J. FRONT RETAILING
Integrated Report 2023

TURNING POINT
Connect to Renewed Growth.
Our role and raison d’etre is to provide value to society. We believe that this means creating added value for our customers, collaborating with local communities, and taking into account our environmental impact. Putting into practice the corporate credo of “Service before Profit” and “Abjure All Evil and Practice All Good” is exactly creating shared value, and the very essence of sustainability. This is the basis of our company’s 300- or 400-year history. We will be ourselves, honest, and innovative. We will show a clearer path to renewed growth.

The Post-COVID-19 era is finally in full swing and a new normal has arrived. We feel that people are moving and that cities are coming back to life at an accelerated pace. On the other hand, the uncertainties of the times, such as fears of new pandemics and heightened geopolitical risks, continue, making it an urgent task to enhance our resilience and ability to respond to changes in the environment. As the economy moves toward further maturity, what is required is deepening and exploration. We are determined to achieve serious transformation through innovation that connects diverse knowledge.
Our Creation
INTEGRATED REPORT 2023

Guidance for Collaborative Value Creation

Editorial policy

1. 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.

Timeline
This report mainly reviews the fiscal year 2022 (March 1, 2022 through February 28, 2023) 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.

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Values and Vision

Our Values

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.

With increasingly diversified lifestyles, 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 were placed due to the recent spread of COVID-19 and people were forced to live with concerns and frustrations they had never experienced before. This is one of symbolic events.

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, that is to say, the cause.

Another recent big trend is heightened awareness of social contribution as well as a shift to consumption of intangible goods due to diversified means of seeking enjoyment. The Group has to be able to propose something more enjoyable and more exciting in response to such diversification of the means of seeking enjoyment.

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.
**Values and Vision**

**Management Strategy**

**Sustainability**

**Governance**

**Data**

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**History of Overcoming Changes**

Daimaru and Matsuzakaya that were founded as a kimono fabric store and a kimono fabric and fancy goods wholesale store, respectively. The long paths of their 300 and 400 years of histories were uneven. They converted to department store operators 100 years ago after overcoming a number of crises and expanding their stores. By having consistent values and continuing to respond to the changing times, they embody “sustainability.”

### Daimaru

1717

Shinmura Hikoemon Shokei opened a kimono fabric store “Daimonjiya” in Fushimi, Kyoto. (Foundation of Daimaru)

1611

Ito Ranmaru Sukemichi opened a kimono fabric store “Daimonjiya” in Honmachi, Nagoya. (Foundation of Daimaru)

1726

Opened Osaka store “Matsuya” in Shinsaibashi, Osaka and began cash sales at fixed prices. (Present location of Shinsaibashi store)

1728

Opened Nagoya store at Honmachi 4-chome, Nagoya and used the name “Daimonjiya” for the first time. (Closed in 1910)

1733

Established in all stores the hanging saloon with the store creed of “Service before Profit,” as its Complementary the construction of the new Kyoto flag store in Funaya-cho, Higashinotoin, Kyoto.

1736

Opened a kimono fabric and fancy goods wholesale store in Funaya-cho, Higashinotoin, Kyoto.

1737

Daimaru and Matsuzakaya that were founded as a kimono fabric store and a kimono fabric retailer.

1740

Opened a cotton wholesale store at Oshio Bridge in Kita-ku, Kyoto.

1743

Completed the construction of the new Kyoto flagship store in Funaya-cho, Higashinotoin, Kyoto.

1745

Became a kimono fabric purveyor to the Owari Imperial Army during the Ueno war.

1748

Established “Kabushiki Kaisha Daimaru Gohekiya” with a capital of ¥12 mn. (Still present on the premises of Han-ei Inari shrine of one corner of the site)

1757

Built Kita Yata near Honbashi at Kita 4-chome, Fukagawa, Edogawa and set up a kimono fabric store. (Still present on the premises of the Daimaru Co. Building)

1787

Entered the kimono fabric business in Japan as a kimono fabric wholesaler.

1805

Opened a cloth wholesale store in Kawanishi in Oiwa, Kobe.

1809

Unveiled the company name to “Kabushiki Kaisha Daimaru.”

1810

Established “Kabushiki Gofukuten” with a capital of ¥0.5 mn. (Closed in 2004) (Relocated to Tenmabashi in 1966 and closed in 2000)

1817

Revised and registered the trademark.

1827

Opened the first “Toyoyuki Laboratory & Research Institute” (present Consumer End-Use Research Institute) in the department store industry.

1837

Completed the new main building of Ueno store.

1853

1900

1907

Established “Kabushiki Gofukuten” in Maizuru, Kyoto. (Foundation of Daimaru)

1910

Established “Kabushiki Gofukuten” in Maizuru, Kyoto. (Foundation of Daimaru)

1912

Completed the new main building of Ueno store.

1913

Established “Kabushiki Kaisha Daimaru Gohekiya” with a capital of ¥12 mn. (Still present on the premises of the Daimaru Co. Building)

1917

Completed the new main building of Ueno store.

1920

Established “Kabushiki Kaisha Daimaru Gohekiya” with a capital of ¥12 mn.

1927

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

1928

Completed the new store.

1953

Established “Kabushiki Kaisha Daimaru Gohekiya” with a capital of ¥12 mn. (Still present on the premises of Han-ei Inari shrine of one corner of the site)

1961

Announced the highest sales in the Japanese retail industry. Consecutively from FY 1960 to FY 1969.

1964

Established “Kabushiki Kaisha Daimaru Gohekiya” with a capital of ¥12 mn. (Still present on the premises of Han-ei Inari shrine of one corner of the site)

1967

Announced the highest sales in the Japanese retail industry.

1977

Produced the first “Toyoyuki Laboratory & Research Institute” (present Consumer End-Use Research Institute) in the department store industry.

1978

Completed the new main building of Ueno store.

1979

Established “Kabushiki Kaisha Daimaru Gohekiya” with a capital of ¥12 mn. (Still present on the premises of Han-ei Inari shrine of one corner of the site)

1981

Established “Kabushiki Kaisha Daimaru Gohekiya” with a capital of ¥12 mn. (Still present on the premises of Han-ei Inari shrine of one corner of the site)

1983

Established a holding company J. Front Retailing Co., Ltd.

1987

Established a holding company J. Front Retailing Co., Ltd.

1991

Established a holding company J. Front Retailing Co., Ltd.

1993

Established a holding company J. Front Retailing Co., Ltd.

1995

Established a holding company J. Front Retailing Co., Ltd.

1999

Established a holding company J. Front Retailing Co., Ltd.

2000

Established a holding company J. Front Retailing Co., Ltd.

2003

Established a holding company J. Front Retailing Co., Ltd.

2007

Established a holding company J. Front Retailing Co., Ltd.

2010

Established a holding company J. Front Retailing Co., Ltd.

2011

Established a holding company J. Front Retailing Co., Ltd.

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**Matsuzakaya**

1611

Ito Ranmaru Sukemichi opened a kimono fabric store “Daimonjiya” in Fushimi, Kyoto. (Foundation of Daimaru)

1659

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

1733

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

1740

Established a kimono fabric purveyor to the Owari Tenjigawa clan.

1981

Established a kimono fabric wholesaler.

1985

Completed the new main building of Ueno store.

1991

Completed the new main building of Ueno store.

1993

Established a holding company J. Front Retailing Co., Ltd.

1999

Established a holding company J. Front Retailing Co., Ltd.

2000

Established a holding company J. Front Retailing Co., Ltd.

2003

Established a holding company J. Front Retailing Co., Ltd.

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**Japan’s traditional puppet show Avoroku “Diosa Hanajirakura”**

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**Values and Vision**

**History – Tradition (Foundation = Birth of Department Store)**
## Future Created by Heterogeneity

### Changes in the times are more and more accelerated.

The landscape rapidly changed when the bubble economy burst in the 1990s and there was an urgent need for industry reorganization. In such a situation, Daimaru and Matsuzakaya Holdings integrated management to expand each other’s strength and achieve regrowth.

Furthermore, we converted Parco into a consolidated subsidiary in 2012 and converted it into a wholly owned subsidiary in 2020 to expand our retail wing.

The full-scale fusion of disparate cultures is just beginning.

### 2007

**Phase of business integration and reorganization**

- **2007**
  - The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd. integrated management and established J. Front Retailing Co., Ltd.
  - Daimaru Tokyo store completed phase 1 of relocation and expansion.
  - Daimaru Credit Service Inc. was renamed J.FR Card Co., Ltd.
  - Dimples’ Co., Ltd. absorbed Daimaru Sales Associates Co., Ltd.
  - Integrated the information systems of The Daimaru, Inc. and Matsuzakaya Co., Ltd.

- **2008**
  - Restaurant Possoul Co., Ltd. absorbed Shoei Foods Co., Ltd. to form J. Front Foods Co., Ltd.
  - Matsuzakaya Service Co., Ltd. was renamed JFR Service Co., Ltd.

- **2009**
  - Daimaru Tokyo store completed phase 2 of expansion.
  - The Daimaru, Inc. and Matsuzakaya Co., Ltd. merged into Daimaru Matsuzakaya Department Stores Co., Ltd. J. Front Design & Construction Co., Ltd. absorbed Dimples’ Co., Ltd.

- **2010**
  - The Daimaru, Inc. and Matsuzakaya Co., Ltd. merged into Daimaru Matsuzakaya Department Stores Co., Ltd.
  - J. Front Lease & Service Co., Ltd., Daimaru Umeda store completed increased floor space in Mar 2011.

- **2012**
  - Acquired a 33.1% stake in Parco Co., Ltd. and converted it into an equity method associate.
  - Reached a basic agreement with Shanghai Xin Nai Ding 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.
  - Established JFR PLAZA Inc. through joint investment with StyleNik Holdings Inc.
  - Increased a stake in Parco Co. Ltd. to 85% through TOB and converted it into a consolidated subsidiary.

- **2013**
  - Sold all shares of Pelavood Stores Ltd., which operated a supermarket business, to Aeon Co., Ltd. Acquired a 78.62% stake in Forest Co., Ltd. and converted it into a consolidated subsidiary.

- **2014**
  - Bic Camera affiliated with Rakuten R Point Card service.
  - Fukuoka PARCO opened a new building. Investment in Cool Japan Fund.

- **2015**
  - Increased floor space of the main building of Fukuoka PARCO.
  - Acquired a 21.65% stake in Someshiki Co., Ltd. and converted it into an equity method associate.
  - Shonhi New World Daimaru Department Store opened.
  - Decided to rebuild the main building of Daimaru Shinsaibashi store.
  - Decided to rebuild Shibuya PARCO.
  - Invested in Scoot Ventures.

- **2016**
  - “Keicho Kosode” from the Matsuzakaya Collection was designated as a national important cultural property.
  - Shinsaibashi PARCO opened in the north wing of Matsuzakaya Nagoya store in 2016.

- **2017**
  - Transformed the business of JFR Onlines Co., Ltd. GRIZA SXK opened.
  - Transformed a Company with Three Committees (Nomination, Audit and Remuneration Committees).
  - Transferred shares of Forest Co., Ltd.
  - Used PARCO in.
  - Used Premier Tower opened.
  - JFR PLAZA Inc. was dissolved and liquidated.

- **2018**
  - Accepted purchase of own shares by Sonehaloi Co., Ltd.

- **2020**
  - Daimaru Matsuzakaya Department Stores Co., Ltd. absorbed Daimaru Matsuzakaya Sales Associates Co., Ltd.

- **2021**
  - Transformed all shares of a consolidated subsidiary J. Front Foods Co., Ltd. (Fel)
  - The New Medium-term Business Plan started. (Mar)
  - Transferred all shares of Reaum & Co., Ltd. (38.4%)
  - Daimaru/Matsuzakaya Department Stores Co., Ltd. absorbed Daimaru Matsuzakaya Sales Associates Co., Ltd. (Sep)

- **2022**
  - Parco transferred shares of Dimples’ Co., Ltd. (Fel)
  - Established a CVF fund JFR MARK CREATORS Fund jointly with Ignition Point Ventures Partners Inc. (Mar)
  - Acquired a 59.8% stake in KINZOU Co., Ltd. and converted it into a subsidiary. (Nov)

- **2023**
  - Established J. Front City Development Co., Ltd. (Mar)
  - Invested in Phoenix, Inc. (Mar)

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**Notes:**
- “Kashi-Kosode” from the Matsuzakaya Collection was designated as a national important cultural property.
- Daimaru Umeda store reopened with increased floor space.
Creating Shared Value Sustainability Management

The Group has encountered a number of crises over its 300 and 400 years of history. Every time we have faced these situations, we have returned to our Corporate Credo “Service before Profit” and “Abjure All Evil and Practice All Good” 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. Companies cannot develop without coexistence with society. 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 value and economic value.

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Delayed full-scale reopening begins

In May of this year, COVID-19 was moved to Class 5 under the Infectious Diseases Control Law, which is equivalent to seasonal influenza. The department store industry has been the slowest to reopen among retailers, but it is finally on the road to a full-fledged recovery. With the resurgence of foot traffic, we expect economic activity to become increasingly normalized and vigorous.

In addition, the move toward a higher level of wage increases, which has not been seen in recent years, is expected to ensure that consumer sentiment will be positive. The Company has added a flat 10,000 yen per month to the monthly wages for fiscal 2023, under the name of “livelihood support subsidy.” Furthermore, given that Japan’s domestic personal financial assets, including residual COVID-19 savings, continue to exceed 2,000 trillion yen, it could be said that the sentiment is such that any single trigger, such as the provision of absolute asset value or irreplaceable experience value, would certainly have a positive effect on consumption.

The driving force behind our recovery process is spending by the wealthy class in department store sales. During the current medium-term plan period, our first priority is to fully recover both BS and PL from the damage caused by the COVID-19 pandemic, and while we have been forced to narrow down our investments to some extent, the Department Store has focused on strengthening the luxury and watch categories. We also see a further expansion of our digital touch points beyond our expectations.

Even taking into account such uncertainties, I am certain that the reopening effect will be sustained to a certain extent, considering the accelerating recovery of domestic foot traffic and the expected demand from inbound customers from mainland China, given that the industry has lagged behind. However, we try not to overestimate the current situation. Rather, we believe that we are now at a major turning point and that this is an opportunity to “move up a gear for change.” The essential challenges that the Department Store has faced up to now have not been solved suddenly. I still hold the belief that a bright future cannot be envisioned as an extension of the past.

Strengthen stores based on capital profitability

To achieve portfolio transformation, we are working to enhance business management by adopting ROIC by business with an awareness of cost of capital. We believe that pursuing higher ROIC by business from the perspective of return on invested capital is the way to evolve business management. Another key point is that it is an easy-to-understand indicator of the link between business profitability improvement and employee efforts.

The Department Store Business has the highest ROIC in our current business portfolio, but it is clear that concentrating investment in this area is not the direction we should take from a medium- to long-term perspective. On the other hand, we also believe that it is not impossible to achieve a higher ROIC with the various reform initiatives the Department Store is currently pursuing. We believe that even if growth by increasing the number of stores is difficult, there is plenty of room for evolution by reforming the business model. The Department Store is already able to track BS by store, and we hope to take advantage of the

There Is No Smooth Road to Change.

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

However, we do not overestimate the current situation.

Rather, this is an opportunity to “move up a gear for change.”
adoption of ROIC by business to further improve capital profitability.

We believe that our retail business is predicated on the strength of our real stores, even when promoting digitalization. To make our stores stronger, we must refine our content, services, store environment, and highly efficient operations. To this end, we believe that we should be more aggressive in investing in stores where we can expect a solid return, while assessing the capital profitability of each store. The adoption of ROIC has also led to a change in mindset that emphasizes such an investment-return relationship.

In recent years, the reconstruction of the Shinsaibashi store required a large amount of cash, so it is undeniable that investment in other key stores has been somewhat restrained. Specifically, we believe that department stores such as the Nagoya, Sapporo, and Kobe stores have the potential to earn substantial cash if appropriate investments are made. In order for ROIC management to take root at the group level, it is extremely important that the field staff understand the importance of ROIC management. We would like to keep in mind that we should proceed from the same perspective as the operating companies, rather than from the "top-down" perspective of the holding company.

Last fiscal year was positioned as the phase to spread understanding, and we held study sessions and briefings at each of our operating companies, as well as discussions on KPIs, how to operate the KPI tree, etc. In this fiscal 2023, we will conduct preliminary operations at some of our department stores and PARCO stores. We will also chart the path toward setting and achieving the financial targets of the next medium-term plan, centered on ROIC, with the aim of starting full-scale operations in fiscal 2024.

While the focus is on improving PBR of less than one in the capital market, we are confident that the adoption of ROIC by business will enable us to achieve management sophistication and increase the ROIC spread for each business, which will also lead to higher PBR. However, the fundamental reason why our PBR is currently around one is that we do not have a clear path to medium- to long-term growth. It is also essential to aggressively make the necessary investments to deepen and explore for growth. Therefore, I believe that we need to more clearly show what kind of future the changes we are working on now will lead to.

Utilizing diverse ideas and perspectives is not limited to bringing in human resources themselves. In other words, I feel it is important to create opportunities for collaboration with outside parties, especially for young people. The CVC fund we established last fall aims to fulfill just such a role. Young people are taking the lead in seeking collaboration with startups and working to create synergies through innovation, involving employees of operating companies. Five investments have already been made, and we are looking forward to seeing what output will be shown from them.

I think diversity is really progressing at the holding company. However, unfortunately at Daimaru Matsuzakaya Department Stores and Parco, we have to make a conscious effort to talk with people of these backgrounds, and others. I feel that is still a long way to go. We would like to make a strong effort to promote innovation in this area.

**Customer creation in the “new era”**

The Department Store Business is supported by regular customers of relatively older age groups. On the one hand, this means that we are aging together with our customers, and our challenge is how to develop new customers, especially younger customers.

As I mentioned earlier, the Department Store’s gaisha sales, which represent spending by affluent customers, are growing as the share of purchases by customers in their 20s to 40s who are relatively young as the Department Store’s customers is expanding after the COVID-19 pandemic. This means that robust purchases continue, centered on content such as luxury items and contemporary art. I feel that what is important is the content, the digitalization of touch points, and the real store space.

An even stronger indication of this is the movement of GINZA SIX, which is increasing its presence as a luxury mall. GINZA SIX opened in 2017 with the choice “not to operate as a department store.” Later, in 2021, many of the shops were due for renewal, so a major renovation was undertaken, including tenant replacement. Although there were some negative views because it was right in the middle of COVID-19, it continues to make greater-than-expected strides, recording its highest monthly sales ever in December of last year. Of particular note is that customers in their 20s and 30s account for half of its sales. We see potential in this fact for the future of the Group. I feel that there is still much more that we can do as a retailer to create new customers.

To broaden the perspective of customer creation a bit more, how the Group can access the Millennial Generation and Generation Z is a major issue as the Group aims for medium- to long-term growth. I make a conscious effort to talk with people of these generations, and I find that their lifestyles and values are clearly different from those of us, the Showa generation, in ways that cannot be explained simply by the demographic factor of age. Both of them are digital natives, and Generation 2 in particular is said to be social natives, so we believe that a completely different approach is needed.

As part of these efforts, we decided to enter the esports business by acquiring a 50.8% stake in XENOX Co., Ltd., which operates the esports team SCARZ, in October last year, making it a subsidiary. Esports is characterized by a high level of interest among the younger generation, especially those in their teens to 30s, including Generation Z. It has a high affinity with businesses utilizing digital technologies, such as metaverse and NFT, and various business developments are expected. While steadily realizing the real-world effect of attracting customers, such as
holding events at the Group’s facilities, we believe that expanding our business to the digital side will lead to the acceleration of strategy execution.

We will acquire leading content and make our real commercial facilities stronger. In order to cultivate new markets, the enhancement of content is the cornerstone. I am convinced that esports will be an important part of this process.

As another important factor, in terms of organizing customers, I think it is essential to devise an approach that takes into account the changing times. Today’s consumer behavior is characterized by the presence of a narrow and deep market, against a backdrop of diversified values and fragmented customer preferences. I believe that key words such as infatuation and fervor also represent such a situation. In other words, we are in an era where the connection between like-minded people is emphasized, which is truly the era of community, and we are also considering utilizing the information obtained from the interaction of like-minded people there in commerce. We are already making preparations, including investment in companies with such management capabilities and know-how, and hope to link this to the creation of new customers.

“Community” as a growth driver

As of March 1 this year, the Developer Business that had been handled by Parco was split off from Parco and started anew as an independent company called J. Front City Development. At the same time, the CRE Strategy Unit was newly established in the holding company to link this to the creation of new customers.

Seven cities designated as key areas for the new company’s strategic promotion (Tokyo, Sapporo, Nagoya, Osaka, Kyoto, Kobe, and Hakata) are home to Daimaru or Matsuzakaya department stores or PARCO stores. In other words, we believe that our unique feature and strength is that we own real estate in major cities that can be developed, including the areas surrounding our stores. Projects are already underway in the Sakae area in Nagoya and the Shinshibashi area in Osaka, both of which are scheduled for completion in 2026. Furthermore, in the Tenjin area in Fukuoka, the Tenjin Big Bang has finally begun to move forward, and we have started to study the possibility of moving forward with a large-scale development project. Also for other key areas, we plan to show concrete pipelines in due course. We hope that you will look forward to this as one direction for our portfolio transformation with a new growth driver.

In order to expand the Developer Business, we will work on non-commercial businesses such as hotels, offices, and residences to diversify earnings as the Developer Business, but the significance for us to operate the Developer Business lies in our strength in commerce. However, we believe that we can provide unique value to society by creating a “new type of retail” that combines the strengths of the Department Store and Parco, rather than limiting ourselves to existing retailers such as the Department Store and Parco. I believe that our ability to do so is what makes the Group unique.

In this way, our major value of existence is our commitment to coexistence with local communities, based on our nationwide department stores and PARCO stores. Rather than viewing the stores in the community as “dots,” we view them as “areas” involving the community, and link them to various actions from the perspective of creating and providing the value sought by the local community.

One example of a unique local initiative that I feel has potential is the Kyushu Tankentai (literally Kyushu expedition team), which was started at Hakata Daimaru. This project aims to revitalize the entire region by having our department store employees visit cities in Kyushu and Okinawa and, in cooperation with the local governments, uncover attractive people, tangible goods, intangible goods, and even culture in those cities that are not yet widely known, and introduce them to the public through us. As of July 2023, we have been certified as an information dissemination ambassador by 112 cities in the Kyushu and Okinawa areas.

In addition, Parco and CAMPFIRE, Inc. jointly operate the crowdfunding BOOSTER, and Daimaru, Matsuzakaya, and PARCO stores collaborate with the local communities to create an evolved regional revitalization system together with local craftsmen and companies.

Unearth and polish local gemstones. In addition to the crowdfunding BOOSTER, and Daimaru, Matsuzakaya, and PARCO stores collaborate with the local communities to create an evolved regional revitalization system together with local craftsmen and companies.

Creating shared value is the practice of our corporate credo

I am reminded once again that our corporate credo, “Service before Profit,” or “Abjure All Evils and Practice All Good,” is an idea that truly fits the times we live in today. Those who give priority to service over profit will prosper. Do no evil, but do good. I believe that they are simple expressions of what it means to contribute to society.

Contributing to society means continuing to provide our unique value to society, which in turn leads to economic value. We recognize that this is CSV (Creating Shared Value) itself.

A bird’s-eye view of our supply chain reminds us that we are in the middle, connecting our suppliers to consumers. In other words, we are able to reach out to each of our suppliers and customers in a variety of ways, and I think it is fair to say that we exist to play this role in society.

We recognize that one of the ways to reduce greenhouse gas emissions toward a decarbonized society is to address Scope 3, which is indirect emissions other than Scope 1 and Scope 2. Scope 3 initiatives cannot be realized without the cooperation of our suppliers. More than 80% of our Scope 3 emissions are from Daimaru Matsuzakaya Department Stores, but by informing our suppliers of our efforts toward a decarbonized society through briefing sessions, we demonstrate our resolve and ask for their cooperation in making their emissions visible.

In addition, when we think about what we can do in our own way while leveraging our strengths to balance sustainability for both society and our corporation, I feel certain that the direction we should take is to a little more strengthen our efforts toward a circular economy.

Launched in March 2021 as a subscription business, AnotherAĐdress has been strongly favored by customers based on the belief that clothes are not disposable. We are developing a business model that goes beyond fashion rentals, partnering with a 3PL company, a delivery company, a cleaning company, and a recycling company that are promoting their own sustainable initiatives.

In addition, the ECOFF program to collect customers’ unwanted clothing and accessories has been gaining recognition from customers every year since its launch in 2016, and in fiscal 2022, 267 tons were collected, with a record number of participants.

Customers’ awareness and values have clearly changed, and I feel that they are becoming more and more conscious of sustainability. This tendency is especially strong among the younger generation.

We have been in existence for 380 or 400 years because we have been able to quickly identify and respond to the changes of the times and our customers. However, discontinuous thinking is indispensable for rapid changes like now. Therefore, we are prepared that the road to change will not be smooth. We will continue to create indispensable value for society by carefully assessing what we can do and what only we can do.

As we are in the middle of the supply chain, we will do our part for sustainability.
J. Front Retailing Value Creation Process

Under the Basic Mission Statement and the Group Vision, J. Front Retailing, together with stakeholders, is committed to creating high quality, fresh, hospitable, and fulfilling life adapted to the changing times.

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 aim to realize CSV management that achieves social value and economic value at the same time, contribute to society at large, and develop the Group.
Value Creation
The Group's Strengths

Strengths Become More Resilient through Fusion

Commercial Production Capability

Daimaru and Matsuzakaya, both department store operators, continue to accurately grasp the changing value that customers seek through their products and services, and continue to connect their long histories of 300 and 401 years through sustainable management. They are committed to proposing new lifestyles that enrich the lives of their customers at all times. Among these, they have an advantage in creating a luxurious worldview, an overwhelming assortment of cosmetics and beauty products, and the creation of a lively atmosphere in department stores with a wide variety of high-quality foods. In addition, they have successfully developed the luxury mall GIIZA SIX by making the bold choice of “not operating as a department store.”

