Annual Securities Report

(Report in accordance with Article 24, paragraph (1) of
the Financial Instruments and Exchange Act)

The 17th fiscal year (from March 1, 2023 to February 29, 2024)

J. FRONT RETAILING Co., Ltd.

E03516

The information contained in this Annual Securities Report is the same as the information in the Japanese original of the Annual Securities Report for the 17th fiscal year that was disclosed on May 29, 2024. However, the English translation of the report has not been audited by the Accounting Auditor.

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Document title	Annual Securities Report
Clause of stipulation	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	May 29, 2024
Fiscal year	The 17th fiscal year (from March 1, 2023 to February 29, 2024)
Company name	Ｊ.フロント リテイリング株式会社 *(J. FRONT RETAILING Kabushiki Kaisha)*
Company name in English	J. FRONT RETAILING Co., Ltd.
Job title and name of representative	ONO Keiichi, President and Representative Executive Officer
Address of registered headquarters	10-1, Ginza 6-chome, Chuo-ku, Tokyo
	(Above is the address registered as the location of the head office of the Company. Actual business operations are conducted at the following “Nearest place of contact.”)
Telephone number	+81-3-6865-7620 (from overseas)
Name of contact person	NOGUCHI Hideki, Executive Officer, Senior General Manager of Accounting and Tax Affairs Division of Financial Strategy Unit
Nearest place of contact	2-70, Konan 1-chome, Minato-ku, Tokyo
Telephone number	+81-3-6865-7620 (from overseas)
Name of contact person	NOGUCHI Hideki, Executive Officer, Senior General Manager of Accounting and Tax Affairs Division of Financial Strategy Unit
Place for public inspection	Tokyo Stock Exchange, Inc.
	(2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo)
	Nagoya Stock Exchange, Inc.
	(8-20, Sakae 3-chome, Naka-ku, Nagoya)

A. Company Information

I. Overview of the Company

1. Summary of business results

(1) Business results of the Group

Term	13th fiscal year	14th fiscal year	15th fiscal year	16th fiscal year	17th fiscal year
Fiscal year-end	February 2020	February 2021	February 2022	February 2023	February 2024
Revenue (Millions of yen)	480,621	319,079	331,484	359,679	407,006
Profit (loss) before tax (Millions of yen)	37,161	(28,672)	6,190	16,873	41,343
Profit (loss) attributable to owners of parent (Millions of yen)	21,251	(26,193)	4,321	14,237	29,913
Comprehensive income attributable to owners of parent (Millions of yen)	19,259	(27,296)	6,173	16,384	30,561
Equity attributable to owners of parent (Millions of yen)	387,188	352,171	350,368	359,385	381,898
Total assets (Millions of yen)	1,240,308	1,263,722	1,192,907	1,120,953	1,114,726
Equity attributable to owners of parent per share (Yen)	1,479.07	1,344.91	1,337.29	1,370.43	1,453.71
Basic earnings (loss) per share (Yen)	81.19	(100.03)	16.50	54.32	114.06
Diluted earnings (loss) per share (Yen)	81.17	(100.03)	16.50	54.30	114.06
Ratio of equity attributable to owners of parent to total assets (%)	31.2	27.9	29.4	32.1	34.3
Profit/equity attributable to owners of parent (ROE) (%)	5.4	(7.1)	1.2	4.0	8.1
Price earnings ratio (PER) (Times)	14.13	–	58.29	23.27	13.02
Net cash provided by (used in) operating activities (Millions of yen)	73,358	56,471	49,866	65,480	90,692
Net cash provided by (used in) investing activities (Millions of yen)	(49,559)	(20,870)	(5,289)	(13,371)	13,429
Net cash provided by (used in) financing activities (Millions of yen)	(14,829)	58,727	(80,392)	(105,694)	(72,746)
Cash and cash equivalents at end of period (Millions of yen)	34,633	128,925	93,278	39,874	71,342
Number of employees (Persons)	6,579	6,528	5,589	5,115	5,277
[Separately, average number of temporary employees]	[3,265]	[3,107]	[2,559]	[2,143]	[2,092]

Notes:
1. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS).
2. Amounts have been rounded down to the nearest one million yen.
3. The Company has introduced the "officer remuneration BIP trust," and the Company shares held by the officer remuneration BIP trust are recorded as treasury stock in the consolidated financial statements. The Company shares held by the trust are included in treasury stock to be deducted in the calculation of the total number of shares outstanding at the end of the period for the purpose of calculating equity attributable to owners of parent per share and in the calculation of the average number of shares outstanding during the period for the purpose of calculating basic earnings or loss per share and diluted earnings or loss per share.
4. The average number of temporary employees includes dedicated employees and fixed-term employees.

5. Diluted profit or loss per share for the 14th and 17th fiscal years is equal to basic profit or loss per share because there are no potential shares that have dilutive effects.
6. The price earnings ratio (PER) for the 14th fiscal year is not presented because a loss attributable to owners of parent was recorded.

(2) Business results of the reporting company

Term	13th fiscal year	14th fiscal year	15th fiscal year	16th fiscal year	17th fiscal year
Fiscal year-end	February 2020	February 2021	February 2022	February 2023	February 2024
Operating revenue (Millions of yen)	34,116	13,812	15,482	15,238	16,512
Ordinary profit (Millions of yen)	28,163	8,849	9,505	8,284	8,741
Profit (Millions of yen)	27,948	7,487	14,253	8,448	17,251
Share capital (Millions of yen)	31,974	31,974	31,974	31,974	31,974
Total number of issued shares (Shares)	270,565,764	270,565,764	270,565,764	270,565,764	270,565,764
Net assets (Millions of yen)	328,871	329,351	335,241	336,121	345,175
Total assets (Millions of yen)	531,341	675,917	641,307	574,302	639,463
Net assets per share (Yen)	1,256.46	1,258.07	1,280.48	1,282.90	1,316.73
Dividends per share (Yen)	36.00	27.00	29.00	31.00	36.00
[Interim dividends per share]	[18.00]	[9.00]	[14.00]	[15.00]	[16.00]
Basic earnings per share (Yen)	106.80	28.60	54.44	32.25	65.82
Diluted earnings per share (Yen)	–	28.60	54.44	32.24	65.82
Equity ratio (%)	61.9	48.7	52.3	58.5	54.0
Return on equity (ROE) (%)	8.74	2.28	4.29	2.52	5.06
Price earnings ratio (PER) (Times)	10.74	35.56	17.67	39.19	22.57
Dividend payout ratio (%)	33.71	94.41	53.27	96.12	54.69
Number of employees (Persons)	147	133	138	151	185
[Separately, average number of temporary employees]	[17]	[17]	[16]	[16]	[16]
Total shareholder return (%)	95.9	87.6	85.5	112.5	133.4
[Benchmark index: Dividend-included TOPIX] (%)	[96.4]	[121.8]	[125.9]	[136.6]	[188.0]
Highest share price (Yen)	1,612	1,175	1,218	1,286	1,634.50
Lowest share price (Yen)	1,116	600	882	867	1,182.00

Notes:
1. Amounts have been rounded down to the nearest one million yen.
2. The highest and lowest share prices are those quoted on the First Section of the Tokyo Stock Exchange before April 3, 2022. After April 4, 2022, the figures are those on the Tokyo Stock Exchange Prime Market.

2. Company history

Apr. 9, 2007	The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd. resolve at their meetings of the Board of Directors to jointly establish a holding company through a share transfer, subject to the approval at their respective Annual Shareholders Meetings, and at the same time to prepare a “Share Transfer Plan” and conclude an “Agreement on Business Integration.” The details of the proposals regarding the share transfer to be submitted to the respective Annual Shareholders Meetings are resolved at the meetings of the Boards of Directors of both companies.
May 24, 2007	At the Annual Shareholders Meetings of both companies, it is resolved that the two companies would become the holding company’s wholly owned subsidiaries by way of joint share transfer.
Sept. 3, 2007	The two companies establish the Company by way of a share transfer.
	The Company’s common shares are listed on Tokyo Stock Exchange, Inc., Osaka Securities Exchange Co., Ltd., and Nagoya Stock Exchange, Inc.
Nov. 1, 2007	The Company merges with and absorbs Matsuzakaya Holdings Co., Ltd.
Sept. 1, 2008	Daimaru Design & Engineering Co., Ltd. merges with three other companies, Daimaru Mokko Co., Ltd., Matsuzakaya Seiko Co., Ltd., and Refex Japan, Inc., and changes the company name to J. Front Design & Construction Co., Ltd. Dimples’ Co., Ltd. merges with and absorbs Daimaru Sales Associates Co., Ltd.
Jan. 1, 2009	Matsuzakaya Co., Ltd. merges with and absorbs Yokohama Matsuzakaya Co., Ltd., which ceased its operations on October 26, 2008.
Mar. 1, 2009	Restaurant Peacock Co., Ltd. merges with and absorbs Shoei Foods Co., Ltd. and changes the company name to J. Front Foods Co., Ltd.
Dec. 1, 2009	JFR Service Co. Ltd. (renamed from Matsuzaka Services Co., Ltd. on September 1, 2009) merges with and absorbs Daimaru Lease & Service Co., Ltd.
Mar. 1, 2010	Matsuzakaya Co., Ltd. merges with and absorbs The Daimaru, Inc. and changes the company name to Daimaru Matsuzakaya Department Stores Co. Ltd.
	J. Front Design & Construction Co., Ltd. merges with and absorbs DHJ Co., Ltd.
Sept. 1, 2010	The Company establishes JFR Consulting Co. Ltd.
	The Daimaru Tomonokai, Inc. merges with and absorbs Matsuzakaya Tomonokai Co., Ltd. and changes the company name to Daimaru Matsuzakaya Tomonokai Co., Ltd.
Mar. 1, 2011	The Daimaru Home Shopping, Inc. takes over part of the direct marketing business split off from Daimaru Matsuzakaya Department Stores Co. Ltd. and changes the company name to JFR Online Co. Ltd.
Mar. 30, 2011	The Company acquires shares of StylingLife Holdings Inc. and makes it an associate accounted for using the equity method.
Jan. 4, 2012	Daimaru Kogyo, Ltd. establishes Daimaru Kogyo (Thailand) Co., Ltd.
Mar. 23, 2012	The Company acquires shares of PARCO Co., Ltd. and makes it an associate accounted for using the equity method.
Aug. 20, 2012	The Company establishes JFR PLAZA Inc.
Aug. 27, 2012	The Company acquires additional shares of PARCO Co., Ltd., making PARCO Co., Ltd. and its five subsidiaries consolidated subsidiaries of the Company, and also making two subsidiaries and one associate of PARCO Co., Ltd. associates accounted for using the equity method.
Sept. 3, 2012	The Company splits off the commissioned sales business operated by Dimples’ Co., Ltd., and Daimaru Matsuzakaya Sales Associates Co. Ltd., which established the said business, takes over the business.
	On the same day, Dimples’ Co., Ltd. transfers all of its shares in Daimaru Matsuzakaya Sales Associates Co. Ltd. to Daimaru Matsuzakaya Department Stores Co. Ltd., and Daimaru Matsuzakaya Sales Associates Co. Ltd. becomes a subsidiary of Daimaru Matsuzakaya Department Stores Co. Ltd.
Apr. 1, 2013	The Company transfers all shares in Peacock Store Ltd. to Aeon Co., Ltd.
Aug. 31, 2013	Liquidation of Imabari Daimaru Co., Ltd. is completed.
Dec. 20, 2013	The Company acquires shares of Forest Co., Ltd. and makes it a consolidated subsidiary.

Feb. 24, 2014	Liquidation of Central Park Building Co., Ltd. is completed.
Aug. 18, 2014	Liquidation of Parco Consulting (Suzhou) Co., Ltd. is completed.
Jan. 7, 2015	Daimaru Kogyo, Ltd. establishes Taiwan Daimaru Kogyo, Ltd.
Apr. 22, 2015	The Company acquires shares of Senshukai Co., Ltd.
May 7, 2015	The Company acquires additional shares of Senshukai Co., Ltd. and makes it an associate accounted for using the equity method.
Dec. 17, 2015	Daimaru Matsuzakaya Department Stores Co. Ltd. transfers all shares of Hakuseisha Co., Ltd. to AEON DELIGHT CO., LTD.
Sept. 1, 2016	Daimaru Matsuzakaya Department Stores Co. Ltd. merges with and absorbs Daimaru COM Development Inc.
	JFR Service Co. Ltd. merges with and absorbs JFR Office Support Co., Ltd. and JFR Consulting Co. Ltd.
Mar. 1, 2017	JFR Online Co. Ltd. transfers all its business operations to Feel Life Inc., a wholly owned subsidiary of Senshukai Co., Ltd.
Aug. 31, 2017	The Company transfers all shares of Forest Co., Ltd. to EDION Corporation.
Dec. 31, 2017	Liquidation of JFR PLAZA Inc. is completed.
Feb. 26, 2018	Senshukai Co., Ltd. is excluded from the scope of associates accounted for using the equity method due to the Company's agreement upon the purchase of treasury shares by Senshukai Co., Ltd.
Jul. 2, 2019	Liquidation of JFR Online Co. Ltd. is completed.
Dec. 9, 2019	Daimaru Matsuzakaya Department Store Co., Ltd. acquires a part of the preferred shares of Ginza 6-chome Kaihatsu Tokutei Mokuteki Kaisha (G6TMK) through Ginza 6-chome Shogyo Godo Kaisha, and the Company makes G6TMK an associate accounted for using the equity method.
Mar. 1, 2020	Daimaru Matsuzakaya Department Stores Co. Ltd. merges with and absorbs The Shimonoseki Daimaru, Inc.
Feb. 26, 2021	The Company transfers all shares in J. Front Foods Co., Ltd. to Dancin' Diner co., ltd.
June 30, 2021	PARCO Co., Ltd. transfers all shares of NEUVE A Co., Ltd. to Libra Invesco Co., Ltd.
Sept. 1, 2021	Daimaru Matsuzakaya Department Stores Co. Ltd. merges with and absorbs Daimaru Matsuzakaya Sales Associates Co. Ltd.
Feb. 28, 2022	The Company removes Dimples' Co., Ltd. from the scope of consolidation upon transfer of 90% of its shares to WORLD HOLDINGS CO., LTD.
Apr. 4, 2022	Due to the revision of the market classification of the Tokyo Stock Exchange, the Company moves from the First Section of the Tokyo Stock Exchange to the Prime Market.
Oct. 27, 2022	The Company acquires all shares of JAPAN RETAIL ADVISORS Co., Ltd. from PARCO Co., Ltd. and changes its trade name to J. FRONT CITY DEVELOPMENT Co., Ltd.
Dec. 1, 2022	The Company acquires shares of XENOZ CO., Ltd. and makes it a consolidated subsidiary.
Jan. 5, 2023	PARCO Co., Ltd. acquires a part of the preferred shares of Shinsaibashi Kaihatsu Tokutei Mokuteki Kaisha (Shinsaibashi TMK), and the Company makes Shinsaibashi TMK an associate accounted for using the equity method.
Sept. 27, 2023	The Company excludes StylingLife Holdings Inc. from the scope of associates accounted for using the equity method by agreeing to the purchase of treasury shares by StylingLife Holdings Inc., which transferred those shares to SLH Partners Limited Liability Investment Partnership.
Nov. 14, 2023	Liquidation of Taiwan Daimaru Kogyo, Ltd. is completed.

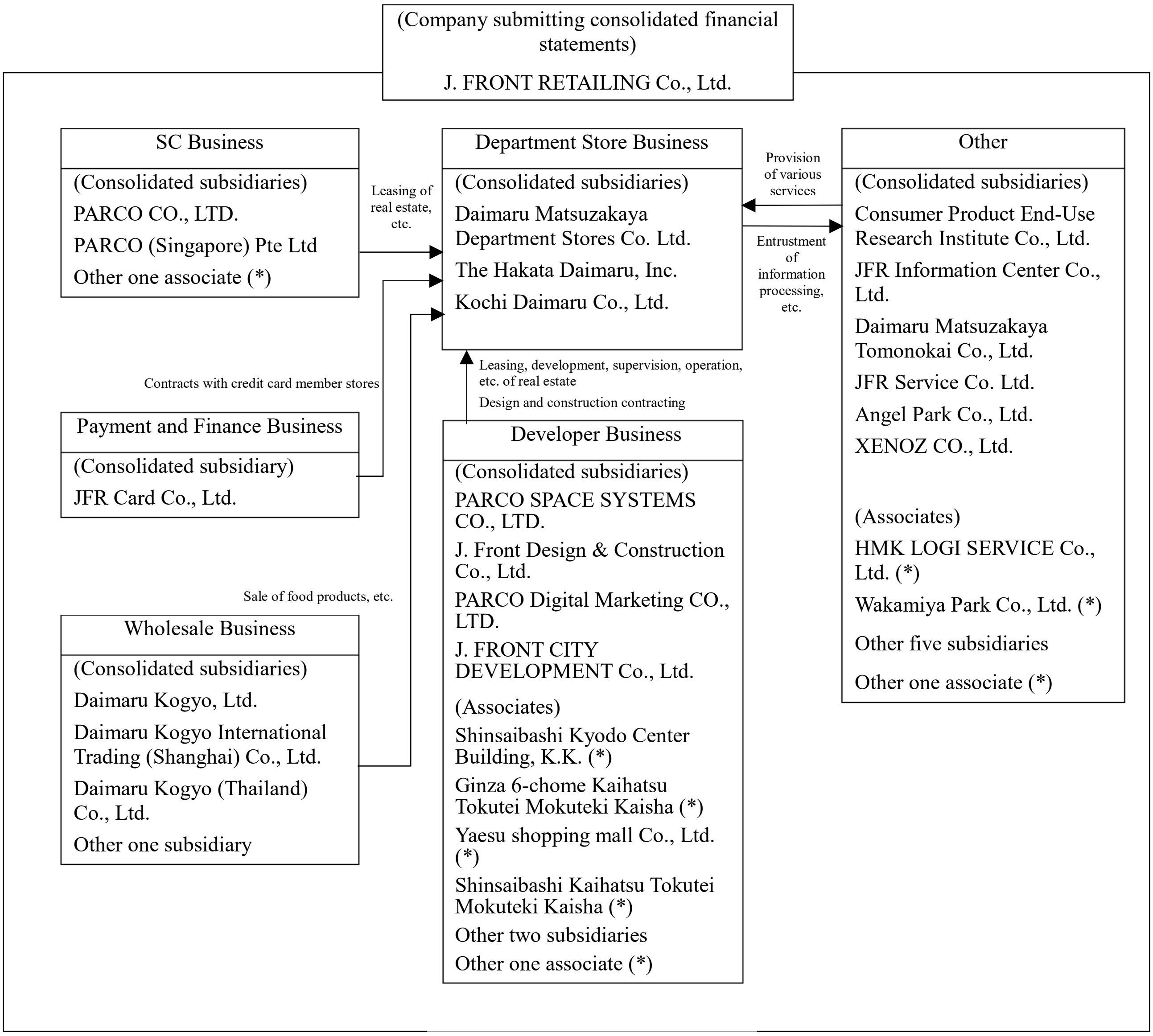
3. Description of business

The corporate group, of which the Company is the holding company, consists of 37 companies (including the Company). Its principal business is the Department Store Business, and its other businesses include the Shopping Center (SC) Business, the Developer Business, the Payment and Finance Business, wholesaling, commissioned back-office service, parking, leasing, etc.

