Overview of operating results
In fiscal 2022, the Japanese economy experienced the gradual diminishing impact of COVID-19 and a gradual move toward recovery centered on internal demand. However, unstable conditions continued with the materialization of geopolitical conflicts, including conditions in Ukraine, rapid foreign exchange fluctuations, and inflation.

As for corporate earnings, as social and economic activities moved toward improvement in the service industry and other industries with recovery in demand following the COVID-19 pandemic. However, recovery has occurred amid a slowdown in the overseas economy, surging resource prices, and stalled production activities due to materials supply shortages.

In terms of personal spending, with restrictions limiting movement, we saw a reduced impact from COVID-19 in the form of a recovery in the consumption of in-person services and in tourism demand mainly starting in the middle of the fiscal year. However, there is increasing uncertainty regarding the future amid greater fragility caused by inflation.

Faced with unprecedented management conditions caused by the COVID-19 pandemic. In fiscal 2021, the Company launched its new Medium-term Business Plan (FY2021 to FY2023), which positions sustainability at the core of management. Under the Medium-term Business Plan, we aim to achieve a “full recovery” from the COVID-19 impact and positioned the period as one of pouncing ourselves for “regrowth” beginning in fiscal 2024.

In fiscal 2022, the second year of the Medium-term Business Plan, the impact of the spread of COVID-19 and restrictions limiting movement in place through the previous fiscal year diminished. As such, to create a strong foothold for full recovery and to lead to regrowth from fiscal 2024 onward, we have positioned the fiscal year as a year to transition to “offensive-oriented management” and have promoted the key strategies and measures established by the Medium-term Business Plan.

As a result, for fiscal 2022, revenue was 359,679 million yen (up 8.5% year on year).

Furthermore, business profit was 24,854 million yen (up 112.1% year on year), as a result of improvement in revenue throughout the fiscal year, along with the effects from reduced fixed costs and expenses. Operating profit was 19,059 million yen (up 112.1% year on year) despite the recording of impairment losses on department stores and PARCO stores and loss on liquidation of business following the decision to end operations at Matsumoto PARCO. Profit before tax was 16,873 million yen (up 112.1% year on year), and profit attributable to owners of parent was 14,237 million yen (up 224.9% year on year), demonstrating a large increase in profit.

Financial Results and Operating Results (fiscal 2022)
We have pursued a result in a steady improvement in customer traffic and in net sales.

In terms of our key strategy initiatives, in addition to expanding key categories such as luxury items, watches, and art mainly at our flagship stores, we promoted the creation of attractive sales floors and stores using the unique qualities of each store, including building a large-scale character zone at our Daimaru Umeda store.

Furthermore, in our initiatives to utilize digital technology, we evolved our customer policies by promoting the digitalization of customer contact points through the app and by identifying potential customers through data analysis and use. We also newly launched DEPAIO, a form of cosmetics commerce media using the strengths of department stores including their brick-and-mortar stores and sales service capabilities.

To enhance our approach to the affluent segment, we expanded our key categories and built high-quality store environments including lounges for loyal customers. We also improved our offers of scarce merchandise and services both in-store and on the website dedicated to luxury customers, and worked to expand our customer base.

In our management restructuring, we produced results in organizational and human resource restructuring aimed at new store operating models and worked to revise our cost structure by reviewing the scope of our outsourcing and other means.

As a result of various measures including those mentioned above, revenue was 251,754 million yen (up 13.1% year on year). Operating profit was 7,529 million yen (operating loss of 4,594 million yen in the previous year) despite impairment losses on stores, and the Department Store Business shifted to profitability.

<SC Business>
The SC Business experienced steady improvement in both customer traffic and tenant transaction volume due to strategic remodeling centered on flagship stores and stronger promotions, amid a rebound from temporary store closures and other restrictions on entertainment venues imposed in the previous fiscal year, in addition to personal spending heading toward recovery starting in the middle of the fiscal year.

In terms of our key strategy initiatives, owing both the changing times and lifestyle changes driven by the COVID-19 pandemic, at Riebukuro PARCO, we renovated the ground floor and expanded content with a strong affinity with the area, and at Nagoya PARCO, we carried out large-scale renovations with the themes of genderless and ageless. We also rolled out unique pop-up stores, collaboration projects with characters, and joint projects with local communities at each store. Furthermore, with the cooperation of our tenants, we worked to develop a foundation by increasing the number of our app users and enhancing the convenience of shopping around at both our brick-and-mortar and online stores. We ceased operations of Tsutaya PARCO at the end of February 2023.

As a result of various measures including those mentioned above, revenue was 54,361 million yen (up 3.4% year on year). Operating profit was 3,733 million yen (up 83.0% year on year) despite the recording of loss on liquidation of business following the decision to end operations at Matsumoto PARCO (planned for the end of February 2023) and impairment losses on stores.