Parco, which operates in the shopping center format, is working to create attractive commercial spaces through its total production capabilities for commercial facilities. Particularly symbolic is the one and only Shibuya PARCO, which is positioned as a next-generation commercial facility. It is the center of the Parco brand with the most advanced lineup of shops in fashion, art, and culture. They provide a full range of services, from marketing and planning for the areas where their stores are located, to shop selection, design of environments, store operation, and maintenance and management. Regular and proactive renovations keep the stores fresh and responsive to market changes.

Having the department store format of Daimaru and Matsuzakaya and the shopping center format of Parco, each of which has different areas of expertise, opens up possibilities for unique commercial activities through the fusion and combination of these formats. We will also take on the challenge of developing new commercial spaces in cooperation with J. Front City Development, which operates the Developer Business.

Good Customer Base

Daimaru and Matsuzakaya have approximately four million identified customers, including industry-high 1.77 million app users (February 28, 2023). App is positioned as the centerpiece of the Real × Digital Strategy. They have as many as 320,000 gasho customers mainly composed of affluent people, who are unique to department stores. The recent marked trend of gasho customers is brisk spending by young people in their 20s to 40s. The development of young customers has been one of the Department Store’s important long-standing challenges and it is steadily progressing driven by strengthened digitalization.

Parco has approximately two million identified customers, which are characterized by many highly discerning customers in their 20s to 30s. Last year, IDs in the real world and online will be integrated as PARCO MEMBERS to further deepen CRM.

Real Estate Assets in Urban Locations

We operate 15 department stores, 17 Parco stores, and a luxury mall GIIZA SIX in major cities across Japan, from Sapporo, Hokkaido in the north to Fukuoka in the south. Thus our store allocation is well balanced. Daimaru or Matsuzakaya department store and PARCO store adjoin each other in Ueno in Tokyo, Nagoya, Shinsaibashi in Osaka, and Fukuoka and it is easy for the Group to create synergy in these locations. As in Shinsaibashi, Osaka, the Daimaru store, which was rebuilt and reopened in 2019, and the PARCO store, which was newly opened in 2020, are operated as one in connected buildings, many customers shop in both stores and they have become a symbol of the Group's synergy creation. By placing disparate things side by side, unprecedented new value was created.

As we own many of our flagship stores in urban areas, and furthermore, we also have a considerable amount of usable real estate around our stores, we think there is enough room to develop as an “area” centering on our existing stores, that is to say, the Group has enough medium-to-long-term growth potential.

In order to realize this, we developed a Developer Strategy as one of three key strategies in the current Medium-term Business Plan, and have significantly strengthened our promotion system by establishing a new company J. Front City Development, which operates the Developer Business. In March of this year, and also established a new CRE Unit within the holding company. With development projects already taking shape for the Sakae area in Nagoya and the Shunsai area in Osaka, as well as the commencement of studies for a large-scale development in the Tenjin area in Fukuoka, the Developer Business will be an important pillar driving the Group’s future growth.

Partners including Suppliers and Creators

The Group can provide various values to customers only through co-creation with its partners. Currently the Group has approximately as many as 3,000 partners with whom it works to create value.

The Department Store found many foreign brands and concluded exclusive agreements with some of them in the past. We believe that Daimaru and Matsuzakaya, with their long histories of 300 and 400 years, have earned the trust of their suppliers, who value the value of their brands. The Future Standard Laboratory, which was established in 2017, contacts with various creators, cultural figures, universities, communities, NPOs, and many companies and promotes “combination with foreign elements” to propose and disseminate what will become the standard for the future beyond the traditional department store framework.

In addition to leasing activities such as the introduction of clothing and accessories shops to meet diversifying needs, Parco pioneers the introduction of shops that meet the changing lifestyles and demands of consumers in order to achieve further business growth. Parco also focuses on “incubation” to support up-and-coming fashion designers, creators, and companies with growth potential, as well as the development of new store formats in collaboration with companies that operate shops in PARCO stores. And considering the discovery and growth of new talent to be the key to its growth, Parco is implementing proactive support measures, such as organizing events that can serve as a catalyst for designers to become known to the world and providing a venue for young designers to showcase their work.

By having the Department Store and Parco in the same group and transferring their respective partners selected with a discerning eye to each other, we think that creates a unique synergy that other groups cannot create. When these are fully integrated, a retail model based on new values should be born.
Will Department Stores Recover or Transform?

Post-COVID-19 recovery in full swing

Department stores, which had lagged the most in the retail industry, have finally entered a full-fledged recovery phase amid the prolonged COVID-19 pandemic. The reason for this was the start of nationwide travel support in October 2020 and the drastic relaxation of border measures. As a result, people started to move remarkably, and department stores were the first to experience this change in customer behavior. The dramatic rise in store traffic and sales has continued ever since, all aspects of consumption and business are rapidly moving online. This has exposed the deadlock in business models that are overly dependent on human flow or real stores. It is no more possible to remain in the same state as before the pandemic, and department stores must accelerate the transformation of their business model. The advantage of shake shop is that we can seek greater return through sales growth. On the other hand, the advantages of fixed-term lease are not only to realize stable revenues 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. Furthermore, the Daimaru Tokyo store developed new content named “asumise” based on commission income with the concept of “a store that does not sell.”

Innovation of customer experience through the digitalization of touch points

Content will evolve with business model conversion

First, we took two directions to build a new department store business model. One is a choice “not to operate as a department store.” That is to say, we converted some stores to a 100% real estate business without adopting department store’s traditional transaction formats of kaizoku and shopka. Its typical example is GINZA SIX, a luxury mall 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 kaizoku and shopka under the “department store brand.” Its typical example of a large-scale flagship store is the new main building of the Daimaru Shinsaibashi store, which opened in 2019. Some understored stores also attract new crowd through business model conversion. For example, the Daimaru Suma store introduced a library in 2020 and the Matsuizakaya Shizuoka store installed an aquarium in 2022.

The COVID-19 pandemic has brought about major changes not only in the quantity of consumption, but also in the quality of consumption. Department stores are now being tested on their ability to respond. We believe that the crisis brought about by COVID-19 must be used as an “opportunity for change,” and that we must accelerate the transformation of our business model.

100 years since the Department Store Declaration

The department store business model was born about 100 years ago. Large stores were opened and they expanded their product categories as they developed and prospered, from men’s and women’s clothing to kimono, children’s clothing and toys, furniture, home appliances, and foodstuffs. In terms of business structure, department stores mainly purchased products on a no return basis and took inventory risk, which is called kaizoku in Japanese. But in the 1980s, a new form of transaction without inventory called shopka shirute expanded to around 80%. In shopka shirute, 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 Japanese word Ayakaken for a department store (literally, a store selling hundreds of products). It was then that department store sales peaked.

On the other hand, 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 3.3% in 2021, less than half of 7.3% in 1991. However, department stores could hardly get out of past successes that they grew with apparel and continued to allot too much space to women’s clothing. It widened the gap from the five senses is. Our main task is to increase the value of department stores was questioned.

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Another reality revealed by the COVID-19 pandemic is how digitalization of touch points through “app” rather than expanding e-commerce. It is a challenge to overcome the constraints of time and place by building a unique people-centered media. We then aim to evolve into a media commerce that provides content that creates new experience value through that media, thereby diversifying revenue streams.

Deep cultivation of the luxury market

Luxury content has steadily increased sales even during the COVID-19 pandemic, and has already significantly exceeded pre-COVID-19 levels. Though overall store sales for Daimaru Matsuizakaya Department Stores in fiscal 2022 are lower than in fiscal 2019, sales of luxury items are already showing a high growth of 52.8% compared to fiscal 2019. While capital investment is limited due to the COVID-19 pandemic, we have strategically focused our investment on expanding the luxury items of our core stores, and we have achieved great results. In addition, our gaisho sales, which have organized wealthy customers, have already exceeded pre-COVID-19 levels by double digits. The core of the gaisho business is “people” to “people,” and the COVID-19 pandemic has triggered the digitalization of the gaisho business as well. Specifically, in addition to the rapid spread of the app, the use of the closed website “connaislinje” has changed the way business is conducted, and the promotion of online sign-up has helped develop younger affluent customers.

Value of the real world becomes more important

Another reality revealed by the COVID-19 pandemic is how precious and irreplaceable the real experience value obtained from the five senses is. Our main task is to increase the value we deliver through people-to-people communication, which is our strength. We will expand human power using digital technologies. Its starting point is in physical stores. From now on, the locality of each store will become more important. By creating a sense of the world based on content and unique curation capabilities, we will further refine our physical stores and integrate digital technologies into them. We believe that these are the basis of the department store business model that lies in the present age.

Values Creation
A Major Turning Point in the Department Store Business Model
Bring Diverse “Knowledge” to Innovation.

What was considered correct until yesterday may not always be correct tomorrow. Now that it is no longer easy to predict even a few years into the future, we cannot envision a bright future as an extension of the past. It is true that those feelings have become stronger after experiencing the COVID-19 pandemic for three years. Innovation is essential to open up an era shrouded in uncertainty and create the future. This process requires diverse “knowledge” – the combination of knowledge and wisdom.

The Group emphasizes diversity because we are serious about realizing true innovation. It is inevitable that the conclusion will be commoditized only by serious about realizing true innovation. It is inevitable that the conclusion will be commoditized only by the combination of “knowledge” and work on “creating the future better and more interesting,” we aim to create new value by updating people’s lifestyles, the quality of their individual lives and work styles, and the way they spend their time, as well as their relationships, connections, and communication with others. This “R&D” function will be used to combine business seeds outside the Group and ideas and measures within the Group, leading to innovation of existing businesses and the creation of new businesses, as well as to the development of management human resources and corporate culture reform.

In October 2022, we established the CVC fund named JFR MIRAI CREATORS Fund jointly with Ignition Point Venture Partners Inc. (IGP), which has extensive knowledge in the venture capital business. Our CVC is positioned as an R&D function to become a group of companies that continue to innovate through collaboration by investing in startups with innovative technologies and business models.

After the formation of the CVC fund, an overwhelming amount of information on startups has been gathered. We have already accumulated information on as many as 157 companies, and it is becoming one of the bases of the Group’s “knowledge.” While we carefully assess business synergies, IGP makes investment decisions based on a detailed analysis of the business plans drawn up by startups, from funding to growth potential and probability. We believe that by clarifying the division of roles, we have been able to build a more robust and speedy decision-making system.

Under the fund vision of “making the future better and more interesting,” we aim to create new ideas and measures within the Group, leading to innovation of existing businesses and the creation of new businesses, as well as to the development of management human resources and corporate culture reform.

We have identified five areas for investment: entertainment, healthcare, real estate tech, retail tech, and deep tech. Based on the premise that they match the three strategies of the Group: Real × Digital Strategy, Prime Life Strategy, and Developer Strategy. Since the establishment of the fund, five projects (as of the end of June 2023), including art, travel, metaverse, and community-related projects, have already taken shape, and we believe that the ground for innovation is steadily growing.

We communicate our CVC activities internally through all channels. We visited key persons in each business and interviewed them in collaboration with IGP to deepen mutual understanding, which leads to sourcing of startups that have a high affinity with us.

As a result of these steady efforts, we actually began to hear from many of our employees that they would like to have contact with advanced startups. We are seeing a steady increase in the momentum for innovation, moving away from an excessive “do-it-yourself” approach and proactively utilizing outside knowledge.

We expect that 4,800 of the Group’s human resources, or one out of every two employees, will be involved in some way in CVC activities by 2030. The important thing for innovation is to keep a close eye on the “outside world.” By proactively making contacts with startups, we will stimulate the intrinsic motivation of the Group’s human resources and encourage them to take on new challenges.

Promotion of human capital management via CVC
Entry into esports

As social changes accelerate, we believe that it is an important mission now to cultivate the buds of the next era and provide new experiences and excitement, and in recent years, we have regarded esports, which is showing excitement mainly among the younger generation, as one of the categories of attention.

Therefore, we acquired a 50.8% stake in XENOZ Co., Ltd., which owns the esports team SCARZ, and made it a subsidiary. In addition to making a full-scale entry into the esports business, which is expected to grow in the future, we will work to create new value by creating synergies with existing businesses such as Parco and the Department Store.

It is estimated that approximately 17.5 million people in Japan are interested in esports, with young people in their teens to 30s accounting for about half of the total. The Ministry of Economy, Trade and Industry held a Study Group on Measures for Vitalizing Esports in 2020 and declared that it would embark on a full-scale effort to support the growth of the domestic esports market. It is estimated that the domestic esports market will grow at a rate of nearly 30% by 2025, driven by an increase in the number of esports fans and an increase in sponsorship revenue due to the efforts of the government and domestic companies.

In addition, it was selected as a demonstration event at the Asian Games in Indonesia 2018 and as an official event at the Hangzhou Games scheduled for 2023. Furthermore, the first Olympic Esports Week organized by the International Olympic Committee (IOC) was held in Singapore in June this year. As an event with an eye on future adoption for the Olympics, 131 athletes from 64 countries and regions, including Japan, participated. It is expected to develop more and more globally in the future.

XENOZ has been leading the industry since the early days of esports, not only with the long-established professional team SCARZ that has achieved many good results in major esports competitions, but also by planning and managing its own competitions and events. Esports is a market that is expected to continue to grow at a high rate in the future, and by entering the market from its early stages, we will solidify recognition as a pioneer and develop it as a future pillar of our entertainment business.

In addition, for the Group’s Daimezu, Matsuakaya, and PARCO, acquiring next-generation customers is one of the major challenges. Since esports is of great interest to the younger generation, especially Generation Z and those in their teens to 30s, we believe that this will enable us to reach out to these next-generation customers, which will lead to increased awareness and brand value.

Furthermore, esports has a high affinity with businesses that utilize digital technologies such as metaverse and NFT, and having an esports team as content is expected to expand into a variety of businesses. We will accelerate the implementation of our Real × Digital Strategy by expanding our business into the digital domain while ensuring the effectiveness in the real domain of attracting customers by holding events at the Group’s facilities.

“Develop 1,000” digital human resources

We have developed the JFR Digital Human Resources Development Program, and in December 2022, we started developing data analysts and digital designers who will become our core human resources. Toward 2030, we will create new services and businesses while improving the efficiency and productivity of existing businesses, which is necessary to transform the Group’s business portfolio. Specifically, we aim to develop 100 digital core human resources by fiscal 2024 and 1,000 digital human resources by fiscal 2030. We envision that at least one core human resource will be assigned to each division of each Group company. When the relevant division notices a problem, it will create an environment in which the problem can be solved quickly.

This program also incorporates a workshop style to improve practical skills. For example, we would combine our strengths, assets, and technology, and then come up with ideas while setting target customers, which would then be discussed and voted on by the team as to what they think is best. It can be said that experiencing the process of seeing a single light by accumulating the diverse wisdom of diverse people gathered from various divisions leads to a pseudo-experience of realizing change.

What is important is not only to acquire the mindset and knowledge through human resource education, but also to integrate and link them with the functions of the organization. We will bring new value and change to day-to-day operations, and create operational reform and synergy through collaboration among core human resources across divisions and operating companies.

Future vision of digital human resource development

Active recruitment of external professional human resources

The Group actively and constantly recruits mid-career workers. Experienced professionals from different industries only have a high level of expertise, but also bring a variety of insights due to the differences in the cultures in which they grew up. Such combination with foreign elements is essential for the transformation sought by the Group. Needless to say, we are strengthening our existing core businesses such as Daimezu, Matsuakaya, and PARCO, and we are also working to acquire highly specialized human resources in the payment and finance area and developer area, where future growth is expected.

At the holding company, while clarifying our role as a holding company, we will work on recruiting highly specialized and professional human resources in new business areas, the finance division, the legal division, and others, and strengthen our functions in terms of both quality and quantity so that we can fulfill our roles of incubation (management planning, finance, legal affairs, human resources, etc.) for each of the Group companies. To this end, the holding company will aim to achieve a 50% share of external human resources in the future.
Connect People and Co-create Communities:

Communities are like an “ecosystem” in nature. Department stores, shopping centers, and various other facilities related to people’s lives attract people to them, breathe life into them, and help the communities grow. We believe that the role of the Group is not to succeed only at the stores such as Daimaru, Mitsukoshi, and PARCO, which are “points,” but to maximize value in the expansion of communities, which are “areas,” where we are the base point. This initiative has its root in the development of local communities and “realization of medium- to long-term growth as a unique developer business.”

Business growth at the same time.

The Developer Business has been strengthened by consolidating and centralizing organizational functions at Parco. On the other hand, for this business, which is positioned as a major segment of the Group, to achieve further full-scale development and growth in the future, we consider it essential to strengthen a system that enables us to take a bird’s-eye view of the Group and respond more quickly to changes in the environment.

To this end, in March 2023, we spun off Parco’s developer department and established a new company J. Front City Development. The new company will work to make the area more attractive mainly in the seven cities of Sapporo, Tokyo, Nagoya, Osaka, Kyoto, Kobe, and Fukuoka, where our department stores and PARCO stores are located, and contribute to adding value to these areas through the development of buildings that include hotels, offices, and residences, based on retail, in order to solve social issues such as “coexistence with local communities” and “realization of decarbonized society” and achieve facilities that create new value not found in Daimaru, Mitsukoshi, or PARCO stores. With this in mind, we will work with the local communities to achieve medium- to long-term growth as a unique developer business.

Connect with people, connect people

The Group, with retail at its core, is characterized by its role and competence in connecting “producers” and “users” in the supply chain. Taking advantage of the nationwide network of Daimaru, Mitsukoshi, and PARCO stores, we contribute to regional revitalization by discovering and communicating the attractions of each area. We promote regional revitalization through “local production for local consumption” initiatives in which locally produced products are locally consumed.

As part of its sustainability activities, Daimaru, Mitsukoshi, and PARCO stores are involved in the Think LOCAL project to think about and support local issues. In late August 2022, we launched a web magazine “Think LOCAL,” which features original articles on attractive people, goods, and things. Linked to the Nippon wo Otokeru Chisan Ichiba (Japanese market for local products), which sells local delicacies online, it promotes a system that encourages people to read about, buy, and support local products.

expedition team), in which the Department Store’s employees visit cities in Kyushu and Okinawa to collect information, discover, and introduce attractive people, goods, things, and culture that are not yet widely known, in cooperation with local governments, with the aim of revitalizing the entire Kyushu region. As of July 2023, we have visited all 119 cities in Kyushu and Okinawa and have been certified as an information dissemination ambassador by 112 cities. Under these circumstances, Hakata Daimaru and Kumamoto Prefecture signed a comprehensive partnership agreement in March of this year in order to further revitalize the area by communicating the appeal of the products made in Kumamoto Prefecture while leveraging their respective strengths.

In addition, the crowdfunding BOOSTER jointly operated by Parco and CAMPFIRE, Inc. has evolved initiatives through collaboration between Daimaru, Mitsukoshi, and PARCO stores in each area and their local communities. Through various projects including #Stand by TOHOKU (Sendai PARCO), Project Nagoya Goya (Matsuzakaya Nagoya and Nagoya PARCO), Shizuoka MIRUI Project (Matsuzakaya Shizuoka and Shizuoka PARCO), Mikkel kyoto (DaimaruKyoto), Think SSDs (Daimaru Shinsaibashi and Shinsaibashi PARCO), we support local craftspeople and businesses in the areas where the Group’s stores are located. We contribute to the development of local communities by making the most of the features and strengths of the Group, which is rooted in the local communities through its stores.
Tackle the Circular Economy.

Until now, society has developed around a linear economy, a so-called linear economic system based on mass production, mass consumption, and disposal. On the other hand, it is also true that the results of such activities have led to various environmental issues at the global level, such as resource shortages, global warming, and waste disposal, posing a major risk to the sustainability of society. It is undeniable that the Group has also achieved long-term growth by providing value to its customers and society under such an economic environment. It is clear that we cannot avoid revising this system in order to realize a sustainable society. We are required to change the business model itself, as well as our mindset and behavior.

One of the main characteristics of the Group, which has a retail business at its core, is its role as a link between its customers and suppliers. For example, we cooperate with suppliers who share our awareness of issues, or encourage our customers to change their behavior. We believe that there are not a few things we can do because we are located in the middle of the supply chain.

We will actively practice the 3Rs (Reduce, Reuse, and Recycle), which will lead to the reduction of risks related to environmental issues such as waste recycled, and contribute to the creation of a sustainable society together with our stakeholders.

Think GREEN

ECOFF, an initiative we work on with our customers.

Daimaru Matsuzakaya Department Stores’ Think GREEN program proposes sustainable products and lifestyles. As part of this initiative, ECOFF is a sustainable initiative to collect unwanted clothing, shoes, bags, etc., from customers at each store and promote recycling and reuse to prevent disposal.

Scrap materials sublimated into art

This initiative started in fiscal 2016 and has grown every year due to the growing environmental awareness and active participation of our customers, making it a pioneering sustainability event. In fiscal 2022, the amount collected was approximately 367 tons (the cumulative amount collected since fiscal 2016 was approximately 1,468 tons), and the number of participants reached a record high. In conjunction with ECOFF, we also open pop-up shops and hold other events, focusing on environmentally friendly products. Through the activities of ECOFF, we have gained support from many of our customers for our environmental initiatives, which have led to a reduction in our environmental impact. The entire Group will further pursue a circular economy that only we can realize, and we will work on the creation of economic value, in other words, CSV (Creating Shared Value) through the resolution of social issues.

For the project, we decided not to set categories such as “objects” or “furniture” to call for entries, but to leave the work to the students’ free ideas. This is partly because we wanted to attract interest and entries from students of all faculties of Osaka University of Arts. The participants created their works happily and seriously with free ideas and concepts, facing the interesting irregularity of scrap materials, mainly scraps of wood, scraps of Reflex mirror, and unusable film. This was a perfect match between the Group’s commitment to sustainability and the students’ passion for craftsmanship.

The connection between the company and local university students overflowing with passion for creating works of art. This project for the future, which could only be created through collaboration because we shared the same thoughts in the same area, will continue in the future.

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### Risk Is the Starting Point of Strategy

The Group defines risk as “uncertainties that have both positive and negative sides that could have an impact on the achievement of business management goals.” And we position risk management as an “activity that increases corporate value by managing risks by reasonable and optimal methods from a company-wide perspective” to achieve sustainable corporate growth by addressing the positive side and the negative side of risk properly.

The Risk Management Committee, chaired by the President and Representative Executive Officer and composed of Executive Officers and other members, serves as an advisory body to the President and Representative Executive Officer. The committee deliberates important matters, including the extraction and evaluation of risks and the determination of risks to be reflected in strategies, and utilizes risk management in decision making.

The committee has established a secretariat headed by an officer in charge of risk management. The secretariat shares important decisions of the committee with operating subsidiaries and promotes enterprise risk management (ERM). Moreover, we position risk as the starting point of strategy and link risk to strategy so that risk management will enhance corporate value.

In order to effectively perform risk management, we have established three lines as indicated in the diagram below.

#### Risk management workflow diagram

1. Board of Directors
2. Risk Management Committee
3. First line
4. Second line
5. Third line
6. Internal environment analysis
7. External environment analysis
8. JFR Group risk list
9. Risk map
10. Annual action plan
11. Monitoring report
12. Identification evaluation of risks
13. Response to risks

### List of the Group “corporate risks”

<table>
<thead>
<tr>
<th>Category</th>
<th>No.</th>
<th>Item</th>
<th>Impact</th>
<th>Outcome*</th>
<th>Negative side</th>
<th>Positive side</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Advanced sustainability management</td>
<td>Very severe</td>
<td>● Detection of stakeholders and lower rating and bond price</td>
<td>Sustainable growth and improvement of the Group’s presence</td>
<td>● CSR promotes that combine social and economic value</td>
<td>Addressing material issues</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Decline of existing business models</td>
<td>Very severe</td>
<td>● Decreased stability of the entire Group due to weak performance of core real estate items</td>
<td>Growth by conducting technical development and business model of large scale core real estate business</td>
<td>● Digitalizing customer touch points and optimizing the structure of the Group’s business portfolio</td>
<td>Strengthening existing businesses and developing new models in new markets, building an optimal model to transform the business portfolio</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Response to increasingly accelerated digitalization</td>
<td>Very severe</td>
<td>● Sluggish growth of the Group due to lack of competitiveness due to delay in digitalization</td>
<td>Transformation of technological infrastructure and digitalization</td>
<td>● Utilization of integrated databases in the Group’s businesses and digitalization models in new markets, business models</td>
<td>Strengthening existing businesses and developing new technologies</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Changes in consumer behavior after COVID-19</td>
<td>Very severe</td>
<td>● Increase in sales due to the impact of the Group’s business</td>
<td>● New market creation</td>
<td>● OMD promotes the contribution to making the shopping experience more attractive and convenient</td>
<td>Developing sustainable products and services, clarifying and adjusting the distribution of business plans</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Urban decentralization (Shaking of economic ties between urban and rural areas)</td>
<td>Seasonal</td>
<td>● Decline in conventional active commercial facilities’ ability to attract customers</td>
<td>Business development through contribution to urban needs and urban development</td>
<td>● Reorganization to promote the strategic use of the Group’s real estate promptly and efficiently</td>
<td>Strengthening local areas, promoting the development of a proposal of diverse urban lifestyles and complex individualization</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Accelerating polarization in consumption (Increase in consumer needs)</td>
<td>Seasonal</td>
<td>● Increase in sales due to the impact of the Group’s business</td>
<td>● Increase in sales due to the impact of the Group’s business</td>
<td>● New market creation</td>
<td>Reviving and regenerating the categorization of mass-market products and services to an appropriate scale</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Changes in corporate management (Expansion of high-quality businesses)</td>
<td>Seasonal</td>
<td>● Shrinkage of domestic market scale</td>
<td>Expansion of export markets</td>
<td>● Activities in high-quality children’s apparel and education business</td>
<td>Increasing shopping convenience for senior customers and strengthening categories of interest to them, such as wellness</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Uncertainty about non-Japanese market</td>
<td>Seasonal</td>
<td>● Difficult recovery of reduced sales</td>
<td>Increase in sales due to the impact of the Group’s business</td>
<td>● New market creation</td>
<td>Reviving and regenerating the categorization of mass-market products and services to an appropriate scale</td>
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<tr>
<td>9</td>
<td>Accelerated organizational and financial changes (M&amp;A beyond reorganization and restructuring)</td>
<td>Seasonal</td>
<td>● Hostile takeover of the Group</td>
<td>Business portfolio redistribution and reorganization</td>
<td>● New market creation</td>
<td>Selecting existing businesses and optimizing corporate resources</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Work styles in new normal, progress of ESG corporate governance</td>
<td>Seasonal</td>
<td>● Outflow of talented human resources</td>
<td>Increase in employees’ motivation and productivity</td>
<td>● New market creation</td>
<td>Strengthening R&amp;D through capital and management resources</td>
<td>Full-scale entry into export business</td>
</tr>
<tr>
<td>11</td>
<td>Frequent natural environment changes</td>
<td>Very severe</td>
<td>● Damage to the lives of customers and employees</td>
<td>Increase in business continuity</td>
<td>● Stable business operations</td>
<td>Continuously implementing practical ESG training, periodic review of business continuity plans, strengthening business opportunities</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Increasing importance of information security</td>
<td>Seasonal</td>
<td>● Increase in sales due to the impact of the Group’s business</td>
<td>● Increase in sales due to the impact of the Group’s business</td>
<td>● New market creation</td>
<td>Strengthening and upgrading the Group’s data protection and information security structure, protecting the Group’s information assets and information security infrastructure, and improving employees’ security awareness through training</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Increasing importance of corporate governance</td>
<td>Seasonal</td>
<td>● Increase in sales due to the impact of the Group’s business</td>
<td>● Increase in sales due to the impact of the Group’s business</td>
<td>● New market creation</td>
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</tr>
<tr>
<td>14</td>
<td>Business continuity</td>
<td>Very severe</td>
<td>● Increase in sales due to the impact of the Group’s business</td>
<td>● Increase in sales due to the impact of the Group’s business</td>
<td>● New market creation</td>
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</tbody>
</table>

* Changes in risks during the period of the Medium-term Business Plan are projected taking into account the severity of their impact on the Group, results, etc.