The Company is a specified listed company. As a result of falling under the category of specified listed company, the criteria for insignificant material events under the insider trading regulations will be determined based on consolidated figures.

Description of business, etc.	Names of major Group companies	Number of companies
Department Store Business	Daimaru Matsuzakaya Department Stores Co. Ltd., The Hakata Daimaru, Inc., and Kochi Daimaru Co., Ltd.	Consolidated subsidiaries: 3
SC Business	PARCO Co., Ltd. and PARCO (SINGAPORE) PTE LTD	Consolidated subsidiaries: 2 Associates: 1
Developer Business	PARCO SPACE SYSTEMS Co., Ltd., J. Front Design & Construction Co., Ltd., PARCO Digital Marketing Co., Ltd., and J. FRONT CITY DEVELOPMENT Co., Ltd.	Consolidated subsidiaries: 5 Associates: 5
Payment and Finance Business	JFR Card Co., Ltd.	Consolidated subsidiaries: 1
Wholesale Business	Daimaru Kogyo, Ltd., Daimaru Kogyo International Trading (Shanghai) Co., Ltd., and Daimaru Kogyo (Thailand) Co., Ltd.	Consolidated subsidiaries: 3
Commissioned back-office service, real estate leasing, parking and leasing	JFR Service Co. Ltd. and Angel Park Co., Ltd.	Consolidated subsidiaries: 2 Associates: 1
Other	Consumer Product End-Use Research Institute Co., Ltd., JFR Information Center Co., Ltd., Daimaru Matsuzakaya Tomonokai Co., Ltd., and XENOZ CO., Ltd.	Consolidated subsidiaries: 5 Associates: 2

Our business structure is shown below.



Notes:
1. Companies marked with an asterisk (*) are equity method associates.
2. In segment information, wholesaling, parking, leasing, etc. are shown together as “Other.” The other businesses are categorized in accordance with the segments.
3. Liquidation of Taiwan Daimaru Kogyo, Ltd. was completed on November 14, 2023.
4. The Company removed StylingLife Holdings Inc. from the scope of the equity method upon the transfer of 100% of its shares on September 27, 2023.

4. Overview of subsidiaries and associates

Name	Address	Share capital (Millions of yen)	Major businesses	Ratio of voting rights holding (held) (%)	Relationship
(Consolidated subsidiaries)					
Daimaru Matsuzakaya Department Stores Co. Ltd. (Notes 3 and 4)	Koto-ku, Tokyo	10,000	Department Store Business	100.0	Interlocking of officers Lending of funds
The Hakata Daimaru, Inc.	Chuo-ku, Fukuoka	3,037	Department Store Business	69.9 [69.9]	
Kochi Daimaru Co., Ltd.	Kochi, Kochi	300	Department Store Business	100.0 [100.0]	Lending of funds
PARCO Co., Ltd. (Notes 3 and 4)	Toshima-ku, Tokyo	34,367	SC Business	100.0	Interlocking of officers Lending of funds
PARCO (SINGAPORE) PTE LTD	Singapore	Millions of Singapore dollars 4	SC Business	100.0 [100.0]	
PARCO SPACE SYSTEMS Co., Ltd.	Shibuya-ku, Tokyo	100	Developer Business	100.0 [100.0]	
J. Front Design & Construction Co., Ltd.	Chuo-ku, Osaka	100	Developer Business	100.0	Interlocking of officers
PARCO Digital Marketing Co., Ltd.	Shibuya-ku, Tokyo	10	Developer Business	100.0 [100.0]	
J. FRONT CITY DEVELOPMENT Co., Ltd.	Shibuya-ku, Tokyo	110	Developer Business	100.0	Interlocking of officers
JFR Card Co., Ltd.	Takatsuki, Osaka	100	Payment and Finance Business	100.0	Interlocking of officers Lending of funds
Daimaru Kogyo, Ltd.	Chuo-ku, Osaka	1,800	Other (Wholesale)	100.0	Interlocking of officers Lending of funds
Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	Shanghai, China	Millions of US dollars 2	Other (Wholesale)	100.0 [100.0]	
Daimaru Kogyo (Thailand) Co., Ltd.	Bangkok, Thailand	Millions of Thai baht 202	Other (Wholesale)	99.9 [99.9]	
Consumer Product End-Use Research Institute Co., Ltd.	Nishi-ku, Osaka	100	Other (Merchandise test and quality control)	100.0	Interlocking of officers
Angel Park Co., Ltd.	Naka-ku, Nagoya	400	Other (Parking)	50.2 [49.8]	Interlocking of officers
JFR Service Co. Ltd.	Koto-ku, Tokyo	100	Other (Commissioned back-office service, parking and leasing)	100.0	Interlocking of officers
JFR Information Center Co., Ltd.	Tennoji-ku, Osaka	10	Other (Information service)	100.0	Interlocking of officers
Daimaru Matsuzakaya Tomonokai Co., Ltd.	Chuo-ku, Osaka	100	Other (Specified prepaid transaction service)	100.0 [100.0]	
XENOZ CO., Ltd.	Shibuya-ku, Tokyo	100	Other (Management of e-sports team, etc.)	51.6	

Name	Address	Share capital (Millions of yen)	Major businesses	Ratio of voting rights holding (held) (%)	Relationship
(Equity method associates)					
Shinsaibashi Kyodo Center Building, K.K.	Chuo-ku, Osaka	50	Developer Business (Real estate leasing)	50.0 [50.0]	
Ginza 6-chome Kaihatsu Tokutei Mokuteki Kaisha	Chuo-ku, Tokyo	2,890	Developer Business (Services related to the acquisition of specified assets and their management and disposal, etc.)	50.0 [50.0]	
HMK LOGI SERVICE Co., Ltd.	Chuo-ku, Osaka	34	Other (Freight transportation)	32.4 [32.4]	
Wakamiya Park Co., Ltd.	Naka-ku, Nagoya	1,063	Other (Parking)	20.9 [20.9]	
Yaesu shopping mall Co., Ltd.	Chuo-ku, Tokyo	100	Developer Business (Real estate leasing and tenant leasing)	28.3 [28.3]	
Apparel-web, Inc.	Chuo-ku, Tokyo	100	Developer Business	20.3 [20.3]	
SAN-A PARCO, Inc.	Ginowan, Okinawa	10	SC Business	49.0 [49.0]	
Shinsaibashi Kaihatsu Tokutei Mokuteki Kaisha	Chuo-ku, Tokyo	2,563	Developer Business (Real estate development and investment)	38.9 [38.9]	

Notes:
1. The names in the "Major businesses" column are the segment names.
2. The figures in brackets in the "Ratio of voting rights holding (held)" column indicate the percentage of indirect ownership.
3. Falls under the category of specified subsidiary.
4. For Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd., the ratio of revenue (excluding internal revenue among consolidated companies) to consolidated revenue exceeds 10%. The main profit and loss information of Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd. is as follows:

(Millions of yen)

	Daimaru Matsuzakaya Department Stores Co. Ltd.	PARCO Co., Ltd.
(i) Revenue	220,081	57,872
(ii) Profit before tax	23,084	7,487
(iii) Profit	16,675	5,408
(iv) Total equity	150,262	74,523
(v) Total assets	425,689	300,707

5. Information about employees

(1) Consolidated companies

As of February 29, 2024

Segment name	Number of employees (Persons)	
Department Store Business	2,945	[1,361]
SC Business	496	[111]
Developer Business	855	[381]
Payment and Finance Business	256	[24]
Other	540	[199]
Corporate (shared)	185	[16]
Total	5,277	[2,092]

Notes: 1. The number of employees indicates the number of working employees.

2. Figures in brackets in the "Number of employees" column (not included in number of employees) represent dedicated employees and fixed-term employees.

(2) Reporting company

As of February 29, 2024

Number of employees (Persons)		Average age (Years old)	Average length of service (Years)	Average annual salary (Yen)
185	[16]	47.9	15.0	8,059,030

Segment name	Number of employees (Persons)	
Corporate (shared)	185	[16]
Total	185	[16]

Notes: 1. The number of employees indicates the number of working employees, including those seconded from Daimaru Matsuzakaya Department Stores Co. Ltd. and other Group companies.

2. Average annual salary includes bonuses and surplus wages.

3. Figures in brackets in the "Number of employees" column (not included in number of employees) represent dedicated employees and fixed-term employees.

4. Average length of service for employees seconded from the Group is calculated by aggregating the number of years of service at each company.

(3) Status of labor union

The Group includes the J. Front Retailing Group Federation of Labor Union, which is a member of UA ZENSEN.

As the relationship between the Company and the union is favorable and based on mutual trust, there are no significant matters to report.

II. Overview of Business

1. Management policy, management environment, issues to be addressed, etc.

Forward-looking statements in this Annual Securities Report are based on the Company's management decisions and forecasts made according to information available as of the filing date of this document (May 29, 2024).

(1) Management policy

Under a holding company structure, the Group will strive to enhance the competitiveness and profitability of the retail business (Department Store Business and SC Business) and all constituent companies by optimizing and making effective use of management resources, including the store network and customer bases of Daimaru, Matsuzakaya, and PARCO, as well as responding appropriately to changing times, maximizing customer satisfaction, and operating in the most efficient way.

In addition, with the aim of realizing the Group Vision "Create and Bring to Life 'New Happiness,'" we will restructure our business portfolio by allocating resources to areas with greater potential so that it consists of highly competitive and profitable businesses centered on retail business in a balanced manner.

(2) Management target

On April 15, 2024, the Group published the FY2024–FY2026 Medium-term Business Plan.

1. Key performance indicator targets

For fiscal 2026, we will aim to achieve consolidated business profit of ¥52,000 million, profit/equity attributable to owners of parent (ROE) of 8.0% or more, and Return on Invested Capital (ROIC) of 5.0% or more. In addition, as non-financial targets, we will aim to achieve a reduction in greenhouse gas (GHG) emissions of 58.0% and a ratio of women in management positions of 31.0%.

	FY2026 targets	FY2023 results
Consolidated business profit (IFRS)	¥52,000 million	¥44,300 million
Consolidated ROE	8.0% or more	8.1%
Consolidated ROIC	5.0% or more	5.1%
Greenhouse gas emissions*1	(58.0)%	(57.5)%
Ratio of women in management positions*2	31.0%	22.5%

*1 Scope 1 and 2 emissions (compared with FY2017); result for FY2023 is a rough estimate as of May 29, 2024.

*2 As of March 1, 2024: 26.2%

2. Financial policy

With the aim of medium- to long-term improvement of capital profitability, we will focus on realizing growth derived from profitability as well as optimizing the amount of equity and enhancing shareholder returns.

Under the current Medium-term Business Plan, we will generate operating cash flow of ¥220,000 million (including depreciation of right-of-use assets) over three years, ¥175,000 million of which will be injected into capital and growth strategy investments.

As for investments, with our sights on 2030, we will concentrate on upfront investments and growth strategy investments in the Developer Business directed toward achieving Group synergies, in addition to the core retail business. Regarding shareholder returns, we are working to optimize the amount of equity through dividends at a consolidated payout ratio of 40% or more and by flexibly and responsively repurchasing treasury shares.

(3) Priority operational and financial issues that the Company should address

Under the new management system, the Company set its sights on 2030 with the start of the new Medium-term Business Plan (FY2024–FY2026).

Under the previous Medium-term Business Plan (FY2021–FY2023), despite the prolongation of the COVID-19 pandemic, we worked to ensure that we captured recovering domestic consumption and inbound demand as the country transitioned towards normalization of social and economic activity by moving steadily forward with key strategies and measures mainly in the mainstay Department Store Business and the SC Business, as well as through fixed cost reductions and other management structure reforms. As a result of these initiatives profit has recovered to pre-COVID-19 levels, and we achieved the key performance indicator targets set in the previous Medium-term Business Plan, including improvements to the financial standing of the Company.

On the other hand, the environment in which the Company operates is characterized by increasing uncertainty, such as the emergence of geopolitical risks, fears of a slowdown in overseas economies, and trends in prices and financial markets. Moreover, the perceptions and actions of consumers who lived through the COVID-19 pandemic have changed dramatically, as shown by their heightened awareness of such themes as population decline, the polarization of income and consumption, the advance of technology, and environmental and social issues.

During the formulation of the Medium-term Business Plan, the Company saw these changes in the environment as an opportunity for business innovation, drew up its Vision for 2030, with sustainability at the core of management, and designated key strategies to execute during the period of the current plan.

Looking ahead to substantial growth in the run up to 2030, the Company seeks to bring together the strengths of the Group, centered on retail operations such as the Department Store Business and the SC Business, and two evolve into a corporate group that continues to provide new value to its stakeholders, including customers.

Based on the management direction under the current Medium-term Business Plan, in addition to deepening the retail business and evolving Group synergies in preparation for substantial growth, we will focus on strengthening the Group’s management foundation to heighten the effectiveness of these strategies.

<Management direction looking ahead to 2030>

The Company is promoting corporate activities that are aligned with “sustainability management” aimed at tackling environmental and social issues and finding solutions for them through business in order to realize the Group Vision of “Create and Bring to Life ‘New Happiness.’” Moreover, the Company recognizes our strengths as being our excellent customer base and store real estate primarily in major cities across Japan, the connections and trust it has with our stakeholders, and the capabilities of creation and management of commercial spaces/experiences and overall discernment it has cultivated through the department stores, PARCO, and others.

In defining our management approach for the coming years, the Company, after considering the aforementioned strengths that the Company possesses, along with important changes in the business environment, has drawn up a “Vision for 2030.”

The Company intends to evolve into a “Value Co-creation Retailer Group” that constantly provides “Three Values of Co-creation” centered on the retail businesses.

1) Changes in the business environment the Company considers important

Consumption	・Generational shift in the major market segments, advance of globalization (inbound demand, etc.)
	・Growing desire for "connections through empathy, support, and trust" that replenish the soul
	・Further raise in awareness of "circulation" from the cycle of production and consumption
Market	・Declining population and growing income inequality in Japan
	・Renewal of urban functions and the progression of consolidation and urban development
	・Reduced workforce in regional economies, increased interest in unique regional traditions and cultures
Society	・Progress of climate change and other environmental issues, emergence of geopolitical risks
	・People and communities becoming less connected, growing digital communities
	・Deepening labor shortages, greater emphasis on self-realization and social contribution in choosing a job

2) Vision for 2030

(i) Three values of co-creation — Materiality

Leveraging the solid foundation provided by the Company's inherent strengths without being constrained by traditional boundaries, the Company will cultivate a culture in which anyone can share in the creation of new values that offer heart-felt fulfillment for customers, thereby contributing to raising the charm and vitality of cities, while building a sustainable environment and society.

Concentrating on the retail businesses, the Company will broaden the wheel of "Co-creation" with our stakeholders, particularly our customers, continually providing the following three values of co-creation:

"Co-creation of Excitement": Customers and employees working together to generate excitement.

"Co-prosperity with Communities": Enhancing local community charm while giving it an important and essential presence.

"Co-existence with the Environment": Cultivating a culture in which anyone can contribute to building a society that co-exists with the environment.

Based on the above three values of co-creation, the Company has reviewed our materiality to designate five themes of materiality. We are promoting the alignment of these initiatives for materiality with our business strategies and working to realize sustainable growth for the Company and a "Well-Being Life" for all our stakeholders.

For information about our sustainability, please see "2. Approach to and efforts for sustainability."

(ii) Strategic approach

Through overwhelming support from the domestic and overseas premium and aspirational consumer group, we will evolve into a "Value Co-creation Retailer Group" to always offer the three values of co-creation

In today's world, as consumption diversity advances, we are seeing a vanishing desire for uniformity in products and services. As such, the Company aims to evolve into a "Value Co-creation Retailer Group" that constantly provides the three values of co-creation to the premium and aspirational consumer group (all individuals who favor consuming high-quality goods and having heart-lifting experiences that fulfill their own preferences and values).

To realize this goal, the Company believes it is now necessary to integrate the JFR Group's efforts more than ever before and extend our strengths. For this purpose, along with deepening our retail business, we aim to grow exponentially by pursuing synergies that JFR Group offers in the three areas of "customer," "area," and "content" outlined below.

<Customer Synergy>

In addition to deepening our excellent customer base, the Company will strengthen connections with new customers, including overseas customers and generations Y (millennials) and Z (collectively hereinafter the "Generation MZ"). We will connect with our customers across stores, business companies, and regions, and continue to be a partner chosen by our customers throughout their lives.

<Area Synergy>

The Company will utilize store real estate and business foundations in major cities nationwide across the JFR Group to contribute to enhancing city charm. Especially in the seven priority areas*, the Company will hone the uniqueness of our department stores and PARCO stores, and work on creating vibrant cities and further enhancing their charm through medium- to long-term development plans, customer collaboration within the area, and promotion of foot-traffic circulation.

*Priority areas: Sapporo, Tokyo, Nagoya, Kyoto, Osaka, Kobe, and Fukuoka

<Content Synergy>

The Company will promote the development of our own content for new growth in the retail business, including business expansion in Japan as well as overseas and in the digital domain, by creating a synergistic fusion encompassing our cultivated discernment and purchasing power, along with JFR Group's network of connections with regions, business partners and creators.

In order to realize these three areas of synergies, the Company is working to strengthen the management foundation into one that is capable of bringing together the capabilities of the JFR Group, such as the cross-pollination of talent and the integration of systems, that give rise to new value.

<2024–2026 Medium-term Business Plan>

1) Positioning of the Medium-term Business Plan within the overall long-term strategy

- This Medium-term Business Plan is positioned as a "period of reform" to ensure JFR Group's realization of the Vision for 2030, and achievement of medium- to long-term growth.
- Specifically to achieve this, under this plan, the Company is targeting the creation of profits centered on the principle retail businesses (Department Store Business and SC Business), and in addition, planning to expand upfront investments and growth strategy investments aimed at bringing about the synergies of the JFR Group.

- Initiatives will be concentrated on the key strategies of this Medium-term Business Plan: “Deepening the Retail Businesses,” “Evolving Group Synergies,” and along with “Strengthening the Group’s Management Foundation.”

2) Key performance indicator targets

The Company has set the following financial targets for the final year of this Medium-term Business Plan (FY2026 ending February 28, 2027), which is positioned as the “period of reform.” The Company is targeting consolidated business profit (on an IFRS basis) of ¥52,000 million, and a consolidated ROE of 8.0% or more. We have also set the following non-financial targets. The Company aims to achieve 58.0% greenhouse gas emission reduction target and a 31.0% ratio of women in management positions.

3) Financial and capital policy

With the aim of medium- to long-term improvement of capital profitability, we will focus on “realizing growth derived from profitability” as well as “optimizing the amount of equity and enhancing shareholder returns.”

(i) Realizing growth derived from profitability

- We will promote ROE management on a consolidated basis and ROIC management by business segment. We will realize growth derived from profitability in part by taking a thorough approach to managing investments based on growth potential and profitability, while expanding growth investment with our sights set on 2030.
- Under our investment plans set forth in the Medium-term Business Plan, we will concentrate on upfront investments and on growth strategy investments in the Developer Business directed toward achieving Group synergies, in addition to the retail business.

(ii) Optimizing the amount of equity and enhancing shareholder returns

- We will establish a financial base in seeking ongoing improvement in capital profitability, in addition to profit generated through business growth.
- Under the Medium-term Business Plan, we seek to optimize the amount of equity and enhance shareholder returns by maintaining a consolidated dividend payout ratio of 40% or more and conducting purchases of treasury shares.

