsidiaries	–	77	–	(23,028)	(42,465)	(65,494)
Share-based payment transactions	–	–	–	359	–	359
Transfer from other components of equity to retained earnings	(219)	(1,189)	1,189	–	–	–
Total transactions with owners	(219)	(1,111)	(8,230)	(32,096)	(43,437)	(75,534)
Balance at February 29, 2020	**–**	**11,641**	**169,206**	**387,188**	**12,493**	**399,681**
Profit (loss)	–	–	(26,193)	(26,193)	(227)	(26,421)
Other comprehensive income	1,013	(1,103)	–	(1,103)	0	(1,102)
Total comprehensive income	1,013	(1,103)	(26,193)	(27,296)	(226)	(27,523)
Purchase of treasury shares	–	–	–	(3)	–	(3)
Disposal of treasury shares	–	–	–	(0)	–	(0)
Dividends	–	–	(7,066)	(7,066)	(94)	(7,161)
Share-based payment transactions	–	–	–	(648)	–	(648)
Transfer from other components of equity to retained earnings	(1,013	(959)	959	–	–	–
Total transactions with owners	(1,013)	(959)	(6,107)	(7,719)	(94)	(7,813)
Balance at February 28, 2021	**–**	**9,578**	**136,906**	**352,171**	**12,171**	**364,343**

Consolidated Statement of Cash Flows

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

Consolidated financial years ended February 29, 2020 and February 28, 2021

Millions of yen

	2020	2021
Cash flows from operating activities		
Profit (loss) before tax	37,161	**(28,672)**
Depreciation and amortization	50,953	**50,361**
Impairment losses	2,496	**14,122**
Finance income	(1,091)	**(962)**
Finance costs	5,862	**6,086**
Share of loss (profit) of investments accounted for using equity method	(1,644)	**(717)**
Loss (gain) on sale of fixed assets	(2,832)	**0**
Loss on disposal of fixed assets	3,576	**1,260**
Decrease (increase) in inventories	20,173	**(1,522)**
Decrease (increase) in trade and other receivables	(6,899)	**26,608**
Increase (decrease) in trade and other payables	(4,071)	**(12,720)**
Increase (decrease) in retirement benefit liability	(8,828)	**(267)**
Decrease (increase) in retirement benefit asset	776	**2,988**
Other	364	**5,666**
Subtotal	95,995	**62,232**
Interest received	111	**110**
Dividends received	275	**232**
Interest paid	(5,894)	**(6,028)**
Income taxes paid	(19,783)	**(6,251)**
Income taxes refund	2,654	**6,176**
Net cash provided by (used in) operating activities	73,358	**56,471**
Cash flows from investing activities		
Purchase of property, plant and equipment	(33,073)	**(14,729)**
Proceeds from sale of property, plant and equipment	930	**7**
Purchase of investment property	(2,759)	**(3,813)**
Proceeds from sale of investment property	3,257	**–**
Purchase of investment securities	(19,574)	**(1,401)**
Proceeds from sale of investment securities	4,558	**1,480**
Other	(2,898)	**(2,413)**
Net cash provided by (used in) investing activities	(49,559)	**(20,870)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	53,480	**(13,000)**
Net increase (decrease) in commercial papers	4,000	**66,001**
Proceeds from long-term borrowings	10,300	**82,000**
Repayments of long-term borrowings	(13,800)	**(23,400)**
Proceeds from issuance of bonds	29,864	**–**
Redemption of bonds	–	**(10,000)**
Repayments of lease liabilities	(29,241)	**(29,254)**
Purchase of treasury shares	(10)	**(3)**
Dividends paid	(9,396)	**(7,056)**
Dividends paid to non–controlling interests	(972)	**(94)**
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(59,042)	**(6,471)**
Other	(10)	**6**
Net cash provided by (used in) financing activities	(14,829)	**58,727**
Net increase (decrease) in cash and cash equivalents	8,970	**94,328**
Cash and cash equivalents at beginning of period	25,659	**34,633**
Effect of exchange rate changes on cash and cash equivalents	4	**(37)**
Cash and cash equivalents at end of period	34,633	**128,925**

Group Companies

Department Store Business

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

Daimaru Osaka Shinsaibashi Store
Location: 7-1, Shinsaibashisuji 1-chome, Chuo-ku, Osaka 542-8501
Phone: +81-6-6271-1231 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: +81-3-3212-8011 Opened: October 1954