Risks that have an extremely heavy impact and are addressed as a top priority.
Toward Medium- to Long-term “Regrowth” through Portfolio Transformation

Medium-term Business Plan (FY2021-FY2023)

Review of the previous Medium-term Business Plan (FY2017-FY2021)

The previous Medium-term Business Plan, which started in fiscal 2017, ended in fiscal 2020, one year ahead of schedule, due to the spread of COVID-19 which began in early 2020.

Major achievements

- Conversion of Parco into a wholly owned subsidiary
- Growth of Real Estate Business
- Innovation of Department Store Parco
- Strengthening of defensive IT
- Strengthening of governance systems

Linkage between the previous Medium-term Business Plan and the current Medium-term Business Plan

Positioning the period as a phase of changing the structure aimed at transforming our business portfolio, we have steadily expanded our business domains, transformed our existing business models, and strengthened our ESG initiatives.

- Obsolescence of business model
  - The performance of the Department Store and Parco declined rapidly due to the COVID-19 pandemic. Obsolescence of their business models that overly depended on physical stores and accessibility. There is an urgent need to respond to new digitalization.
- Lack of resilience in business portfolio
  - The vulnerability of sales structure with more than 80% of earnings coming from the Department Stores and Parco got revealed due to the piling environmental changes, need to move business models to digital and real estate change.
- Weak promotion framework, lack of professional talent
  - Current state of existence of organizational promotion framework and the lack of professional talent for portfolio transformation.urgently need to strengthen professional talent for digital and real estate (Developer area).
- Resolution of sustainability issues
  - Urgently need to address climate change and human rights issues. "Regrowth" in the Medium-term Business Plan further increased the importance of sustainability initiatives to strengthen initiatives from a CSV perspective.

Major challenges left

- 7.0% RCE
- ¥225.0 bn net debt
- ROE 7.0%
- 0.6 times Dep

Overview of FY2021-FY2023 Medium-term Business Plan

We positioned the current 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 in its final fiscal year 2023 and for getting back on track for “regrowth” from fiscal 2024 onward.

This fiscal year is the final year, but the forecast figures compared to the initial target have been revised downward due to the delay in top-line recovery caused by the longer-than-expected impact of the COVID-19 pandemic, as well as the expected sharp rise in raw material costs, especially fuel costs, triggered by geopolitical risks, which are expected to lead to a significant increase in costs.

In order to achieve an early profit recovery, we will concentrate on remodeling and digital investment in flagship stores under one of our key strategies Real × Digital Strategy and on strengthening our customer base on the Department Store’s gala sales under the Prime Life Strategy. Under the Developer Strategy, as a medium- to long-term growth driver, we will increase investment allocations ahead of schedule during the period of this plan.

At the same time, we will carry out "management restructuring" to reduce fixed costs, replace businesses and assets, and reduce interest-bearing liabilities.

Key performance indicators (FY2023)

- Capital profitability: RCE 7.0% RCE 4.6%
- Business growth: Operating profit ¥38.5 bn, Business profit ¥40.0 bn
- Financial health: Interest-bearing liabilities ¥225.0 bn, Net Debt 6.6 times
- Sustainability: GHS emissions -40% Ratio of women in management positions 26%

Portfolio reform

In fiscal 2023, the final year of the current Medium-term Business Plan, the share of the retail business, including the Department Store and Parco, is still expected to exceed 70%, but in fiscal 2030, we will reduce this share to about 60%. On the other hand, we hope to increase the share of non-retail businesses, such as the Developer, the Payment and Finance, and new business, to around 40%. Through these initiatives, we will change our portfolio to a highly resilient one.

Long-term mega trends

- Environmental/fuel problems
- Natural disasters/epidemics becoming common
- Realization of sustainable society
- Technology progress (AI, 6G, IoT, etc.)
- Increasing urbanization
- Increasing globalization
- Widening income gap (income polarization)

Short-term outlook for changes (mainly impact of COVID-19)

- Politics/ economy
  - Concern about prolongation of economic stagnation
  - Increasing demand for focus on sustainability
  - Accelerated technology evolution
  - Changes in work style (possibility of decentralization)

- Society/ individual
  - Increasing awareness of sustainability
  - Shift to open areas with sparse population, return to rural areas and nature
  - Expansion of virtual communication
  - Acceleration of human connection

Important changes in the external environment

Steady urban commercial areas: Merger of digital and real
Polarization of income/consumption

Values and Vision
Management Strategy
Sustainability
Governance
Data

Evolution of "Operating profit" share of each segment

- Department Store 73%
- Developer 6%
- Payment and Finance 13%
- Other (including consolidation adjustments) 10.0%
Management Strategy

Review of the Previous Medium-term Business Plan and the Current Medium-term Business Plan

Overall composition of the current Medium-term Business Plan

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>Department store: Making stores attractive and transition to media commerce with a focus on digital technologies</td>
<td></td>
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<tr>
<td>Palais: Refurbishing store brand value and creating a digital SI platform</td>
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<tr>
<td>Creation: Development of new content from a CSV perspective</td>
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<tr>
<td>Development of new solutions that make high-quality customer experience possible</td>
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<tr>
<td>Evolution of CRM strategy at the Group level</td>
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<td>Mix use not limited to commercial use</td>
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<tr>
<td>Real estate: creating a circular investment scheme</td>
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<tr>
<td>Entry into semi-urban areas</td>
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</tbody>
</table>

Promotion of strategies across the Group by committees for regrowth

<table>
<thead>
<tr>
<th>Digital Strategy Committee</th>
<th>Prime Life Strategy Committee</th>
<th>Developer Strategy Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management strategy</td>
<td>Cost reduction through business model reform</td>
<td>&quot;Narrowing down of a business base&quot;</td>
</tr>
<tr>
<td>Capital policy</td>
<td>Tax policy</td>
<td>&quot;Realization of diversity and work-life balance&quot;</td>
</tr>
<tr>
<td>Workforce restructuring</td>
<td>Human resource management for regrowth</td>
<td></td>
</tr>
<tr>
<td>Digital strategy</td>
<td>Strengthening of the Group IT talent system</td>
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</tbody>
</table>

Important measures for full recovery

- Cost reduction through business model reform
- Narrowing down of a business base
- Tax policy
- Realization of diversity and work-life balance
- Human resource management for regrowth
- Strengthening of the Group IT talent system

Three strategies

Our 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 changes, we have decided to focus our initiatives for growth on "three key strategies" in the current Medium-term Business Plan.

(1) Real - Digital Strategy

- We will convert physical stores into spaces not only for making purchases, but also for encountering attractive products and services, and enjoying high-quality customer experiences.
- With the use of digital technologies based on stores, we will transform the business model into one that provides new experience value beyond time and space.
- We will supplement customer data analysis and the use of digital tools for individual sales staff, gaiho staff, and buyers to deepen the relationships with customers.
- In addition to sales revenue, we will diversify revenue streams, such as real estate-related revenue and commission revenue through the use of digital technologies.

【Major progress to date】

- Department store gaiho sales: ¥138.3 billion (results in FY2022)
- Shares of young gaiho customers (30 to 40): 28.3% (results in FY2022)

(3) Developer Strategy

- We will maximize the value of the Group's real estate assets. In complex redevelopment and so forth, we will rightsize our department stores and PARCO and make use of relaxed building volume restrictions. We will increase the share of non-commercial applications 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 attractive in a way that respects local individuality in terms of the environment and the history to increase consumer mindshare.
- We will diversify revenue streams by acquiring and developing new real estate, organizing private placement funds, and engaging in asset management. In addition, we will expand our development area to include semi-urban areas.

【Major progress to date】

- Department store gaiho sales: ¥138.3 billion (results in FY2022)
- Shares of young gaiho customers (30 to 40): 28.3% (results in FY2022)

(2) Prime Life Strategy

- We will further strengthen our proposals for consumers who value culture and art and enjoy fulfilling, sustainable lifestyles.
- We will enhance 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 gaiho, such as the new rich in Japan and affluent people in Asia, for example, through alliances with other companies.
- Using digital technologies to sophisticate our customer management, we will maximize the lifetime value of good customers by capturing diversifying customer insights to strengthen our proposals capabilities.
- We will expand our pool of loyal customers by offering new payment methods and developing high added value financial services through customer life planning.

【Major progress to date】

- Department store gaiho sales: ¥138.3 billion (results in FY2022)
- Shares of young gaiho customers (30 to 40): 28.3% (results in FY2022)

Management restructuring

Reduction of fixed costs

- We will reduce fixed costs by ¥10.0 billion or more compared with fiscal 2019 and lower our breakeven point through organization/existence restructuring and cost restructuring.

【Major progress to date】

- Reduction in consolidated fixed costs: ¥10.4 billion (cost/SG&A, cumulative total for FY2013-FY2022)

Improvement of management efficiency and asset efficiency

- We will increase efficiency by narrowing down the Group businesses based on the future and growth potential of each business and identifying idle and low-yield assets.

【Major progress to date】

- Transferred all shares of a subsidiary (November 2022)
- Daimaru Matsuzakaya Sales Associates merged into Daimaru Matsuzakaya Department Stores (September 2021)
- Transferred part of the shares of a subsidiary (February 2022)
- Transferred PARCO (February 2023)
- Shintokorozawa PARCO will close (scheduled for February 29, 2024)
- Matsunaga PARCO will close (scheduled for February 28, 2025)

The Group human resource strategy

Human resource management for regrowth

- To secure human resources that will carry out the key strategies, we will strengthen our employee skills development and the recruitment of professional human resources from outside the Group, while working to establish frameworks and systems that enable their maximum utilization in the Group.

【Major progress to date】

- Number of professional human resources hired from outside the Group: 244 (cumulative total for FY2013-FY2022)

Promotion of diversity & inclusion, realization of work-life integration

- We will conduct various measures based on materialities, such as assignment and development aimed at women's empowerment, work style reforms, employment of disabled people, and LGBTQ-related initiatives, to enable individual employees to demonstrate their individuality and abilities to the fullest.

【Major progress to date】

- Rate of women in management positions: 22.2% (results on February 28, 2023)
- Employment rate of disabled people: 2.9% (results on June 30, 2022)

Policy on alliances, M&As, and wing expansion

- We will aggressively engage in alliances with other companies and business acquisitions to create new businesses and expand our capabilities, which will contribute to scale expansion and acceleration of the three key strategies.

【Major progress to date】

- Established a CVF fund (October 2022)
- Acquired a 50.8% stake in KENCO Co., Ltd. and converted it into a subsidiary (November 2022)
- Invested in Financie, Inc. (April 2023)

Cash flow allocation

In the current Medium-term Business Plan, we have decided to prioritize balance sheet improvement by reducing investment compared to the initial plan and proceeding with asset sales, in preparation for the investment phase of the next Medium-term Business Plan and beyond.

【Major progress to date】

- Reducing interest-bearing liabilities
- Narrowing down of the business base
- Investment compared to the initial plan and proceeding with asset sales

Toward the next medium-term plan

The current Medium-term Business Plan will start in fiscal 2024. This is a phase in which initiatives currently underway to prepare for medium- to long-term regrowth will take shape. How will the results of grants that have been seen be channeled and expanded in the future? We would like to more clearly show the path to the portfolio transformation that the Group is aiming for 2030, including the pipeline of the Developer Business, which is one of the growth drivers.
Accelerate Portfolio Transformation by Introducing ROIC by Business

**Keep track of the cost of capital by business**
We promote management with an awareness of the cost of capital (WACC). The cost of capital is the level of return that financial institutions, investors, and shareholders, as providers of funds, expect from the companies in which they invest. From the standpoint of fund management, it is important to manage our business from the perspective of achieving profitability relative to “invested capital,” which is the sum of shareholders’ equity and interest-bearing liabilities. The cost of capital is affected by market interest rate trends and the company’s total amount of interest-bearing liabilities and market capitalization, and we recognize that our medium-term level is around 4% to 4.5%. We believe that increasing the ROIC spread to a positive level while keeping track of the cost of capital by business will lead to sustainable corporate value creation. Therefore, it is imperative to first aim for a 5% level of ROIC above the cost of capital.

We recognize that the medium- to long-term cost of shareholders’ equity (shareholders’ expected return) is around 6% to 7%. And our target ROE is set at a level that exceeds the cost of shareholders’ equity in order to meet shareholders’ expectations. Specifically, we have set an ROE of 10% as a numerical target for fiscal 2030, and plan to achieve 7% in fiscal 2023 as its milestone.

**ROIC targets**
- Introduce ROIC by business as a KPI to achieve profitable growth
- Set WACC for each business as a hurdle rate to achieve ROIC targets

**Sophisticated management of return on invested capital**
In addition to the shareholders’ equity entrusted to us by our shareholders, the funds invested in our business include funds raised from financial institutions and other sources, and it is important to manage our business from the perspective of how to make the most efficient use of these funds. In the business portfolio transformation that we are undertaking, the shift to the Developer Business and the Payment and Finance Business is a theme, and the utilization of interest-bearing liabilities is a key point. Therefore, in addition to business growth and profitability, we introduced ROIC by business for the purpose of implementing management focused on profitability relative to “invested capital,” which is the sum of shareholders’ equity and interest-bearing liabilities.

Operating companies have focused on ROA, which is how efficiently they utilize their assets, but improving ROIC by business, which pursues return on invested capital, is the way to evolve business management. Another key point is that it is an easy-to-understand indicator of the link between the improvement of business profitability and the efforts of employees. The holding company will promote concentrated investment of management resources in core businesses, exit from or sale of non-core businesses, and incorporation of new businesses. We believe that instilling the importance of capital profitability throughout the Group will ultimately lead to the transformation of our business portfolio and the improvement of ROE.

**Penetration into the front line is the key**
We aim to fully implement ROIC by business in fiscal 2024, but in order to achieve this, it is extremely important to ensure that ROIC is disseminated to the front line. In fiscal 2022, training and study sessions were held mainly for the management of the holding company and operating companies, finance managers and general managers of major operating companies, and the employees of the holding company to promote understanding and penetration. In fiscal 2023, in addition to creating ROIC trees and tying them to single-year budgets, we will conduct training and study sessions for employees closer to the front-line level, such as those in charge of performance management at operating companies. The ROIC tree consists of KPIs linked to financial figures up to a certain level, but at a level closer to the front line, we will set KPIs that can be put into practice in daily activities other than financial figures.

**Schedule for introduction and establishment of ROIC by business**

**Future prospects**
- Matters to consider when making exit/sale decisions
  - Business characteristics
    - Business size
    - Market share
  - Other
    - Impact on and synergies with other businesses
    - Business phase
    - Presence or absence of temporary external factors
    - Business size
      - Business composition as a percentage of the Group
      - Market share
    - Cumulative free cash flow
    - Competitor indicators, and others

**Accelerate Portfolio Transformation**

<table>
<thead>
<tr>
<th>WACC (before tax)</th>
<th>ROIC target for FY2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>6%</td>
<td>5%</td>
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<tr>
<td>5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>WACC of new business (around 8-10%)</td>
<td>10%</td>
</tr>
<tr>
<td>5% (or 6%)</td>
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</tbody>
</table>

*WACC = Business profit after tax + Invested capital: interest-bearing liabilities excluding lease liabilities / Shareholders’ equity

**Values and Vision**

<table>
<thead>
<tr>
<th>Department Store</th>
<th>SC</th>
<th>Developer</th>
<th>Payment and Finance</th>
<th>New business</th>
<th>Consolidated</th>
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<tbody>
<tr>
<td>ROIC target for FY2023</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
<td>3%</td>
<td>10%</td>
</tr>
<tr>
<td>WACC (before tax)</td>
<td>5%</td>
<td>4.5%</td>
<td>4%</td>
<td>3%</td>
<td>10%</td>
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</table>

**Management Strategy**

**Finance Strategy**
Post-COVID-19 era in full swing

The post-COVID-19 era is finally in full swing in department stores. Looking at the changes in sales trends as various restrictions on behavior are eased, I am deeply impressed by the fact that the economy is based on the movement of people. In particular, the Daimaru Tokyo store adjacent to Tokyo Station symbolically shows this. During the COVID-19 pandemic in 2020 and 2021, we were unable to fully perform sales operations and our business performance was extremely severe, but I think it was an opportunity to reset and reconsider our business model not only for our company but also for the upstream of the supply chain. During this period, some of our suppliers have failed, and our business performance was also impacted. However, I think that the accumulation of these efforts will become our unique strength.

Expand content with advantages

In order to focus on their main products, many luxury brands are now strategically strengthening their two approaches: an approach to the ultra-luxury zone and an approach to the younger generation using accessible product lines. I feel that they have a three-layer structure, such as upper, main, and accessible. In other words, expanding the range of customers vertically while clarifying the main target is the key to winning, and it is consistent with our customer strategy.

In the midst of intensifying competition from a wide variety of retail players, we have focused on the areas of luxury goods, high-end watches, and contemporary art as categories where department stores can still compete, and in addition, future growth can be expected. In fact, these markets are growing steadily. I believe that this is an area that should be addressed as a policy under the initiative of the head office.

On the other hand, what will become more important in the future is local content rooted in the area. It is very interesting to see the movement of GINZA SIX. Some luxury brands that operate maisonette boutiques, which are called "Front 6," are a major feature, and they tend to attract attention, but in fact, with the expiration of the fixed-term lease period of 4 to 5 years, the brands will be replaced significantly. In a sense, the major reshuffle during the COVID-19 pandemic has become a hot topic, but the newly introduced brands have also adapted well to the current market and are also linked to the well-being orientation. I think one of the reasons for its strong performance is that it was able to adjust to market changes at a high rate.

And we see a variety of potentials in the fact that it is popular among young customers in their 20s and 30s. It also offers unique space value, and I think communication with its customers through an app also contributes to its success. The brand lineup, assortment, environment, and app all work well together at GINZA SIX.

On the other hand, it is undeniable that most of the existing department stores have not invested in major renovations in the past 10 years, and that investment has mainly been in maintenance. It is clear that we will not be able to survive in this rapidly changing era if we just do our best with sales promotion and customer policy. For this reason, we believe that it is necessary to budget for appropriate renovation investment over a span of about five years, regardless of a fixed-term lease, while proceeding with fixed-term lease where it is possible with a certain degree of massiveness in stores. Including that, we need to look at the NPV over a 10-year span.

We have a business management system in place that allows us to track the balance sheets and cash flow of each store. Essentially, I think it is important to have a long-term plan to make appropriate investments for each store over a five-year period or so based on the cash earned from the stores. We would like to create a situation where each store can run a growth investment cycle on its own. In the next medium-term plan, we would like to draw up a solid financial strategy for building such an ecosystem.

Change the culture, change the output

I believe that corporate culture reform is one of organizational changes. If corporate culture reform is just a means, and this is what we should aim for, then we have to change the organization, that is, change roles and organizational functions. When we do that, it can be difficult to get things right because of the forces that try to undo them. It is about a culture of tacit knowledge, where informal rules are the most troublesome. This is what I mean when I say that culture reform is one part of changing the organization itself.

It is time to compete on the basis of content. It is not enough to collect what is currently selling. There is a term “meaningful consumption,” and that is where our main battlefield is. It is essential to face the market firmly and show originality. All people at the stores and the head office face the market and think about it. In other words, what is required is a creative mindset. It is important to efficiently execute what has been decided, but we are now in an era when it is not enough to do so.

If we cannot do it on our own, it will be important to actively involve outside people to create something. We don't have to do it all by ourselves at all. We would like to create a culture that allows people to speak up, nurture, and propose interesting things. It is important to bring out more of what young people are thinking.

If there is an unspoken rule that draws attention only to negative elements and rejects new projects, I would like to improve such a culture. I believe that we must look at the four processes in so-called Nadler’s model as a whole. Some interesting businesses are also taking shape, such as “asumise,” a shop that does not sell “AnotherAddress,” a fashion subscription business, and “Raku-Rich,” a frozen delicatessen subscription business, all of which were born from the ideas of young people. We would like to reform our corporate culture to make it easier to generate creativity, and to start thinking on various challenges now with a view to contributing to earnings five to ten years down the road.
Parco’s role with values diversifying

Since its establishment, Parco has been actively introducing cutting-edge culture, mainly fashion, but also music, art, and theater, and proposing new lifestyles. Our vision is “Excite,” “Design,” and “Create” to change the world with excitement beyond imagination, and our purpose is to “Change the World with Sensibility” to forge a new era with the next generation. We hope to realize Parco’s unique style while looking at the leading edge of the times and building a better relationship with society.

In an era when the youth population increased and various subcultures were born, youth culture and the characteristics of Parco were a perfect match, and Parco was able to grow its business performance centering on fashion. However, it is more difficult to capture the “youth culture” of today’s Japan than in the past, and it is important to be aware that there are “several cultures” with diversified values. There is a growing tendency for people to spend time and money on “Oshikatsu” to support their favorite idols and characters, and on supporting social activities that they can relate to. Fashion is no longer necessarily the object of the money spent on their hobbies. It is also an age of uncertainty and difficulty in predicting the future, as is often referred to as the “age of VuCA”.* As consumers’ values are changing, we at Parco need to reconsider how we contribute to society and what strengths we should demonstrate from the starting point.

Highly acclaimed internationally Shibuya PARCO

Shibuya PARCO and Shinbashi PARCO are commercial facilities that we created with the latest concepts and methods, but their opening coincided with the period of the COVID-19 pandemic, so they did not reach their full potential at the start. Since October 2020, when the situation of COVID-19 began to settle down, we have received the expected evaluations, including international ones, and we are getting a good response that it is leading to business results. Shibuya PARCO, which opened in November 2019, was designed to be a store where people from overseas can also enjoy, with a target of inbound sales of 30%. After opening, the COVID-19 pandemic continued for almost three years, and the achievement of the target was postponed, but then, after October 2022, when border measures were relaxed, it changed to the post-COVID-19 situation at once, and the initial target was greatly exceeded. Witnessing the large number of foreign visitors in addition to Japanese people, I was once again convinced that Shibuya PARCO is a place that can be enjoyed by customers from all over the world. Shinbashi PARCO, which opened in November 2020, is actively collaborating with the adjacent Daimaru Shinbashi store and steadily achieving results.

On the other hand, PARCO stores, which are located in large suburban cities, mainly attract customers from a wide area of Japan. Each area where PARCO stores are located has its own unique characteristics. They can be found in a seasonal festival, the flavor of the local cuisines, or the local culture. Civilization is measured in various ways - technological, material, or efficient - but culture varies from region to region. Culture and specialties are, so to speak, plates filled with beautiful dishes and ingredients unique to the region, and without culture, they are just plates with nothing on them. Parco has set “increasing local appeal” as one of its six sustainability themes, and has declared its contribution to increasing the appeal of local areas through active participation in communities and other means. We hope to co-create with the culture of the local community at each PARCO store, including events in collaboration with local creators and local industries, and to prosper together with the city that is its foundation.

Utilize diverse values

I joined Parco Co., Ltd. 33 years ago, but I had little experience in stores, and I have been working for the Parco Group companies for about 15 years. I am proud to be a rare type of person within Parco, having accumulated a lot of experience that is not a “Parco = store” scheme, such as launching new businesses and being involved in cross-sectional projects. When I was seconded to companies in the Parco Group, I thought about the jobs, whether at Parco or other companies in the Parco Group, were equally precise and interesting. In my late twenties, the groundwork was created to actively embrace new and different businesses from Parco, and this orientation has been carried over to my current self.

Last fiscal year, I spent one year at J. Front Retailing (the holding company), where I was involved in management strategy and carried out various tasks from the perspective of the importance of “overall optimization.”* Since I became the President of Parco this spring, I have felt that while collaboration between Parco and Daimaru Matsuizakaya Department Stores in promotion and other areas is progressing, there is room for more collaboration and value co-creation with other Group companies. “Overall optimization” does not mean losing individuality and matching the whole. Rather, it is important for each company to refine its unique strengths in order to improve the results of the Group as a whole. Based on this idea, I would like to make maximum use of Parco’s strengths and capabilities for the development of the J. Front Retailing Group.

I feel that Parco is a company with a high-context culture where employees are connected to each other through shared sensibilities and thoughts that cannot be put into words. Employees who joined Parco as new graduates have the strength of having been nurtured only within Parco, but I also believe that they have a fragility. Perhaps I felt this way because, thanks to the wide range of work I was given at the Parco Group companies and at J. Front Retailing, which is different from most Parco employees, I was able to develop a bit of an objective perspective on Parco in addition to my “love for Parco.” Last fiscal year, nearly half of the employees hired by Parco were mid-career hires. In other words, employee diversity is progressing rapidly within the organization of Parco. Parco has the potential for further growing while striking a balance between what must remain unchanged and what can evolve.