4) Framework for the Medium-term Business Plan

(i) Deepening the retail business

A. Expand the customer base in Japan and overseas

- In the Department Store Business, we will strive to expand the customer base centered on department store gaisho (out-of-store sales) in part by extending the reach of services for customers who use apps and by broadening the geographical scope of gaisho activities. We will also promote gaisho collaborations with PARCO stores and elsewhere within the Group.
- In the SC Business, we will collaborate with JFR Card in strengthening and promoting efforts to gain members upon issuance of new cards, along with app members.

- In the Department Store Business and the SC Business, we will strive to enhance relationships with overseas customers. This will involve seeking customer collaboration through partnerships with overseas companies particularly in Asia and leveraging mutual use of store facilities. In addition, we will direct foreign tourists visiting Japan to various stores and strengthen information dissemination.

B. Elevate appeal of customer contact points

- In the Department Store Business, we will establish competitive superiority in each of our geographic locations by striving to elevate the appeal of our stores where customer engagement originates. This will involve persistently enhancing key categories particularly with respect to the Matsuzakaya Nagoya store and other flagship stores, creating sales settings that cater to next-generation customers such as Generation MZ and adapting to market changes, and improving spatial value particularly in terms of offering pleasant store environments with premium value and eco-friendly design.
- We will expand digitally-based customer contact points through efforts that involve enhancing customer communications by overhauling department store apps and dedicated customer websites.
- In the SC Business, we will strive to increase the distinctive brand value of PARCO and the value of visiting our stores through strategic renovations focusing on four key store locations, with our sights set on extending support from the perspective of Generation MZ and overseas customers. In addition to carrying out the first major renovations at Shibuya PARCO and Shinsaibashi PARCO, at Nagoya PARCO we will work on integrating different shops to create one of the largest entertainment and pop culture zones in the area, introducing next-generation fashion, and implementing other initiatives.
- We will enhance the appeal of customer contact points in part by better disseminating information to customers through Company-wide use of customer data at PARCO stores and online, and also by rolling out new services for members.

C. Expand content for the premium and aspirational consumer group

- In the Department Store Business, we will persistently enhance offerings such as luxury brands and watches that are highly regarded by our domestic and overseas customers. We will also propose options with respect to new lifestyles aligned with market changes, particularly in the areas of fashion, beauty, and health.
- In addition, we will also work to expand our lineup of new products and services in cooperation with other companies to enhance our response to the affluent market segment.
- In the SC Business, we will enhance entertainment offerings with respect to PARCO’s strengths in theater, music and cinema, as well as e-sports and other digital entertainment, in addition to operating Japan pop culture zones through store renovations and rolling out brands enlisting collaboration with department stores.

(ii) Evolving Group synergies

A. Expand the Group customer base

- During the course of the Medium-term Business Plan, as well as expanding app membership, we will consolidate issuance operations for in-house card, such as GINZA SIX and PARCO, within the Group. We will also tap into opportunities arising from establishing a Group payment infrastructure if efforts for expanding the Group customer base and improving customer lifetime value (LTV).
- In addition to making progress in arranging customer collaboration beyond our business and stores, we will also formulate and promote a Group customer strategy that involves customer database analysis and use centered in key areas.

B. Maximize the area value

- During the current Medium-term Business Plan, of the seven key areas, we will concentrate on generating synergies in the Nagoya's Sakae area.
- In addition to major renovations at the Matsuzakaya Nagoya and Nagoya PARCO stores, through the opening of a commercial complex by the Developer Business (scheduled for 2026) and the expansion of external affiliated stores using the JFR card, we will promote the mutual exchange of customers and encourage customers to move around within the area. Through such initiatives, we will help in creating bustling towns and making them more appealing thereby maximizing area value.
- As well as opening commercial complexes in the Nagoya's Sakae and Osaka's Shinsaibashi areas (scheduled for 2026), we are strengthening investment in the Developer Business to promote development plans for the Fukuoka's Tenjin area. On the other hand, we will also work to improve profitability by making better use of, selling, or replacing underutilized assets.
- We will integrate and reorganize the current construction and interior design business and building management business, and expand the business by creating high-quality spatial value in facilities inside and outside the Group, including key areas, enhancing the quality of processes such as facility maintenance and management, and recruiting and developing specialized professionals.

C. Own and develop in-house contents

- In preparation for new growth in the retail business, we will develop and own in-house contents and services with a view to business development, not only in Japan but also overseas, including in the digital domain. We will also promote the development of new businesses in collaboration with other companies by combining the organizational capabilities of the department stores and PARCO, including their discernment, procurement capabilities, and networks.
- Leveraging the Company's business foundation deployed in major cities nationwide, we will work on identifying and developing distinctive products and services specific to each region with respect to food culture and other local characteristics.

- As well as attracting visionary new content and tenants, we will promote the development and ownership of content such as games centered on particular subcultures.
- In addition to strengthening the subscription business, we will promote the development of new operations through collaboration with other companies, such as by entering new businesses that promote the circulation of consumption.
- To accelerate and promote these initiatives, we will strengthen M&A and collaboration with other companies, and growth strategy investments through the Company's business succession and CVC funds.

(iii) Strengthening the Group's management foundation

We are working together as a Group to strengthen the management foundation to achieve our Vision for 2030 and enhance the effectiveness of our strategies. In particular, we will prioritize investments in human resources, which are the source of value creation, and promote the acceleration of our human resource strategy.

A. Human resource strategy

- We will promote a human resource strategy that is integrated with the management strategy, such as by strengthening recruitment of highly specialized professionals and enhancing skills development programs, systematically nurturing next-generation staff, and promoting the participation of women.
- As well as seeking to blend the knowledge of our employees by energizing human interactions within the Group, we will cultivate a spirit of taking on challenges by expanding opportunities for human resources to play an active role.
- We aim to become a human resources development company by creating an environment and organizational structure that allows every employee to take on new challenges, and by drawing out their intentions, desires, and abilities so that both people and organizations can achieve sustainable growth.

B. Financial strategy

- With the aim of medium- to long-term improvements in capital profitability, we will strengthen promotion of ROIC management through such initiatives as taking a thorough approach to managing investments based on growth potential and profitability, and encouraging this to take root within the Company through cooperation with operating companies.
- We will generate free cash flows based on capital market trends, securing long-term stable funding, and controlling interest-bearing liabilities to improve our financial standing.

C. Systems strategy

- We will build Group common systems and groupware that encourage collaboration between operating companies and active internal and external communications.
- We aim to sophisticate the management and administration as well as streaming operations through the full-fledged deployment of a common Group accounting system. In addition to

working to strengthen our ability to handle both information security and business continuity, we will promote IT governance by enhancing system investments and asset management.

D. Corporate governance

・ Under the new management system that began in fiscal 2024, we aim to accelerate management decision-making and execution, and we seek to realize medium- to long-term growth and continuous enhancement of corporate value by enhancing the oversight function of the Board of Directors and advancing governance.

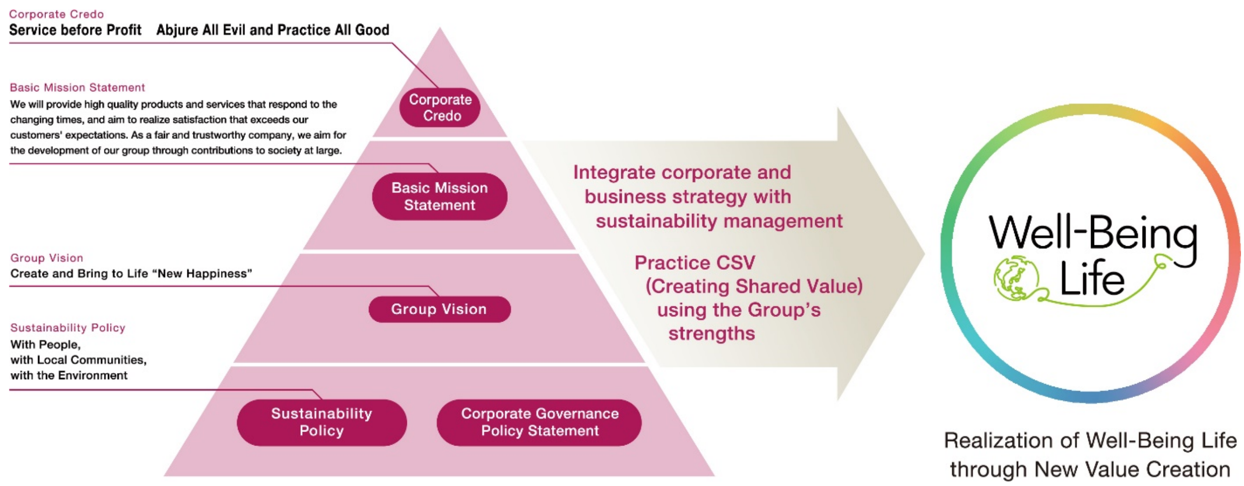
2. Approach to and efforts for sustainability

(1) JFR Group's sustainability management goals

The Group has encountered many crises over its 300 to 400-year history. Each time, we have returned to our Corporate Credo "Service before Profit" and "Abjure All Evil and Practice All Good," conducting our business activities honestly while responding quickly to changes in our customers and society. This has led us to our current management. Companies cannot develop without coexisting with society. Today, it is essential for management to take a long-term perspective and create a vision of what the company should be for the future, a company that will have a prominent presence in society. It is evident that we cannot conduct business activities while turning a blind eye to the growing seriousness of global environmental issues such as global warming, ocean pollution, and loss of biodiversity, as well as human rights issues in the supply chain. We believe we can obtain a framework to realize sustainable management for future growth by integrating and promoting the concept of sustainability into our corporate and business strategies to resolve these issues.

Based on this belief, J. Front Retailing will promote sustainability management and contribute to the "Well-Being Life" of our stakeholders by practicing CSV (Creating Shared Value) that balances the resolution of environmental and social issues with corporate growth, towards the aim of realizing a sustainable society and new happiness in people's lives.

<Overview of sustainability management>



(i) Governance

Specific policies on sustainability initiatives, including responses to environmental and social issues, are discussed and approved by the Group Management Meeting, the highest decision-making body for business execution. Matters approved by the Group Management Meetings are shared with all operating companies via the Sustainability Committee, an advisory body to the President and Representative Executive Officer. In addition, the Sustainability Committee monitors the implementation plans and progress of each operating company to enhance the effectiveness of Group-wide initiatives.

Accordingly, the Board of Directors receives reports on the matters approved by the Group Management Meeting and activities of the Sustainability Committee, then discusses and supervises target setting, policies, and action plans.

- Board of Directors skill matrix

In selecting candidates for the Board of Directors, the Company uses a skills matrix to clarify the expertise and experience expected of directors. Given our promotion of sustainability management, we have identified “environment,” “society,” “governance,” and “human resources and organizational development” as skill categories, and we select directors who can appropriately oversee our sustainability initiatives.

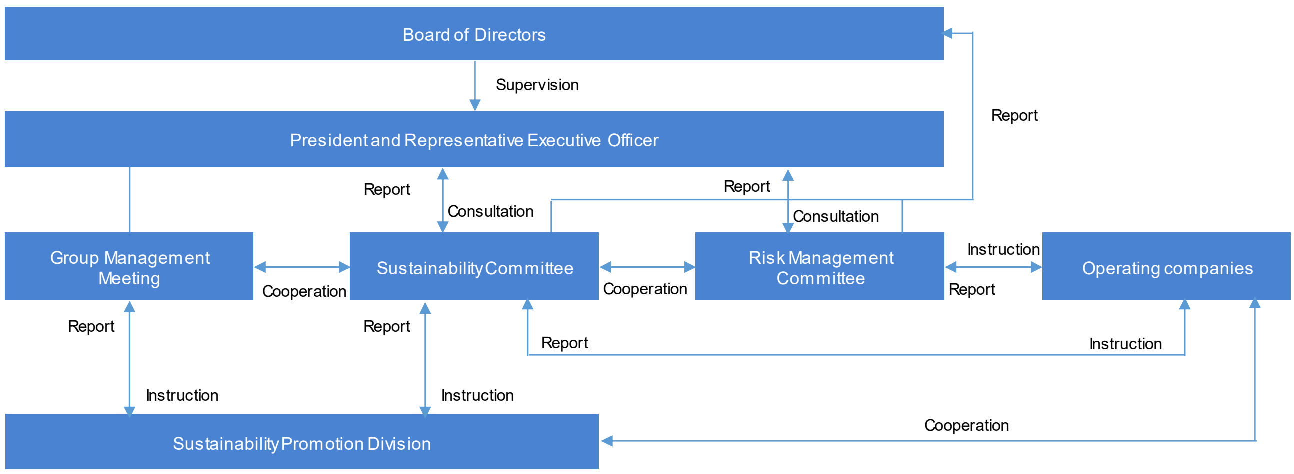
* To view the skill matrix, please click the link below.
Notice of Convocation for the 17th fiscal year
https://www.j-front-retailing.com/_data_json/news/_upload/240425_Notice_of_Convocation_E.pdf

・ Incorporating non-financial indicators into the officer remuneration system

Since FY2021, “reduction of Scope 1 and 2 emissions” and “ratio of female managers” have been set as non-financial indicators for determining performance-linked remuneration under the officer remuneration system. These are linked to the KPIs in the Medium-term Business Plan to clarify the responsibility of executive officers for achieving the targets for climate-related issues and to function as an incentive for realizing and promoting sustainability management.

* For information about our officer remuneration system, please see “4. Status of corporate governance, etc., (4) Officer remuneration.”

<JFR Group’s sustainability management system>



【Sustainability Committee】

〈Established〉 March 2019

〈Positioning〉 Advisory body to the President & Representative Executive Officer

〈Chairperson〉 President & Representative Executive Officer

〈Members〉 JFR Executive Officers, Presidents of all operating companies

〈Secretariat〉 Sustainability Promotion Division (Management Strategy Unit)

〈Frequency〉 Twice a year (Spring/Fall) in principle

〈Activities〉

● Sharing of long-term plans and Group sustainability policies discussed/resolved by the Group Management Committee
● Formulation of action plans (annually) and monitor progress
● Dialogue with experts, etc.

<Main agenda items of the Sustainability Committee>

2022	April	・ Lecture by an external instructor on “ESG/sustainability management” ・ How to advance the Women’s Empowerment Promotion Project ・ Report on results of first supplier assessment (environment/human rights) ・ Group-wide KPI progress report for FY2021 and action plan for FY2022
	May	・ Lecture by an external instructor on “Diversity as a management strategy”
	September	・ Progress report on Women’s Empowerment Promotion Project and discussion of future direction ・ Progress report for 1H FY2022
2023	April	・ Lecture by an external instructor on “Business and human rights” ・ Status of initiatives to promote diversity and inclusion at operating companies ・ Report on results of employee awareness survey ・ Progress report for FY2022 and sustainability action plan for FY2023
	September	・ Lecture by an external instructor on “Overview and importance of biodiversity” ・ Overview of second supplier assessment ・ Group-wide KPI progress report for 1H FY2023

(ii) Risk management

The Group defines risk as “uncertainty that affects the achievement of corporate management goals and has both positive and negative aspects.” Risk management is positioned as “activities to enhance corporate value by managing risk in a rational and optimal manner from a company-wide perspective.” The Group aims to achieve sustainable corporate growth by appropriately addressing both the positive and negative aspects of risk.

* For information about sustainability-related risks and other risks of extremely high importance to Group Management in the medium term, please see “II. Overview of Business, 3. Business risks.”
For information about environment-related risks, please see “(2) Addressing climate-related issues (TCFD disclosures), (ii) Risk management.” For information about human capital-related risks, please see “(4) Approach to human capital, (ii) Risk management.”

(iii) Strategy

In formulating the current Medium-term Business Plan starting from FY2024, the Company has reviewed its materiality and identified five themes. Rather than merely resolving issues, we will promote materiality initiatives by integrating them with our business strategy to link materiality to corporate growth. For this reason, we have changed to more proactive language based on the belief that the enthusiasm and actions of every employee are more important than ever before. For information about our business strategy, please see “II. Overview of Business, 1. Management policy, management environment, issues to be addressed, etc.”

Materiality	Commitment
Adding excitement to life	Amidst diversifying values, JFR will provide places and spaces for new encounters with goods and things that stir people's hearts, and propose well-being and future lifestyles that are fulfilling and exciting for every consumer.
Enhancing community vitality	We will strengthen ties with regions, including our seven priority areas, and work with local communities, governments, NPOs, and others to enhance local vitality and create sustainable urban development. In addition, by discovering and communicating the appeal of local areas, we will offer new and exciting experiences for people who gather there.
Creating a society that co-exists with the environment	To achieve the 2050 net zero target, we will work toward both decarbonizing the entire supply chain and promoting a circular economy. At the same time, we will provide opportunities for everyone to contribute to the creation of a sustainable society, not only through our independent efforts, but also by working with our value co-creation partners.
Increasing the number of value co-creation partners	We will share our thoughts and ideas on sustainability with others and establish a partner foundation for the values of "Co-creation of Excitement," "Co-prosperity with Communities," and "Co-existence with the Environment" along with fulfilling our social responsibilities, such as human rights due diligence, toward the realization of a sustainable society.
Empowering diverse human resources to shine	We will realize the sustainable growth of our human resources and the company by creating an environment and structure, including DEI and work-life integration, that enable each employee to play an active role and maximize their motivation, ambition, and abilities.

* For details on the process for identifying important sustainability issues please visit the following website.
https://www.j-front-retailing.com/english/sustainability/materiality.html

(iv) Metrics and targets

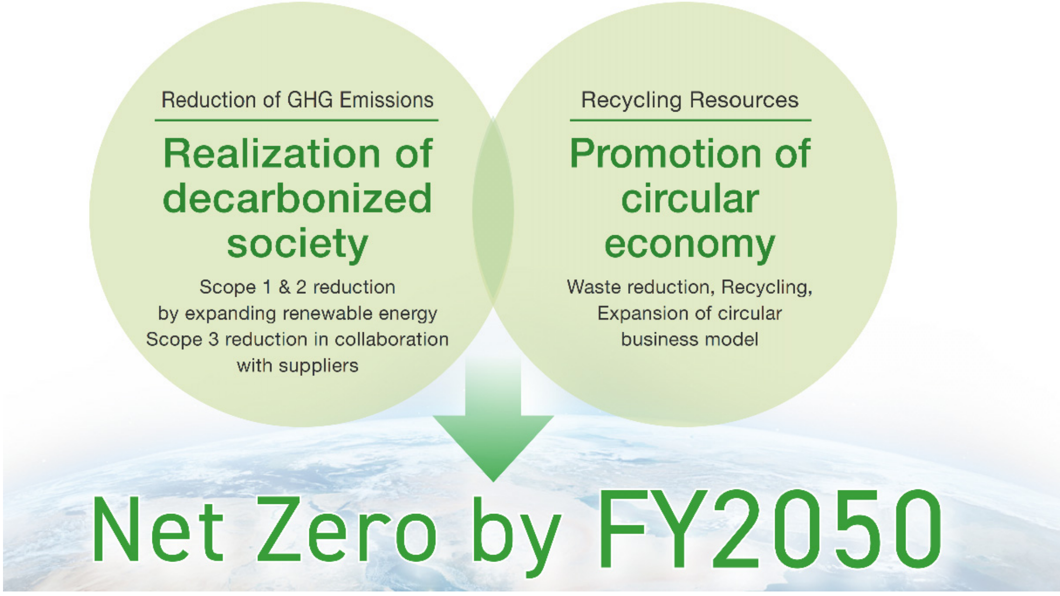
The following are our main metrics and targets for sustainability.