Daimaru Kyoto Store
Location: 79, Tachiuri Nishimachi, Shijo-dori Takakura Nishi-iru, Shimogyo-ku, Kyoto 600-8511
Phone: +81-75-211-8111 Opened (Present location): October 1912

Daimaru Kobe Store
Location: 40, Akashimachi, Chuo-ku, Kobe, Hyogo 650-0037
Phone: +81-78-331-8121 Opened (Present location): April 1927

Daimaru Sapporo Store
Location: 7, Nishi 4-chome, Kita 5-jo, Chuo-ku, Sapporo, Hokkaido 060-0005
Phone: +81-11-828-1111 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

Daimaru Suma Store
Location: 2-4, Nakaochiai 2-chome, Suma-ku, Kobe, Hyogo 654-0154
Phone: +81-78-791-3111 Opened: March 1980

Daimaru Ashiya Store
Location: 1-31, Funato-cho, Ashiya, Hyogo 659-0093
Phone: +81-797-34-2111 Opened: October 1980

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

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

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

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

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

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

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

SC Business

Parco Co., Ltd. (Shopping center business)
Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
Capital: ¥34,367 million Investment ratio: 100%

Parco (Singapore) Pte Ltd (Shopping center business)
Location: 10 Anson Road #09-05/06 International Plaza Singapore 079903
Capital: S$4.5 million Investment ratio: 100%

Developer Business

Parco Co., Ltd. (Developer business)
Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
Capital: ¥34,367 million Investment ratio: 100%

Parco Space Systems Co., Ltd.
(Space engineering and management business)
Location: Shibuya First Place Bldg., 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
Capital: ¥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
Capital: ¥10 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
Location: 2nd Fl., Nomura Fudosan Osaka Bldg., 8-15, Azuchimachi 1-chome, Chuo-ku, Osaka 541-0052
Capital: ¥100 million Investment ratio: 100%
http://www.jfdc.co.jp/

Payment and Finance Business

JFR Card Co., Ltd. (Credit and finance business)
Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Location: 9th Fl., Nihon Seimei Nihonbashi Bldg., 13-12, Nihonbashi 2-chome, Chuo-ku, Tokyo 103-0027
Capital: ¥100 million Investment ratio: 100%
http://www.jfr-card.co.jp/

Other

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

Daimaru Kogyo International Trading (Shanghai) Co., Ltd.
(Wholesale business)
Location: 6th Fl., Heng Seng Bank Tower, 1000 Lujiazui Ring Rd., Pudong New Area, Shanghai, China
Capital: 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
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.
Capital: NT$60 million Investment ratio: 100%

Dimples' Co., Ltd. (Staffing service)
Location: 22nd Fl., Osaka Ekimae 4th Bldg., 11-4, Umeda 1-chome, Kita-ku, Osaka 530-0001
Capital: ¥90 million Investment ratio: 100%
http://www.dimples.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
Location: 2nd Fl., Matsuzakaya Kuromon Annex, 18-6, Ueno 3-chome, Taito-ku, Tokyo 110-0005
Location: 10th Fl., Matsuzakaya Park Place, 2-36, Sakae 5-chome, Naka-ku, Nagoya, Aichi 460-0008
Capital: ¥100 million Investment ratio: 100%
http://www.shoukaken.jp/