As a member of “one universe”

I feel that the J. Front Retailing Group as a whole should, as an organization, acknowledge each other’s differences, interact more at the employee level, and get to know each other on a one-on-one basis. I don’t think the J. Front Retailing Group should be like Parco, and on the other hand, if the holding company asks me if we can tighten regulations because Parco’s freedom has gone a little too far, I would reply, “Parco’s free spirit leads to the enthusiasm and creativity of the employees themselves, so I want to value that.” As an organization, we are separate, and we want to continue to have different cultures and individualities. That should also lead to our strength as a group. As long as we are aware that the J. Front Retailing Group is a place where people come into contact with each other and come together, I think we can become one universe.” Instead of saying, “I belong to Parco” or “That person belongs to Daimaru Matsuizakaya Department Stores,” we consider the entire J. Front Retailing Group to be “us.” That is an important factor that is indispensable in this day and age.

When we take a bird’s-eye view of Japanese culture, the traditional or authentic culture represented by that in Akihabara and Shibuya are now very popular worldwide as Japanese unique attractions. The J. Front Retailing Group, which has Daimaru Matsuizakaya Department Stores and Parco as its operating companies, is a very unique corporate group with the large cultures of both. If they are successfully combined, I think we will be able to create great synergies.

Tune Parco’s origin to the “present”

The origin of Parco, which opened Ikebukuro PARCO in 1969 to offer a fashionable lifestyle targeting “21-year-old female office workers,” is to “support women’s advancement in society,” so to speak. It could be said that the company was truly ahead of its time in terms of “diversity & inclusivity at the employee level,” and to deliver not an imposition such as the “only right answer” or a uniform, but life and culture with the message that “you can stay as you are.” I believe that we will be able to realize evolution in the sense of adapting to the current era while keeping a close eye on this origin, and that we will be able to envision and implement the next move while synchronizing Parco’s value with the social and economic environments.

Within the J. Front Retailing Group, Parco will continue to create new value and contribute to society.

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*VuCA: Volatility, Uncertainty, Complexity, and Ambiguity, which refers to situations where it becomes difficult for society and businesses to predict the future.
Luxury Mall That Stands Out in the New Era

New retail presence
GINZA SIX, which opened in April 2017 through the integrated development of two blocks including the former Matsuzakaya Ginza store based on the concept of “Life At Its Best,” has a strong presence in the world-class Ginza area as the only luxury mall in Japan. We believe that this is one form of “retail innovation” that was born from the combined wisdom of four companies (at the time of opening) that dared to choose “not to operate as a department store.” The luxury brands’ duplex boutiques called “Front Six,” which constitute the facade on the Ginza Chuo-dori side, forms the dominant image of GINZA SIX, which is conscious of global standards.

In 2021, right in the middle of the COVID-19 pandemic, we have undergone a major renewal, replacing 45 brands since opening. While adapting to the changing times, we have further improved its freshness and succeeded in developing a new customer base. As a result, even at a time when inbound sales have not fully revived, we have succeeded in developing new good domestic customers and achieving growth at a high rate, including a record monthly transaction volume in December 2022.

We believe that the implementation of ever renewal in an exquisite cycle is a key factor essential for sustainable value creation.

Demonstrate strengths for young people
A major feature of GINZA SIX is that it is extremely popular among young people. In particular, the share of people in their 20s and 30s in the total transaction volume was high at 38% even in 2019, but in fiscal 2022, it increased to 46%, nearly half. Considering that customers in their 50s and older

Changes in the ratio of each generation to total transaction volume

Customer experience unique to the real world
One of the features that has made GINZA SIX so popular with customers is the creation of an artistic space. In the atrium in the center of the store, an innovative and bold installation, which is replaced at regular intervals, is being staged. And special hospitality features can be seen throughout the building, including show windows on the 2nd basement floor, public art in the north-south elevator halls and corridors on the 3rd through 5th floors under the supervision of Mori Art Museum, and living wall art in the atrium on the

Rooftop garden [rooftop]
GINZA SIX Garden, one of the largest rooftop gardens in the Ginza area with an area of approximately 4,000 m² open to the community

Commercial facilities [BF - 6F / 13F (partial)]
Commercial spaces with a sales floor area of approx. 47,000 m² (approx. 443,000 square feet), gathering 241 brands of world class quality.

Tourist center [1F]
Tourist service center, which also serves as a tourist information center for the Ginza area. It has TERMINAL GINZA and the first tourist bus station in Ginza.

Cultural and social facility Kanze Noh Theater [3SF]
Kanze Noh Theater, the base of the Kanze School, the largest school of Noh. As a hall open to the community, it hosts a variety of events.

Also create synergies with the Department Store

Matsuzakaya Card at GINZA SIX more convenient and beneficial for our customers. Among other things, we expect that this will lead to a much larger selection of luxury items for our ghishi customers in the Tokyo metropolitan area, and we expect to see more synergies.

Values and Vision

Value Creation

Management Strategy

Sustainability

Governance

Data

*Source: GINZA SIX app data
The Key Is the Digitalization of Touch Points

App at the gateway to evolution

Smartphone penetration rate among mobile phone owners in Japan is already estimated to be over 96%. In the post-digital era, the digitalization of touchpoints with customers is further accelerating. We believe that the boundary between online and offline is becoming increasingly blurred, and that we are in the process of further evolving a customer experience that allows customers to move freely between online and offline. It can be said that smartphones as touchpoints are now indispensable for deeper communication with customers.

Therefore, Daimaru Matsuzakaya Department Stores has issued the Daimaru Matsuzakaya App, a service that responds to the ICT era, and is working to further improve customer satisfaction and enhance customer service using digital technology. The app has an “electronic membership card function” that allows its users to earn and use points like a physical card, an “upgrading function” that provides different services according to the user’s number of visits to the store and purchase amount, an “alert function” that provides timely information on special offers, and a “store information function” that allows its users to check events, topics, floor guides, etc. at their favorite stores anytime they want.

Changes in sales via the app

Changes in the number of active app users

Indispensable tool for the evolution of CRM

The quality of communication has evolved dramatically through the digitalization of touchpoints, or the use of the app. We are now able to communicate with each of our customers in a more personalized manner and aim to increase lifetime value by building better relationships than ever before.

The results of utilizing the app are showing up in tangible numbers. In fiscal 2022, Daimaru Matsuzakaya Department Stores’ sales via the app totaled 237.1 billion yen (up 26.3% from the previous year). In the future, we intend to further enhance CRM by expanding the scope.

More unique websites are now available

>> Raku-Rich

Raku-Rich, a subscription service for frozen gourmet home delivery carefully selected by food connoisseur buyers, was launched. This service allows customers to enjoy “luxury gourmet” foods of department store basement floor quality at home any time.

In recent years, when consumer lifestyles have changed significantly, the need for “food delivery” has increased because the culture of enjoying food at home has taken root. On the other hand, due to the diversification of work styles and the increase in dual-income households, time performance for household chores has come to be emphasized. In addition, the spread of COVID-19 has led to rapid growth in demand for food delivery, and it is expected to become an essential service for daily life in the future.

Based on this background, this project is a new initiative that embodies the pillars of Daimaru Matsuzakaya Department Stores in the Medium-term Business Plan: Real × Digital Strategy = “human power” to provide new experience value and overcome the constraints of time and place.

>> DEPACO

Department store cosmetics information media DEPACO, which has been well received so far, was renewed as “media commerce” for department store cosmetics in 2023. It has been transformed into an attractive site that combines the functions of physical stores, e-commerce, and owned media. It is a media commerce that is just like a cosmetic counter, where customers can receive a thorough consultation just like in a physical store, even online.

The editors of DEPACO and the beauty advisors of cosmetics brands send out more than 100 original articles and information on department store cosmetics every month. The lineup includes more than 140 brands, ranging from popular brands that are familiar in e-commerce to brands not available in physical stores. In addition, to meet the needs of customers who want to consult across brands, DEPACO’s dedicated cross-brand beauty advisors, who take advantage of the strengths of the Department Store, provide online services ranging from consultations on skincare, makeup, gift suggestions, and other key points to comprehensive consultations that allow customers to discuss their needs in detail.

>> ARTiVILLA

The art market in Japan exceeded 250.0 billion yen and department stores are its second largest sales channel behind art dealers (approximately 20% in 2019). Particularly, the contemporary art market is expanding and contemporary art is popular among young collectors in particular. This trend is expected to continue in the future. In this situation, ARTiVILLA, our first art media that communicates the appeal of art and buying art, was launched in January 2022.

ARTiVILLA is a project in collaboration with people from #DOORS who open the doors of art in their individual ways of living and are active in cultural occasions. Its concept is that people who create art and people who receive art work together to increase the perspectives of enjoying art. It provides content that lowers the hurdles to owning art online and in physical stores and delivers experience until customer was 1.9 times higher for those who signed up for the app versus those who did not, indicating that signing up for the app contributes to the increase in the average spend per customer.
A Prime Variety of Hospitality

Significant expansion of luxury items and watches
Daimaru Matsuzakaya Department Stores is strengthening store renovations to expand prime content with the aim of attracting a wider range of affluent customers. In fiscal 2022, approximately 40% of the total investment in sales floor remodeling was focused on luxury items, watches, and art-related items. Specifically, the watch section on the 5th floor of the north wing of the Nagoya store was completely renovated in July, while the Rolex shops in the Umeda and Tokyo stores underwent extensive renovations in September and December, respectively. In the luxury goods section, the free-standing shop near the Kobe store was remodeled to open the Louis Vuitton boutique in March, the Chanel boutique on the 2nd floor of the Kobe store was expanded and remodeled in July, and the 1st floor of the south wing of the Nagoya store was remodeled to open the L’Occitane boutiques in November.

A stronger commitment to art
Each store of Daimaru Matsuzakaya Department Stores is also working to strengthen large-scale art events. In fiscal 2022, we held a nationwide traveling art fair “D-art,ART” with the producer who worked on Art Fair Tokyo. In addition, we are sending customers from Daimaru Matsuzakaya Department Stores to Parco’s art events and conducting pre-sales, etc., to demonstrate the Group synergies. As for art, the art gallery on the 8th floor of the Kobe store was renewed in October, and the 7th floor of the Ueno store was renovated in March to expand the art gallery and create a new art gallery and art space.

Successful digitalization of touch points
Daimaru Matsuzakaya Department Stores operates a closed website called “connaissligne,” which is unique to gaisho, introducing special merchandise unique to gaisho and providing a variety of information. In fiscal 2022, we gained over 18,000 new members, bringing the total membership to over 100,000. This members of connaissligne account for 32.8% of all gaisho customers, which means that we have digital touch points with about one-third of all gaisho customers.

In addition, by extracting potential customers through the analysis of gaisho customer data, we have launched a purchase prediction model for art following the analysis of gaisho customer data, we have launched a purchase prediction model for art following the analysis of gaisho customer data, we have launched a purchase prediction model for art following the analysis of gaisho customer data, we have launched a purchase prediction model for art following the analysis of gaisho customer data, we have launched a purchase prediction model for art following the analysis of gaisho customer data, we have launched a purchase prediction model for art following.

Expand our customer base by strengthening online sign-up
Daimaru Matsuzakaya Department Stores has established an online sign-up system to promote the development of a customer base that prefers digital channels, especially among younger customers. The online sign-up rate in fiscal 2022 was 79.2% (97.9% in fiscal 2021), far exceeding the paper-based sign-up rate.

In addition to product sales, we are expanding our commission business through alliances to provide services to our gaisho customers, such as condominium brokerage, luxury car sales, remodeling, and housekeeping support. We will continue to strengthen our content by strengthening highly scarce products, developing products and services that resonate with customer insights through the development of solution services, and other means. In addition, we will strive to improve lifetime value by introducing financial and insurance products in the Payment and Finance Business in the Group.
“One and Only” Never Stops Taking on Challenges

Disseminate the “PARCO” brand from Shibuya

Parco operates shopping centers PARCO throughout Japan, from Hokkaido to Fukuoka in Kyushu, with a different store concept for each market in which it operates. Based on the principle of equal partnership with tenants, we aim to increase each tenant’s sales by renewing through renovation, attracting customers through advertising and sales promotion activities, and providing meticulous tenant support. Furthermore, since our founding, we have worked to create a unique culture by serving as a base for disseminating information, which produces and proposes ways to spend time and enjoy new lifestyles, rather than simply selling products.

It is Shibuya PARCO, which continues to evolve as the “one and only” next-generation commercial space, that strongly transmits the PARCO brand. Through rebranding starting from Shibuya, we are working to evolve unchanged value delivery to establish our presence as the building of choice for customers, tenants, and creators, and to improve our financial value over the medium to long term. By developing unique projects that leverage relationships with tenant companies that we have cultivated over many years, we embody the image of a company that “takes on new challenges.”

Shibuya PARCO collaborates with a social project SKWAT

In the renewal of the 4th floor of Shibuya PARCO under the theme of “a new way of commercial facilities,” we collaborated with SKWAT, a social project to create new meaning by squatting (occupying) urban voids, to create a flexible space in which shops are replaced periodically. The area consisting of limited-time-only shops reduces the cost burden of shop interiors and the generation of waste due to replacement, which has been a challenge in terms of creating sustainable commercial facilities. We are attracting new independent shops and brands by supporting and sharing cash registers, shop staff, back offices, etc. in a flexible space that integrates common space and sales space.

Renovated the 4th floor of Shibuya PARCO under the theme of “sustainable & vintage”

Shibuya PARCO renewed its 4th floor in November 2022 under the theme of “sustainable & vintage.” Unisex lineup was expanded, including interior goods, accessories, lifestyle fashion, eyeglasses, and art goods. In addition, under the theme of reuse/reproduction/handcraft, we invited attractive shops and brands that sell clothes made from threads and fabrics re-spun from rags and residual yarn, as well as vintage furniture, clothes, and accessories.

Held Julian Opie’s exhibition OP VR@PARCO

As a special exhibition focused on digital art, Parco held the world premiere exhibition of VR works by British contemporary artist Julian Opie “OP VR@PARCO” at PARCO MUSEUM TOKYO on the 4th floor of Shibuya PARCO from October to November 2022. Two VR viewing rooms were created in the venue, where the number of visitors was limited by advance reservations, and a luxurious exhibition style was adopted in which visitors wearing headsets could freely walk around the rooms. The new challenge of the artist who has vividly expressed the state of the world, such as people and cityscapes, in minimal expression language has become an innovative exhibition where visitors can experience multiple different exhibition spaces wearing VR goggles.

Continuously examine the use of NFTs at PARCO stores

Parco examined the utilization of NFTs linked to store projects and events with a view to providing experience value that links the NFTs with the real space of PARCO stores. In fiscal 2022, ten projects were conducted at PARCO stores in Shibuya, Ikebukuro, Sapporo, Sendai, and Shinsaibashi. As part of a building-wide project at Ikebukuro PARCO, NFTs were distributed to those who wished to receive them, and an autograph session by the creators was held, which NFT holders could participate in as a special benefit. Using NFTs increased engagement between creators and fans at the real location and also served to communicate information about the store. In fiscal 2023, we will continue to examine the use of NFTs as a way to connect customers with PARCO stores.

Launched co-creation e-commerce site ONLINE PARCO

Parco renewed its e-commerce site and opened ONLINE PARCO in March 2023. In collaboration with various stakeholders, we propose new value that customers can enjoy all of Parco’s content across online and offline. We aim to create fans not only in Japan but also on a global scale. Parco will maximize customer assets that support its management over the medium to long term by converting non-ID customers into ID customers, making ID customers active, raising their ranks, and retaining those customers. PARCO MEMBERS, which was introduced in November 2022, standardized IDs for all services provided by Parco to provide a variety of services through unified connections with customers.
One of the things that we have realized once again during the COVID-19 pandemic is how important it is to maintain mental well-being in our daily lives. The passion that art and culture emit can play on our heart strings and sometimes even push us forward.

Since its founding, Parco has actively introduced new culture in the fields of theater, music, and art, and has proposed spiritually rich lifestyles. While producing a variety of attractive content, we are also actively engaged in promotion. We create added commercial value by developing multifaceted content materials that capture cultural information and the times, and by producing collaborations of different materials to create hit projects.

PARCO Theatre celebrates its 50th anniversary

Opened in 1973, the PARCO Theatre has led the culture of the times, and this year marks its 50th anniversary. In 2021, a variety of productions are being staged as the PARCO Theatre 50th Anniversary Series.

A major feature of the PARCO Theater, which started as part of Parco’s image and cultural strategy, is that Parco itself produces the theater as a cultural project. We have produced a total of over 1,300 works with many talents while reading the trends of the times. This year, which marks the 50th anniversary, we have a full lineup of works, including works by Japan’s leading directors, projects with new talents, and works by up-and-coming directors from overseas.

Moving into the content-first era

How much special content we can provide, both physically and online, will determine the value to our customers. Parco recognizes that its major role is to continue to create new value for society by discovering and developing entertainment and culture that capture the current era or are ahead of the times. The entertainment generated by the esports business of XENOZ Co., Ltd., which became a subsidiary of J. Front Retailing last year, is also expected to become a powerful content that will create new customers for Parco and other companies in the J. Front Retailing Group.

The Passion Reaches Deep

The two-person play “Warai no Daigaku” was staged at PARCO Theater from February to March 2023. It was first performed as a Parco production in 1996. The theatrical masterpiece, which won the Best Play award at the 4th Yomiuri Theater Awards, was restaged in 1998, and also translated and performed in Russia, South Korea, China, and France.

This legendary play, which had not been performed even once in Japan since being restaged in 1998, was staged under the direction of the play’s writer, MITANI Koki himself for the first time in a quarter century in the year of PARCO Theater’s 50th anniversary.

Staged the legendary play “Warai no Daigaku” written and directed by MITANI Koki

The Passion Reaches Deep
**Management Strategy**

**Developer Business**

**Create New Value with Local Communities**

Established a new company J. Front City Development

In March 2023, we spun off the real estate developer business that had been in Parco Co., Ltd. to establish J. Front City Development Co., Ltd. The new company will promote development utilizing local networks and brand power, mainly in the seven major cities of Tokyo, Nagoya, Osaka, Kobe, Fukuoka, and Sapporo, where Daimaru, Matsuzakaya, and PARCO stores are located.

Construction has already begun in Sakae, Nagoya, and Shinsaibashi, Osaka, with a view to completion in 2026, and in Tenjin, Fukuoka, we have begun to actively consider a large-scale development project as part of the Tenjin Big Bang project.

As a unique strength of the Developer Business, we will promote the development of a variety of mixed-use facilities, including offices, hotels, and residences, while differentiating ourselves with the retail experience and expertise we have cultivated over the years at Daimaru, Matsuzakaya, and PARCO stores. As a business model, in addition to real estate rental income, we are also considering developing properties to increase their value and selling them in a planned manner. Therefore, profits earned from the sale of properties developed by the company are recorded as business profit.

At the same time, we will work with our key strategies, Real + Digital Strategy and Prime Life Strategy, to make the entire area more attractive as the center of the community in each area.

Simultaneously with the establishment of the new company, the CRE Strategy Unit was established within the holding company to create a structure that facilitates the prompt and smooth strategic utilization of real estate owned by each Group company. The President of the holding company also serves as the Senior Executive General Manager of the unit to develop real estate, formulate CRE strategies for real estate holdings, and maximize the value of real estate holdings from the perspective of optimizing the entire Group.

The Group’s Developer Business segment consists of J. Front Design & Construction and Parco Space Systems, which undertake interior construction of commercial facilities and commercial space, a hotel, offices, and a cinema complex, based on the concept of creating a cultural and social value creation base as a new landmark in Sakae, Nagoya, together with joint venture partners (Mitsubishi Estate Co., Ltd., Japan Post Real Estate Co., Ltd., Meiji Yasuda Life Insurance Company, and The Churchills Shibun Newspaper Publishing Co., Ltd.). It was approved as an urban planning project by Nagoya City in March 2022, and the construction of the new building began in July 2022, with the Group planning to own and operate its commercial portion.

Through this project, J. Front City Development and the joint venture partners will promote the multilayered development of urban functions in the Sakae area, including attracting a luxury hotel, which will contribute to enhancing the city’s brand power as promoted by Aichi Prefecture and Nagoya City, thereby further increasing the liveliness of the surrounding area and contributing to strengthening Nagoya’s international competitiveness in the two core areas including the Meieki area.

"Nishi 3-chome District 25 project (tentative name)" to be completed in 2026

J. Front City Development Co., Ltd. will develop a complex consisting of commercial space, a hotel, offices, and a cinema complex, based on the concept of creating a cultural and social value creation base as a new landmark in Sakae, Nagoya, together with joint venture partners (Mitsubishi Estate Co., Ltd., Japan Post Real Estate Co., Ltd., Meiji Yasuda Life Insurance Company, and The Churchills Shibun Newspaper Publishing Co., Ltd.). It was approved as an urban planning project by Nagoya City in March 2022, and the construction of the new building began in July 2022, with the Group planning to own and operate its commercial portion.

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"Shinsaibashi project (tentative name)" to be completed in 2026

J. Front City Development Co., Ltd. will develop a complex consisting of commercial space, a hotel, and offices with joint venture partners in one of the largest properties in the area, located at the intersection of Osaka’s main streets Midōsuji and Nagahori-dori in Shinsaibashi. The construction of the new building began in January 2023, and the company will participate in the project through a special purpose company formed through a joint investment with L Catterton Real Estate (a real estate development and investment company of the LVMH Group).

The Shinsaibashi Plaza Building and Shinsaibashi Fuji Building, which had driven the bustle of the Shinsaibashi area for many years, will be rebuilt, and we are planning to create duplex boutiques (two to three floors) on the lower floors facing Midōsuji and Nagahori-dori and attract luxury brands to draw more crowds to and further revitalize the surrounding area as a new landmark.

**ZERO GATE**

ZERO GATE expresses our desire to stand on the “origin = ZERO” and propose new values as the “entrance (face) = GATE” of the area. Specializing in mid- to low-rise commercial properties in prime locations, they take advantage of their prime locations, consist of a single or small number of tenants, and operate efficiently according to the business scale. We will create a new business scheme that utilizes a multi-story model in collaboration with various industries that are not limited to retail, visibility that takes advantage of the location’s characteristics, and DX.

**BINO**

The name BINO comes from “Beauty Inside and Out.” We aim to be a medium- to low-rise commercial facility based on the concept of “beauty & health” that supports beauty from “inside” and “outside.”

In addition, through collaboration with a wide range of suppliers, we will provide quality and services that satisfy our customers and coexist with the local area to contribute to enhancing its value.
The Payment and Finance Business recorded a business profit of 3.4 billion yen in fiscal 2022, the second year of the Medium-term Business Plan, achieving the final year target of the Medium-term Business Plan one year ahead of schedule. The Daimaru Matsuzakaya Card, which underwent a complete renewal in January 2021, is now equipped with a unique point system that benefits customers, and measures such as reviewing the earnings structure, including annual membership fees, have been successful.

Promotion of merchant acquiring business
JFR Card concluded license agreements with VISA and Mastercard in July 2019 and started to provide merchant acquiring services. By consolidating merchant acquiring services at Daimaru Matsuzakaya Department Stores, PARCO, QIRA 501, and other commercial facilities in the Group, we are reducing commissions at the Group companies and contribute to improving cash flow throughout the Group.

The number of external merchants in areas where the Group operates commercial facilities has also steadily increased, exceeding 200. In the seven key areas where we intend to expand the Developer Strategy, we aim to build each area’s economic zone that connects the Group’s customers and merchants by acquiring more merchants, providing merchants with support for sending customers and customers with the “most competitive payment and financial services in the area.”

Strengthen efforts to acquire new users of Daimaru Matsuzakaya Card
Annual transaction volume per customer has increased due to the complete renewal of the Daimaru Matsuzakaya Card. In addition, the cumulative number of QIRA points awarded under the new point program has exceeded 8.0 billion points, and the number of “tangible goods and intangible goods exchanges” is increasing, and awareness of the card is also improving.

Going forward, we will strengthen our efforts to develop new card users by strengthening the efforts to acquire new users at our department stores, and segmenting our app customers according to their annual purchase amount, age, and other factors and approaching them according to their individual needs. We will also enhance the appeal of the card by enriching the lineup of products to be given in exchange for QIRA points and various programs to provide special experiences.

Promotion of consolidation of cards in the Group
In order to achieve medium- to long-term growth in the Payment and Finance Business, it is essential to further strengthen our customer base. On the other hand, JFR Card, which is responsible for the Payment and Finance Business, currently has not been able to incorporate some cards in the Group as their issuer. Therefore, we decided on a policy of consolidating cards in the Group, with JFR Card as the issuing company. Going forward, we will clarify specific timelines and procedures for each card, and steadily move forward with our plan to establish a structure that will allow us to take full advantage of the Group’s benefits.
Human Resources Are the Source of Value Creation

Human resources strategy to support management strategy

We believe that the greatest management resource for promoting sustainability management and achieving our management goals is “people” and that without the growth of our human resources, we will not be able to grow and develop as a company. Recognizing that our employees are our “treasure asset,” we aim to be a “human resource development company” that maximizes their individuality and abilities and develops their human resource capabilities.

Principle of human resource capabilities

Instead of the job performance-based personnel system we had adopted before, we have adopted a unique approach called the “principle of human resource capabilities,” which focuses on each individual human resource to enhance “human resource capabilities,” since fiscal 2019. This is a human resource management system that accurately groups not only the visible aspects of each individual’s achievements, behavior, and knowledge and skills, but also the invisible aspects of human resource value, personality, values, temperament, and orientation and interests, develops them through appropriate job assignments, properly assesses their achievements, and treats them accordingly.

Development from the perspective of “human resource value” leads to the refinement of basic skills that can produce results even in an uncertain business environment, which enables the strategic placement of human resources regardless of age or gender.

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Approach to human resource development based on the principle of human resource capabilities

The human resources that we will focus on investing in is “self-motivated human resources who take initiative” by combining their intrinsic motivation with their vision and goals.” Our human resource development policy is based on “selection and concentration,” which means that we will streamline those programs that uniformly raise the level of our employees, and invest heavily in selecting, “self-initiated,” publicly offered curricula.

Specifically, we will invest resources intensively in: (i) early development and selection of younger employees; (ii) revitalization of middle and senior employees who are entering their second careers through reskilling; and (iii) development of highly versatile management human resources who are not limited to the Group’s operating companies.