Metrics	Details of targets
GHG emissions	Aiming for net zero Scope 1, 2, and 3 GHG emissions by 2050
	58% reduction of Scope 1 and 2 GHG emissions by 2026 (vs. FY2017) 60% reduction by 2030
	Aiming for 40% reduction of Scope 3 GHG emissions by 2030 (vs. FY2017)
Ratio of renewable energy in electric power used in business activities	100% by 2050
	60% by 2030
Food recycling rate	85% by 2030
Development of environmentally friendly products	Increase transaction volume of environmentally friendly products (including certified products) by 2030
Acquisition of environmental certifications for newly developed properties	100% by 2030
Ratio of women in management positions	31% by 2026
Gender wage gap	Reduce the gap by 2026 by strengthening efforts to prevent loss of career, for example career development and training for women and management positions
Ratio of men taking childcare leave	95% by 2026
Turnover rate	5.3% or lower by 2026

(2) Addressing climate-related issues (TCFD disclosures)

Recently, climate change has progressed to an extremely serious level, endangering not only future generations but all people, including the present generation.

The Company has positioned climate change as a key issue in our sustainability management. Based on the recognition that the risks and opportunities associated with climate change will have a significant impact on the Group's business strategies, we are working to achieve net zero emissions* throughout the entire value chain by the year 2050 through measures to both "reduce greenhouse gas emissions" and "promote a circular economy."



* To thoroughly reduce GHG emissions and reduce the remaining emissions to virtually zero after subtracting the amount of emissions removed through forest absorption and CCS (CO_2 capture and storage), etc.

(i) Governance

Please see "(1) JFR Group's sustainability management goals, (i) Governance."

(ii) Risk management

(a) Detailed processes for identifying and assessing environment-related risks and opportunities

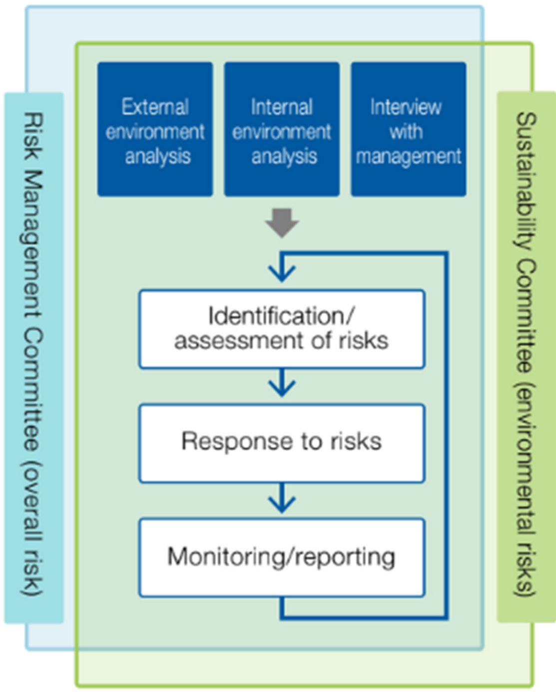
The Group considers risk as the starting point of its strategy. It defines risk as "uncertainty, both positive and negative, that affects the achievement of corporate management goals," and believes that the appropriate handling of risks leads companies to sustainable growth.

We use the following processes for identifying and assessing environment-related risks and opportunities—which we consider to be one of the many types of risks and opportunities that have a substantial impact on our business strategy—in terms of both positive and negative aspects.

First, we identify a comprehensive set of risks and opportunities for each activity item in the supply chain process. Next, we assess the risks and opportunities based on two criteria: importance to the Company and importance to stakeholders.

Note: For details, please see "(iii) Strategy" immediately below.

<Risk management process>



(b) Detailed processes for management of environment-related risks

The Group is working to share environment-related risks with each of its operating companies by examining the risks in more detail within the Sustainability Committee. Operating companies incorporate environment-related initiatives into their action plan and confirm the progress through discussions at meetings chaired by their president. The Group Management Meeting, the Risk Management Committee and the Sustainability Committee monitor the progress and, finally, report to the Board of Directors.

<Risk management system>

Risk management process	Responsible meeting bodies and executing entities
Identification/ assessment of risks	・Board of Directors ・Group Management Meeting ・Risk Management Committee (Overall management risk) ・Sustainability Committee (Environment-related risks)
Response to risks	・Operating companies
Monitoring/report	・Board of Directors ・Group Management Meeting ・Risk Management Committee (Overall management risk) ・Sustainability Committee (Environment-related risks)

(c) How the processes are integrated into the organization's overall risk management

Please see "II. Overview of Business, 3. Business risks."

(iii) Strategy

(a) Detailed risks and opportunities the organization has identified over the short, medium and long term

The Group considers it important to examine climate-related risks and opportunities at appropriate milestones because of the potential impact on its business activities over the long term. Accordingly, the Group has positioned the execution window of the Medium-term Business Plan up to FY2026 as the short term; the period up to FY2030, which is the short-term target year set by the SBTi (Science Based Targets initiative)*, as the medium term; and the period up to FY2050, which is the SBTi net zero target year, as the long term.

* Jointly established in 2014 by CDP, the UN Global Compact, World Resources Institute (WRI), and the World Wide Fund for Nature (WWF) to enable companies to set ambitious emission reduction targets in line with the latest climate science

<Definition of the periods for consideration of climate-related risks and opportunities in the JFR Group>

Periods for consideration of climate-related risks and opportunities		JFR Group definitions
Short term	Until FY2026	Execution period of the Medium-term Business Plan
Medium term	Until FY2030	Period to the short-term target year for SBTi
Long term	Until FY2050	Period to SBTi Net Zero Target Year

(b) Description of risks and opportunities and their degree of impact on the organization's business, strategy and financial planning

The Group conducts scenario analysis in order to understand the risks, opportunities, and impacts of climate change for the Group and to examine the resilience of the Group's strategies and the need for further measures for the world we envision in FY2030.

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: one that envisages the goal of the Paris Agreement to keep the global average temperature increase well below 2˚C above pre-industrial levels and to limit it to 1.5˚C (the below 1.5˚C/2˚C scenario) and one that envisages the world without the introduction of new environment-related policies and regulations (the 4˚C scenario).

Based on these two scenarios, the Group—which is centered on the retail business (e.g. department stores, shopping centers)—extracted climate-related risks and opportunities for each activity in its value chain process, in line with TCFD recommendations. In addition, we defined the transition risks (policy regulation, technology, market, and reputation) and physical risks (acute and chronic) arising from climate change, as well as the opportunities (resource efficiency, energy sources, products and services, markets, and resilience) arising from responding appropriately to it.

<Existing scenarios taken into consideration>

Envisioned world	Existing scenarios
Below 1.5˚C/2˚C scenario	"Net-Zero Emissions by 2050 Scenario (NZE)" (IEA, 2023)
	"Representative Concentration Pathways (RCP2.6)" (IPCC, 2014)
4˚C scenario	"Stated Policy Scenario (STEPS)" (IEA, 2023)
	"Representative Concentration Pathways (RCP8.5)" (IPCC, 2014)

(c) Risks, opportunities, and financial impacts based on relevant scenarios and strategies and resilience against them

The Group identified climate risks and opportunities and assessed their importance based on two criteria, the "importance to the Company (impact x urgency)" and the "importance to stakeholders." For items that were rated as particularly important, the Group has conducted both quantitative and qualitative analyses of the financial impacts in FY2030 assuming the below 1.5˚C/2˚C scenario and the 4˚C scenario and developed measures for each scenario.

Notably, when it is difficult to obtain data to quantitatively assess risks and opportunities, we conduct qualitative assessments, and the results are indicated in three levels according to the slope of the arrow.

<Climate change risks and opportunities of particular importance to the JFR Group and their financial impacts in FY2030>

↑	Impact on the JFR Group's business and finance expected to be very large.
↗	Impact on the JFR Group's business and finance expected to be large.
→	Impact on the JFR Group's business and finance expected to be negligible.

Type of climate-related risk and opportunity		Time of emergence: Short term	Medium term	Long term	Climate-related risks and opportunities of particular importance to the JFR Group	Financial impact: Below 1.5˚C/2˚C scenario	Financial impact: 4˚C scenario	Measures
Risk	Transition risk	●	●		・Increased costs associated with introduction of carbon tax, etc.	Approximately ¥1,500 million*1	Approximately ¥1,300 million*1	・Reduction of GHG emissions through aggressive energy conservation measures in stores and expansion of renewable energy switching to achieve the 2050 net-zero target
Risk	Transition risk	●	●	●	・Increased costs associated with the development of properties with high environmental performance and the installation of equipment	↑	↑	・Financing through Green Bonds, etc. ・Cost-effective equipment installation
Risk	Transition risk	●	●	●	・Increased investment for introduction of high-efficiency energy-saving equipment	↗	↗	・Introduction of internal carbon pricing ・Cost-effective and well-planned investment considerations
Risk	Transition risk	●	●		・Increase in renewable energy procurement costs due to increased demand for electricity derived from renewable energy	Approximately ¥700 million*2	Approximately ¥300 million*2	・Introduction of internal carbon pricing ・Reduction of renewable energy procurement risk and mid- to long-term costs through diversification of renewable energy procurement methods ・Improvement of energy self-sufficiency through installation of renewable energy equipment in the company's facilities, etc.
Risk	Physical risk	●	●		・Decrease in revenue due to store closures caused by natural disasters	Approximately ¥5,200 million*3	Approximately ¥10,300 million*3	・Increased resilience of stores and business sites through BCP preparation ・Improvement of disaster prevention performance of stores
Opportunity	Energy source	●	●	●	・Decrease in energy procurement cost due to introduction of high-efficiency energy-saving equipment	Approximately ¥400 million*4		・Replacement with energy-saving, high-efficiency equipment at the appropriate time
Opportunity	Products and services	●	●		・Decarbonization of the entire value chain and expansion of earnings by responding to increased demand for environmentally friendly products and services	↑	↗	・Expand handling of environmentally friendly products and services ・Recycling waste cooking oil as made-in-Japan SAF ・Collaboration with suppliers on efforts to reduce food waste through AI demand forecasting systems, etc. ・Decarbonization-oriented dialogue with suppliers, for example encouraging them to calculate GHG emissions and holding briefings for collaboration on Scope 3 emissions data
Opportunity	Market	●	●	●	・Expansion of new growth opportunities through new entry into the circular businesses ・Expansion of profits through acquisition of new customers by proposing sustainable lifestyles	↑	↗	・Expansion of sharing, upcycling, and other circular businesses such as the fashion subscription business "AnotherADdress" ・Launch of circular businesses through effective use of M&A and CVC* investments
Opportunity	Market	●	●	●	・Expansion of profits due to increased opportunities to acquire new tenants through conversion to stores with high environmental value	Approximately ¥2,500 million*5	—	・Acquisition of environmental certifications for newly developed properties (ZEB, CASBEE, etc.) ・Promoting the use of renewable energy in stores to achieve RE100

* CVC (Corporate Venture Capital): A mechanism to efficiently and effectively promote business co-creation through investment in promising start-ups. In FY2022, the Company established the "JFR MIRAI CREATORS Fund" to promote open innovation.

Basis for calculation of quantitative financial impacts expected in FY2030

*1 Calculated by multiplying the JFR Group's Scope 1 and 2 GHG emissions in FY2030 by the carbon tax price per tonne of CO_2 (Parameters: \$140/t-CO_2 (1.5˚C scenario), \$120/t-CO_2 (4˚C scenario))

*2 Calculated by multiplying the JFR Group's electricity usage in FY2030 by the additional price of renewable energy-sourced electricity per kWh compared to ordinary electricity charges

*3 Calculated by multiplying the amount of sales losses due to suspension of store operations during past natural disasters by the future frequency of floods
(Source: "Representative Concentration Pathways (RCP2.6, 8.5)" (IPCC, 2014))

*4 Estimated by multiplying energy procurement costs by the amount of energy saved by the JFR Group as of FY2030

*5 Estimated by multiplying the JFR Group's real estate revenue and profits in FY2030 by the degree of impact of new contract conclusion fees for buildings with environmental certification

Based on the above scenarios, we have analyzed the impact of climate change and examined our countermeasures. We found that the measures the Group is already implementing and has planned are effective and flexible enough for reducing risks and contributing to realizing opportunities. We will continue to translate our efforts into enhanced management resilience.

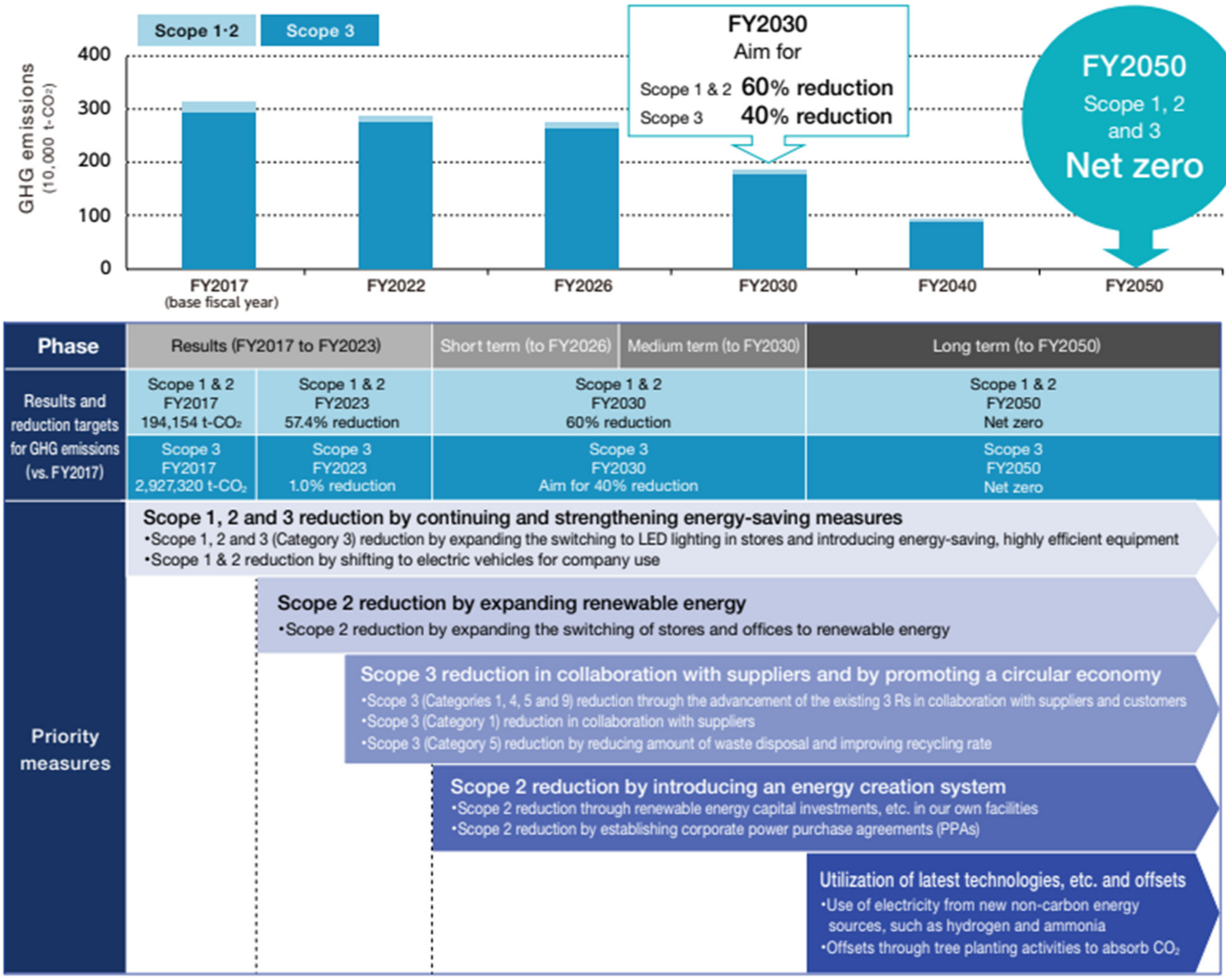
・ JFR Group's 2050 Net Zero Transition Plan

The Group believes that it needs to strengthen its strategies from a medium- to long-term perspective to achieve net zero emissions by 2050. To this end, the Group has formulated a transition plan. The plan clarifies specific initiatives from short-, medium- and long-term perspectives to acquire new growth opportunities, including proactively responding to market changes in response to positive opportunities, while developing appropriate measures to avoid negative risks in our business.

In February 2024, we established Internal Carbon Pricing (ICP). By converting internal CO_2 emissions into monetary values, we aim to visualize CO_2 emission reductions and their costs, and to foster awareness of the need for decarbonization and promote decision-making linked to decarbonization investments. By anticipating the future costs of carbon taxes, etc., and taking proactive measures to address them, we believe that this will lead to cost reductions over the long term and provide opportunities for business creation.

Additionally, given that more than 90% of our Scope 3 emissions fall into Category 1 (purchased goods and services), controlling or reducing emissions in this category on our own is extremely difficult. The entire value chain must work together to reduce these emissions. Therefore, we will make gradual efforts through dialogue with suppliers, encouraging them to calculate their GHG emissions and asking those who already calculate those figures to establish reduction targets.

<2050 Net Zero Transition Plan*>



The plan is current as of the end of May 2024 and may be revised depending on future business strategies.

(iv) Metrics and targets

(a) Metrics used to manage climate-related risks and opportunities

The Group has established two metrics for managing climate-related risks and opportunities: Scope 1, 2, and 3 GHG emissions and the ratio of renewable energy within electricity used in business activities.

(b) GHG emissions (Scope 1, 2, and 3)

The Group has been calculating its total GHG emissions for the Group since fiscal 2017. In fiscal 2023, the Group's Scope 1 and 2 GHG emissions are forecast at approximately 82,000 t-CO_2 (down 57.5% from fiscal 2017), and Scope 3 GHG emissions are forecast at approximately 2,898,000 t-CO_2 (down 1.0% from fiscal 2017). The ratio of renewable energy is forecast at 52.9%. The Company plans to obtain third-party assurances for its Scope 1, 2, and 3 GHG emissions and renewable energy electricity consumption for FY2023.

<JFR Group’s Scope 1, 2, and 3 GHG emission results and forecast>

(Unit: t-CO_2)

		FY2017	FY2022	Forecast in FY2023	
		Results*1	Results*1	Forecast	Compared with FY2017 (compared with base fiscal year)
Total Scope 1 and 2 emissions		194,154	109,785	82,450	(57.5)%
Breakdown	Scope 1 emissions	16,052	13,714	13,720	(14.5)%
	Scope 2 emissions	178,102	96,071	68,730	(61.4)%
Total Scope 3 emissions*2		2,927,320	2,761,669	2,898,650	(1.0)%
Ratio of renewable energy (%)		–	33.6	52.9	–

*1 Obtained third-party assurance from LRQA

*2 Calculated in accordance with “Basic Guidelines on Accounting for Greenhouse Gas Emissions Throughout the Supply Chain ver. 2.6 (March 2024, Ministry of the Environment and Ministry of Economy, Trade and Industry)” and “Database of Emissions per Base Unit for Calculating Organizational GHG Emissions through Supply Chains, etc. ver. 3.4 (March 2024)” IDEAv2.3 (for supply chain GHG emissions calculation).