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

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

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

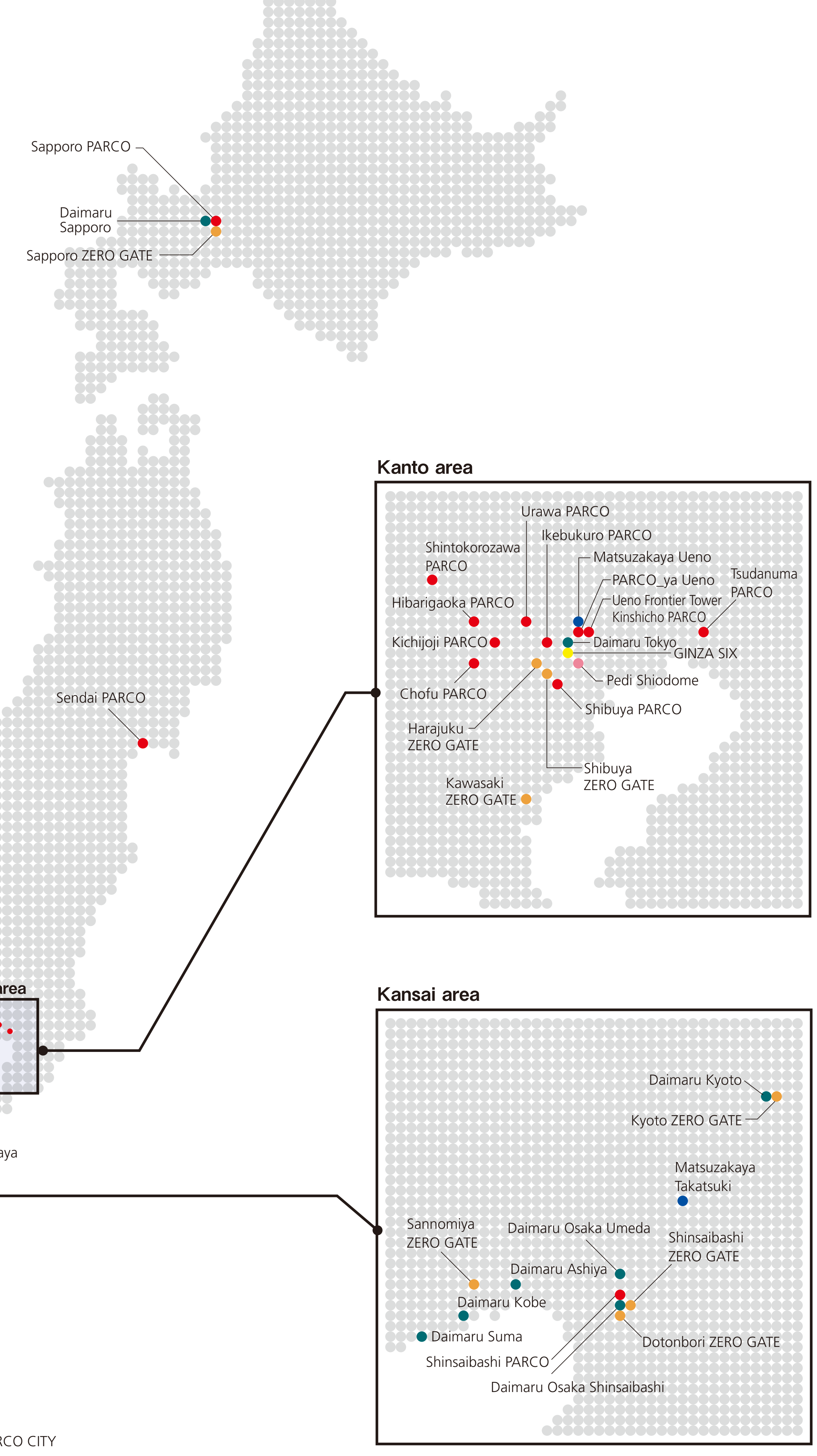
Daimaru Matsuzakaya Sales Associates Co. Ltd.
(Commissioned sales and store operations)
Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Capital: ¥90 million Investment ratio: 100%
*Daimaru Matsuzakaya Sales Associates Co. Ltd. will be merged into Daimaru Matsuzakaya Department Stores Co. Ltd. on September 1, 2021.