JFR Group career development system

Create systems for women’s empowerment

We recognize that diversity is the foundation of value creation, and we are working to create systems for employee empowerment. The ratio of women in management positions in the Group continues to steadily increase, reaching 22.2% as of the end of February 2023. The percentage of female directors is 30% (one inside and two outside). In April 2022, the Women’s Empowerment Promotion Project was established under the direct control of the Representative Executive Office. Its members selected from each operating company (mainly men and women in their 30s and 40s) made recommendations for creating an environment in which women can fully demonstrate their individuality and abilities, leading to top management commitment.

In addition, the scope of the JFR Women’s School, which had previously focused on those working shorter hours for childcare, was expanded and its content was enhanced to become the Career Forum for Women. In addition to the development of systems that make it easier for women to work, we are also working to increase the ratio of male employees taking childcare leave (88.8% in fiscal 2022).

Toward the next Medium-term Business Plan

We are currently formulating the next medium-term plan, and we are creating a human resource portfolio that is synchronized with this medium-term plan. In the process of developing a business strategy, we will define the necessary human resource requirements, examine the gap between the current situation and the requirements, and consider placement, training, and recruitment measures to eliminate the gap, in order to realize a human resource portfolio that embodies the management strategy. We will also identify KPIs for how our human capital is growing, and strive to disclose the status of their achievements and implement remedial measures.
SUSTAINABILITY

Amidst increasing uncertainty about the future including global warming, ocean pollution, other worsening environmental problems, human rights issues in the supply chain, and rising geopolitical risks, companies are required to manage sustainability in order to solve environmental and social issues while achieving business growth. Through our CSV (Creating Shared Value) initiatives, we will promote sustainability management and realize a “Well-Being Life” for all stakeholders, including customers, employees, and business partners.

Realization of Well-Being Life

In our medium-term business plan that began in fiscal year 2021, the Group has set forth the goal of realizing a “Well-Being Life” for all our stakeholders. The Well-Being Life that we envision is a “life that is rich in mind and body;” one that is not only materially and economically rich, but also includes spiritual (intellectual and cultural), physical, and social wealth, as well as the environmental wealth that surrounds these elements. The Group is committed to the realization of Well-Being Life, while valuing opportunities to interact with all its stakeholders.

Sustainability promotion system

The Group’s specific policies on social issues, including the environment and human rights, are discussed and resolved by the Group Management Meeting, the Group’s top decision-making body for business execution. Matters discussed and resolved by the Group Management Meeting are shared with all operating companies through the sustainability committee, an advisory body to the President and Representative Executive Officer. The Sustainability Committee also monitors the implementation plans and progress of each operating company based on the Group’s policies. Discussed and resolved by the Group Management Meeting and the Sustainability Committee are reported to the Board of Directors.

Sustainability promotion system

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Linkage with the Officer Remuneration Policy

The Company has established the following two non-financial indicators for performance-linked stock compensation in the Officer Remuneration Policy, which was revised in April 2021.

- Forty percent reduction in Scope 1 and 2 GHG emissions (compared to fiscal 2017)
- Increase in the share of women in management positions to 20% (Both (1) and (2) are at the end of fiscal 2023)

These items are also linked to materiality KPIs for 2023 to clarify the responsibility of the management team.

Major agenda items in the Sustainability Committee Meetings

FY2022

- April: Lecture on “Business and Human Rights” by an external instructor
- May: Lecture on “Values and Vision” by an external instructor
- May: Lecture on “Creating diversity in our management team” by an external instructor
- June: Construction of Diversity and Inclusion in Each Operating Company
- June: Reports on employees awareness survey
- June: Topic on “Scope 3 and 2 GHG emissions report” for FY2022

FY2023

- April: Lecture on “Business and Human Rights” by an external instructor
- April: Lecture on “Creating diversity in our management team” by an external instructor
- May: Construction of Diversity and Inclusion in Each Operating Company
- June: Reports on employees awareness survey
- June: Topic on “Scope 3 and 2 GHG emissions report” for FY2022

Materiality and Goals Progress

<table>
<thead>
<tr>
<th>Materiality</th>
<th>Measurables</th>
<th>FY2018 (target)</th>
<th>FY2019 results and major efforts</th>
<th>FY2023 target</th>
<th>FY2023 results and major efforts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Realization of diversified society</td>
<td>Wellness and physical health</td>
<td>15% reduction (vs. FY2017)</td>
<td>+80% reduction (vs. FY2017)</td>
<td>+60% reduction (vs. FY2017)</td>
<td>+60% reduction (vs. FY2017)</td>
</tr>
<tr>
<td></td>
<td>Energy creation</td>
<td>15% reduction (vs. FY2017)</td>
<td>+60% reduction (vs. FY2017)</td>
<td>+60% reduction (vs. FY2017)</td>
<td>+60% reduction (vs. FY2017)</td>
</tr>
<tr>
<td>Promotion of effective decision-making</td>
<td>Total energy consumption (Scope 1 and 2)</td>
<td>+60% reduction (vs. FY2017)</td>
<td>+60% reduction (vs. FY2017)</td>
<td>+60% reduction (vs. FY2017)</td>
<td>+60% reduction (vs. FY2017)</td>
</tr>
<tr>
<td></td>
<td>Recycling and reuse</td>
<td>15% reduction (vs. FY2017)</td>
<td>+60% reduction (vs. FY2017)</td>
<td>+60% reduction (vs. FY2017)</td>
<td>+60% reduction (vs. FY2017)</td>
</tr>
<tr>
<td></td>
<td>Business activities in which human rights are respected</td>
<td>-</td>
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<td>-</td>
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</tr>
</tbody>
</table>

Values and Vision

Value Creation

Management Strategy

Sustainability

Governance

Data
Sustainability

Value Creation
Management Strategy
Data

In recent years, climate change has progressed to an extremely serious level, endangering not only future generations but all people, including those alive today. The need for net zero emissions to achieve the 1.5°C target by 2050 at the latest is a situation that companies cannot afford to ignore.

The Group positions climate change as a key issue in sustainability management. Recognizing that the risks and opportunities associated with climate change will have a significant impact on our business strategies, we have set GHG reduction targets and are working to address them.

SBT Net Zero Certification

In 2019, the Group obtained certification under the Science Based Targets initiative (SBTI) for its Scope 1, 2, and 3 GHG emissions reduction targets. In 2021, we raised our 2030 Scope 1 and 2 emission reduction targets from the previous 40% to 60% compared to 2017 (base year) and reacquired certification for the 1.5°C target. We will work toward achieving net-zero emissions by 2050 across our entire value chain through both the “Realization of a decarbonized society” and the “Promotion of circular economy,” as stated in the Group’s Materiality.

Aiming for Net Zero in 2050

To thoroughly reduce GHG emissions, and to reduce the remaining emissions to practically zero by subtracting the amount of emissions removed through forest absorption and CCUS (CO2 capture and storage), etc., the Group has set the following environmental targets.

- Net Zero by FY2050
  - FY2020: Scope 1, 2 and 3 GHG emissions reduction by 40% compared to FY2017
  - FY2025: Scope 1, 2 and 3 GHG emissions reduction by 50% compared to FY2017
  - FY2030: Scope 1 and 2 GHG emissions reduction by 60% compared to FY2017
  - FY2040: Scope 1 and 2 GHG emissions reduction by 80% compared to FY2017

Net Zero by FY2050

<table>
<thead>
<tr>
<th>Year</th>
<th>Scope 1 &amp; 2</th>
<th>Scope 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2017</td>
<td>2,927,320 t-CO2</td>
<td></td>
</tr>
<tr>
<td>FY2025</td>
<td>1,463,660 t-CO2</td>
<td></td>
</tr>
<tr>
<td>FY2030</td>
<td>731,760 t-CO2</td>
<td></td>
</tr>
<tr>
<td>FY2040</td>
<td>365,880 t-CO2</td>
<td></td>
</tr>
<tr>
<td>FY2050</td>
<td>182,940 t-CO2</td>
<td></td>
</tr>
</tbody>
</table>

- Scope 1: Emission from fuel combustion and industrial processes
- Scope 2: Emission from owned or controlled foreign facilities
- Scope 3: Emission from the consumption of purchased goods and services

Net Zero by FY2050

In 2019, the Group endorsed the TCFD recommendations. We use them as a guideline to verify the adequacy of the Group’s response to climate change, and effectively disclose information in accordance with the four core areas: governance, risk management, strategy, and metrics and targets.

Information Disclosure in Line with TCFD Recommendations

In 2019, the Group endorsed the TCFD recommendations. We use them as a guideline to verify the adequacy of the Group’s response to climate change, and effectively disclose information in accordance with the four core areas: governance, risk management, strategy, and metrics and targets.

Governance

In order to promote sustainability management across the entire Group, the Group Management Meeting, the highest decision-making body for business execution, discusses and decides specific measures to address environmental issues. Furthermore, the Sustainability Committee, which meets at least twice a year, shares the policies on environmental issues discussed and decided by the Group Management Meeting, formulates action plans for the Group’s environmental issues, and monitors the progress.

The Board of Directors receives reports on the discussions and decisions made by the Group Management Meeting and the Sustainability Committee, and discusses the Group’s policies and action plans for addressing environmental issues.

In selecting candidates for the Board of Directors, we use a skill matrix to clarify the expertise and experience we expect from directors and “environment” is one of the items. By appointing directors capable of providing appropriate supervision of 1) specific action plans, 2) regular reviews, and 3) the status of initiatives for continual improvement regarding environmental plans, including the setting of medium- to long-term targets, we are enhancing the effectiveness of our efforts to address environmental issues.

The President and Representative Executive Officer chairs the Group Management Meeting as well as the Risk Management Committee and the Sustainability Committee, which are both advisory panels under his direct control. He thus bears final responsibility for management decisions related to environmental issues.

Details of matters discussed and decided by the Group Management Meeting and the Sustainability Committee are reported to the Board of Directors for final approval.

Risk Management

The Group positions risk as the starting point of its strategy and defines risk as “uncertainty, both positive and negative, that affects the achievement of corporate management goals.” We believe that a company will grow in a sustainable way by properly addressing risk.

The Risk Management Committee, an advisory body to the President and Representative Executive Officer, identifies comprehensive risks and opportunities, including climate-related risks, and discusses countermeasures from the perspective of the likelihood and timing of potential risks and the business impact, based on environmental analysis conducted annually. The discussions held by the Risk Management Committee are reported to the Group Management Meeting and shared with the Sustainability Committee. The discussions of the Risk Management Committee and the Sustainability Committee, as well as the resolutions of the Group Management Meeting, are reported to the Board of Directors in a timely manner, and reflected and addressed in the Group’s strategies under the supervision of the Board of Directors.

Risk management process

Risk strategy

The Group considers it important to examine climate-related risks and opportunities at the appropriate milestone occasions because of their potential impact on its business activities over the long term. Accordingly, the Group has positioned the implementation term of the Medium-term Business Plan up to FY2023 as the short term, the period up to FY2030, which is set by SBTI, as the medium term, and the period to FY2050, which is the SBTI net zero target year, as the long term.

The Group conducts scenario analysis in order to understand the risks, opportunities, and impact of climate change for the Group and to examine the resiliency of the Group’s strategies for the world envisioned in fiscal 2030, and the necessity of further measures.

In the scenario analysis, we referenced multiple existing scenarios announced by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), then considered two world scenarios: the below 1.5°C/2°C scenario that envisions the goal of the Paris Agreement to limit the increase in the global average temperature to well below 2°C and pursue efforts to limit it to 1.5°C compared to pre-industrial levels; and the 4°C scenario that envisions the GHG emissions on the present basis.

Existing scenarios referenced

- 1.5°C/2°C scenarios
  - Net Zero Emissions by 2050 Scenario (NZE-2050-1.5°C/2°C)
  - 1.5°C Scenario (1.5° Scenario)
  - 2°C Scenario (2° Scenario)

- 4°C scenarios
  - Special Policy Scenario (SPR)
  - Special Policy Scenario (SP-2°C)

- Based on the climate-related risks and opportunities that were comprehensively extracted and identified, the Group evaluated their significance based on two evaluation criteria: “importance to the company (impact x urgency)” and “importance to stakeholders.” For items that were evaluated as particularly important, the financial impact was evaluated from both quantitative and qualitative perspectives under two scenarios, 1.5°C and 4°C, and countermeasures were formulated to address each.
**Climate change risks and opportunities of particular importance to the JFR Group and their financial impacts in FY2030**

<table>
<thead>
<tr>
<th>Climate-related risks and opportunities of particular importance to the JFR Group</th>
<th>Financial impact</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Increase in risk of climate-related business disruption due to extreme weather events</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Increase in risk of business disruption due to extreme weather events (Typhoon, heavy rain, thunderstorm, drought, etc.)</td>
<td>Approximately ¥15,400 million*&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Consideration of disaster preparedness for business sites and introduction of disaster prevention measures.</td>
</tr>
<tr>
<td>• Increase in risk of business disruption due to extreme weather events (Typhoon, heavy rain, thunderstorm, drought, etc.)</td>
<td>Approximately ¥6,500 million*&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Consideration of disaster preparedness for business sites and introduction of disaster prevention measures.</td>
</tr>
<tr>
<td><strong>Increase in risk of electricity supply disruption</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Increase in risk of electricity supply disruption due to extreme weather events (power failure, etc.)</td>
<td>Approximately ¥900 million*&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Consideration of disaster preparedness for business sites and introduction of disaster prevention measures.</td>
</tr>
<tr>
<td><strong>Increase in risk of electricity price volatility</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Increase in risk of electricity price volatility due to climate change (increase in electricity prices, etc.)</td>
<td>Approximately ¥900 million*&lt;sup&gt;1&lt;/sup&gt;</td>
<td>Consideration of disaster preparedness for business sites and introduction of disaster prevention measures.</td>
</tr>
<tr>
<td><strong>Increase in risk of business disruption due to climate-related damage</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Increase in risk of business disruption due to climate-related damage (fire, etc.)</td>
<td>Approximately ¥300 million*&lt;sup&gt;2&lt;/sup&gt;</td>
<td>Consideration of disaster preparedness for business sites and introduction of disaster prevention measures.</td>
</tr>
</tbody>
</table>

* Figures are based on preliminary calculations and are subject to change. The final figure will be disclosed in our FY2022 Integrated Report.

**Human Rights**

Concern is growing about human rights issues such as labor and discrimination that occur in the supply chain. In some Western countries, rules have been established regarding corporate efforts to respect human rights. It is now recognized that human rights issues in corporate activities can have a significant impact on business.

The Group is committed to human rights due diligence with “Management of the entire supply chain” as one materiality issue. Together with our suppliers, we aim to realize business activities that respect human rights and contribute to the creation of a sustainable society throughout the supply chain.

**Human Rights Due Diligence**

In accordance with the Guiding Principles on Business and Human Rights established by the United Nations, the Group is committed to human rights due diligence by placing respect for human rights at the foundation of all its business activities.

**Monitoring (Supplier Assessment)**

The first supplier assessment in 2022 was conducted to confirm compliance with the JFR Group’s Principles of Action for Suppliers (including compliance with the Human Rights Policy) for suppliers who had endorsed the Principles of Action. We will carry out the second assessment in the autumn of 2023, and will review the questions to improve the effectiveness of the survey.

**Establishment of Harassment Consultation Desk and Whistleblowing System**

In 2020, the Group adopted a Declaration on the Elimination of Harassment to stamp out and prevent harassment. In addition, the Harassment Prevention Committee and the Harassment Consultation Desk are in place to take prompt action when incidents occur and prevent recurrence.

**Whistleblowing System**

The Group’s Whistleblowing System allows all directors, officers, employees, and anyone working for the JFR Group (including part-time employees and temporary staff from suppliers) to directly notify the Compliance Committee of compliance-related problems, including human rights violations and corrupt practices within the JFR Group, and request corrective action. The Compliance Committee is a contact point for reporting compliance issues. In accordance with the Whistleblower Protection Act, the Group’s internal regulations strictly stipulate protecting the confidentiality of whistleblowers and prohibit any prejudicial treatment of whistleblowers.

**Identification and assessment of human rights risk**

In FY2022, we identified and assessed the human rights risks (potential negative impact on human rights) of stakeholders who could be affected in relation to the Group’s business activities.

In doing so, we were able to identify and assess more substantive human rights risks through the participation and examination of external experts, including lawyers and the divisions in charge of the operating companies.

**Significant human rights risks**

<table>
<thead>
<tr>
<th>Value chain</th>
<th>Core activities (Procurement)</th>
<th>Details</th>
<th>Avoidance (Use of goods and services)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stakeholder</strong></td>
<td>Employees of supplier companies, store operators, cooperating companies of business partners</td>
<td>Employees of the JFR Group (including part-time workers in stores and temporary workers dispatched by suppliers)</td>
<td>Customers and local residents</td>
</tr>
<tr>
<td><strong>Details</strong></td>
<td>Manufacturing, wholesale, provision of services, construction</td>
<td>Commercial trade, store operators (including outsourcing, advertising, facility management, sales promotion, etc.), sales (including e-commerce), planning and construction</td>
<td>Use of goods and services</td>
</tr>
<tr>
<td><strong>Significant human rights risks</strong></td>
<td>Forced labor and child labor</td>
<td>Harassment</td>
<td>Violation of customer privacy (personal information and right of publicity)</td>
</tr>
<tr>
<td></td>
<td>Forced labor and child labor</td>
<td>Long working hours</td>
<td>Expressions of discrimination through advertisements</td>
</tr>
<tr>
<td></td>
<td>Forced labor and child labor</td>
<td>Low wages for high labor conditions</td>
<td>Health and safety</td>
</tr>
</tbody>
</table>

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* Figures are based on preliminary calculations and are subject to change. The final figure will be disclosed in our FY2022 Integrated Report.

**GHG emissions and the ratio of renewable energy to total electricity used in business activities (interim target: 60% by 2030).**

In 2020, the Group joined RE100.

Also, in the Officer Remuneration Policy, Scope 1 and 2 GHG emissions reduction targets were set as one of the non-financial indicators for determining performance-linked remuneration, to clarify the responsibility of executive officers regarding the issue of climate change.

Going forward, the Group will continue to strengthen its governance in environmental management under the supervision of its Board of Directors and promote company-wide initiatives, including the formulation and implementation of action plans to achieve medium- and long-term goals.
**Sustainability Engagement**

The Group strives to understand the opinions and requests of its stakeholders through proactive information disclosure, dialogues, surveys, and other means, and to reflect the opinions and requests in its business activities.

**Customer Survey**

Daimaru Matsuzakaya Department Store conducted a customer survey regarding the sustainability activities of Daimaru-Matsuzakaya.

**[Summary]**
- Survey period: October 12-31, 2022
- Survey method: Internet responses via the Daimaru/Matsuzakaya app
- Daimaru/Matsuzakaya mail magazine, and the ECOFF Recycling Campaign website

**Is Daimaru-Matsuzakaya committed to the environment and human rights?**

- **Very much so**
- **Reasonably aware**
- **Not aware**

1% 1% 16% 3% 13% 14% 35% 46% 54% 6% 42% 50%

- **Fearless**
- **Reasonably aware**
- **Not aware**

While awareness of the sustainability policy and the seven materialities is growing, about 25% of respondents were not aware of CSV (Creating Shared Value).

**Employee Awareness Survey**

In promoting sustainability initiatives, we believe that it is essential for every employee to understand the concept of sustainability and practice it in their daily work as a matter of personal concern. Based on this recognition, we have been conducting an employee awareness survey since FY2002 to ascertain the status of understanding and penetration within the company.

**[Summary]**
- Survey period: February 1 - 15, 2023
- Target: JFR Group employees
- Number of respondents: 4,830 (Response rate: 70.4%)

**Number of valid responses: 2,794**

- **I don't think so**
- **Somewhat disagree**
- **Somewhat agree**
- **Very much so**

19% 25% 36% 19%

**Survey method:** Internet responses via the Daimaru Matsuzakaya app.

- **Survey period:** October 12-31, 2022
- **Number of respondents:** 4,830 (Response rate: 70.4%)

**ESG Briefing Session**

We have been holding ESG Presentations since 2018. In FY2023, we held a dialogue on the topic of human capital management, including the basic concept of our Group's human capital strategy and the development of our core digital talent. Outside directors also participated in this presentation and engaged in a dialogue on the current status and challenges of the Company's governance.

**Sustainability bond reporting (9th unsecured bond)**

In May 2021, the Company issued sustainability bonds of ¥3.0 billion to contribute to resolving both environmental and social issues through business activities.

<table>
<thead>
<tr>
<th>Project category</th>
<th>Output</th>
<th>Outcome</th>
<th>Impact</th>
<th>Time and amount of funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Realization of announced sustainability initiatives</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>Green buildings</strong></td>
<td></td>
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<tr>
<td>- <strong>Decision of eligible projects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Construction of main building of Daimaru Shinsaibashi (FY2022)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Construction of Shibuya PARCO (FY2022)</td>
<td></td>
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<tr>
<td><strong>Energy efficiency</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>- <strong>No. of LED lamps replaced:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- <strong>No. of tenants operating near Daimaru Kobe store:</strong></td>
<td></td>
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<td></td>
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<tr>
<td><strong>Renewable energy</strong></td>
<td></td>
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<tr>
<td>- <strong>No. of points based on PARCO (FY2022 (2019 in total): 1,140)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- <strong>Reduction in CO2 emissions by switching lighting from LEDs to lighting: Approx. 2.4% in 2019</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Contribution to local communities</strong></td>
<td></td>
<td></td>
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<tr>
<td>- No. of tenants operating near Daimaru Kobe store in the Former Foreign Settlement in Kobe: 60 in FY2022</td>
<td></td>
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</tr>
</tbody>
</table>

**ESG Briefing Session**

We have been holding ESG Presentations since 2018. In FY2023, we held a dialogue on the topic of human capital management, including the basic concept of our Group’s human capital strategy and the development of our core digital talent. Outside directors also participated in this presentation and engaged in a dialogue on the current status and challenges of the Company’s governance.

**Employee Awareness Survey**

In promoting sustainability initiatives, we believe that it is essential for every employee to understand the concept of sustainability and practice it in their daily work as a matter of personal concern. Based on this recognition, we have been conducting an employee awareness survey since FY2002 to ascertain the status of understanding and penetration within the company.

**[Summary]**
- Survey period: February 1 - 15, 2023
- Target: JFR Group employees
- Number of respondents: 4,830 (Response rate: 70.4%)

**Number of valid responses: 2,794**

- **I don't think so**
- **Somewhat disagree**
- **Somewhat agree**
- **Very much so**

19% 25% 36% 19%

**Survey method:** Internet responses via the Daimaru Matsuzakaya app.

- **Survey period:** October 12-31, 2022
- **Number of respondents:** 4,830 (Response rate: 70.4%)

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Corporate Governance

J. Front Retailing, which is a holding company, ensures the transparency, soundness, and legal compliance of the management of the entire Group, acting as the central focus of governance for the Group, to realize the Group Mission Statement. We strive to build trust relationships with stakeholders (customers, shareholders, business partners, employees, and local communities) by means including strengthening of information disclosure. And indicating the overall direction that the Group management is to take and building and developing internal control systems, and strengthening corporate governance by overseeing the operational status of such systems are placed at the top of the management agenda. We have adopted a Company with Three Committees (Nomination, Audit, and Remuneration Committees) system to further strengthen corporate governance by: (i) strengthening the management oversight function by separating oversight from execution; (ii) clarifying authorities and responsibilities in business execution and promoting flexible management; (iii) improving the transparency and objectivity of management; and (iv) building a globally applicable governance system.

Overview of corporate governance system

We are a 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 operating subsidiaries except for matters that affect the Group’s management.

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

- To plan, formulate, and penetrate the Group Vision, the Group Medium-term Business Plan, and the Group Management Policy for the fiscal year and to track the progress and results thereof;
- To set the business domains of the Group;
- Business portfolio management (optimal allocation of management resources);
- To generate synergies between businesses;
- To establish the Group-wide risk management system;
- Organization design and operation of the entire Group;
- Human resource management of the entire Group;
- Management of shareholders;
- To establish corporate governance practices for the entire Group;
- To make decisions on important matters of business execution relating to the management of the Group; and
- To provide advice and approval for management policy and management strategy of respective operating subsidiaries and to oversee and evaluate the progress thereof.

We have also established seven supervisory units (the Management Strategy Unit, the CRE Strategy Unit, the Group Digital Unit, the Group System Unit, the Financial Strategy Unit, the Human Resources Strategy Unit, and the Administration Unit) as our management organizations. We clarify the roles, responsibilities, and authorities of each unit to strengthen oversight function and enhance the internal control system of the Group as a whole.

Board of Directors

(1) Roles and responsibilities of the Board of Directors

Directors appointed and entrusted with the management of the Company by shareholders fulfill the following roles and responsibilities at the Board of Directors in order to realize the Group Vision, based on their fiduciary responsibility and accountability to shareholders.

- To indicate the overall direction that the Group management is to take, by engaging in constructive discussions with respect to the Group Vision, the Sustainability Policy, the Group Medium-term Business Plan, the Group Management Policy for the fiscal year, and other basic management policies and carrying out multifaceted and objective deliberations that include the evaluation of risks with respect to the aforementioned;
- To appropriately make decisions in terms of overall policy and plans pertaining to the Group management based on the direction noted above and to oversee the progress and results of the plans;
- To develop an environment conducive to encouraging offense-oriented management geared to achieving discontinuous growth;
- To take steps to build and develop internal control systems of the Group overall and to oversee the operational status of such systems;
- To oversee conflicts of interest between related parties; and
- Based on summary reports furnished by the Nomination Committee, to oversee the progress of the President and Representative Executive Officer succession planning, personnel assignment plans pertaining to management human resources, and Executive Officer training, about which the Nomination Committee was consulted.

In selecting candidates for Director, the Board of Directors shall consist of human resources with experience and knowledge necessary to appropriately oversee the promotion of sustainability management (execution of business strategies aimed at realizing the seven materialities) in order for the Board of Directors to effectively fulfill its roles and responsibilities. In selecting candidates for Outside Directors, the Company selects persons who maintain a high degree of independence in light of the independence criteria established by the Company, and from the point of view of board diversity, who have experience as managers not only in the retail industry that is...
the core business of the Group but in non-retail industries, or who have expertise in legal and other fields, a marketing perspective, and extensive relevant experience related to financing and accounting. With regard to candidates for non-executive Inside Directors, the Company selects persons who have wide-ranging practical experience within the Group and knowledge of audit and other matters. As for a candidate for Director who concurrently serves as Executive Officer, the Company has selected a person responsible for its financial division whose high level of knowledge will facilitate the execution of the strategic finance policies demanded by shareholders and investors, as well as by the President and Representative Executive Officer.