(c) Targets used by the organization to manage climate-related risks and opportunities and performance against targets

The Group has set long-term GHG emission reduction targets since 2018 to achieve the global under 1.5˚C target and obtained certification from the SBTi in 2019 for its Scope 1, 2, and 3 GHG emissions reduction targets. In 2021, we raised our 2030 Scope 1 and 2 GHG emission targets from the previous 40% reduction to a 60% reduction compared with FY2017 (the base year) and reacquired SBTi certification for the 1.5˚C target. In February 2023, we also obtained SBTi certification for “Net Zero Target” by 2050 for Scope 1, 2, and 3 GHG emissions.

To achieve these long-term targets, in FY2019 the Group started procuring renewable energy-derived electricity at its own facilities, and in October 2020 joined RE100*, which aims to achieve a 100% renewable energy rate for electricity used in business activities by 2050. Moreover, as an interim target, we aim to achieve a 60% renewable energy rate for electricity used in business activities by 2030.

Looking ahead, we will work to expand procurement of electricity sourced from renewable energy towards achieving net zero by 2050.

* A global initiative that aims to source 100% renewable energy to power business operations by 2050

<Targets used by the JFR Group to manage climate-related risks and opportunities>

Metrics	Target year	Details of targets
GHG emissions	2050	Net zero emissions of Scope 1, 2, and 3 GHG emissions*1
	2030	60% reduction of Scope 1 and 2 GHG emissions (compared to FY2017)*1 Aiming for 40% reduction of Scope 3 GHG emissions (vs. FY2017)*1
Ratio of renewable energy in electric power used in business activities	2050	100%*2
	2030	60%

*1 Obtained SBT certification

*2 Joined RE100 in 2020

Going forward, the Group will continue to promote the strengthening of governance in environmental management under the supervision of the Board of Directors, and to promote companywide initiatives such as the formulation and promotion of action plans for achieving medium- to long-term targets.

(3) Addressing nature-related issues (TNFD disclosures)

In recent years, companies have been required to understand the impact of their business activities on nature, stop the loss of biodiversity, and contribute to biodiversity recovery. As a retailer with its main business in department stores and shopping centers, the JFR Group is in contact with a wide range of stakeholders, including business partners, customers, and local communities. We will leverage this connection to promote nature-positive initiatives through our business, such as procuring environmentally friendly products, proposing lifestyles that are harmonious with nature, developing retail locations with advanced environmental performance, and promoting other nature-positive efforts.

・ Participation in the TNFD Forum

In November 2023, the Group endorsed the philosophy of the Taskforce on Nature-related Financial Disclosures (TNFD)*1 and joined the TNFD Forum*2 to support activities to those ends. We will use the TNFD framework for disclosures to identify correlations (dependencies and impacts) between the Group's business and natural capital, sort out risks and opportunities, and promote proactive information disclosure.

*1 TNFD is an international organization with a framework for disclosing the impact of nature-related risks and opportunities on corporate finance. The organization encourages companies and financial institutions to disclose information on natural capital and shift the global flow of capital from nature-negative outcomes to nature-positive outcomes.

*2 The TNFD Forum comprises corporations, government agencies, academic institutions, and other organizations with cross-sectoral expertise. Its activities include providing support for developing disclosure frameworks and sharing information related to TNFD.

(i) Governance

Please see "(1) JFR Group's sustainability management goals, (i) Governance."

(ii) Risk management

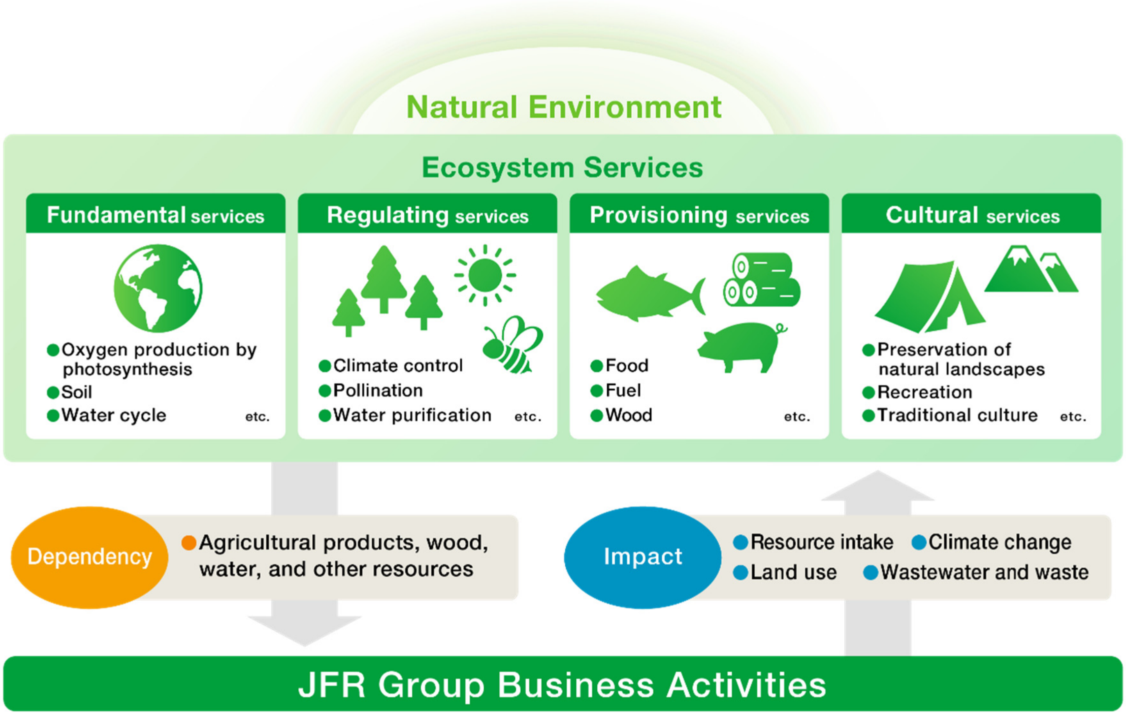
Please see "(2) Addressing climate-related issues (TCFD disclosures), (ii) Risk management."

(iii) Strategy

(a) Dependencies and impacts on nature

The Group's business is dependent on the many blessings of nature (ecosystem services), including agricultural products, livestock, marine products, wood, and water in addition to soil, forests, and seasonal weather. That said, our business activities also impact the natural environment in various ways, such as GHG emissions, waste emissions, and wastewater. We recognize the importance of understanding and responding to the correlation between our business activities and the natural environment—specifically their dependencies and impacts on each other.

<Relationship between business activities and ecosystem services>



(b) Evaluating nature-related issues based on the LEAP* approach

The LEAP Approach is an TNFD recommended, integrated process for assessing nature-related issues, including contact points with nature, evaluating dependencies and impacts, and assessing risk and opportunities.

In fiscal 2023, Daimaru Matsuzakaya Department Stores Co., Ltd.—the Group's main operating company—used the LEAP approach to identify and assess nature-related issues (dependencies/impacts, risks/opportunities) at its 15 department stores throughout Japan.

* LEAP: stands for Locate, Evaluate, Assess, Prepare

(i) Outward appearance of dependencies and impacts (Locate)

We used ENCORE—a TNFD-recommended tool for identifying interdependencies and impacts on nature—to identify interdependencies and impacts throughout the value chain in our Department Store Business and create a heat map to verify the degree of dependencies and impacts on natural capital by direct operations (store management and development) and upstream in the value chain (procurement).

(ii) Identification of stores to assess for risks and opportunities (Locate)

We used Risk Filter Suite (WWF's tool for analyzing risk in ecosystems and water), Aqueduct (WRI's water risk analysis tool), and other tools to verify the state of ecosystems in areas where our stores are located, and also conducted an importance evaluation in conjunction with our own standards for ownership of land and buildings, scale of sales, and the like. As a result, we identified the Daimaru Shinsaibashi store as one of particularly high importance for biodiversity preservation.

(iii) Sorting out factors behind dependencies and impacts on nature (Evaluate)

We sorted out factors in the context of the business activities of the Daimaru Shinsaibashi store for store development, clothing and food products, and packaging materials, which involve major dependencies and impacts on ecosystem services in the value chain.

(iv) Assessment of risks and opportunities, preparation of countermeasures (Assess, Prepare)

Based on the dependencies and impacts on ecosystem services at the Daimaru Shinsaibashi store sorted out in the first three steps, we identified and assessed nature-related risks and opportunities that impact our business activities and considered actions to address them. We also qualitatively assessed impacts on business activities based on two criteria—importance to the Company and importance to stakeholders—and rated the impact on a three-point scale (major, moderate, minor).

<Assessing risks and opportunities, preparing countermeasures>

Item			Description of risk/opportunity	Impact	Description of activities
Risk	Physical	Acute	・Decrease in profits due to store closures caused by increasingly frequent extreme weather events and natural disasters	Major	・Increased resilience of stores and business sites through BCP preparation ・Improvement of disaster prevention performance of stores
		Chronic	・Increase in energy costs associated with global warming	Moderate	・Replacement of existing equipment with high-efficiency energy-saving equipment at the appropriate time
			・Destabilization of profits due to decrease in the number of agricultural and marine products offered due to crop failures, poor quality, and lower yields ・Decrease in store visitors and changes in sales items due to global warming and changes in rainfall patterns	Moderate	・Discussion and strategy development for procurement risks of important ingredients
	Transition	Policy and regulations	・Increase in costs due to stronger regulations on GHG emissions	Moderate	・Reduction of GHG emissions through aggressive energy conservation measures in stores and expansion of renewable energy switching
		Market	・Difficulty in store development (including exteriors, interiors, additions, and reconstruction) due to construction material shortages, increase in construction-related costs	Minor	・Expanded use of timber from forest thinning in Japan
			・Decrease in profits due to inability to meet rising consumer demand for sustainable products	Major	・Expanded handling of certified products and other environmentally friendly products ・Switchover to FSC-certified and other environmentally friendly packaging materials ・Promoting the selection of smart wrapping and simple packaging
		Reputation	・Loss of reputation due to insufficient procurement of products manufactured using sustainable methods	Moderate	・Expanded handling of certified products ・Smart delivery (reduce the number of deliveries)
			・Reputation suffers due to increase in or improper disposal of waste	Moderate	・Introduction of AI demand forecasting service to reduce food waste ・Compost community activities by employees to reduce food waste ・Proper response to plastic recycling legislation
Oppor-tunity	Resource efficiency		・Decrease in costs associated with more efficient water use	Minor	・Use of rainwater, gray water ・Use of water-saving equipment

Item		Description of risk/opportunity	Impact	Description of activities
	Products and services	• Increase in property value of buildings due to real estate development based on sustainable material procurement and reduced energy consumption	Major	• Encourage establishment of procurement rules and acquisition of certifications (e.g. CASBEE, ZEB), and broadly promote accomplishments
		• Increase in profits associated with increase in handling of certified products/products manufactured using sustainable methods	Major	• Expanded handling of certified products • Raising awareness and educating customers about certified products
	Market	• Store operations are sustained/maintained through mitigation of violent storms, typhoons, etc.	Major	• Environmental improvement to enjoy ecosystem services (e.g. creating rules after ascertaining location, vegetation, climatology)
		• Increase in customer traffic due to real estate development and store operation (land use) focused on biodiversity and landscape	Moderate	• Rooftop greening, rooftop urban beekeeping
	Capital flow and fundraising	• Increase in financing ability due to higher environmental value of buildings	Major	• Acquisition of environmental certifications for newly developed properties • Financing through Green Bonds, etc.
	Reputation	• Improvement in reputation by providing rooftop gardens and other rest areas	Moderate	• Rooftop greening, rooftop urban beekeeping
		• Improvement in reputation by promoting recycling-oriented business	Moderate	• Establishment of partnerships with other companies to recycle waste plastic and food waste (e.g. POOL Project, Made-in-Japan SAF Project)
	Ecosystem preservation, restoration, and regeneration	• Decrease in compliance costs by improving traceability of products (especially risk commodities)	Minor	• Strengthening engagement with customers, for example through assessments
	Sustainable use of natural resources	• Improvement of store brand value associated with decrease in paper product usage and increase in alternative material usage	Minor	• Switchover to FSC-certified and other environmentally friendly packaging materials • Going paperless

(iv) Metrics and targets

The Group recognizes that biodiversity loss and climate change are inseparable issues, and has established metrics and targets to comprehensively resolve both issues.

<Metrics and targets used by the JFR Group to manage nature-related risks and opportunities>

Metrics	Target year	Details of targets
GHG emissions	Please see “(2) Addressing climate-related issues (TCFD disclosures), (iv) Metrics and targets.”	
Ratio of renewable energy		
Food recycling rate	2030	85%
Development of environmentally friendly products	2030	Expand transaction volume of environmentally friendly products (including certified products)
Rate of acquisition of environmental certifications for newly developed properties	2030	100%

Looking ahead, we will prioritize and expand the scope of our initiatives and conduct biodiversity assessments and otherwise communicate proactively with major suppliers to improve the effectiveness of our efforts toward nature positivity. We will also work to raise customer awareness, for example by expanding our handling of certified products.

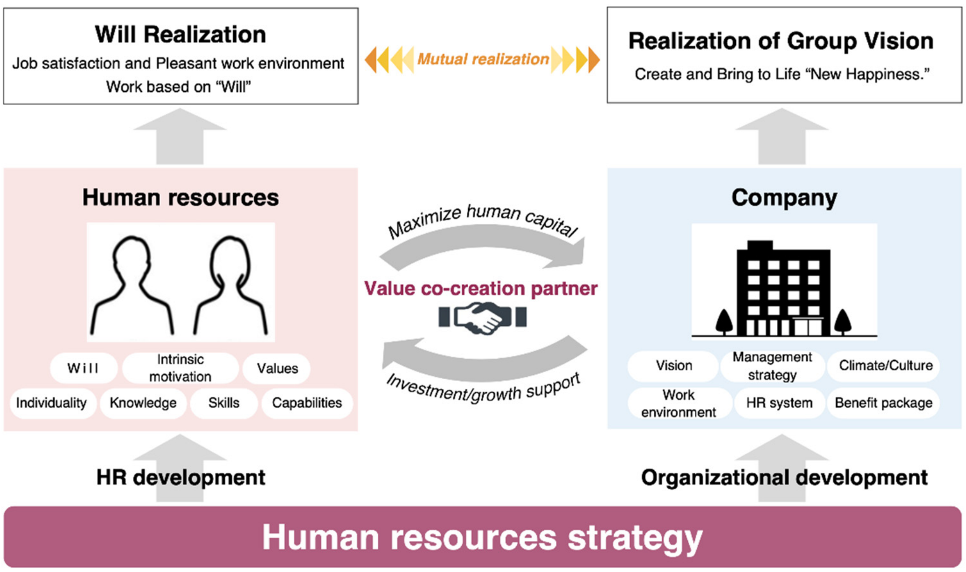
* We will disclose details about climate- and nature-related issues in our TCFD and TNFD reports scheduled for release at a later date.

(4) Approach to human capital

Uncertainty is on the rise as technology and other elements surrounding the Company advance and change at ever-increasing speeds. Amid such circumstances, we believe our human resources are the only ones who can carve a path for the Group's future.

We consider our employees as our most important partners in value co-creation. Accordingly, we intend to achieve the Group vision by making the "realization of employee Will" the driving force of the Company's growth through the provision of systems and environments that support the full expression of each employee's Will (will, desire, and intrinsic motivation) and by providing career development and other growth support to maximize their potential.

<Concept of JFR's human capital management>

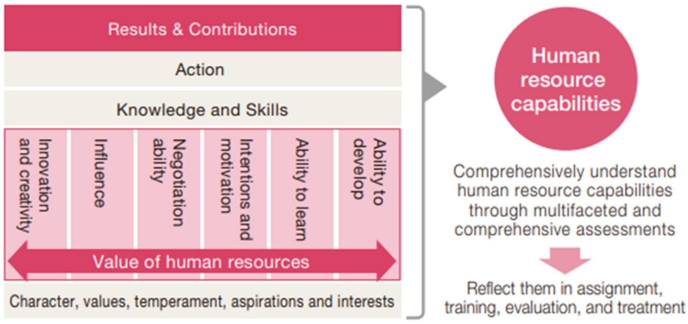


・ Personnel management based on the philosophy of human resource capabilities

In fiscal 2019, we departed from a duty-based personnel system and began operating a personnel system based on our principle of "human resource capabilities." Our distinct human resource management system promotes personal growth through work by properly assigning and evaluating our employees based on their abilities, which we refer to as human resource capabilities. These capabilities encompass surface-level aspects such as results, behavior, knowledge, and skills, as well as intangible abilities, including human resource value, personal values, character, aspirations, and interests.

"Human capital value" comprises the perspective of reproducibility and versatility that leads to steady results and contributions under any circumstances (intention and motivation, learning ability, innovation and creativity, influence, negotiation ability, and development ability), and we have set the required level for each stage.

<Definition of human resource capabilities>



(i) Governance

Please see "(1) JFR Group's sustainability management goals, (i) Governance."

(ii) Risk management

In the future, if competition for human resources intensifies due to a shortage of workers caused by the decline in the working population and the increased mobility of human resources, resulting in an increase in the outflow of human resources or difficulty in acquiring excellent human resources, it may not only affect our business performance but also our evolution into the "Value Co-Creation Retailer Group" that we aim to become in 2030.

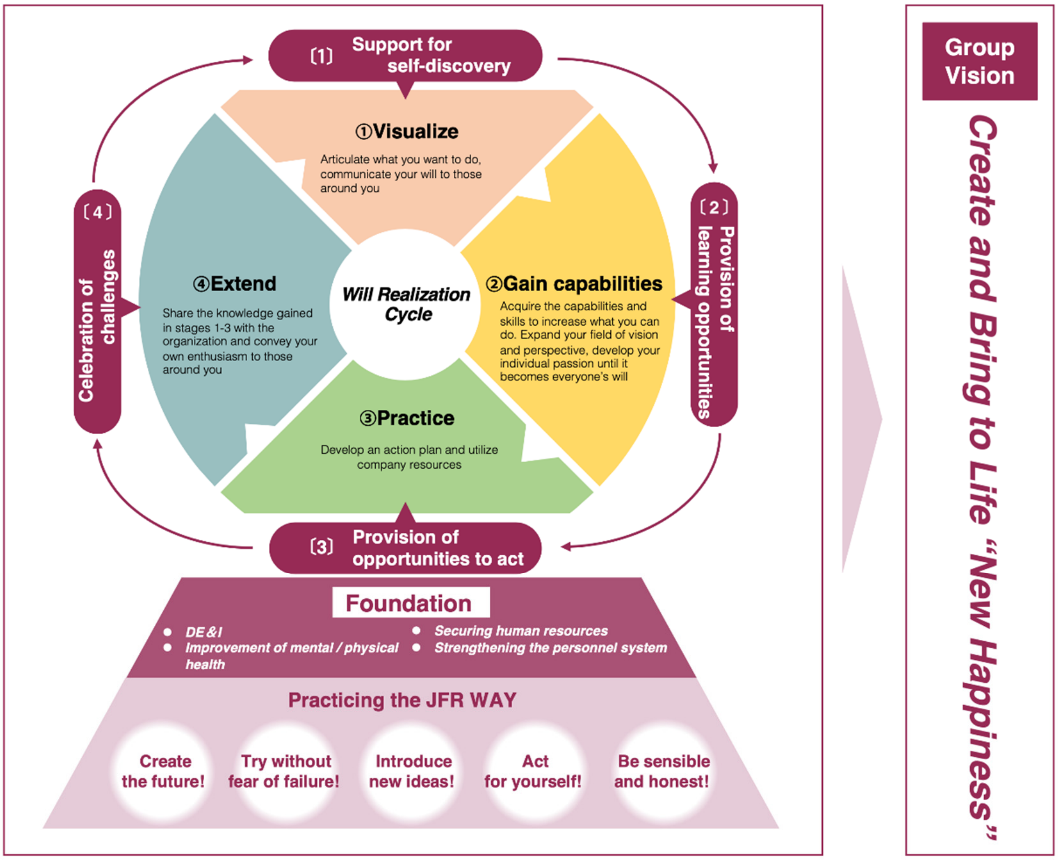
Our human resource strategy is to develop change leaders, support voluntary learning by employees, and promote diversity, equity and inclusion to establish an environment where employees can experience growth and job satisfaction. We will also create a comfortable work environment while standing behind every employee so that everyone can work with vigor in good physical and mental health.