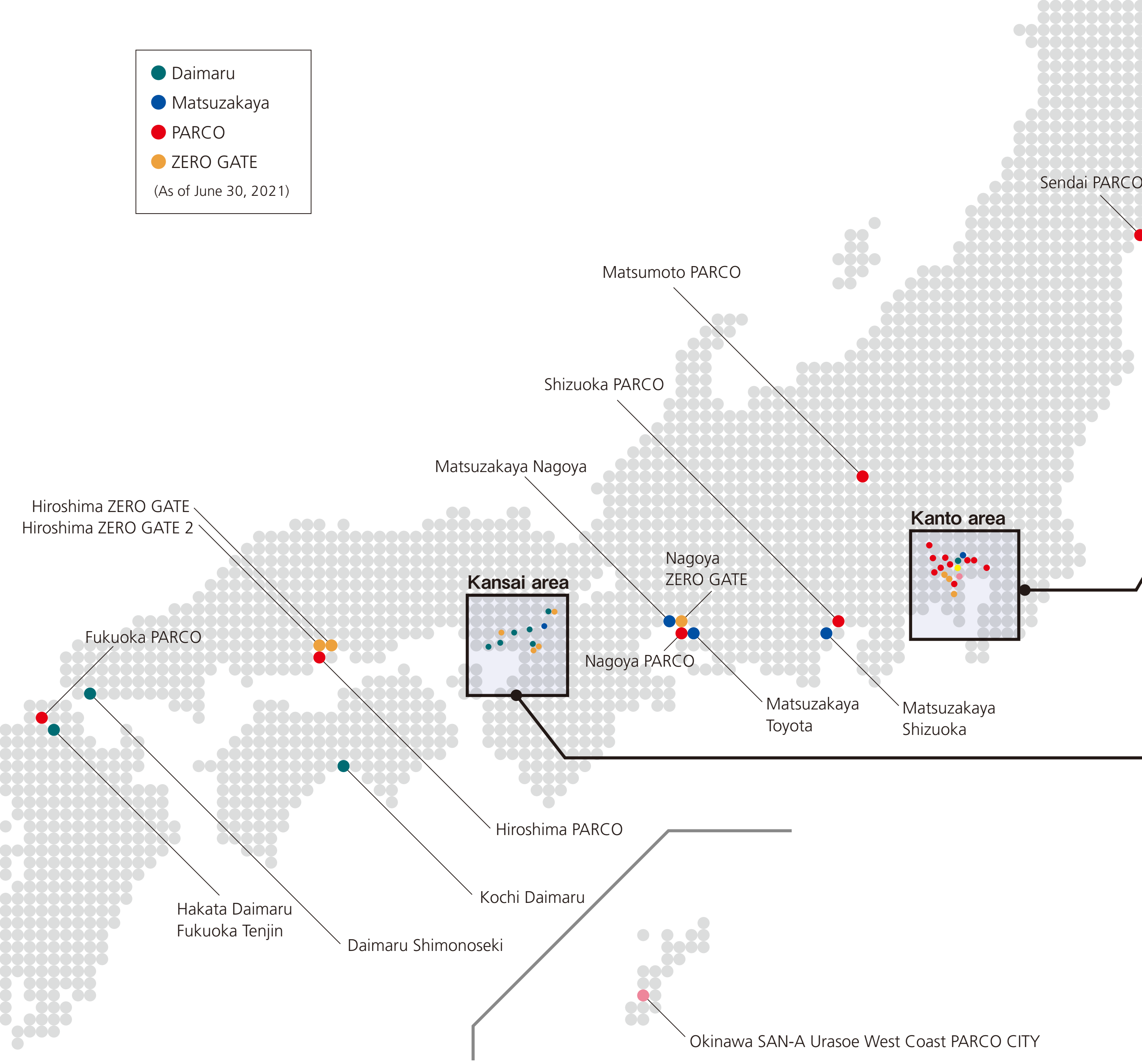
Daimaru Matsuzakaya Tomonokai Co., Ltd.
(Specified prepaid transaction service)
Location: 2-1, Konyamachi, Takatsuki, Osaka 569-8522
Capital: ¥100 million Investment ratio: 100%
http://www.dmtomonokai.co.jp/

(As of June 30, 2021)

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 18 “PARCO” shopping centers.
We also operate “GINZA SIX” and 11 “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.






GINZA SIX (Opened in April 2017)

Shinsaibashi PARCO (Opened in November 2020)

Shibuya PARCO (Opened in November 2019)


Main building of Daimau Osaka Shinsaibashi (Opened in September 2019)

Daimaru and Matsuzakaya Stores


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


Daimaru Kyoto (Floor space: 50,830㎡)


Daimaru Suma (Floor space: 13,076㎡)


Daimaru Shimonoseki (Floor space: 23,912㎡)


Daimaru Ashiya (Floor space: 3,395㎡)


Kochi Daimaru (Floor space: 16,068㎡)


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


Daimaru Kobe (Floor space: 50,656㎡)


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


Daimaru Tokyo (Floor space: 46,000㎡)


Daimaru Sapporo (Floor space: 45,000㎡)


Matsuzakaya Nagoya (Floor space: 86,758㎡)


Matsuzakaya Takatsuki (Floor space: 17,387㎡)


Matsuzakaya Toyota (Floor space: 18,220㎡)


Matsuzakaya Ueno (Floor space: 21,759㎡)


Matsuzakaya Shizuoka (Floor space: 25,452㎡)


GINZA SIX (Floor space: 47,000㎡)

Overseas Office and Company

Paris Representative Office
21 rue Auber, 75009 Paris, France
Phone : +33-1-4574-2151

Daimaru Matsuzakaya Department Stores (Shanghai) Consulting Co., Ltd.
Huaxin Haixin Building 13F Rm-15A1, 666 Fuzhou Rd, Shanghai 200001, China
Phone : +86-21-6248-1538