(3) Major matters discussed at the Board of Directors meetings and efforts to solve issues
In fiscal 2022, the second year of the FY2021 to FY2023 Medium-term Business Plan, the Board of Directors placed the following items on its agenda and discussed them. In addition, the Board of Directors worked to solve issues by making progress using the issue tracking sheets of the Board of Directors and the Audit Committee.

Major agenda items
- Resolution of the Corporate Governance Guidelines
- Resolution of the Corporate Governance Report
- Operation of the Basic Policy to Build Internal Control System and the results of evaluation of internal controls over financial reporting
- Resolution of the Basic Policy to Build Internal Control System
- Results of evaluation of the effectiveness of the Board of Directors
- The Group’s future vision
- Planning of the Basic Medium-term Business Plan
- The Group Management Policy for FY2023
- Sustainability
- Establishment of a developer business company
- ORE strategy
- Investment in new businesses
- Validation of ratios for cross-shareholdings
- Matters related to financial results

Nomination Committee, Audit Committee, and Remuneration Committee

Nomination Committee
The Nomination Committee determines the content of proposals on the nomination and dismissal of Directors to be submitted to Shareholders Meetings and reports to the Board of Directors upon consultations from the Board of Directors regarding the nomination and dismissal of Executive Officers, as well as the Chairperson of the Board of Directors and the chairpersons and members of individual statutory committees, and other matters.

Major agenda items
- Board of Directors framework
- Confirmation of the skill matrix
- Election for candidates for Directors
- Nomination of candidates for Executive Officers and Representative Executive Officer to be proposed to the Board of Directors
- Nomination of candidates for the Chairperson of Board of Directors and the chairpersons and members of individual committees to be proposed to the Board of Directors
- Management structure of each JPR Group company
- Formulation of the succession plan
- Reappointment of the President and Representative Executive Officer and Executive Officers
- Response to the evaluation of the effectiveness of the Board of Directors

Audit Committee
The Audit Committee effectively audits whether Executive Officers and Directors execute their duties efficiently in compliance with the laws and the Articles of Incorporation and in accordance with the Basic Mission Statement of the Company and the Group Vision and makes necessary advice and recommendations. It also conducts audits on the status of the construction and operation of internal control and prepares audit reports. To ensure the reliability of accounting information, the Audit Committee also monitors and verifies the status of work executed by the Accounting Auditor, and determines the content of proposals on the nomination and dismissal of such Auditor to be submitted for discussion at Shareholders Meetings.

Major agenda items
- Audit policy and audit plan, appointment of Audit Committee members to be appointed by the Audit Committee and specified Audit Committee members
- Report on the structure of audit & supervisory board members of the Group companies
- Report of the Internal Audit Division on audit plan
- Report of the Accounting Auditor on audit plan, approval for the Accounting Auditor’s remuneration
- Report on the operational status of the Basic Policy to Build Internal Control System and the results of the evaluation of internal controls over financial reporting
- Audit report of audit & supervisory board members of the Group companies, audit findings of the Audit Committee
- Report on the Accounting Auditor’s review; report on audit results
- Report on management letters of Accounting Auditor
- Criteria for selecting the candidate for the Accounting Auditor
- Enactment of non-assurance services to the Accounting Auditor group
- KAM (Key Audit Matters)
- Report of the Compliance Committee
- Operating company phase management report

Remuneration Committee
The Remuneration Committee decides on the policy for determining the remuneration details for individual Directors and Executive Officers of the Company and individual eligible officers of major subsidiaries of the Group, and on the remuneration details for individual Directors and Executive Officers of the Company.

Major agenda items
- Results of officer evaluations, total amount of officer bonuses, amount of individual officer bonuses
- The performance-linked factor and number of points provided for a stock-based remuneration system for officers (short-term performance share)
- Minimum grade and individual remuneration amount
- Review of officer remuneration system
- Verification of officer remuneration levels and composition using external data
- Introduction of a stock-based remuneration system to the Group’s major subsidiaries
- Resolution of the Officer Remuneration Policy and revision of the officer remuneration rules, etc.

FY2022 (March 2022 to February 2023)

<table>
<thead>
<tr>
<th>Number of meetings</th>
<th>Board of Directors</th>
<th>Nomination Committee</th>
<th>Audit Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of meetings</td>
<td>15</td>
<td>12</td>
<td>22</td>
</tr>
<tr>
<td>Attendance</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Average duration per meeting</td>
<td>2 hours</td>
<td>12 minutes</td>
<td>1 hour</td>
</tr>
</tbody>
</table>

Goverance
Corporate Governance

Skill matrix (Skills expected of Directors)

<table>
<thead>
<tr>
<th>Name</th>
<th>Finance</th>
<th>Marketing</th>
<th>Human resource &amp; organization development</th>
<th>Legal &amp; compliance</th>
<th>IT &amp; digital</th>
<th>E &amp; Environment</th>
<th>S &amp; Society</th>
<th>G &amp; Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>YAMAMOTO Fumiaki</td>
<td>O</td>
<td>O</td>
<td></td>
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<tr>
<td>KUBOKA Shinya</td>
<td>O</td>
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<tr>
<td>YAMAGA Junya</td>
<td>O</td>
<td>O</td>
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<tr>
<td>YABUKI Takefumi</td>
<td>O</td>
<td>O</td>
<td></td>
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<tr>
<td>KOIDE Hiroko</td>
<td>O</td>
<td>O</td>
<td></td>
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<tr>
<td>SATO Rieko</td>
<td>O</td>
<td>O</td>
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<tr>
<td>YAGO Natsunosuke</td>
<td>O</td>
<td>O</td>
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<tr>
<td>KOIDE Hiroko</td>
<td>O</td>
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<tr>
<td>SEKI Takaji</td>
<td>O</td>
<td>O</td>
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<tr>
<td>KASAHARA Eiko</td>
<td>O</td>
<td>O</td>
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<tr>
<td>YOSHIMOTO Satoshi</td>
<td>O</td>
<td>O</td>
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<tr>
<td>SHIBAYAMA Ritsuko</td>
<td>O</td>
<td>O</td>
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</tbody>
</table>

Management strategy
- The Company appoints Directors who have wide-ranging practical experience in the fields of business and finance, who have management experience as well as knowledge and experience as a manager to manage the Group, and who have a high level of understanding of the contents of corporate rules and methods to identify and evaluate risks, as well as the knowledge and experience expected of Directors as revealed in their management record, to the extent that they facilitate the development of the Group as a business entity.

Finance
- The Company appoints Directors capable of preparing the latest financial plan in line with the Group’s profit and loss statement and financial plan, as well as the knowledge and experience that enable them to engage in discussion with the Board of Directors on the formation of strategic financial policies demanded by shareholders and investors, whose high level of knowledge will facilitate the execution of the strategic finance policies demanded by shareholders and investors.

Marketing
- The Company appoints Directors capable of preparing and establishing a marketing plan, as well as the knowledge and experience that enable them to engage in discussion with the Board of Directors on the establishment of a developer business company.

Human resource & organization development
- The Company appoints Directors capable of engaging in discussion with the Board of Directors on the establishment of a developer business company.

Legal & compliance
- The Company appoints Directors capable of preparing the latest financial plan in line with the Group’s profit and loss statement and financial plan, as well as the knowledge and experience that enable them to engage in discussion with the Board of Directors on the formation of strategic financial policies demanded by shareholders and investors.

Activities of Outside Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Advice, statements, etc., at the Board of Directors and others</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOSOKI Naoyuki</td>
<td>Has contributed to improving the effectiveness of the Board of Directors by providing advice and oversight, particularly on the directors to be specified in the medium- to long-term business plans and medium- to long-term strategic planning, and in terms of business relationships, the approach to human resource development, and a focus on its formulation as an international business strategy. He chairs the Audit Committee.</td>
</tr>
<tr>
<td>HAMADA Junya</td>
<td>Has contributed to improving the effectiveness of the Board of Directors by providing advice and oversight, particularly in terms of the consistency of the medium- to long-term financial plans and medium- to long-term strategic planning, as well as in terms of business relationships, the approach to human resource development, and a focus on its formulation as an international business strategy.</td>
</tr>
<tr>
<td>UCHEA Arisa</td>
<td>Has contributed to improving the effectiveness of the Board of Directors by providing advice and oversight, particularly in terms of the quality of the Board’s advice, the approach to the formulation of the Medium-term Business Plan, and the approach to the implementation of the Medium-term Business Plan.</td>
</tr>
<tr>
<td>SATO Risako</td>
<td>Has contributed to improving the effectiveness of the Board of Directors by providing advice and oversight, particularly in terms of the quality of the advice, the approach to the formulation of the Medium-term Business Plan, and the approach to the implementation of the Medium-term Business Plan. The Company should have a framework for formulating the Medium-term Business Plan. The concepts for funding plans when promoting business portfolio transformation, the Group coordination and the approach to governance as a leading company, the acquisition and development of capability, and points of focus in formulating an international business strategy.</td>
</tr>
<tr>
<td>SIDDI Tahjuki</td>
<td>Has contributed to improving the effectiveness of the Board of Directors by providing advice and insight, particularly in terms of the quality of the advice, the approach to the formulation of the Medium-term Business Plan, and the approach to the implementation of the Medium-term Business Plan.</td>
</tr>
<tr>
<td>KIDDE Riku</td>
<td>Has contributed to improving the effectiveness of the Board of Directors by providing advice and oversight, particularly in terms of the quality of the advice, the approach to the formulation of the Medium-term Business Plan, and the approach to the implementation of the Medium-term Business Plan.</td>
</tr>
</tbody>
</table>

Values and Vision
Value Creation
Management Strategy
Sustainability
Goverance
Data
Executive session
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 supervisory officers, such as issues in the Board of Directors or problems to be addressed in order to improve the effectiveness of the Board of Directors (Lead director is Ms. SATO Rieko, an independent Outside Director). At the request of the lead director, the President and Representative Executive Officer also participates in discussions.

Succession planning
[Selection of the President and Representative Executive Officer]
Selection of the President and Representative Executive Officer is a critical aspect of strategic decision-making, and accordingly the Company regards drawing up and implementation of succession plans as matters of particular importance in terms of management strategy. The Company clarifies the selection process and ensures transparency and objectivity through repeated deliberations conducted by the Nomination Committee, which consists of three independent Outside Directors and the Chairperson of Board of Directors, who is a non-executive Director elected from inside the Company. The Board of Directors focuses on realizing the Basic Mission Statement and the Group Vision, selects the President and Representative Executive Officer, and plays a supervisory role based on proposals resolved from the Nomination Committee.

[Dismissal of the President and Representative Executive Officer]
A proposal for dismissal of the President and Representative Executive Officer is discussed and determined by the Board of Directors after being discussed and resolved by the Nomination Committee based on the goals set, expected and actual results (e.g. annual performance and strategy execution status), and the status of performance of duties achieved by successor candidates who are selected under the succession plan as resolved by the Nomination Committee.

[Qualities required for successors]
For the President and Representative Executive Officer of the Company and people who assume the management of the Group, the Company clearly defines the necessary values, capabilities, and behavioral traits in the form of qualities required of an officer under the “Desirable qualities required of JFR Group managerial talent” and the “Discreetible capabilities required of JFR President and Representative Executive Officer” in accordance with the Basic Mission Statement and the Group Vision.

Desirable qualities required of JFR Group managerial talent
- Strategy oriented
- Reform-oriented leadership
- Tendency to achieve results
- Organization development strengths
- Human resource development strengths

Discreetible capabilities required of JFR President and Representative Executive Officer
- Capacity to come to conclusion on issues
- Capacity to communicate a story
- Persistence and ready to achieve results
- Moral character and judgment

The Nomination Committee will have discussions on succession planning in a planned and consistent manner in view of changes in environments and situations surrounding the Company, the progress of strategies formulated, etc. Election and dismissal of Executive Officers are deliberated by the Nomination Committee and its proposals are deliberated and determined by the Board of Directors, as in the case of the President and Representative Executive Officer.

Evaluation of the effectiveness of the Board of Directors
The Company’s evaluation of the effectiveness of the Board of Directors by a third-party organization has been conducted annually since 2015. In the eighth evaluation of the effectiveness of the Board of Directors, conducted between September and October 2022, it was reported that the Company strives to resolve the issues pointed out in fiscal 2021, and that the effectiveness of the Board of Directors and the three statutory committees is generally ensured. At the same time, it has clarified issues and confirmed the actions to be taken as shown below.

Issues, evaluations, and actions to be taken in the evaluation of the effectiveness of the Board of Directors

<table>
<thead>
<tr>
<th>FY2020</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issue</strong></td>
<td><strong>Evaluation</strong></td>
</tr>
<tr>
<td>Strengthening the evaluation of the Group Supervisory function</td>
<td>The Group supervisory function is strengthened and aligned through strategic planning.</td>
</tr>
</tbody>
</table>

Officer remuneration system
In April 2017, we formulated and announced an Officer Remuneration Policy, which includes a stock-based remuneration system. (See also “Desirable qualities required of JFR Group managerial talent” and the “Discreetible capabilities required of JFR President and Representative Executive Officer” in accordance with the Basic Mission Statement and the Group Vision.)

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<tr>
<th>Desirable qualities required of JFR Group managerial talent</th>
<th>Discreetible capabilities required of JFR President and Representative Executive Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy oriented</td>
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</tr>
<tr>
<td>Reform-oriented leadership</td>
<td>Reform-oriented leadership</td>
</tr>
<tr>
<td>Tendency to achieve results</td>
<td>Tendency to achieve results</td>
</tr>
<tr>
<td>Organization development strengths</td>
<td>Organization development strengths</td>
</tr>
<tr>
<td>Human resource development strengths</td>
<td>Human resource development strengths</td>
</tr>
<tr>
<td>Capacity to come to conclusion on issues</td>
<td>Capacity to communicate a story</td>
</tr>
<tr>
<td>Capacity to achieve results</td>
<td>Persistence and ready to achieve results</td>
</tr>
<tr>
<td>Moral character and judgment</td>
<td>Moral character and judgment</td>
</tr>
</tbody>
</table>

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**Basic policy on officer remuneration**
Our officer remuneration system is based on the following basic policy, aiming to realize and promote sustainability management (pay for purpose). Furthermore, the same basic policy shall apply to the officers of the Company’s major subsidiaries: the Directors and Executive Officers of Dainippon Matsuhashita Department Stores and Parco and the Representative Directors of JFR Card, J. Front City Development, and J. Front Design & Construction as well as the Directors and Executive Officers of the Company. Regarding disclosure of remuneration, etc. of the reporting company’s officers (including remuneration, etc. received as the officers of major consolidated subsidiaries, if any) in the Annual Securities Reports, the Company has disclosed it since fiscal 2020 without limiting to those whose total amount of consolidated remuneration, etc. is 100 million yen or more.

1. **Basic policy on officer remuneration**
   - 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.
   - To create a system that encourages professional managers to take on leadership positions based on the management strategy.
   - To enhance the capability to enable the Company to secure and retain a financial officer who has the “desirable managerial talent qualities” required by the Company.
   - To increase awareness of profits shared with shareholders and awareness of shareholder-focused management.
   - To improve transparency and objectivity in the process for determining remuneration.

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 resolution of the Remuneration Committees, which consists of a majority of independent Outside Directors and the Chairperson of the Board of Directors who does not execute business and is chaired by an independent Outside Director. Revisions of the officer remuneration system will be undertaken based on the Medium-term Business Plan. In April 2021, we revised the Officer Remuneration Policy in line with the FY2021 to FY2023 Medium-term Business Plan and have continuously discussed and revised it as appropriate after that. We will review the level of basic remuneration during the Medium-term Business Plan period in order to significantly revise it due to necessary changes in the external environment and other reasons.

   **Forforcement 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 the Executive Officers 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 right to pay or grant remuneration or the refund of remuneration that has already been paid or granted to the officer.

   **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) that is not linked to performance as a stock-based remuneration system.

   **Executive Officers**
   - Basic remuneration
   - Performance-linked remuneration
   - Stock-based remuneration
   - Plan-based remuneration

   **Non-executive Directors**
   - Basic remuneration
   - Performance-linked remuneration
   - Stock-based remuneration
   - Plan-based remuneration

   Note: The Directors and Executive Officers of Daimaru Matsuzakaya Department Stores Co., Ltd., the Executive Officers of J. Front City Development, and J. Front Design & Construction shall base their remuneration on the comparison of “Executive Officers excluding President” and “Non-executive Directors.”
they are necessary for the promotion of the Group’s business strategy. To ensure the holding of such shares would contribute to the increase of corporate value in the medium to long term through the validation of rationality for holding them. For example, in the case where we were requested to hold shares for the purpose of local revitalization, from the perspectives of initiatives for “sustainability with local communities,” which is one of our materialities for the promotion of sustainability management, we would consider holding such shares upon sufficient examination of the rationality of holding them by the executive team and whether to hold them. Among the shares already held by the Company, for listed shares (including retirement benefit trust shares) for which there is judgment to be held upon holding validation, we will negotiate with corporate customers and business partners and appropriately reduce them upon reaching a consensus regarding sale method, period, etc. For unlisted shares, the executive team discussed whether or not to continue holding them with a view to selling and reducing holdings. Since fiscal 2021, we have confirmed the suitability of holding all shares in the same way as listed shares from both qualitative and quantitative perspectives and strengthened our efforts to reduce holdings.

(2) Validation of rationale for holding
Every year, the Board of Directors validates the rationale for holding individual stocks from both quantitative and qualitative perspectives. The qualitative perspective relates to business strategies such as maintaining harmonious and favorable business relationships with corporate customers and business partners and securing supply chains. The quantitative perspective relates to whether or not revenues from holding shares, including related trading profits and dividends, exceed capital costs, etc.

(3) Policy on exercising voting rights
We determine whether to exercise our voting rights considering both whether such exercise will contribute to the sustainable growth and the medium- to long-term enhancement of corporate value of the company whose shares we hold and whether such exercise will contribute to the sustainable growth and the medium- to long-term enhancement of corporate value of the Group. Particularly, in regard to proposals that we consider to be of high priority with respect to strengthening corporate governance, such as proposals relating to the corporate governance system (selection of officers), proposals relating to shareholder return (appropriation of surplus), and proposals that have an impact on shareholder value (introduction of takeover defense measures), we will establish policies upon which to base judgment of our exercise of voting rights, and acting as the Group as a whole, to exercise them in line with such policies. We will engage in dialogue with companies whose shares we hold if necessary.

Improvement of Shareholders Meetings
In order to engage in constructive dialogue with shareholders, the Company posts the materials of the Shareholders Meetings on the websites of the Company and financial instruments exchanges, etc., as soon as practicable prior to the commencement date of electronic provision measures as stipulated in the Companies Act (three weeks prior to the date of the Shareholders Meeting or the date of dispatch of the notice of convocation, whichever is earlier), so that shareholders have sufficient time to consider the proposals for exercising their voting rights. The materials for the Annual Shareholders Meeting were disclosed on the websites of financial instruments exchanges and the Company approximately five weeks prior to the date of the meeting. In addition, for the convenience of shareholders, including domestic and foreign institutional investors, in exercising their voting rights, the Company has introduced voting via the Internet and other means, as well as utilizing an electronic voting platform. In addition, we have prepared English translations of the materials of the Shareholders Meetings and disclose these on our website and electronic voting platform so that foreign shareholders can exercise their voting rights appropriately. We also strive to ensure that shareholders, including those living in remote areas, have opportunities to participate in and observe the Shareholders Meetings by livestreaming them and accepting questions in advance online.

Major dialogue activities with investors in FY2022

<table>
<thead>
<tr>
<th>Major dialogue activities</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of dialogue activities</td>
<td>41</td>
</tr>
<tr>
<td>Number of dialogue guests</td>
<td>86</td>
</tr>
<tr>
<td>Total number of dialogue sessions</td>
<td>26</td>
</tr>
<tr>
<td>Number of dialogue sessions per quarter</td>
<td>8</td>
</tr>
<tr>
<td>Average number of dialogue sessions per quarter</td>
<td>7</td>
</tr>
<tr>
<td>Average number of dialogue sessions per month</td>
<td>2.3</td>
</tr>
<tr>
<td>Average number of dialogue sessions per week</td>
<td>0.5</td>
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</table>

Number of dialogue activities in FY2022

<table>
<thead>
<tr>
<th>Date</th>
<th>Number of dialogue activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>10</td>
</tr>
<tr>
<td>2019</td>
<td>20</td>
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<tr>
<td>2020</td>
<td>30</td>
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<tr>
<td>2021</td>
<td>40</td>
</tr>
<tr>
<td>2022</td>
<td>50</td>
</tr>
</tbody>
</table>

Values and Vision
Value Creation
Management Strategy
Sustainability
Governance
Data

(c) Performance share
(performance-linked stock-based remuneration)
The Company issues its shares to Executive Officers in conjunction with the consolidated performance achievement rates 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. Sixty percent 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 shareholders’ perspective.

Performance-linked stock-based remuneration targets and evaluation weights

<table>
<thead>
<tr>
<th>Performance achievement</th>
<th>Target</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic performance level</td>
<td>(i) Consolidated operating profit &gt; ¥50 billion FY2023</td>
<td>100%</td>
</tr>
<tr>
<td>Advanced performance level</td>
<td>(ii) ROE &gt; 7% (at the end of FY2023)</td>
<td>100%</td>
</tr>
</tbody>
</table>

Note: For the short term, only (i) consolidated operating profit is adopted. The initial performance level for fiscal year FY2023 is set at the FY2020 profit level.

Method to calculate a performance-linked factor

Performance-linked factor = Performance achievement level / Basic performance level

Illustrative graph of changes in a performance-linked factor

(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
The Company believes that any increase in free cash flow and improvement in ROE should help to ensure its sustainable growth and increase corporate value over the medium to long term. To such ends, the Company proposes a capital policy that takes a balanced approach to “undertaking strategic investment,” “enhancing shareholder returns,” and “expanding equity capital” after taking into consideration the business environment and risk readiness. Moreover, 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 and we aim to achieve an optimal structure of debt to equity in a manner cognizant of our funding efficiency and cost of capital. A “business strategy framework” where we achieve growth with profitability and a “financial strategy (encompassing the capital policy)” that increases returns on invested capital (ROIC) are essential to improve free cash flow and ROE. In addition, we believe it is important to maximize operating profit and sustainably improve operating margin by strengthening our core businesses and concentrating management resources on initiatives such as business field expansion and active development of new businesses. As the key financial indicators for the achievement of the Medium-term Business Plan, 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
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 considers the option of purchasing its own shares as appropriate in order to improve capital efficiency and flexibly implement a capital policy.

Cross-shareholdings

(1) Holding policy
In principle, the Group will not newly acquire cross-shareholdings (cross-shareholdings are holdings of listed and unlisted shares other than those of subsidiaries and associates which are not held for pure investment purposes). However, this does not apply to shares where it has been recognized that the company would consider holding such shares upon sufficient examination of the rationale for holding them by the executive team and whether to hold them. Among the shares already held by the Company, for listed shares (including retirement benefit trust shares) for which there is judgment to be held upon holding validation, we will negotiate with corporate customers and business partners and appropriately reduce them upon reaching a consensus regarding sale method, period, etc. For unlisted shares, the executive team discussed whether or not to continue holding them with a view to selling and reducing holdings. Since fiscal 2021, we have confirmed the suitability of holding all shares in the same way as listed shares from both qualitative and quantitative perspectives and strengthened our efforts to reduce holdings.

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We determine whether to exercise our voting rights considering both whether such exercise will contribute to the sustainable growth and the medium- to long-term enhancement of corporate value of the company whose shares we hold and whether such exercise will contribute to the sustainable growth and the medium- to long-term enhancement of corporate value of the Group. Particularly, in regard to proposals that we consider to be of high priority with respect to strengthening corporate governance, such as proposals relating to the corporate governance system (selection of officers), proposals relating to shareholder return (appropriation of surplus), and proposals that have an impact on shareholder value (introduction of takeover defense measures), we will establish policies upon which to base judgment of our exercise of voting rights, and acting as the Group as a whole, to exercise them in line with such policies. We will engage in dialogue with companies whose shares we hold if necessary.
Governance

Corporate Governance

Disclosure and IR activities

Based on the 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 so as to raise management transparency and deepen understanding of the Company. This is what we aim for in conveying 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 Timely Disclosure network (TDnet) 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 Notices 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 presentations, business strategy presentations, ESG presentations, etc. and Q&A summary texts for earnings calls, both in Japanese and English. In addition to the provision of information through timely disclosure, our website, and others, we organize a range of briefing and meetings and respond to inquiries from shareholders and investors on a daily basis, seeking to provide a variety of texts for earnings calls, both in Japanese and English. In collaboration with ESG presentations, etc. and Q&A summary texts for earnings calls, we organize a range of briefings and meetings and respond to inquiries from shareholders and investors on a daily basis, seeking to provide a variety of presentation videos, materials, and Q&A summary texts for annual reports, which are available for download on our website. We also organize a range of briefings and meetings and respond to inquiries from shareholders and investors on a daily basis, seeking to provide a variety of presentation videos, materials, and Q&A summary texts for annual reports, which are available for download on our website.

External recognition for IR activities

The Company was awarded the Runner-up Grand Prix at the Nikkei Integrated Report Award 2022 (sponsored by Nikkei Inc.).

Risk management

The Group defines risk as “uncertainties that have both positive and negative sides that could have an impact on the achievement of business management goals.” We have positioned risk management as an “activity that increases corporate value by managing risks by reasonable and optimal methods from a company-wide perspective” to achieve sustainable corporate growth by addressing the positive and negative sides of risk properly. The Company has established the Risk Management Committee as an advisory body to the President and Representative Executive Officer. The committee discusses important matters, including the extraction and evaluation of risks and the determination of risks to be reflected in strategies, and utilizes risk management for management decision-making. The committee also reports details of its deliberations to the Board of Directors in a timely manner. Furthermore, in order to effectively perform risk management, we have established the following three lines.