<Developer Business>
We promoted our key strategies aimed at maximizing the use of our company’s real estate assets by transforming our real estate portfolio. This mainly involved entering the residence business to develop non-commercial facilities using our real estate holdings and planning and carrying out the development of large-scale complex facilities in key areas where the Company has a foundation. Specifically, in addition to Nekidoki 3-chome Development (tentative name) in the Sakae area in Nagoya slated for completion and opening in 2026 and the Shinsaibashi Project (tentative name) in the Shinsaibashi area in Osaka, we started to consider redevelopment in collaboration with local communities and other companies, aiming to contribute to attractive, high-quality urban development in the Terini area in Fukuoka.

Additionally, to pursue further business growth, we established J. Front City Development Co., Ltd. directly under our holding company and decided to transfer the Developer Business operated by Parco Co., Ltd. to the company. By restructuring this business, in addition to building a system capable of fast decision making from the standpoint of the Group-wide optimization, we will further strengthen our governance by developing and securing specialists, conducting business management sustainable for the business, and carrying out risk management.

As a result of various measures including those mentioned above, revenue was 54,361 million yen (up 8.0% year on year) due to increases in interior and facilities work inside and outside the Group and facilities management contracting, despite the impact of the end of operations of existing properties. Operating profit was 3,695 million yen (down 21.6% year on year), partly due to a rebound from gain on sale of fixed assets recorded in the previous fiscal year.

<Payment and Finance Business>
In the payment business, in addition to the recovery in transaction volume in the Department Store Business and external merchants, to increase awareness about our unique point program (iQRA Point), we provided special experiences including unique events for our card users. We also worked to strengthen merchant businesses by creating payment environments in the Group commercial facilities and other merchant businesses.

In the financial business, in addition to strengthening the insurance agency business, we expanded our financial services including investment trust installment services through partnerships with other companies.

As a result of various measures including those mentioned above, revenue was 13,371 million yen (up 16.8% year on year), and operating profit was 3,485 million yen (up 76.9% year on year).

<Other>
Daimaru Kishu, Ltd., which is engaged in the wholesale business, enjoyed increased revenue and profit due mainly to a recovery in orders in the automotive component division, but due to an impact of the removal of the staffing business from the scope of consolidation at the end of the previous year, revenue was 55,922 million yen (down 9.4% year on year), and operating profit was 899 million yen (down 25.0% year on year).

Financial position
Total assets at the end of fiscal 2022 were 1,120,931 million yen, down 171,946 million yen compared with the end of the previous consolidated fiscal year. On the other hand, total liabilities were 765,492 million yen, a decrease of 52,134 million yen compared with the end of the previous consolidated fiscal year. Interest-bearing liabilities (including lease liabilities) were 411,849 million yen, down 88,160 million yen compared with the end of the previous consolidated fiscal year, as a result of the Company optimizing cash and deposits on hand secured for the purpose of counteracting the COVID-19 pandemic, and having proceeded with repayment.

Total equity was 371,410 million yen, an increase of 9,299 million yen compared with the end of the previous consolidated fiscal year. As a result, the ratio of operating profit to total assets (ROA) was 1.6%, the ratio of profit to equity attributable to owners of parent (ROE) was 4.0%, and the ratio of equity attributable to owners of parent was 32.1%.

Cash flows
The balance of cash and cash equivalents (hereinafter “cash”) at the end of fiscal 2022 was 33,874 million yen, down 53,404 million yen compared with the end of the previous consolidated fiscal year.

Net cash provided by operating activities was 65,480 million yen. In comparison with the previous consolidated fiscal year, cash provided by operating activities increased by 28,121 million yen, largely due to an increase in profit before tax.

Net cash used in investing activities was 13,371 million yen. In comparison with the previous consolidated fiscal year, cash used increased by 8,082 million yen, largely due to a rebound from the proceeds from sales of investment property and subsidiary shares recorded in the previous consolidated fiscal year, in addition to an increase in purchase of property, plant and equipment.

Net cash used in financing activities was 105,694 million yen. In comparison with the previous consolidated fiscal year, net cash used in financing activities increased by 25,302 million yen, as we proceeded with repayment of interest-bearing liabilities including bond redemptions.

Basic profit distribution policy and dividends
The Company’s basic policy is to return profits appropriately with a targeted consolidated dividend payout ratio of 30% or more while striving to provide stable dividends, with the aim of maintaining and enhancing its sound financial standing, taking profit levels, future capital investment, free cash flow trends and other such factors into consideration. The Company also considers 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 renovations and business expansions to strengthen its sales power, as well as strengthening its financial standing.

As of February 2022, the Company paid an annual dividend of 31 yen per share, comprising an interim dividend of 15 yen per share and a year-end dividend of 16 yen per share.