As of June 30, 2021

PARCO Stores

PARCO urban complexes


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


Sendai PARCO
1-2-3, Chuo, Aoba-ku, Sendai, Miyagi
Main Building: B1F-9F
Opened: August 23, 2008
Sendai PARCO 2: 1F-9F
3-7-5, Chuo, Aoba-ku, Sendai, Miyagi
Opened: July 1, 2016


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


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


PARCO_ya Ueno
3-24-6, Ueno, Taito-ku, Tokyo
1F-6F
Opened: November 4, 2017
Ueno Frontier Tower
B1F, 7F-10F


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


Shibuya PARCO
15-1, Udagawa-cho, Shibuya-ku, Tokyo
B1F-10F
Opened: August 8, 1973
Reopened: November 22, 2019


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


Chofu PARCO
1-38-1, Kojima-cho, Chofu, Tokyo
B1F-10F
Opened: May 25, 1989


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


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


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


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


Shinsaibashi PARCO
1-8-3, Shinsaibashisuji, Chuo-ku, Osaka
B2F-14F
Opened: Nobember 20, 2020

PARCO community complexes


Tsudanuma PARCO
2-18-1, Maebaranishi, Funabashi, Chiba
Building A: B1F-6F
Building B: B1F-6F
Opened: July 1, 1977


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


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


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

ZERO GATE

Sapporo ZERO GATE
3-15-1, Minami 2-jo Nishi, Chuo-ku, Sapporo, Hokkaido
B2F, 1F-4F
Opened: February 26, 2016

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

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

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

Kyoto ZERO GATE
83-1, Tachiuri Nakanocho, Shijo-dori Takakura Higashi-iru, Shimogyo-ku, Kyoto
B2F-7F
Opened: November 4, 2017

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

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

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

Hiroshima ZERO GATE 2
9-4, Hondori, Naka-ku, Hiroshima
1F-3F
Opened: September 10, 2016

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

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

Other stores

Pedi Shiodome
1-9-1, Higashishinbashi, Minato-ku, Tokyo
B2F-B1F, 2F
Opened: February 16, 2005

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

Overseas Japanese restaurant zone

itadakimasu by PARCO
100AM Mall 100 Tras Street, Singapore 079027
Opened: December 1, 2016

Share Information

Status of shares (as of February 28, 2021)

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：142,788

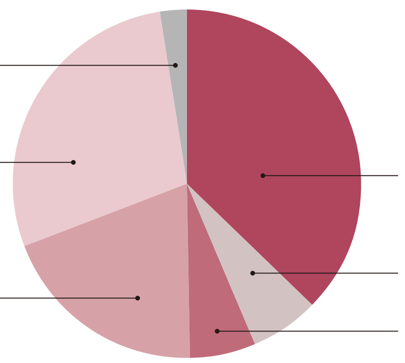
	Major shareholders	Number of shares held (1,000 shares)	Shareholding ratio (%)
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	24,946	9.45
2	Custody Bank of Japan, Ltd. (Trust Account)	14,201	5.37
3	Nippon Life Insurance Company	9,828	3.72
4	SMBC Nikko Securities Inc.	8,491	3.21
5	J. Front Retailing Kyoei Supplier Shareholding Association	6,353	2.40
6	The Dai-ichi Mutual Life Insurance Company	5,470	2.07
7	MUFG Bank, Ltd.	4,373	1.65
8	Custody Bank of Japan, Ltd. (Trust Account 9)	4,326	1.63
9	GOLDMAN SACHS & CO.REG	4,325	1.63
10	Custody Bank of Japan, Ltd. (Trust Account 5)	3,740	1.41

*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 BIP Trust.

Distribution by shareholder type	Number of shareholders (People)	Number of shares (1,000 shares)	Ratio (%)
Government and local public entities	–	–	–
Financial institutions	63	101,201	37.41
Financial instruments firms	43	17,373	6.42
Other companies	957	16,543	6.11
Foreign companies	462	52,077	19.25
Individuals and others	141,262	76,772	28.37
Treasury stock	1	6,596	2.44

As of February 28, 2021

Distribution by shareholder type



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)	:	6,528 (as of February 28, 2021) Note: In addition to the above, there are 1,688 dedicated employees and 1,419 fixed-term employees on average.
URL	:	https://www.j-front-retailing.com/english/

There is no crisis that we cannot overcome.

Create and Bring to Life
"New Happiness."

J. FRONT RETAILING

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