(i) First Line: Business execution divisions such as operating subsidiaries. These divisions identify risks and take the necessary measures on their own.

(ii) Second Line: The holding company’s divisions. Each division provides support, guidance, and monitoring regarding risk management from a perspective which is independent of the business execution divisions.

(iii) Third Line: Internal audit division. This division oversees the validity of the risk management functions and the internal control system from a perspective which is independent of the business execution divisions and each division of the holding company.

While identifying “corporate risks” (see page 33), which serve as the starting point for the FY2021 to FY2023 Group Medium-term Business Plan, the risks for the current fiscal year identified in response are summarized in the JFR Group Risk List.

Compliance

We have a Compliance Committee (whose members include a corporate lawyer) to ensure proper handling of issues on the Group’s risk management committee. 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 and oversees the status of operation on a continuous basis, and promotes compliance with laws, the corporate ethics, and other rules. In serious non-compliance cases, the committee sets a policy on how to respond to them. The matters discussed by the 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 for 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 (a corporate lawyer) the Company. Regarding this whistleblowing system, the Group’s internal rules include rigorous provisions ensuring the protection of the whistleblower’s privacy and prohibiting disadvantageous treatment of the whistleblower.

Types of reports

- Breach of rules
- Management
- Labor unions

<table>
<thead>
<tr>
<th>Type of report</th>
<th>Breach of rules</th>
<th>Management</th>
<th>Labor unions</th>
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</thead>
<tbody>
<tr>
<td>2012</td>
<td>10</td>
<td>21</td>
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<td>2013</td>
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<td>9</td>
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</tr>
<tr>
<td>2015</td>
<td>6</td>
<td>16</td>
<td>18</td>
</tr>
</tbody>
</table>

JFR Group Risk List

1. Manifestation of geopolitical and geoeconomic risks
2. Contamination of COVID-19 to economic normalization
3. Changes in economic conditions
4. Transformation of existing businesses using technologies
5. Sophistication of marketing with use of data
6. Need for a cloud-native development and operation environment
7. Advancement of cashless payment
8. Strengthening of operations through digitalization
9. Demand for corporate value enhancement by raising CSR
10. Communication and dissemination of the Basic Mission Statement and the Group Vision
11. Progress of corporate governance reform
12. Response to environmental issues such as climate change
13. Response to social issues such as human rights risk
14. Paradigm shift in work style and organizational structure
15. Acceleration of open innovation
16. Acquisition, development, placement, and use of strategically-fit professional human resources
17. Engagement with investors through IR/IR activities
18. Effectiveness of public relations activities
19. Inclusion in BSCI and study on optimal capital structure
20. Securing funds for strategic investments
21. Fraud or error in financial statements, delay in timely disclosure
22. Asset impairment and response to loss effect accounting
23. Response to tax reforms and new accounting standards
24. Normalization of natural disasters, building hit by disasters, breakdown of infrastructure
25. Increasing severity and shortening of spread of pandemics
26. Accidents or equipment failure such as fire and electric leakage, unexpected safety management of buildings and equipment
27. Food poisoning, injury and accident (as either offender or victim)
28. System failure and unauthorized access through cyberattack
29. The Group’s corporate risks include strategic and financial risks, operational and technological risks, human error risks, etc.
30. Shortfall and delay in Business Continuity Management (BCM)
31. Non-compliance with reporting laws and inadequate public safety management (deficient internal employee management)
32. Lack of proper labor management such as employee health management (including non-Japanese and disabled employees)
33. Inadequate leadership related to harmony among employees
34. Transactions with affiliated firms
35. Transactions and operations in non-compliance with laws and regulations such as the Subcontract Act and the Anti-Monopoly Act
36. Fraudulence or illegal acts by officers and employees
37. Failure in compliance system, including deterioration of ethics and rules
38. Improper handling of personal information, leakage of confidential information
39. Inadequate management of the quality of products and services and procurement costs
40. Inadequate outsourcing management
41. Shortcomings in contract management
42. Bankruptcy and default of suppliers and customers

Risk management and compliance system diagram
The Board of Directors Plays a Major Role in Enhancing Corporate Value

**Evaluation of the Company’s governance**

**Yago:** I think it is safe to say that our governance has been done honorably, so to speak, and meets the necessary requirements. However, in order to grow and be more appreciated by shareholders, we must fulfill sufficient conditions such as corporate growth. Shareholders may not feel comfortable investing in a company that does not meet the necessary conditions, so I think it is important that the Company has been evaluated as meeting the phase of high difficulty. I understand that we are entering a stage where we are taking a step forward from there. However, it is also true that if everyone does not have the same awareness, it is difficult to move forward efficiently.

**Sato:** I believe our Board of Directors has an effective approach on a general level. We are a holding company, and I wonder, in terms of the division of roles between the holding company and the operating companies, if we can confirm or discern what the holding company’s Board of Directors has to decide, what it has to look at, and to what extent the operating companies are empowered to do so. I feel that it will be a challenge from now on to see if we ourselves can play our roles with a clear understanding of these issues.

As a holding company, I wonder a little if there is still a lack of differentiation in the way we tell the operating companies what they should do, how much profit they should make, and what we will do in return. I believe that this will be the next step after demonstrating the general effectiveness and functions of the Board of Directors. I think there is still a lot of room for discussion.

**Evaluation of the effectiveness of the Board of Directors**

**Yago:** The current level of effectiveness evaluation is a comparison with general benchmarks, such as how much time was spent, whether that time was appropriate, and whether the necessary document information was provided in advance, and I think we have satisfied them. Interviews with individual Directors have identified the real challenges that the Board of Directors faces, but the next stage is not to compare with benchmarks, but to uncover the unique challenges that the Board of Directors faces and to improve its effectiveness. Fixed-point observation is important, but I think we are entering a stage where we are taking a step forward from there.

**Hakoda:** Regarding the evaluation of the effectiveness of the Board of Directors, I think we need to consider two things: the current evaluation process and the future issues of the Board of Directors itself. In that sense, I think the evaluation process is very efficient. The members of the Board of Directors all have their own opinions and are very outspoken, so I think the current questionnaires and interviews should be enough to get a good grasp of their thoughts. As for how to change this approach and make it better, I have heard that in the U.K. and the U.S., for example, the entire board of directors is evaluated, then each committee is evaluated, and even individual directors are evaluated. In our case, committee evaluations are conducted, so in terms of formality, I think the only thing left is how to evaluate individual Directors.

I think what Ms. Sato mentioned what to do with the Board of Directors itself is a very big theme. Recently, I have been concerned about the fact that we have a pure holding company structure, and while a company of a reasonable size can manage a corporate headquarters, a pure holding company of our current size with a hundred and dozens of employees seems to have some overlap in functions with the operating companies. I think it is necessary to deepen the discussion on the content, including whether this type of holding company is appropriate in terms of our capabilities.

Progress of the Medium-term Business Plan

**Yago:** Mr. Yoshimoto often says, “Move up a gear for change.” However, we should take seriously...
Governance
Interview with Outside Directors [Dialogue among Outside Directors]

Sato: In the context of our current medium-term plan, which is focused on implementing a strategy for significant growth, it is important to consider the roles and responsibilities of the Board of Directors.

Yago: I think we should focus on the effectiveness of reforms, particularly in the Developer Business, where we have invested a significant amount of funds. The management team needs to effectively utilize these funds to achieve our medium-term goals.

Hakoda: Although ROIC management has been adopted in the execution of our medium-term plan, it is important to ensure that the Board of Directors is actively engaged in the decision-making process.

Yago: The company currently reflects ROIC in officer remuneration, but it is important to consider whether to use ROIC or other measures, such as TES, for our future goals. The market should be aware of the effectiveness of our strategies.

Hakoda: I think we need to focus on the need for discontinuity in our business strategies. Discontinuity is required for significant growth, and it is important to prioritize this aspect in our planning.

Sato: It is essential to raise awareness of ROIC throughout the Group. As we expand the Developer Business, we need to ensure that our officers are well-informed about the importance of ROIC in our decision-making process.

Yago: When we talk about ROIC, it is important to consider whether to use ROIC or another measure, such as TES, for our future goals. The market should be aware of the effectiveness of our strategies.

Hakoda: The reason why we have not been able to discuss these issues is the lack of understanding among the executive members. It is important to have a clear vision for the future of our business, and the Board of Directors should take the lead in this process.

Sato: I think we need to focus on strengthening governance and creating appropriate mechanisms to support our medium-term goals. It is important to ensure that the Board of Directors is actively engaged in the decision-making process.

Yago: In the context of our current medium-term plan, it is important to consider the need for discontinuity. Discontinuity is required for significant growth, and it is important to prioritize this aspect in our planning.

Hakoda: I think we need to focus on the need for discontinuity in our business strategies. Discontinuity is required for significant growth, and it is important to prioritize this aspect in our planning.

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Sato: It is essential to raise awareness of ROIC throughout the Group. As we expand the Developer Business, we need to ensure that our officers are well-informed about the importance of ROIC in our decision-making process.

Yago: When we talk about ROIC, it is important to consider whether to use ROIC or another measure, such as TES, for our future goals. The market should be aware of the effectiveness of our strategies.
Yago: We have brought Parco, a company with a different culture from that of the Department Store, into the Group, but we cannot clearly see what kind of chemistry is taking place as a result of this. In other words, I am wondering if the culture of Parco is not being viewed as part of the cultural flow of the Daimaru and Matsuzakaya department stores. As a group, I think it would be better to be conscious of putting the new culture that we have adopted at the core of the Group, in other words, wearing the robe of the Parco side by making human resource exchanges and communication more active. Otherwise, it will be difficult to find solutions to how newly adopted things such as CVC and XENOZ can be used to help shape a new culture for the entire Group.

Sato: The subscription business “AnotherAdress” is still small, but I think it is a great venture. It is growing because it is accepted by consumers, and I think this kind of idea would have been difficult to come up with from a traditional retailer. I think it would be good to ask young people, including people from Parco, GINZA SIX, and XENOZ, “What are you looking for, in what form?” in the form of brainstorming. We are the Showa generation, and we may not have enough knowledge to offer new values. I think “discontinuity” is an important keyword, and we must incorporate new knowledge to create it. To this end, I really feel that it is important to adopt the perspectives of young people in terms of diversity.

Yago: As Ms. Sato said, it is very important to talk with people close to the frontline, including young people, and while it is necessary for Outside Directors to take a third-party stance, I think it would be good if we could go inside a little more. It takes time and effort, but I feel that if we do not go that far, we will not reach the so-called ideal state of the Board of Directors that is expected of us.

I cannot deny that some companies don’t like such things, but I don’t think there will be much resistance from those around us when we start doing such things. I think this is something the Board of Directors needs to consider. It may involve how to draw the line as to how far the roles and responsibilities of Directors go. We must not get too involved and become a complementary force to the “ruling party,” so it is difficult to strike a balance between them, but I feel that we are in a situation where we have to step in now.

Sato: After all, mutual trust cannot be created unless communication is further enhanced. If you are just shown what is there and asked to make a judgment based on that, it can be a rather superficial judgment. I think it is one of the important roles of a Director to go another half or one step further and communicate with the people on the ground who are doing various things.

I could say that I have been alternately and repeatedly on the “inside and outside” by choice in my life. I want to do a job that I think is better today than yesterday, and I think I have to keep evolving in order to feel that way. In order to evolve, I want to take the opposite position and get closer to the essence of things, that is, the truth, rather than defending my current job. I believe that the keywords that make this possible are “inside and outside.”

I have just been asked to serve as an Outside Director of the Company, and I believe that it is meaningful for someone like me, who is currently on the executive side, to become an Outside Director. In addition, I am the head of a business unit, so this would be a very rare case. If there is something that the top management is worried about, I can share that feeling, and there must be things that only active managers can feel. I believe I will be able to set up a discussion that will allow for more options on the executive side precisely because I am involved in business right now. My theory is that the more choices you have, the better. When you don’t have a lot of options, you usually fail. As an Outside Director, I would like to contribute to the creation of an atmosphere conducive to such thinking and to the generation of concrete ideas.

The Company has the idea of “departing from the department store,” and I understand what it means. However, on the other hand, there is no doubt that the Department Store and the Shopping Center (SC) are our core businesses. Both the Developer Business and the Payment and Finance Business, which we intend to grow in the future, are meaningful only because the Department Store Business and the SC Business are strong. It may be true that the “inside and outside” by choice in my life will want to do something like push people’s backs. Nevertheless, the fact that it is difficult to see the backs to be pushed is a bit disappointing and unsettling.

Hakoda: Diverse human capital is the basis of our innovation. Forming this kind of human capital will be the driving force behind value creation, and I believe that we will be able to expand the Company in the truest sense of the word. Ultimately, I believe that it is important for employees to be motivated to do their jobs and for them to be able to think out of the box. To this end, we may have to seriously consider making the salary structure more attractive and creating an environment where employees can work with vigor and enthusiasm.

Sato: As for human resources, I have a strong sense that the Company is composed mainly of people from Daimaru and Matsuzakaya, both of which have long histories, but I would really like to hear from the younger generation when we formulate a new medium-term plan. The aging population and declining birthrates are inevitable, and the Millennials and Generation Z, who will be at the center of consumption in the future, are said to focus on social media and not to watch TV or read newspapers very often. I would like to hear from young people what we can provide and what kind of value we can provide to such people.

KATAYAMA Eichi
Member of Audit Committee

I believe that we need to make our operations more dynamic and I think we will be able to do a job that I think is better today than yesterday, and I think I have to keep evolving in order to feel that way. In order to evolve, I want to take the opposite position and get closer to the essence of things, that is, the truth, rather than defending my current job. I believe that the keywords that make this possible are “inside and outside.”

I have just been asked to serve as an Outside Director of the Company, and I believe that it is meaningful for someone like me, who is currently on the executive side, to become an Outside Director. In addition, I am the head of a business unit, so this would be a very rare case. If there is something that the top management is worried about, I can share that feeling, and there must be things that only active managers can feel. I believe I will be able to set up a discussion that will allow for more options on the executive side precisely because I am involved in business right now. My theory is that the more choices you have, the better. When you don’t have a lot of options, you usually fail. As an Outside Director, I would like to contribute to the creation of an atmosphere conducive to such thinking and to the generation of concrete ideas.

The Company has the idea of “departing from the department store,” and I understand what it means. However, on the other hand, there is no doubt that the Department Store and the Shopping Center (SC) are our core businesses. Both the Developer Business and the Payment and Finance Business, which we intend to grow in the future, are meaningful only because the Department Store Business and the SC Business are strong. It may be true that the “inside and outside” by choice in my life will want to do something like push people’s backs. Nevertheless, the fact that it is difficult to see the backs to be pushed is a bit disappointing and unsettling.

I think we should separate the discussion of our evolution as a group from the fact that there is more to be done in the Department Store. The number of businesses for high-income earners will increase, and I think it is important to fight for them, but unless we change the business to one where the total number of customers and the absolute number grow, we will not be able to bring in good human resources who have dreams. The fact that the number of department stores cannot be increased is one thing and the fact that the Department Store does not have to aim for growth is another, and I think there are still many ways to grow and definitions.

I believe that the most important part of the consumer business is transactions. Watches make money when sold, and paintings may also make money, but only once in a lifetime or a few times a year. If we rely on them alone, our business will not be revitalized. I think that a company will not be able to evolve and grow unless it has a business that can significantly increase the numbers.

We may need to discuss over the long term whether the current pure holding company structure is the best way for the Group to move closer to such an ideal state. First of all, I believe that we need to make our interactions with operating companies even more dynamic, and I would like to contribute to realizing that.
Governance
Management as of May 25, 2023

 Directors *The numbers of the Company’s shares held by Directors are as of February 28, 2023.

3. YAGO Natsumuasa
Executive Director Number of the Company’s shares held by Mr. YAGO Natsumuasa: 8,874
Apr 2013  President and Representative Director of J. Front Retailing Apr 2013  President and Representative Director of the same company Apr 2008  President of Matsuzakaya Co., Ltd. and General Manager of Store Operations of Group Headquarters of the same company Apr 2006  Director and Managing Executive Officer of Ebara Corporation Apr 2004  Senior Executive Officer and Group Executive of Precision Machinery Corporation Apr 1977  Joined Ebara Corporation Apr 1973  Joined Ebara Corporation

4. HAKODA Junya
Chairman of the Board Number of the Company’s shares held by Mr. HAKODA Junya: 3,279
Apr 2015  Adviser of the same company Apr 2013  President and Representative Director of J. Front Retailing Apr 2011  Outside Director of Kirin Co., Ltd. Apr 2008  Corporate Officer, General Manager of Sales Planning Division of Planning Promotion Division and General Manager of Marketing Department of the same company

5. UCHIDA Akira
Chairperson of the Audit Committee Number of the Company’s shares held by Mr. UCHIDA Akira: 3,137
May 2020  Director of Parco Co., Ltd. May 2018  Senior General Manager of Financing and Finance Policy Division of Administration Unit of the same company May 2017  Managing Executive Officer of the same company Apr 2015  Adviser of the same company Apr 2012  Adviser of the same company Apr 2010  Adviser of the same company Apr 2008  Executive Officer and in charge of Financial Strategy and Business Planning of the same company Apr 2005  Executive Officer of the same company

6. SATO Rieko
Chairwoman of the Nomination Committee

7. SEKI Tadayuki
Chairman of the Remuneration Committee

8. KOIDE Hiroko
Chairwoman of the Ethics Committee

9. KAYAMA Eiichi
Chairman of the Ethics Committee

10. YOSHIMOTO Tatsuya
Chairman of the Remuneration Committee

11. WAKABAYASHI Hayato
Chairman of the Nomination Committee
Reasons for appointment of Outside Directors

YAGO Natsunosuke

YAGO Natsunosuke has a wide range of financial and accounting knowledge based on his many years as a security company analyst and working in the investment banking business. He also has a high level of expertise in corporate governance and financial management, having served as chairman of several companies in the financial and manufacturing sectors. As an auditor and an audit supervisor, he has participated in international financial reporting standards and audit systems. Moreover, his role as a member of the Audit Committee at the Company has contributed to strengthening the audit function by auditing the execution of duties by the Directors and Executive Officers of the Company. With his expertise in corporate governance and financial management, he is qualified to provide valuable advice and oversight particularly in terms of the clarification of the path to achieving corporate value and achieving profit targets. As a member of the Remuneration Committee, he has contributed to improving the effectiveness of the Board of Directors by actively and accurately providing advice and oversight in terms of the clarification of the path to achieving corporate value and achieving profit targets. His track record and abundant experience are highly regarded for his contribution to improving the effectiveness of the Board of Directors and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him.

HAKODA Junya

HAKODA Junya has a wide range of financial and accounting knowledge based on his many years in auditing, management consulting, and internal audits of auditing firms, as well as in various positions at Keio University. He has contributed to improving the effectiveness of the Board of Directors by actively and accurately providing advice and oversight in terms of the clarification of the path to achieving corporate value and achieving profit targets. In light of his track record and abundant experience, he is qualified to provide valuable advice and oversight particularly in terms of the clarification of the path to achieving corporate value and achieving profit targets. As a member of the Audit Committee, he has contributed to improving the effectiveness of the Board of Directors by actively and accurately providing advice and oversight in terms of the clarification of the path to achieving corporate value and achieving profit targets. His track record and abundant experience are highly regarded for his contribution to improving the effectiveness of the Board of Directors and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him.

SATO Rieko

SATO Rieko has extensive experience in an outside director and corporate auditor of office companies in addition to his role as an attorney specializing mainly in corporate law, where she has handled numerous cases with high-level expertise. She has also contributed to improving the effectiveness of the Board of Directors by actively and accurately providing advice and oversight in terms of the clarification of the path to achieving corporate value and achieving profit targets. In light of his track record and abundant experience, she is qualified to provide valuable advice and oversight particularly in terms of the clarification of the path to achieving corporate value and achieving profit targets. As a member of the Audit Committee, she has contributed to improving the effectiveness of the Board of Directors by actively and accurately providing advice and oversight in terms of the clarification of the path to achieving corporate value and achieving profit targets. Her track record and abundant experience are highly regarded for her contribution to improving the effectiveness of the Board of Directors and has accordingly appointed her as an Outside Director. The Company has no interest in or relationship with her.

KOIDE Hiroko

KOIDE Hiroko is a professor and an eminent professor teaching internal audit theory at Waseda University and therefore has abundant experience and high-level expertise in corporate auditing. He has also contributed to improving the effectiveness of the Board of Directors by actively and accurately providing advice and oversight in terms of the clarification of the path to achieving corporate value and achieving profit targets. In light of his track record and abundant experience, he is qualified to provide valuable advice and oversight particularly in terms of the clarification of the path to achieving corporate value and achieving profit targets. As a member of the Audit Committee, he has contributed to improving the effectiveness of the Board of Directors by actively and accurately providing advice and oversight in terms of the clarification of the path to achieving corporate value and achieving profit targets. His track record and abundant experience are highly regarded for his contribution to improving the effectiveness of the Board of Directors and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him.

CATAYAMA Eiichi

CATAYAMA Eiichi has a broad range of financial and accounting knowledge based on his many years of experience as a security company analyst and working in the investment banking business. As the manager of some companies at a general trading company, he has handled strong leadership and excellent financial management, structured financial and other investments. As CEO, he has been responsible for the management of financial and accounting knowledge. He has also contributed to improving the effectiveness of the Board of Directors by actively and accurately providing advice and oversight in terms of the clarification of the path to achieving corporate value and achieving profit targets. In light of his track record and abundant experience, he is qualified to provide valuable advice and oversight particularly in terms of the clarification of the path to achieving corporate value and achieving profit targets. As a member of the Audit Committee, he has contributed to improving the effectiveness of the Board of Directors by actively and accurately providing advice and oversight in terms of the clarification of the path to achieving corporate value and achieving profit targets. His track record and abundant experience are highly regarded for his contribution to improving the effectiveness of the Board of Directors and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him.

Executive Officers

YOSHIKUMO Tatsuya

YOSHIKUMO Tatsuya is a member of the Audit Committee of J. Front Retailing (as of May 25, 2023)
Data
Financial Information

At a Glance

Revenue

Operating Profit

### Department Store Business
Operates 15 department stores under the names of Daimaru and Matsuzakaya in major cities throughout Japan and a luxury mall GINZA SIX

### SC Business
Operates 17 PARCO shopping centers in major cities throughout Japan. Also operates the entertainment business that produces movies, theaters, etc.

### Payment and Finance Business
Issues Daimaru Matsuzakaya Card, Daimaru Matsuzakaya Otokuisama Gold Card, etc. Recently, also handles financial products such as insurance.

### Developer Business
Includes the development of leasehold properties and the building and interior work business. Large-scale development projects are in progress in the Sakae area in Nagoya and the Shinsaibashi area in Osaka.

### Other
Composed of a wholesaler Daimaru Kogyo and the Group’s shared service companies.

#### Changes in reportable segments
In March 2021, the Company partially changed its reportable segments. In the above graphs, figures for fiscal 2020 were retroactively adjusted to include the merger of Daimaru Matsuzakaya Sales Associates.

#### Operator Profit Trends and Forecasts by Segment

- **Department Store Business**
  - 2022: ¥19.0 billion
  - 2023 (FY) Forecast: ¥21.500 billion

- **SC Business**
  - 2022: ¥3,520 million
  - 2023 (FY) Forecast: ¥3,485 million

- **Developer Business**
  - 2022: ¥4,711 million
  - 2023 (FY) Forecast: ¥6,610 million

#### Revenue

- **Department Store Business**
  - FY2022: ¥359.6 billion (Gross sales ¥998.7 billion)

- **Payment and Finance Business**
  - FY2022: ¥421 million

- **Developer Business**
  - FY2022: ¥1,981 million

#### Forecast

- **Department Store Business**
  - 2023 (FY) Forecast: ¥21,500 million

- **SC Business**
  - 2023 (FY) Forecast: ¥3,485 million

- **Developer Business**
  - 2023 (FY) Forecast: ¥6,610 million

#### Operating Profit

- **Department Store Business**
  - FY2022: ¥19.0 billion

- **Payment and Finance Business**
  - FY2022: ¥1,970 million

- **Developer Business**
  - FY2022: ¥1,981 million

#### Number of Employees

- **Department Store Business**
  - FY2022: 7,258 employees

- **SC Business**
  - FY2022: 606 employees

- **Payment and Finance Business**
  - FY2022: 2,055 employees

- **Developer Business**
  - FY2022: 1,229 employees

- **Other**
  - FY2022: 745 employees

#### Other

- **Payment and Finance Business**
  - Issues Daimaru MATSUZAKAYA Card, Daimaru MATSUZAKAYA Otokuisama Gold Card, etc. Recently, also handles financial products such as insurance.

- **Developer Business**
  - Includes the development of leasehold properties and the building and interior work business. Large-scale development projects are in progress in the Sakae area in Nagoya and the Shinsaibashi area in Osaka.

- **Holding company**
  - 167 employees

*Total number of regular employees, dedicated employees, and fixed-term employees as of February 28, 2023.

*Operating profit in Other includes adjustments.

---

Changes in reportable segments

In March 2021, the Company partially changed its reportable segments. In the above graphs, figures for fiscal 2020 were retroactively adjusted to include the merger of Daimaru Matsuzakaya Sales Associates.

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

---

*Operating profit in Other includes adjustments.

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*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.