(iii) Strategy

Human resource development policy

We support and accompany employees in learning and taking on challenges through the four processes of "Visualize," "Gain Capabilities," "Practice," and "Extend" in the Will Realization Cycle, which starts from the will, drive, and intrinsic motivation of employees, and by implementing effective personnel measures for each of these processes. In addition, we will accelerate this cycle by practicing the JFR WAY—our important approach to achieving our vision.

<Will realization cycle of employees>



(1) Support for self-discovery

Through high-quality one-on-one dialogues, we help each and every employee discover and express their inherent will and develop their skills and careers in line with their characteristics and aspirations.

In addition, by educating managers who are our employees' main supporters, we will promote the creation of a workplace with a high level of psychological safety, enhance dialogue skills to share true thoughts and feelings, and improve their capabilities to maximize the strengths and individuality of employees.

(2) Provision of learning opportunities

We will expand open-type training programs, subsidize education and training expenses, and operate JFR College—a self-learning portal site available to all Group employees—to support the autonomous career and skills development of employees. These measures aim to create an environment where employees can learn by their own initiative and choice, without being limited by job description or work location.

We will also engage in "Transformation Leader Development Training (T3 Training)" to nurture human resources who will lead the transformation of their own organizations and the entire Group by working to realize their Will through practical work situations.

(3) Provision of opportunities to act

We provide various means for employees to take on challenges and put their Will into practice. Specifically, we will promote the use of RED, in which employees work together with management to create new ideas, and establish a variety of mechanisms (e.g., secondment to investee companies and others outside the

Group, and open recruitment for Group companies) exploring completely new business domains for the Company.

(4) Celebration of challenges

We believe that "taking on challenges" is a crucial factor in the process of growth for human resources. If a challenge is achieved, this will give employees confidence and energy to take on new challenges. Even if the expected outcome is not realized, however, we believe that the insights and discoveries gained along the way will become important learning experiences that lead to the next challenge.

For this reason, while the Company focuses on results and achievements, we celebrate and value "the courage of our employees to take on challenges." We also believe that when an employee displays this attitude and enthusiasm for taking on challenges, it will inspire those around them to do the same. By spreading this enthusiasm widely throughout the company, the Will Realization Cycle for Employees will continue in a powerful way.

<u>Internal environment improvement</u>

・ Diversity, equity, and inclusion

We believe that incorporating a diverse range of individuality and converting it into organizational strengths will lead to the realization of sustainable growth. To this end, we promote excellent young employees, stimulate middle- and senior-level employees, and otherwise create an environment where all employees can utilize their unique strengths and flourish. Given that a majority of the Group's employees are women, it is essential for us to further promote their participation. In addition to our efforts to improve the workplace environment and reform working styles, we will also strengthen the formulation of development plans tailored to individual employees and promote regular follow-up after appointment to management positions.

We will also eliminate unconscious bias stemming from age, sex, work styles, and other factors, and promote and assign roles in line with people's strengths and aspirations.

・ Securing human resources

Securing and expanding the human resources capable of creating the three co-creation values is essential for our evolution into a "Value Co-creation Retailer Group." Toward this end, we are striving to improve the human resource system and expand paths to employment at the Company, such as alumni and referrals, to enhance its recruiting capabilities.

Specifically, in addition to new graduates and young people, we have expanded our hiring targets to proactively acquire people with advanced expertise in real estate, banking and finance, and other areas. In the retail business, we will focus on hiring people who can create new content and services by grasping customer needs, and digital human talent who can lead our digital transformation.

In parallel, we are also working on wage policies and work environment improvements to support the retention of human resources.

・ Promotion of physical and mental health

Physical and mental health are prerequisites for employees to remain energetic and take on challenges. We support the creativity and productivity of employees by conducting periodic surveys, sharing the results with management, departments, and employees, and carefully implementing the PDCA cycle of planning and executing actions that lead to improvement.

・ Reinforcement of the personnel systems

The human resources department plays a more important role than ever in maximizing the potential of every employee. We enhance the expertise of the human resources department and promote operational efficiency to help them respond quickly and appropriately to hiring, placement, training, evaluation and other real-world tasks. We are also striving to create a system that can contribute as a business partner to management and business unit managers.

(iv) Metrics and targets

<table>
<tr><th colspan="2">Metrics</th><th>FY2023 results</th><th>FY2026 targets</th></tr>
<tr><td colspan="2">Ratio of women in management positions</td><td>22.5%</td><td>31%</td></tr>
<tr><td rowspan="3">Gender wage gap</td><td>All employees</td><td>65.3%</td><td rowspan="3">Reduce the gap by strengthening efforts to prevent career loss, including career development and training for women and management positions</td></tr>
<tr><td>Regular employees</td><td>74.4%</td></tr>
<tr><td>Non-regular employees</td><td>72.7%</td></tr>
<tr><td colspan="2">Ratio of men taking childcare leave</td><td>87.5%</td><td>95%</td></tr>
<tr><td colspan="2">Turnover rate</td><td>5.4%</td><td>5.3% or less</td></tr>
</table>

*1 Ratio of women in management positions and gender wage gap calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

*2 Group totals, unless otherwise indicated.

*3 Gender wage gap shows the wages of female employees as a percentage of the wages of male employees.

*4 Metrics and targets as of May 2024; subject to addition or revision to align with future human resource strategy.

3. Business risks

The matters recorded in the annual securities report concerning the overview of business, financial information, etc. include the following key risks that are recognized by the management as having the potential to exert a material impact on the financial position, operating results, and cash flows of consolidated companies.

Forward-looking statements in this Annual Securities Report represent the judgment of the Group as of the filing date of this document (May 29, 2024).

(1) Approach and system for risk management

・ Approach for risk management

The Group defines risk as “uncertainties that have both potentially positive and negative sides that could have an impact on the achievement of targets by a company’s management.” The Company has positioned risk management as “activity that increases corporate value by managing risks by reasonable and optimal methods from a companywide perspective” to achieve sustainable corporate growth by addressing the positive side and the negative side of risk properly.

・ Risk management system

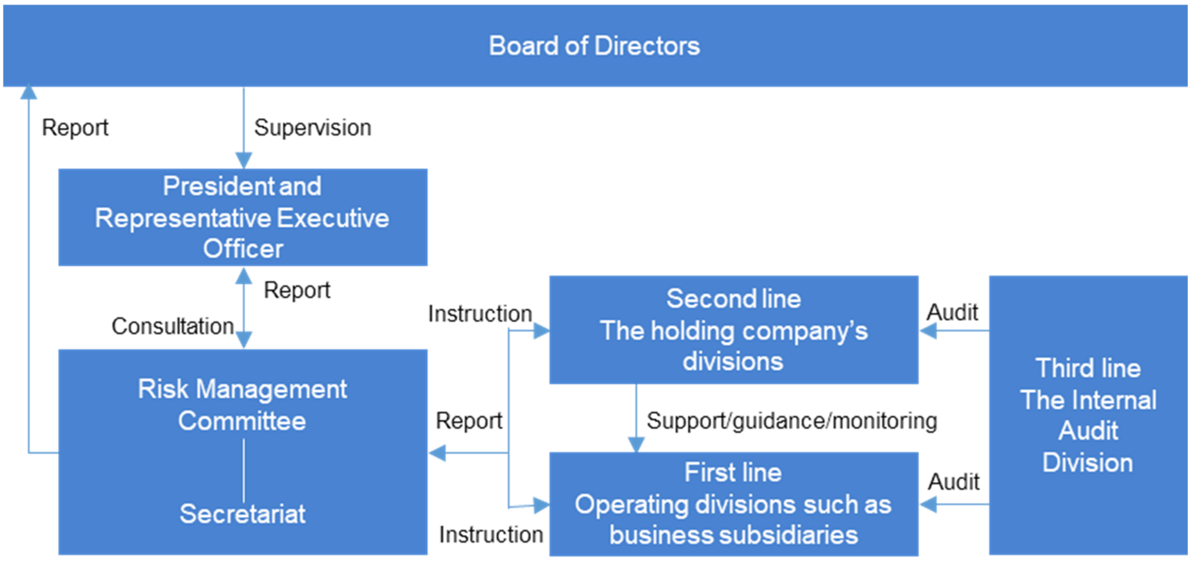
The Company has established the Risk Management Committee, which is chaired by the President and Representative Executive Officer and comprises Executive Officers of the Company and the presidents of major operating companies, as an advisory body to the President and Representative Executive Officer. The committee discusses important matters, including risk identification and evaluation, 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.

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, by positioning risk as the starting point of strategy and linking it to strategy, we are striving to make risk management contribute to corporate value.

Furthermore, in order to effectively perform risk management, we have established the following three lines.

- First line (Operating divisions such as operating subsidiaries): These divisions identify risks and take the necessary measures on their own.
- Second line (The holding company’s divisions): Each division provides support, guidance, and monitoring regarding risk management from a perspective that is independent of the operating divisions.
- Third line (The Internal Audit Division): This division oversees the validity of the risk management functions and the internal control system from a perspective that is independent of the operating divisions and each division of a holding company.

Support and monitoring from the second line and independent oversight from the third line allow the first line (operating divisions) to independently execute risk response through proper procedures and without delay.



(2) Processes and risk identification method

The Group promotes risk management through the following processes. Specifically, we are striving to ensure that risks of high importance to the Group are not overlooked under the external and internal environmental analysis and are based on the recognition of Directors, the management team, external experts, and practical operation divisions.

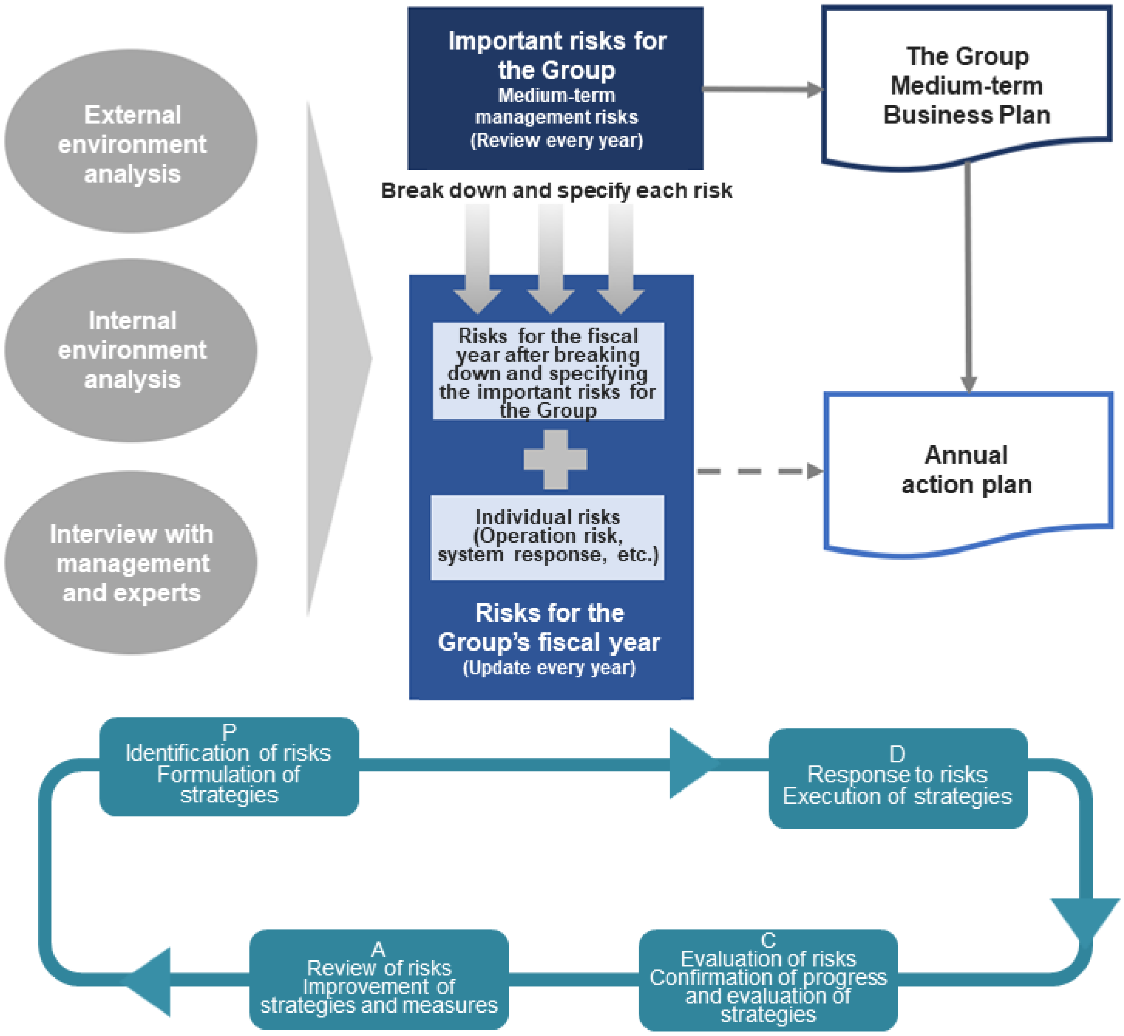
Since we consider risk to be the starting point of strategy, we reviewed risks of high importance to the Company and our method of identifying them predicated on the current Medium-term Business Plan.

Over the medium term, we have positioned “important risks for the JFR Group” (hereinafter referred to as “important risks for the Group”) as having extremely high importance for the Group’s management and have used these as starting points for the Group Medium-term Business Plan.

We also broke down and specified “important risks for the Group” in terms of fiscal years, which, coupled with risks that require individual attention in a given fiscal year (mainly operation risk, system response, and the like), we refer to as “risks for the JFR Group’s fiscal year” (hereinafter referred to as “risks for the Group’s fiscal year”), and prioritize and execute countermeasures accordingly.

For “risks for the Group’s fiscal year,” change in the environment surrounding risks and the progress of measures are monitored semiannually, and the Risk Management Committee discusses the matters and then reports their contents to the Board of Directors.

Risk identification method and PDCA



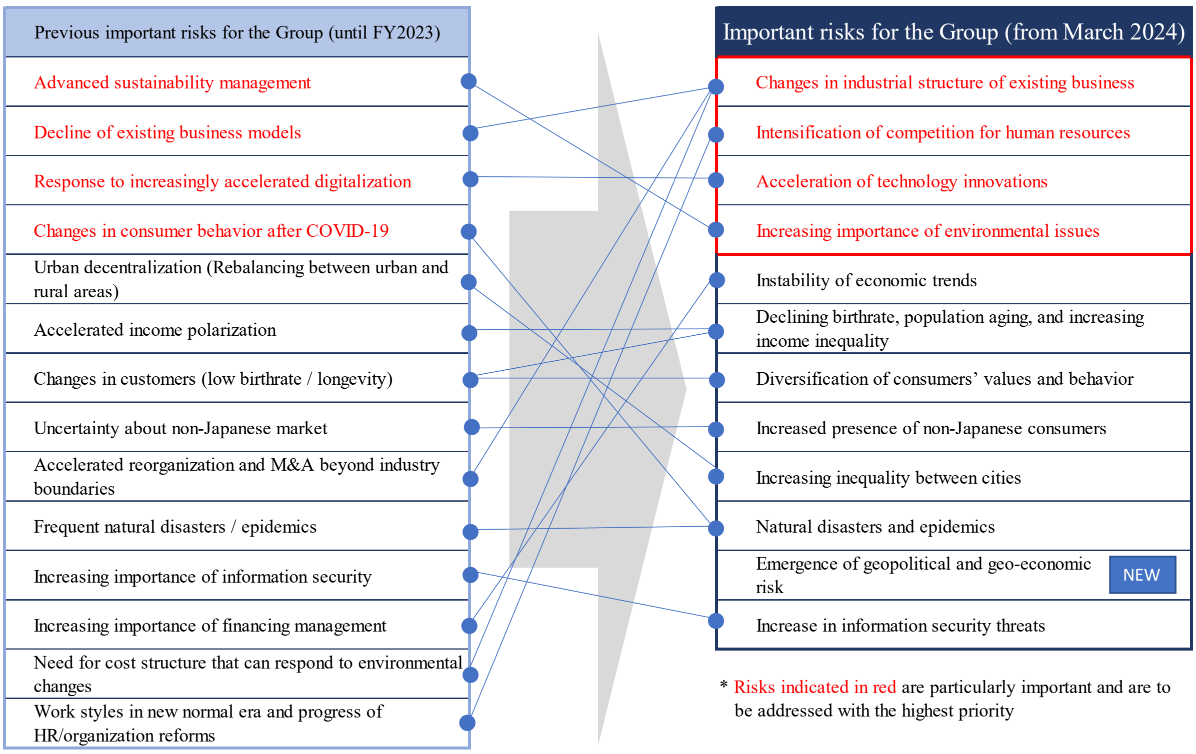
The chart below shows "important risks for the Group" that the Group has positioned as the most important risks that will affect growth and survival of the Group over the medium to long term.

Four of them—changes in industrial structure of existing business, intensification of competition for human resources, acceleration of technology innovations, increasing importance of environmental issues—have an extremely substantial impact on the Group's management; we position these as priority risks to be addressed in the Medium-term Business Plan.

Overview of “important risks for the Group”
Asterisks (*) denote priority risks with an extremely substantial impact.

	Internal environment (Business environment)	External environment (Macro environment)
Strategy risk	* Changes in industrial structure of existing business * Intensification of competition for human resources Diversification of consumers’ values and behavior Increased presence of non-Japanese consumers Increasing inequality between cities	* Acceleration of technology innovations * Increasing importance of environmental issues Declining birthrate, population aging, and increasing income inequality
Finance risk		Instability of economic trends
Hazard risk		Emergence of geopolitical and geo-economic risk Natural disasters and epidemics Increase in information security threats
Operation risk	* Operation risk is handled as part of the risks for the fiscal year	

The following graphic shows how the current “important risks for the Group” are related to the former “important risks for the Group” through fiscal 2023. The risks have been revised in response to changing circumstances, while also covering risks we have been addressing to date.