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Values and Vision
- Value Creation
- Management Strategy
- Sustainability
- Governance

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Financial/Non-financial Highlights

### ROE

<table>
<thead>
<tr>
<th>Year</th>
<th>ROE (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>6.8</td>
</tr>
<tr>
<td>2019</td>
<td>6.4</td>
</tr>
<tr>
<td>2020</td>
<td>7.1</td>
</tr>
<tr>
<td>2021</td>
<td>4.0</td>
</tr>
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<td>2022</td>
<td></td>
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### EPS

<table>
<thead>
<tr>
<th>Year</th>
<th>EPS (Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>104,15</td>
</tr>
<tr>
<td>2019</td>
<td>81,19</td>
</tr>
<tr>
<td>2020</td>
<td>16,50</td>
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<tr>
<td>2021</td>
<td>54,32</td>
</tr>
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<td>2022</td>
<td></td>
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</tbody>
</table>

### Interest-bearing liabilities and D/E ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Interest-bearing liabilities (Mms)</th>
<th>D/E ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>174,378</td>
<td>1.24</td>
</tr>
<tr>
<td>2019</td>
<td>478,773</td>
<td>1.88</td>
</tr>
<tr>
<td>2020</td>
<td>562,815</td>
<td>1.48</td>
</tr>
<tr>
<td>2021</td>
<td>602,109</td>
<td>1.15</td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td></td>
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</table>

### Capital expenditures/Depreciation

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital expenditures (Mms)</th>
<th>Depreciation (Mms)</th>
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<tbody>
<tr>
<td>2018</td>
<td>59,873</td>
<td>13,907</td>
</tr>
<tr>
<td>2019</td>
<td>66,916</td>
<td>10,935</td>
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<tr>
<td>2020</td>
<td>50,933</td>
<td>81,083</td>
</tr>
<tr>
<td>2021</td>
<td>49,028</td>
<td>23,415</td>
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<tr>
<td>2022</td>
<td></td>
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</table>

### Consolidated number of employees

<table>
<thead>
<tr>
<th>Year</th>
<th>(People)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>10,276</td>
</tr>
<tr>
<td>2019</td>
<td>9,844</td>
</tr>
<tr>
<td>2020</td>
<td>8,836</td>
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<tr>
<td>2021</td>
<td>8,148</td>
</tr>
<tr>
<td>2022</td>
<td>7,258</td>
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</tbody>
</table>

### Year-end number of stocks of cross-shareholdings

<table>
<thead>
<tr>
<th>Year</th>
<th>(No of stocks)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>41</td>
</tr>
<tr>
<td>2019</td>
<td>26</td>
</tr>
<tr>
<td>2020</td>
<td>23</td>
</tr>
<tr>
<td>2021</td>
<td>21</td>
</tr>
<tr>
<td>2022</td>
<td>14</td>
</tr>
</tbody>
</table>

### Values and Vision

- **Value Creation**
- **Management Strategy**
- **Sustainability**
- **Governance**

### Data

#### Financial Information

- The Company has adopted 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, interest-bearing liabilities, etc.
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## Financial Information

### 10-Year Data (Financial/Non-financial)

<table>
<thead>
<tr>
<th>Year</th>
<th>JGAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Profit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,146,319</td>
<td>1,145,299</td>
</tr>
<tr>
<td><strong>Gross Profit (as % of sales)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>244,130</td>
<td>243,663</td>
</tr>
<tr>
<td><strong>Net Profit</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>190,205</td>
<td>201,572</td>
</tr>
<tr>
<td><strong>Net Profit (as % of sales)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>41,829</td>
<td>43,091</td>
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<tr>
<td><strong>Net Profit / Profit (as % of profit)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>31,368</td>
<td>19,918</td>
</tr>
<tr>
<td><strong>Business profit by segment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department Store Business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SC Business</td>
<td></td>
<td></td>
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<tr>
<td>Other Business</td>
<td></td>
<td></td>
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<tr>
<td>Adjustments</td>
<td></td>
<td></td>
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<tr>
<td><strong>Non-operating profit / loss</strong></td>
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<td></td>
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<tr>
<td></td>
<td>24,592</td>
<td>26,453</td>
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### 10-Year Data (Financial/Non-financial)

<table>
<thead>
<tr>
<th>Year</th>
<th>JGAAP</th>
<th>IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit (loss)</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net profit (as % of sales)</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating profit (loss) / Profit (loss) attributable to owners of parent</strong></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Return on invested capital (ROIC)</strong></td>
<td></td>
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<td></td>
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<tr>
<td><strong>Return on total assets (ROA)</strong></td>
<td></td>
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<tr>
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<td></td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Gross sales</strong></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
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<tr>
<td></td>
<td><strong>Boundary</strong></td>
<td><strong>Unit</strong></td>
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</tr>
<tr>
<td>Number of employees</td>
<td>Consolidated</td>
<td>People</td>
</tr>
<tr>
<td>Regular employees</td>
<td>Daimaru Matsuzakaya Department Stores</td>
<td>People</td>
</tr>
<tr>
<td>Foreign employees</td>
<td>Daimaru Matsuzakaya Department Stores</td>
<td>People</td>
</tr>
<tr>
<td>Turnover rate of retired employees</td>
<td>Consolidated</td>
<td>%</td>
</tr>
<tr>
<td>Boundaries for the years up to FY2020 are Daimaru Matsuzakaya Department Stores.</td>
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<td>Boundaries for the years up to FY2020 are Daimaru Matsuzakaya Department Stores.</td>
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</tbody>
</table>
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 geographic and cultural conditions in Ukraine, rapid foreign fluctuations, and inflation. As for corporate earnings, as social and economic activities move toward improvement in the service industry and other industries with recovery in demand following the COVID-19 pandemic, however, recovery has succeeded amid a slowdown in the overseas economy, surging resource prices, and stalled production activities due to materials supply shortfalls.

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 (fiscal 2021 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 crisis and positioned the period as one of pivoting 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 8.6% 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 103.2% 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 16,783 million yen (up 172.6% year on year), and profit attributable to owners of parent was 14,237 million yen (up 229.4% year on year), demonstrating a large increase in profit.

### Financial Position and Operating Results (fiscal 2022)

#### Overview of operating results

In fiscal 2022, the Company reported a profit before tax of 16,873 million yen (up 103.2% year on year), as a result of improvement in revenue and increased profitability. However, the profit attributable to owners of parent was 14,237 million yen (up 229.4% 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 corporate group’s real estate assets and 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 presence. Specifically, in addition to Nishi-3 chome Development (tentative name) in the Sakaesaka area in Nagoia slated for completion and opening in 2026 and the Shinshibashi Project (tentative name) in the Shinshibashi 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 Tenjin area in Fukuoka.

Additionally, we pursued 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 suitable for the business, and carrying out risk management.

As a result of various measures including those mentioned above, revenue was 54,670 million yen (up 8.0% year on year) due to increases in interior and facilities work inside and outside the Group, in addition to 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 a gain on sale of fixed assets recorded in the previous fiscal year.

#### <Financial 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 facilities.

In the finance 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 12,889 million yen (up 16.8% year on year), and operating profit was 3,485 million yen (up 76.9% year on year).

#### <Other>

Daimaru Kogyo, Ltd., which is engaged in the wholesale of business, enjoyed increased revenue and profit due mainly to a recovery in orders in the automotive component division, but due to the 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 895 million yen (down 25.0% year on year).
### Consolidated Statement of Financial Position

J. Front Retailing Co., Ltd. and its consolidated subsidiaries  
As of February 28, 2021, February 28, 2022, and February 28, 2023

<table>
<thead>
<tr>
<th>(Millions of yen)</th>
<th>FY2020</th>
<th>FY2021</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>128,925</td>
<td>93,278</td>
<td>39,874</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>113,414</td>
<td>112,262</td>
<td>129,121</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>5,841</td>
<td>11,929</td>
<td>10,836</td>
</tr>
<tr>
<td>Inventories</td>
<td>20,684</td>
<td>12,459</td>
<td>16,932</td>
</tr>
<tr>
<td>Other current assets</td>
<td>4,739</td>
<td>4,954</td>
<td>5,094</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>273,605</td>
<td>234,884</td>
<td>201,860</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>493,644</td>
<td>480,390</td>
<td>469,401</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>157,819</td>
<td>140,470</td>
<td>119,901</td>
</tr>
<tr>
<td>Goodwill</td>
<td>523</td>
<td>523</td>
<td>995</td>
</tr>
<tr>
<td>Investment property</td>
<td>188,879</td>
<td>189,688</td>
<td>181,247</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>5,752</td>
<td>7,289</td>
<td>7,797</td>
</tr>
<tr>
<td>Investments accounted for using equity method</td>
<td>37,815</td>
<td>38,761</td>
<td>41,402</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>86,870</td>
<td>79,977</td>
<td>79,711</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>6,791</td>
<td>8,209</td>
<td>3,137</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>12,061</td>
<td>12,721</td>
<td>9,897</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>940,116</td>
<td>958,022</td>
<td>939,092</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1,263,722</td>
<td>1,120,953</td>
<td>1,120,953</td>
</tr>
</tbody>
</table>

| **Liabilities and equity** |        |        |        |
| Current liabilities |        |        |        |
| Bonds and borrowings | 145,151 | 106,152 | 63,330 |
| Trade and other payables | 121,937 | 115,107 | 133,835 |
| Lease liabilities | 29,799 | 28,554 | 28,411 |
| Other financial liabilities | 30,211 | 29,915 | 29,797 |
| Income taxes payable | 1,957 | 4,485 | 1,927 |
| Provisions | 914 | 954 | 2,397 |
| Other current liabilities | 59,953 | 59,243 | 58,276 |
| **Total current liabilities** | 389,926 | 347,413 | 317,953 |
| Non-current liabilities |        |        |        |
| Bonds and borrowings | 214,779 | 209,562 | 185,993 |
| Lease liabilities | 173,085 | 155,839 | 136,914 |
| Other financial liabilities | 39,237 | 36,741 | 35,290 |
| Retirement benefit liability | 19,781 | 19,416 | 16,754 |
| Provisions | 10,534 | 9,553 | 8,669 |
| Deferred tax liabilities | 51,301 | 51,697 | 48,366 |
| Other non-current liabilities | 731 | 963 | 469 |
| **Total non-current liabilities** | 599,451 | 485,379 | 431,588 |
| **Total liabilities** | 989,378 | 832,941 | 749,542 |
| **Total liabilities and equity** | 1,263,722 | 1,120,953 | 1,120,953 |

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

J. Front Retailing Co., Ltd. and its consolidated subsidiaries  
Consolidated fiscal years ended February 28, 2020, and February 28, 2021

<table>
<thead>
<tr>
<th>(Millions of yen)</th>
<th>FY2021</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>3,318,44</td>
<td>3,590,91</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(183,642)</td>
<td>(190,142)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>1,474,842</td>
<td>1,699,336</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>(136,123)</td>
<td>(144,682)</td>
</tr>
<tr>
<td>Other operating income</td>
<td>11,068</td>
<td>4,540</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(13,406)</td>
<td>(10,336)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>9,380</td>
<td>19,059</td>
</tr>
<tr>
<td>Finance income</td>
<td>1,335</td>
<td>871</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(5,890)</td>
<td>(5,218)</td>
</tr>
<tr>
<td>Share of profit (loss) of investments accounted for using equity method</td>
<td>1,364</td>
<td>2,161</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>6,180</td>
<td>16,873</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>(2,225)</td>
<td>(2,611)</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td>3,964</td>
<td>14,262</td>
</tr>
</tbody>
</table>

**Profit (loss) attributable to:**

- Owners of parent | 4,321 | 14,237 |
- Non-controlling interests | (394) | 25 |

**Profit** | 3,964 | 14,262 |

**Earnings per share**

- Basic earnings per share (Yen) | 16.50 | 54.32 |
- Diluted earnings per share (Yen) | 16.50 | 54.30 |

### Consolidated Statement of Comprehensive Income

**Profit** | 3,964 | 14,262 |

**Other comprehensive income**

- Items that will not be reclassified to profit or loss
  - Financial assets measured at fair value through other comprehensive income | (52) | 823 |
  - Remeasurements of defined benefit plans | 1,632 | 1,176 |
  - Share of other comprehensive income of investments accounted for using equity method | (7) | (7) |
  - Total of items that will not be reclassified to profit or loss | 1,718 | 1,992 |
  - Items that may be reclassified to profit or loss
  - Cash flow hedges | (13) | (1) |
  - Shares of other comprehensive income of investments accounted for using equity method | 151 | 144 |
  - Share of other comprehensive income of investments accounted for using equity method | 0 | 4 |
  - Total of items that may be reclassified to profit or loss | 144 | 147 |
  - Other comprehensive income, net of tax | 1,853 | 2,140 |
  - Comprehensive income | 5,818 | 16,402 |

**Comprehensive income attributable to:**

- Owners of parent | 6,173 | 16,384 |
- Non-controlling interests | (355) | 18 |
- Comprehensive income | 5,818 | 16,402 |
## Consolidated Statement of Changes in Equity

J. Front Retailing Co., Ltd. and its consolidated subsidiaries
Consolidated fiscal years ended February 28, 2022 and February 28, 2023

### (Millions of yen)

<table>
<thead>
<tr>
<th>Equity attributable to owners of parent</th>
<th>Share capital</th>
<th>Capital reserves</th>
<th>Treasury shares</th>
<th>Exchange differences on translation of financial operations</th>
<th>Cash flow</th>
<th>Financial assets/ (liabilities) revalued at fair value through other comprehensive income</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance at March 1, 2021</strong></td>
<td>31,974</td>
<td>188,582</td>
<td>(14,830)</td>
<td>189</td>
<td>11</td>
<td>9,656</td>
<td></td>
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<tr>
<td>Profit (loss)</td>
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<tr>
<td>Other comprehensive income</td>
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<tr>
<td>Total comprehensive income</td>
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<tr>
<td>Purchase of treasury shares</td>
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<tr>
<td>Disposal of treasury shares</td>
<td>(0)</td>
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<tr>
<td>Dividends</td>
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<tr>
<td>Share-based payment transactions</td>
<td>351</td>
<td>81</td>
<td></td>
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</tr>
<tr>
<td>Total transactions with owners</td>
<td>351</td>
<td>49</td>
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<td></td>
<td></td>
<td>109</td>
<td></td>
</tr>
<tr>
<td><strong>Balance at February 28, 2022</strong></td>
<td>31,974</td>
<td>188,582</td>
<td>(14,830)</td>
<td>189</td>
<td>11</td>
<td>9,656</td>
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<tr>
<td>Profit (loss)</td>
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<tr>
<td>Other comprehensive income</td>
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<tr>
<td>Total comprehensive income</td>
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<td></td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury shares</td>
<td>(0)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share-based payment transactions</td>
<td>175</td>
<td>322</td>
<td></td>
<td></td>
<td></td>
<td>109</td>
<td></td>
</tr>
<tr>
<td>Total transactions with owners</td>
<td>175</td>
<td>322</td>
<td></td>
<td></td>
<td></td>
<td>109</td>
<td></td>
</tr>
<tr>
<td><strong>Balance at February 28, 2023</strong></td>
<td>31,974</td>
<td>189,068</td>
<td>(14,466)</td>
<td>209</td>
<td>12</td>
<td>10,448</td>
<td></td>
</tr>
</tbody>
</table>

## Consolidated Statement of Cash Flows

J. Front Retailing Co., Ltd. and its consolidated subsidiaries
Consolidated fiscal years ended February 28, 2022 and February 28, 2023

### (Millions of yen)

<table>
<thead>
<tr>
<th>Cash flows from operating activities</th>
<th>FY2021</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>6,190</td>
<td>16,873</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>49,629</td>
<td>49,107</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>1,136</td>
<td>5,900</td>
</tr>
<tr>
<td>Finance income</td>
<td>(2,335)</td>
<td>(871)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>5,890</td>
<td>5,218</td>
</tr>
<tr>
<td>Loss (gain) on sale of fixed assets</td>
<td>(2,666)</td>
<td>(711)</td>
</tr>
<tr>
<td>Loss on disposal of fixed assets</td>
<td>1,726</td>
<td>2,102</td>
</tr>
<tr>
<td>Gain on sale of shares of subsidiaries</td>
<td>(2,951)</td>
<td></td>
</tr>
<tr>
<td>Loss on sale of shares of subsidiaries</td>
<td>1,818</td>
<td></td>
</tr>
<tr>
<td>Decrease (increase) in inventories</td>
<td>5,904</td>
<td>(2,185)</td>
</tr>
<tr>
<td>Increase (decrease) in trade and other receivables</td>
<td>(936)</td>
<td>(16,998)</td>
</tr>
<tr>
<td>Increase (decrease) in trade and other payables</td>
<td>(4,159)</td>
<td>17,099</td>
</tr>
<tr>
<td>Increase (decrease) in retirement benefit liability</td>
<td>(365)</td>
<td>(2,661)</td>
</tr>
<tr>
<td>Decrease (increase) in retirement benefit asset</td>
<td>(407)</td>
<td>3,360</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities</strong></td>
<td>45,866</td>
<td>65,480</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from investing activities</th>
<th>FY2021</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of property, plant and equipment</td>
<td>(5,820)</td>
<td>(8,641)</td>
</tr>
<tr>
<td>Proceeds from sales of property, plant and equipment</td>
<td>492</td>
<td>190</td>
</tr>
<tr>
<td>Purchases of investment property</td>
<td>(2,601)</td>
<td>(3,043)</td>
</tr>
<tr>
<td>Proceeds from sales of investment property</td>
<td>2,887</td>
<td>1,999</td>
</tr>
<tr>
<td>Purchases of investment securities</td>
<td>(2,760)</td>
<td>(1,946)</td>
</tr>
<tr>
<td>Proceeds from sale of investment securities</td>
<td>2,503</td>
<td>2,072</td>
</tr>
<tr>
<td>Proceeds from change in scope of consolidation</td>
<td>(207)</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities</strong></td>
<td>(5,820)</td>
<td>3,360</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash flows from financing activities</th>
<th>FY2021</th>
<th>FY2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase (decrease) in short-term borrowings</td>
<td>(24,000)</td>
<td></td>
</tr>
<tr>
<td>Net decrease (increase) in commercial paper</td>
<td>(54,998)</td>
<td>(15,002)</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities</strong></td>
<td>(80,392)</td>
<td>(105,694)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net cash provided by (used in) investing activities</th>
<th>(5,820)</th>
<th>3,360</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from financing activities</td>
<td>(80,392)</td>
<td>(105,694)</td>
</tr>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>(30,915)</td>
<td>(53,085)</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of period</td>
<td>126,925</td>
<td>93,278</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>168</td>
<td>181</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>93,278</td>
<td>93,974</td>
</tr>
</tbody>
</table>
**Group Companies (as of June 30, 2023)**

**Department Store Business**

**Daimaru Matsuzakaya Department Stores Co., Ltd.**
Location: 10-13, Kiko 2-chome, Kita-ku, Tokyo 115-0002
Capital: ¥10,000 million Investment ratio: 100%
http://www.daimaru-matsuzakaya.com

- **Daimaru Osaka Shinsaibashi Store**
  - Location: 7F, Shinsaibashi 3-chome, Chuo-ku, Osaka 540-8101
  - Phone: +81-6-6938-2000

- **Daimaru Tokyo Store**
  - Location: 1F, Shimbashi 1-chome, Chuo-ku, Tokyo 104-0045
  - Phone: +81-3-3401-0011

- **Daimaru Okura Store**
  - Location: 10F, Okura Place, 5-1, Shirokane Takanawa, Minato-ku, Tokyo 108-0072
  - Phone: +81-3-6444-0011

- **Daimaru Kobe Store**
  - Location: 6F, Marunouchi Nihonbashi Bldg., 2-8, Nihonbashi 2-chome, Chuo-ku, Tokyo 103-0027
  - Phone: +81-3-3212-8011

- **Daimaru Shimonoseki Store**
  - Location: 1F, Shimonoseki, Yamaguchi 743-0003
  - Phone: +81-857-34-2111

- **Daimaru Ashiya Store**
  - Location: 3-1, Asahi 1-chome, Ashiya City, Hyogo 659-0002
  - Phone: +81-79-211-8111

- **Daimaru Osaka Umeda Store**
  - Location: 3F, Umeda Building, 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
  - Phone: +81-3-3401-0011

- **Daimaru Osaka Kuromon Store**
  - Location: 2F, Matsuzakaya Park, 2-36, Sakae 5-chome, Naka-ku, Nagoya, Aichi 460-0002
  - Phone: +81-52-254-1111

- **Daimaru Shizuoka Store**
  - Location: 5F, Shizuoka City, Shizuoka 420-8003
  - Phone: +81-54-239-1111

- **Daimaru Osaka Toyosu Store**
  - Location: 7F, Shinsaibashi 4-chome, Chuo-ku, Osaka 540-8102
  - Phone: +81-6-432-1111

- **Parco Kenrokucho Store**
  - Location: 3-4, Kenrokucho 1-chome, Chuo-ku, Osaka 540-8102
  - Phone: +81-6-452-1111

- **Parco Shiotamacho Store**
  - Location: 5-1, Shiotamacho 1-chome, Chuo-ku, Osaka 540-8102
  - Phone: +81-6-432-1111

- **Parco (Singapore) Pte Ltd (Shopping center business)**
  - Capital: S$10 million Investment ratio: 100%

- **Parco Digital Marketing Co., Ltd. (Internet-related business)**
  - Capital: ¥10 million Investment ratio: 100%

**Payment and Finance Business**

**JFR Card Co., Ltd. (Payment and finance business)**
Location: 3-11, Kitora 1-chome, Osaka 550-8502
Capital: ¥100 million Investment ratio: 100%
http://www.jfr-card.co.jp/

**Other**

- **Daimaru Kogyo, Ltd. (Wholesale business)**
  - Location: 9-10, Kita 3-chome, Chuo-ku, Osaka 540-0002
  - Capital: ¥1,800 million Investment ratio: 100%

- **Daimaru Kogyo International Trading (Shanghai) Co., Ltd.**
  - (Wholesale business)
  - Location: 6F, Heng Song Bank Tower, 1030 Lujiang Pudong Rd., Pudong New Area, Shanghai, China
  - Capital: U.S.$52 million Investment ratio: 100%

- **Daimaru Kogyo (Thailand) Co., Ltd.**
  - (Wholesale business)
  - Location: Unit 101, 19F, Sathorn Square Office Building, 98 North Sathorn, Kwaeng Silom, Khet Bangrak, Bangkok 10500, Thailand
  - Capital: THB200 million Investment ratio: 100%

- **Consumer Product End-Use Research Institute Co., Ltd.**
  - (Merchandise test and quality control)
  - Location: 200-21, Silom Rd., Edithton Center Bldg., 1-11, Edithton 2-chome, Ratchathewi, Bangkok 10310, Thailand
  - Capital: ¥20 million Investment ratio: 100%

**Values and Vision**

**Parco Co., Ltd. (Shopping center business)**
Location: 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
Capital: ¥54,957 million Investment ratio: 100%

**Parco (Singapore) Pte Ltd (Shopping center business)**
Location: 10 Anson Road #09-05/06
Capital: S$105 million Investment ratio: 100%

**Developer Business**

**J. Front City Development Co., Ltd. (Developer business)**
Location: 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
Capital: ¥110 million Investment ratio: 100%

**Parco Space Systems Co., Ltd.**
(Space engineering and management business)
Location: 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
Capital: ¥100 million Investment ratio: 100%

**Parco Digital Marketing Co., Ltd.**
(Internet-related business)
Location: 8-16, Shinsen-cho, Shibuya-ku, Tokyo 150-0045
Capital: ¥10 million Investment ratio: 100%
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 15 Daimaru and Matsuzakaya stores and GINZA SIX.

The SC Business operates 17 PARCO shopping centers.

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.
Daimaru and Matsuzakaya Stores  (as of June 30, 2023)

Daimaru and Matsuzakaya Stores (as of June 30, 2023)

PARCO stores (as of June 30, 2023)

PARCO urban stores

PARCO community stores

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.
Huaihai Middle Building 13F Rm-15A1, 666 Fuzhou Rd, Shanghai 20001, China
Phone: +86-21-6248-1538
Share Information / Corporate Information (as of February 28, 2023)

Status of shares

- 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: 166,642

#### Name of shareholder
<table>
<thead>
<tr>
<th>Name of shareholder</th>
<th>Number of shares held (1,000 shares)</th>
<th>Shareholding ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td>
<td>46,039</td>
<td>17.42</td>
</tr>
<tr>
<td>Custody Bank of Japan, Ltd. (Trust Account)</td>
<td>20,798</td>
<td>7.87</td>
</tr>
<tr>
<td>Nippon Life Insurance Company</td>
<td>9,828</td>
<td>3.72</td>
</tr>
<tr>
<td>J Front Retailing Kyou Supplier Shareholding Association</td>
<td>6,462</td>
<td>2.45</td>
</tr>
<tr>
<td>The Dai-ichi Mutual Life Insurance Company</td>
<td>4,012</td>
<td>1.52</td>
</tr>
<tr>
<td>Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.</td>
<td>3,825</td>
<td>1.45</td>
</tr>
<tr>
<td>JP Morgan Securities Japan Co., Ltd.</td>
<td>3,565</td>
<td>1.35</td>
</tr>
<tr>
<td>SMBC Nikko Securities Inc.</td>
<td>3,387</td>
<td>1.28</td>
</tr>
<tr>
<td>SMBC TRUST BANK LTD. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)</td>
<td>3,204</td>
<td>1.21</td>
</tr>
<tr>
<td>Japan Securities Finance Co., Ltd.</td>
<td>3,124</td>
<td>1.18</td>
</tr>
</tbody>
</table>

*Shareholding ratio is calculated by deducting treasury stock (6,272,000 shares). The said treasury stock does not include the Company’s shares held by the officer remuneration BIP Trust.

#### Distribution by shareholder type

<table>
<thead>
<tr>
<th>Distribution type</th>
<th>Number of shareholders (People)</th>
<th>Number of shares (1,000 shares)</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government and local public entities</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Financial institutions</td>
<td>63</td>
<td>99,294</td>
<td>36.70</td>
</tr>
<tr>
<td>Financial instruments firms</td>
<td>44</td>
<td>17,754</td>
<td>6.56</td>
</tr>
<tr>
<td>Other companies</td>
<td>1,024</td>
<td>16,472</td>
<td>6.09</td>
</tr>
<tr>
<td>Foreign companies, etc.</td>
<td>534</td>
<td>51,658</td>
<td>19.09</td>
</tr>
<tr>
<td>Individuals and others</td>
<td>164,976</td>
<td>79,113</td>
<td>29.24</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>1</td>
<td>6,272</td>
<td>2.32</td>
</tr>
</tbody>
</table>

Corporate profile

- **Company name**: J. Front Retailing Co., Ltd.
- **Main store**: 10-1, Ginza 6-chome, Chuo-ku, Tokyo
- **Office**: Shinagawa Season Terrace, 2-70, Koinan 1-chome, Minato-ku, Tokyo (Relocated on August 29, 2022)
- **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)**: 5,115 (as of February 28, 2023)
- **Number of employees (consolidated)**: 5,115 (as of February 28, 2023)
- **Note**: In addition to the above, there are 2,143 dedicated employees and fixed-term employees.
- **URL**: https://www.j-front-retailing.com/english/