* Risks indicated in red are particularly important and are to be addressed with the highest priority

(3) Risks

(i) Strategic risks

Changes in industrial structure of existing business	
Impact: Very severe	Outlook for the future: (escalate greatly)
Risk recognition	The industrial and profit structures that form the basis of our business operations are changing; for example, competition in the industry is intensifying, e-commerce and other competitors and forms of business are entering the scene, relations with suppliers are changing, consumer markets are shrinking and changes in consumer behavior are progressing, and fixed costs are increasing and more variable. The industry of the Department Store Business—the Group's main business—is declining over the long term, making it difficult to maintain or increase profits by doing nothing more than continuing to apply existing business models. Building new business models and rearranging business portfolios in response to these structural changes present opportunities to increase profits. However, failure to respond properly could compromise our performance and present accounting and tax risks (e.g. necessitate impairment of fixed assets).
Measures	The Group positions the current Medium-term Business Plan as a period of transformation to ensure substantial growth by 2030, and aims for substantial growth by striving for profit growth through deepening of the core retail business and pursuing Group synergies in three domains: customers, area, and content. Additionally, with an eye toward 2030, we will promote growth strategies for the Developer Business and the Payment and Finance Business as well as the retail business. For growth strategy investments, with the aim of new growth in the retail business, we will promote the development and ownership of proprietary content, services, and more with an eye toward business expansion not only domestically, but also overseas and in the digital domain. We will also promote M&As and new business development based on our vision, and open innovation through CVC by cooperating with investees. <Reference> Examples of specific efforts made to date ・ Corporate venture capital (CVC) activities: https://www.j-front-retailing.com/_data_json/news/_upload/221011_CVC.pdf (in Japanese) ・ Establishment of a "business succession fund": https://www.j-front-retailing.com/_data_json/news/_upload/20240118jigyousyoukei.pdf (in Japanese)

Intensification of competition for human resources

Impact: Very severe	Outlook for the future: (escalate greatly)
Risk recognition	The decline of the working population is causing labor shortages and more transience of human resources that have increased the ferocity of competition for human resources. Continuously securing human resources is a requirement for sustainable management, and to reform our business portfolio, we require a dynamic human resources portfolio linked thereto. To continuously secure the required quality and quantity of human resources, we must make proper investments, provide proper training, acquire (hire) new human resources, and improve mobility within the Company through career development and reskilling for existing human resources.
Measures	Based on our distinct ideology of the power of human resources, we will make effective investments in human resources to realize the human resources portfolio we need to execute our strategies. We will make proactive investments to strengthen hiring of innovators and highly skilled human resources, promote exchange within the Group through open recruiting, and develop human resources through career development, reskilling, and the like. Specifically, for digital human resources, we will conduct internal training for managers and other employees and continue to develop “digital core human resources.” We will also continue efforts to offer competitive wages and benefits and create work environments that allow diverse human resources to flourish, regardless of characteristics such as age or sex. <Reference> Examples of specific efforts made to date ・ Experts hired: 218 (2023), 161 (2022), 103 (2021) ・ Ratio of women in management positions: 22.5% (2023), 22.2% (2022), 21.3% (2021) * For details about our approach to human capital, please see “2. Approach to and efforts for sustainability, (4) Approach to human capital.”

Acceleration of technology innovations

Impact: Very severe	Outlook for the future: (escalate greatly)
Risk recognition	Of all the technology innovations with a substantial impact on business, generative AI has a particularly broad scope of application and is changing the very nature of operations. Additionally, Web 3.0, XR, NFTs, and other new digital technologies and services are changing consumers’ lifestyles, values, and communication, offering potential for growth into prominent markets and impacting existing business models. Using technology to establish new business models allows us to adapt to changing consumer behavior and contributes to increased profits; however, failure to respond properly could delay business reforms and result in lost business opportunities, lower operational efficiency, and other problems.
Measures	The Group is introducing interactive generative AI for use in proprietary environments in an effort to streamline and improve the effectiveness of operations. We are also making efforts to create new experience value by fusing the real and digital worlds; for example, we have begun selling avatars and holding XR-based events at our department stores and PARCO locations. Additionally, we have earned DX Certification (from METI), which certifies that our efforts have prepared us for DX promotion for social reform using digital technology. <Reference> Examples of specific efforts made to date ・ Certified as a “DX-certified operator” by METI: https://www.j-front-retailing.com/_data_json/news/_upload/202305010dx.pdf (in Japanese) ・ Daimaru Matsuzakaya Department Stores have begun selling avatars: https://www.daimaru-matsuzakaya.com/assets/news/3d_12_22.pdf (in Japanese) ・ PARCO Digital Marketing XR media launch (Displaying event articles at stores): https://xr.parco-digital.co.jp/ (in Japanese)

<table>
<tr><th colspan="3">Increasing importance of environmental issues</th></tr>
<tr><td colspan="2">Impact: Very severe</td><td>Outlook for the future: (escalate)</td></tr>
<tr><td>Risk</td><td colspan="2">Global warming, marine pollution, loss of biodiversity, and other global environmental problems are becoming increasingly severe, and we recognize that they impact corporate business activities over the long term. Corporations must not only respond to these problems, but also create solutions-based businesses and take other steps to fulfill active roles and contribute to creating a sustainable environment and society.</td></tr>
<tr><td>Measures</td><td colspan="2">The Company considers climate change to be a key sustainability management issue, and is aiming for net zero*1 GHG emissions throughout the value chain by 2050. Specifically, we are working to reduce GHG emissions and promote a circular economy toward realizing net zero emissions.
*1 To thoroughly reduce GHG emissions and reduce the remaining emissions to virtually zero after subtracting the amount of emissions removed through forest absorption and CCS (CO_2 capture and storage), etc.
<Reference> Examples of specific efforts made to date
・ Reducing GHG emissions
Reducing Scope 1 and 2 emissions (e.g. expanding conversions to renewable energy, transitioning to LED lighting for stores and EVs for commercial vehicles)
Reducing Scope 3 emissions (holding briefings and otherwise encouraging suppliers)
・ Promotion of circular economy
Participating in the “Fry to Fly Project” aiming to manufacture made-in-Japan SAF from waste food oil: https://www.daimaru-matsuzakaya.com/assets/news/saf.pdf (in Japanese)
・ “AnotherADdress” fashion subscription business: https://www.anotheraddress.jp/ (in Japanese)
・ “ECOFF,” an initiative to collect, recycle, and reuse used clothing, etc.: https://dmdepart.jp/ecoff/about/ (in Japanese)
* For details about our response to environmental issues, please see “2. Approach to and efforts for sustainability, (2) Addressing climate-related issues (TCFD disclosures)” and “2. Approach to and efforts for sustainability, (3) Addressing nature-related issues (TNFD disclosures).”</td></tr>
</table>

Declining birthrate, population aging, and increasing income inequality	
Impact: Severe	Outlook for the future: (escalate)
Risk recognition	Depopulation will cause the consumer population of Japan to decline, and over the medium and long term, the core of consumption will shift from younger Boomers to Millennials and Gen Zers (collectively, the "Generation MZ"), a group with widely different values and behavior patterns from other generations. Additionally, as life expectancy increases, the active senior market should expand, necessitating business operations tailored to seniors who prefer different lifestyles from those we have come to expect for elderly people. Income inequality is increasing worldwide, and polarization is progressing in Japan as well, necessitating speed and strategy for properly accommodating target customers.
Measures	In today's world, as consumption diversity advances, we are seeing a vanishing desire for uniformity in products and services. As such, the Group will provide new value to all consumers who favor consuming high-quality goods and having heart-lifting experiences that fulfill their own preferences and values (especially the Generation MZ, the affluent market segment, and inbound tourists). Accordingly, in addition to deepening our excellent customer base—one of the Company's strengths—we will expand connections with non-Japanese customers, the Generation MZ, and other new customers who will drive consumption in Japan. To maximize regional value and expand our customer base by demonstrating group synergies mainly in the seven key areas* in which we have business foundations, we will strengthen and promote the Developer Business and Payment and Finance Business centered on the Department Store Business and the SC Business. Furthermore, as an initiative for new business, we will acquire XENOZ CO., Ltd. to enter the e-sports business, which is popular with the Generation MZ, and strengthen collaboration with PARCO and others. <Reference> Examples of specific efforts made to date ・ Maximize regional value and expand customer base by merging Daimaru Matsuzakaya and GINZA SIX cards: https://www.jfr-card.co.jp/corporate/news/20231006.pdf (in Japanese) ・ Acquisition of XENOZ CO., Ltd.: https://www.j-front-retailing.com/_data_json/news/_upload/20221027esports.pdf (in Japanese)

* Sapporo, Tokyo, Nagoya, Kyoto, Osaka, Kobe, and Fukuoka

Diversification of consumers’ values and behavior

Impact: Severe	Outlook for the future: (escalate)
Risk recognition	Changes in consumers’ values are becoming more apparent amid the ongoing shift of the main consuming generation. Consumption is diversifying, trending from owning to using, from convenience-based to emotional narrative-based, toward experiences that can only be had in the present moment, and from competition to co-creation. Additionally, people are seeking sustainable economic activity. Consumer behavior processes are also diversifying, and we have seen the emergence of consumers who wish to do all their consuming and enjoy all their services online. The recent surge in commodity and energy resource prices has also impacted customers’ appetite for consumption. If we can respond properly to these changes in consumers’ behavior and needs, we can improve our brand power and seize opportunities to increase profits.
Measures	To respond to the aforementioned market changes and accommodate the next generation of customers, we will continue to strengthen luxury brands with robust support from Japanese and non-Japanese customers in addition to modeling lifestyles; investing in renovations for beauty, health, and other areas; and strengthening the competitiveness of stores in all regions. Plans include major renovations for luxury and other new fashion and lifestyle modeling at the Matsuzakaya Nagoya store, the first major renovations at stores in Shibuya and Shinsaibashi, introducing entertainment and pop culture zones at the Nagoya store, and more. Additionally, we are expanding the subscription business of Daimaru Matsuzakaya Department Stores to include art, frozen cuisine, and other categories in addition to the existing category of fashion. <Reference> Examples of specific efforts made to date ・ Launched “Rakurich,” a frozen cuisine home delivery subscription service: https://www.daimaru-matsuzakaya.com/assets/news/5_16.pdf (in Japanese) ・ Launched the PARCO game business: https://www.parco.co.jp/pdf/jp/store/storage/cname_20230907152708.pdf (in Japanese)

Increased presence of non-Japanese consumers

Impact: Severe	Outlook for the future: (escalate)
Risk recognition	In contrast to Japan’s ongoing low growth, emerging economies in Asia and elsewhere continue to experience high growth. Mature cities in Asia have many major commercial facilities already, while in growing cities, national-level growth is fueling a growing number of urban development, complex development projects, and more. Other signs point to the growing importance of Asia as a driver of consumption, including an increasing affluent market segment and a rapidly expanding middle class in terms of both population and income. Now that the COVID-19 pandemic is under control throughout the world, the non-Japanese consumer market should expand. Therefore, non-Japanese consumers are a major target for the Group, and turning our focus to properly accommodating this market presents opportunities. However, we should also continue to devote energy to serving Japanese customers in case inbound tourism drops off dramatically due to political strife or other circumstances.
Measures	Acquiring the non-Japanese consumer market is an essential issue for future growth; to promote the staying power of this segment, the Company established a new dedicated department for overseas business. We are also taking steps to strengthen luxury brands with robust support from Japanese and non-Japanese customers and other areas to steadily capture burgeoning inbound demand, in addition to promoting the development and ownership of content and services that allow us to expand business overseas and in the digital domain. Meanwhile, we will continue to make efforts to expand our Japanese customer base. <Reference> Examples of specific efforts made to date ・ Collaborating with other companies to strengthen our approach to the affluent non-Japanese market: https://www.j-front-retailing.com/_data_json/news/_upload/7bf3b433bca8fb939f2f086f494d305128d9d56a.pdf (in Japanese)

Increasing inequality between cities	
Impact: Severe	Outlook for the future: (escalate)
Risk recognition	Amid ongoing depopulation, birthrate decline, and population aging in Japan, people are continuing to move into Tokyo, Osaka, Nagoya, and other major cities, expanding job opportunities and markets in those cities, but also increasing inequality when compared to the working populations and economies of other cities. Urban areas require disaster risk reduction and mitigation, business continuity planning, and other infrastructure improvements to enhance safety with respect to natural disasters and aging infrastructure; however, they also require comfortable, environmentally friendly housing and cultural coexistence. If the JFR Group can collaborate with local governments, NPOs, and other organizations in cities and participate in building communities and resolving their issues, it will be possible both for communities to advance and for the Group to expand its profits.
Measures	To enhance our Developer Business, the Group established J. FRONT CITY DEVELOPMENT Co., Ltd. in March 2023 and promotes the following types of efforts. ・ Promoting development to update the attractiveness of seven major cities in which the Group has locations (major complex development and other construction work in the "Nishiki 3-chome" area of the Sakae district of Nagoya and the Shinsaibashi area of Osaka scheduled for completion in 2026) ・ Development of complexes featuring commercial facilities as well as office space, hotel accommodations, residences, and more with the aim of co-prosperity with local communities ・ Proactive efforts to acquire environmental certification for new facility development with the aim of coexisting with the environment <Reference> Examples of specific efforts made to date ・ "Nishiki 3-chome District 25 project (tentative name)" in Nagoya: https://www.parco.co.jp/news/detail/?id=2573 (in Japanese) ・ Shinsaibashi project: https://www.j-front-retailing.com/_data_json/news/_upload/20220510shinsaibashi_p.pdf (in Japanese)

(ii) Financial risks

Instability of economic trends	
Impact: Severe	Outlook for the future: (escalate)
Risk recognition	The Japanese economy is impacted by the global economy; exchange rates, interest rates, stock prices, and other indicators are extremely unpredictable, with interest rates having a particularly outsized effect on the Developer Business handled by J. FRONT CITY DEVELOPMENT. When considering and implementing measures in these highly uncertain economic circumstances, the JFR Group must formulate multiple scenarios and respond flexibly. If we respond properly, we can expand opportunities for profit and reduce risks. Failure to respond properly may cost us opportunities for profit, increase the cost of capital, and have other negative impacts. Additionally, failure to procure funding for new investments, refinancing existing interest-bearing debts, operations, and the like could delay business portfolio reforms and result in contracted business activities.
Measures	Considering the characteristics of our business, we mainly procure long-term funding at fixed interest rates; therefore, we are not subject to sudden increases in interest expenses due to rising interest rates or other substantial short-term effects. However, given rising interest rates, we are seeing an increase in interest expenses when we secure funding for investing in future growth strategies and refinance existing interest-bearing debts. In the new funding phase, we will work on measures to minimize financing costs, for example by appropriately selecting funding measures. Additionally, in terms of strategy, we are constantly monitoring fluctuations and their impacts, and will revise the Medium-term Business Plan and reflect our findings in policy for the following fiscal year as necessary.

(iii) Hazard risks

Natural disasters and epidemics

Impact: Very severe	Outlook for the future: ➡ (remain important)
Risk recognition	The risk of huge earthquakes, such as the Nankai Trough earthquake or an earthquake directly under the Tokyo metropolitan area, is increasing. Natural disasters caused by extreme weather events, such as giant typhoons and torrential rains, are increasing in both frequency and scale of damage. Although control of COVID-19 is within sight, new epidemics and similar pandemics are still possible. If such risks materialize and cause serious disruptions to business operations, such as human casualties, suspension of business activities, disruption of supply chains, or costs associated with facility renovations, the Group could be substantially affected. We must envision what will happen when risks emerge and implement proper measures and drills in advance.
Measures	In response to natural disasters and other risks that threaten the continuity of our business, we are developing systems for sustaining operations in terms of securing the necessary operations (e.g. funding, payment operations) and infrastructure (e.g. systems) based on business continuity plans, enhancing those plans (for example, by developing a manual to guide the response after an eruption of Mount Fuji), regularly implementing BCP drills at our operating companies, and taking other steps to improve the capacity and effectiveness of our response to a wide range of crises. As for infectious diseases, the Company will respond based on its "New Infectious Disease Response Manual," which stipulates items related to ensuring the safety of human life, minimizing the impact on business, and preparing systems during normal times.

Emergence of geopolitical and geo-economic risk

Impact: Severe	Outlook for the future: ↗ (escalate)
Risk recognition	Geopolitical risks other than the conflict in Ukraine are emerging. These risks have an increasing effect of trapping resources, food, cutting-edge technology, and other benefits within national borders, and are impacting commodity prices, supply chains, and consumer trends. To ensure safety and security for our overseas employees as uncertainty mounts throughout the world, it is essential for us to monitor global trends and use our findings to formulate plans and conduct drills to prepare. We must envision what could happen and be prepared before it does so that we can take the proper actions at the right times when risks emerge.
Measures	We will establish an overseas risk management system and enhance response capacity in line with the risk environments and circumstances at our employees' overseas postings and business trip destinations. We will also revise the business continuity plans of our operating companies with locations and employees stationed outside Japan (e.g. Daimaru Matsuzakaya, Daimaru Kogyo, PARCO). Specifically, we will establish a new action plan that sets out responses to incidents in East Asia—where the Group has locations—and sustain and strengthen countermeasures, namely revising our manual for overseas safety measures and other steps to ensure the safety of our overseas employees. In terms of strategy, we will constantly monitor factors of instability and their impact on business, and reflect our findings in policy for the following fiscal year as necessary and change measures accordingly.

<table>
<tr><th colspan="2">Increase in information security threats</th></tr>
<tr><td>Impact: Severe</td><td>Outlook for the future: (escalate)</td></tr>
<tr><td>Risk recognition</td><td>While remote work has been established and operations using cloud computing and mobile devices are expanding, cyberattacks, unauthorized access, and other methods are rapidly diversifying and becoming more sophisticated, making the cyber risks surrounding the Group even more serious. In addition, the Group holds a large amount of customer and personal information, making it essential to introduce more robust systems and system security measures for storing and handling information.
If risks, such as external leakage of critical information or large-scale service outages, were to materialize due to external attacks, human error, or inadequate management by contractors, the Group could lose credibility, or its performance and financial position could be affected, depending on the scale of the damage. We must improve and enhance our information security management while ensuring that our employees have the correct knowledge and act appropriately.</td></tr>
<tr><td>Measures</td><td>To ensure information security, the Group promotes efforts under the following course of action.
・ Establish organizations dedicated to information security. Integrate IT organizations within the Group and establish system environments that facilitate the demonstration of organizational capabilities
・ Prevent infiltration of internal networks by unauthorized equipment brought in by employees by integrating, developing, and enhancing Group infrastructure, establishing safe information system operations and highly robust security, and switching to internal Wi-Fi with enhanced security
・ Promote advancement of security operations, such as enhancement of the monitoring system using new solutions and external monitoring services, the expansion of the scope of vulnerability management, and the improvement of the response quality to prevent information leaks, etc.
・ Strengthen the management structure for systems delegated to outside entities
・ Promote the proper operation of IT governance, for example improving system investment-related operation, institutionalizing new IT asset management-related operation, and considering IT business continuity plans
・ Revise Group security guidelines, strengthen security incident response systems
・ Improve employees’ security awareness and literacy by conducting incident response training for IT personnel and ongoing information security e-learning and targeted attack e-mail training for all employees</td></tr>
</table>

List of important risks for the JFR Group

Category	Item	Impact	Outlook for the future	Negative side	Positive side	Measures
Strategy	Changes in industrial structure of existing business	Very severe	↑	・Decreased vitality of the entire Group due to weak performance of large-scale store-based retail business	・Regrowth by radical change of the business model of large-scale store-based retail business	・Strengthen existing businesses and develop businesses to transform the business portfolio ・Invest through M&As and CVC based on our vision
	Intensification of competition for human resources	Very severe	↑	・Loss of competitiveness in attracting human resources, outflow of talented human resources ・Decrease in employee motivation	・Promotion of business strategy; creation of innovation ・Increase in employee engagement and organizational capability	・Recruit professional human resources, group personnel exchanges, development ・Realization of Well-Being Life of employees through investment in human resources
	Acceleration of technology innovations	Very severe	↑	・Sluggish growth of the entire Group ・Declining competitiveness due to delay use of technology	・Transformation of business model through use of technology ・Operation streamlining	・Utilization of Group database ・Operation streamlining through AI utilization ・Building business models for Web 3.0, XR, NFTs, and other new markets ・Developing digital human resources
	Increasing importance of environmental issues	Very severe	↗	・Defection of stakeholders and lower rating and brand power	・Sustainable growth and improvement of the Group's presence	・Reducing GHG emissions ・Expand handling of environmentally friendly products and services ・Expansion of circular businesses such as sharing and upcycling
	Declining birthrate, population aging, and increasing income inequality	Major	↗	・Shrinkage of domestic market scale ・Contraction of high-volume sector, the existing target	・Expansion of new markets through target accommodation	・Approach consumers who favor consuming high-quality goods and having heart-lifting experiences that fulfill their own preferences and values ・Expand customer/business base to reach the aforementioned target
	Diversification of consumers' values and behavior	Major	↗	・Decrease in sales and profit	・Expansion of new markets	・Promote measures in line with the values of consumers who favor consuming high-quality goods and having heart-lifting experiences that fulfill their own preferences and values (e.g. subscription business, home delivery business, entertainment, pop culture)
	Increased presence of non-Japanese consumers	Major	↗	・Delays in incorporating inbound tourism ・Sudden decrease in inbound tourism	・Expansion of inbound sales ・Capture foreign demand by developing e-commerce, etc.	・Sustain and strengthen categories of products with robust support from Japanese and non-Japanese customers ・Promote development and ownership of content that allows us to expand in the digital domain outside Japan ・Ongoing efforts to expand the Japanese customer base
	Increasing inequality between cities	Major	↗	・Decline in urban commercial facilities' ability to attract customers	・Business development through contribution to urban needs and urban development	・Participate in community-building in collaboration with local governments and other organizations in the Group's major locations (e.g. commercial facilities, office space, hotel accommodations, residences)
Finance	Instability of economic trends	Major	↗	・Loss of opportunities for profit ・Increased cost of capital	・Promotion of growth strategies and business portfolio changes ・Lowered cost of capital	・Long-term funding at fixed interest rates ・Selection of appropriate financing measures during the new funding phase

Category	Item	Impact	Outlook for the future	Negative side	Positive side	Measures
Hazards	Natural disasters and epidemics	Very severe	→	・Damage to the lives of customers and employees ・Business continuity crisis	・Stable business operations	・Continuously implementing practical BCP training ・Periodic reviews of business continuity plans ・Strengthen preparation for new pandemics
	Emergence of geopolitical and geo-economic risk	Major	↗	・Danger and difficulties in life for employees stationed overseas (or on business trips)	・Stable overseas business operations	・Establish and promote an overseas risk management system in line with the risk environments and circumstances at our employees' overseas postings and business trip destinations ・Monitor impact on the Company's business (especially overseas business)
	Increase in information security threats	Major	↗	・Occurrence of personal information leaks, lawsuits, and liability for damages, loss of social trust ・Delay/stagnation of operations	・Stable running of operations and systems ・Operation streamlining and promotion of remote work	・Develop and upgrade the Group's common system infrastructure ・Promoting sophistication of security operations and strengthening the response system ・Reviewing Group security guidelines and improving employee security awareness and understanding through training

Impact: Consideration of economic impact on the Group and impact on brand value during the period of the Medium-term Business Plan

Outlook for the future: Projected changes to risks during the period of the Medium-term Business Plan taking into account the severity of their impact on the Group

: Risks that have an extremely heavy impact and are given priority

When a risk bridges multiple categories, we placed it in the category with the highest impact and relevance to the Group's strategies

4. Management analysis of financial position, operating results, and cash flows

(1) Financial position and operating results

(i) Operating results for the current fiscal year

(Millions of yen, %)	Fiscal year ended February 29, 2024	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Gross sales	1,151,972	153,217	15.3	20,972
Revenue	407,006	47,327	13.2	1,506
Gross profit	195,516	25,980	15.3	3,016
Selling, general and administrative expenses	151,185	6,503	4.5	1,185
Business profit	44,330	19,476	78.4	1,830
Other operating income	3,673	(867)	(19.1)	473
Other operating expenses	4,955	(5,381)	(52.1)	(745)
Operating profit	43,048	23,989	125.9	3,048
Profit attributable to owners of parent	29,913	15,676	110.1	2,913

During the fiscal year under review, the Japanese economy continued to experience a moderate recovery driven mainly by growth in service consumption and inbound demand in the context of the progressive normalization of social and economic activities, which overcame rising uncertainty caused by the increasingly unstable international situation and slowdowns in overseas economies.

Regarding personal spending, as improvements in the employment and income environments continued, in-person services and the like grew, but price increases pushed down real wages, preventing the recovery from gaining momentum as the rally in consumption appeared to stall.

Since fiscal 2021 the Company has been promoting the Medium-term Business Plan (FY2021–FY2023), which positions sustainability at the core of management. During the current Medium-term Business Plan, we have achieved a “complete recovery” from the COVID-19 pandemic, positioned the period beginning in fiscal 2024 as a time of “regrowth,” and focused mainly on our three key strategies, on management structure reforms, and on strengthening the management foundation to support medium- to long-term growth.

During the fiscal year under review, the final fiscal year under the current Medium-term Business Plan, we steadily promoted the key strategies and measures established by the Medium-term Business Plan to achieve “regrowth” from fiscal 2024 onward, having created a strong foothold for “complete recovery” to ensure that we captured domestic consumption, which is continuing to recover, and inbound demand.

In terms of initiatives for sustainability, we have worked to resolve environmental and social issues mainly through activities that integrate our seven materiality issues (key issues) with the key strategies.

Although the effects of COVID-19 continued for longer than expected, the results of the above initiatives enabled us to more or less achieve our key performance indicator targets set under the current Medium-term Business Plan, including that for consolidated operating profit (¥40,300 million), and led to improvements in our financial standing, mainly through reductions in interest-bearing liabilities.

In parallel with the promotion of strategies to achieve the targets of the current Medium-term Business Plan, we have formulated a Group vision for 2030, as well as the next Medium-term Business Plan (FY2024–FY2026), which begins in fiscal 2024. In addition, we made the decision to adopt a new management system under which to launch the next Medium-term Business Plan, with the objective of further strengthening Group management and enhancing corporate value.

In addition to making strategic investments in the Department Store Business and the SC Business based on our “Real x Digital Strategy,” by expanding key categories and carrying out renovations centered on flagship stores to increase the attractiveness of real stores, we have strengthened promotions aimed at increasing the value of visiting our stores, which includes the holding of large-scale mobilization events. Our use of digital technology has entailed the expansion of online businesses such as subscription services, and the digitalization of customer contact points through the use of apps and other measures to build strong relationships with customers.

Under our Prime Life Strategy, to enhance our response to the affluent market segment, based largely on department store gaisho (out-of-store sales), we have expanded our key categories, developed merchandise and services with scarcity value, both in-store and online, and worked to expand our customer base by winning new customers.

In terms of our Developer Strategy, under the new business promotion framework launched during the fiscal year under review, we formulated and promoted long-term development plans centered in the key areas of seven cities in which the Company maintains its business foundation, such as Nagoya’s Sakae area and Osaka’s Shinsaibashi area, to which we have recently added Fukuoka’s Tenjin area. We also entered the residential real estate business to use our real estate holdings effectively, and promoted the development of properties.

In our management structure reforms, we have succeeded in reducing costs more than initially planned by reviewing our outsourcing and digitalizing our advertising methods in addition to effects from organizational and personnel structure reforms to reduce fixed costs. As a means of further improving management efficiency, we transferred to another entity all shares held by the Company in StylingLife Holdings Inc. As a result, the said company has been removed from being an equity method associate of the Company. We ceased operations of Shintokorozawa PARCO at the end of February 2024.

In addition to promoting these strategies, looking ahead to the reform of the business portfolio and to launching new businesses through co-creation with other companies we took equity stakes in Financie, Inc. and QON Inc., as well as investing in eight other companies through a CVC (corporate venture capital) fund. Additionally, based on the concept of “coexistence with local communities” that is a key sustainability issue for the Company, we have established a business succession fund in collaboration with another company in March 2024, with the objectives of contributing to local communities as well as unearthing, and ensuring the continuation of, products and services that are deeply rooted in their regions of origin.

Under the Group human resources strategy, not only are we strengthening recruitment of highly specialized professionals and enhancing skills development programs at the holding company and individual businesses, but we are also working on Group-wide human resources development initiatives, such as the systematic nurturing of digital human resources and the promotion of active participation by mid-career and younger employees. We also promoted open recruitment and placement to reflect the intentions and desires of our employees, and actively facilitated personnel interaction to improve the diversity of our organizations and personnel.

In accordance with the Group financial strategy, we worked to improve our financial standing through measures that took into account changes in the business environment and the outlook going forward, including optimizing the balance of cash and deposits, and reducing interest-bearing liabilities. Looking ahead to the next Medium-term Business Plan, we have also formulated a medium- to long-term financial policy.

Under our Group systems strategy, in addition to supporting the promotion of key strategies in each business, we promoted the deployment among operating companies of a common accounting system for the Group, with the objective of enhancing management and administration and raising its productivity, and also strengthened our ability to handle both information security and business continuity.

As a result of various measures, including those mentioned above, revenue was ¥407,006 million (up 13.2% year on year) with respect to consolidated earnings for the current fiscal year. Business profit was ¥44,330 million, up 78.4% year on year, as a result of improvement in revenue, along with the effects from reduced fixed costs and expenses. Operating profit was ¥43,048 million (up 125.9% year on year), partly due to the transfer of shares of equity method associates while impairment losses were recorded at some branches of our department stores. Profit before tax was ¥41,343 million (up 145.0% year on year), and profit attributable to owners of parent was ¥29,913 million (up 110.1% year on year), demonstrating a large increase in profit.

Regarding dividends, the Company has decided to pay an annual dividend of ¥36 per share (¥31 in the previous fiscal year), for an increase of ¥5 relative to the previous fiscal year.

Results by segment are as follows:

Due to the organizational restructuring effective March 1, 2023, real estate assets have been transferred from PARCO Co., Ltd. to J. FRONT CITY DEVELOPMENT Co., Ltd. Accordingly, they have been retroactively adjusted as if the transfer had been effective from the beginning of the previous fiscal year (March 1, 2022).

Business results by segment

<Department Store Business>

(Millions of yen, %)	Fiscal year ended February 29, 2024	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Revenue	239,125	23,371	10.8	3,825
Business profit	26,265	13,431	104.6	1,965
Operating profit	23,587	16,058	213.3	1,287

With social and economic activities progressively normalizing, in addition to the results of strategies and policies aimed mainly at the solid affluent market, we also saw further growth in revenue from foreign tourists visiting Japan, resulting in a significant expansion of net sales.

By store, the Daimaru Shinsaibashi and Daimaru Kyoto stores, which had particularly strong sales from foreign tourists visiting Japan, and the Daimaru Tokyo and Daimaru Sapporo stores, which are on terminal sites, saw significant improvements in customer numbers and net sales.

In terms of executing key strategies, as well as programs centered on flagship stores involving renovations and the strengthening of key categories, such as luxury brands and high-end watches, we worked to build a higher-quality shopping experience through the introduction of lounges for regular customers and other measures. In addition, to strengthen the online business, we worked on the creation of new customer experiences using digital technologies, such as expanding subscription services for fashion, art and food. To achieve our goal of building strong relationships with customers, we also moved steadily forward with the digitalization of customer contact points through the use of the Daimaru and Matsuzakaya app, as well as implementing measures for real stores.

As a result of various measures, including those mentioned above, revenue was ¥239,125 million (up 10.8% year on year). Operating profit was ¥23,587 million (up 213.3% year on year) despite an increase in variable costs associated with the improvement of revenue, demonstrating a large increase in profit.

<SC Business>

(Millions of yen, %)	Fiscal year ended February 29, 2024	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Revenue	57,944	4,165	7.7	(508)
Business profit	8,379	2,525	43.1	1,189
Operating profit	9,414	5,170	121.8	1,316

The number of customers visiting stores and tenant transaction volume increased primarily due to the effects of strategic remodeling centering on flagship stores and promotions such as unified plans for all stores, and an increase in the number of foreign tourists visiting Japan, including those visiting Shibuya PARCO and Shinsaibashi PARCO.

To increase the attractiveness of stores based on our key strategies, we promoted strategic innovations such as the creation of zones that integrate a number of high-profile entertainment shops at Ikebukuro PARCO, and the expansion of unisex and women's elements and the revamp of common areas at Nagoya PARCO. We also welcomed tenants at Urawa PARCO under the themes of "proposing charming and quality lifestyles" and "comfortable daily living." Furthermore, to increase the value of visiting stores, we worked on PARCO's own promotion, such as by developing large-scale mobilization events for popular TV anime, and for Shibuya PARCO, which is celebrating its 50th anniversary, we held an exhibition titled "The Advertisements (Advertising PARCO) 1969–2023" covering the history of creative advertising spanning over half a century. We ceased operations of Shintokorozawa PARCO at the end of February 2024.

As a result of various measures, including those mentioned above, revenue was ¥57,944 million (up 7.7% year on year). Operating profit was ¥9,414 million (up 121.8% year on year) due to the improved revenue and a gain on sales of our properties, demonstrating a large increase in profit.

<Developer Business>

(Millions of yen, %)	Fiscal year ended February 29, 2024	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Revenue	78,418	23,166	41.9	2,518
Business profit	7,546	5,070	204.7	546
Operating profit	7,437	4,253	133.5	337

Under our new business promotion framework launched in fiscal 2023, we worked on formulating medium- to long-term development plans centered in the key areas of seven cities in which the Group maintains its business foundation, from the standpoints of Group-wide optimization. Specifically, we promoted redevelopment plans slated for completion and opening in 2026 for Nishiki 3-chome District 25 (tentative name) in Nagoya's Sakae area, and the Shinsaibashi Project (tentative name) in Osaka's Shinsaibashi area, as well as in Fukuoka's Tenjin area. In terms of development of non-commercial facilities using our assets, we completed the construction of three residential properties in which the Company was involved.

In the construction and interior design business, we seized investment opportunities for redevelopment and store expansion in cities, participated in development projects for hotels and other facilities, and worked to strengthen marketing capabilities by growing orders mainly from specially selected brands.

As a result of various measures such as those mentioned above, revenue was ¥78,418 million (up 41.9% year on year), due to increases in interior and facilities work inside and outside the Group, facilities management contracting, and the sale of developed properties to a fund formed by the Company itself. As a result of the above, operating profit was ¥7,437 million, up 133.5% year on year.

<Payment and Finance Business>

(Millions of yen, %)	Fiscal year ended February 29, 2024	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Revenue	13,115	226	1.8	(435)
Business profit	2,777	(709)	(20.4)	(475)
Operating profit	2,583	(902)	(25.9)	(574)

In the payment business, in addition to gaining members through cooperation with department stores, we implemented special events aimed at raising awareness of our unique points program (QIRA Point). We also worked to strengthen external affiliated stores through such measures as improving the payment environment in Group commercial facilities, and collaborating with the facilities of other companies in areas adjacent to Group stores. In the finance business, we promoted the development of new services for members through cooperation and collaboration with other companies.

As a result of the above efforts, revenue reached ¥13,115 million, up 1.8% year on year, but due in part to increases in investment expenses, etc. aimed at expanding the business foundation, and costs associated with an increase in unauthorized credit card use, operating profit was ¥2,583 million, down 25.9% year on year.

<Other>

(Millions of yen, %)	Fiscal year ended February 29, 2024	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Revenue	51,925	(3,997)	(7.1)	(4,475)
Business profit	965	41	4.4	(435)
Operating profit	1,370	471	52.3	(330)

In the Daimaru Kogyo business, a fall in orders in the mainstay electronic devices business, declining sales in the overseas business, and other factors led to revenue falling to ¥51,925 million, down 7.1% year on year. However, operating profit reached ¥1,370 million, up 52.3% year on year, due mainly to foreign exchange gain and gain on sales of fixed assets.

(ii) Financial position

(Millions of yen, %)	As of February 28, 2023	As of February 29, 2024	Change in amount
Current assets	201,860	246,501	44,641
Non-current assets	919,092	868,225	(50,867)
Total assets	1,120,953	1,114,726	(6,227)
Current liabilities	317,953	331,261	13,308
Non-current liabilities	431,589	389,232	(42,357)
Total liabilities	749,542	720,494	(29,048)
Equity attributable to owners of parent	359,385	381,898	22,513
Ratio of equity attributable to owners of parent to total assets	32.1	34.3	2.2
Total equity	371,410	394,232	22,822

Total assets as of February 29, 2024 were ¥1,114,726 million, down ¥6,227 million compared with February 28, 2023. Total liabilities were ¥720,494 million, a decrease of ¥29,048 million compared with February 28, 2023. Interest-bearing liabilities (including lease liabilities) were ¥364,398 million, down ¥49,551 million compared with February 28, 2023.

Total equity was ¥394,232 million, an increase of ¥22,822 million compared with February 28, 2023.

(iii) Cash flows

(Millions of yen)	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024	Change in amount
Net cash flows from (used in) operating activities	65,480	90,692	25,212
Net cash flows from (used in) investing activities	(13,371)	13,429	26,800
Free cash flows	52,109	104,122	52,013
Net cash flows from (used in) financing activities	(105,694)	(72,746)	32,948
Net increase (decrease) in cash and cash equivalents	(53,585)	31,375	84,960
Cash and cash equivalents at end of period	39,874	71,342	31,468

The balance of cash and cash equivalents (hereinafter “cash”) as of February 29, 2024, was ¥71,342 million, up ¥31,468 million compared with February 28, 2023.

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

Net cash provided by operating activities was ¥90,692 million. In comparison with the previous fiscal year, cash provided increased by ¥25,212 million, largely due to an increase in profit before tax.

Net cash provided by investing activities was ¥13,429 million. In comparison with the previous fiscal year, cash provided increased by ¥26,800 million despite making capital investments, mainly due to proceeds from sales of shares of subsidiaries accounted for using equity method and of investment property.

Net cash used in financing activities was ¥72,746 million. In comparison with the previous fiscal year, cash used decreased by ¥32,948 million despite ongoing repayment of interest-bearing liabilities during the fiscal year under review.

(iv) Production, orders received and sales

1) Production

Production by segments for the current fiscal year are as follows.

Segment name	Production (Millions of yen)	Year-on-year comparison (%)
Developer Business	610	81.4

Notes: 1. Production is not shown for contracted work because it is difficult to define production.
2. No items to report for segments other than above.

2) Orders received

Orders received by segments for the current fiscal year are as follows.

Segment name	Orders received (Millions of yen)	Year-on-year comparison (%)
Developer Business	62,915	159.3

Note: 1. No items to report for segments other than above.

3) Sales

Sales by segments for the current fiscal year are as follows.

Segment name	Breakdown	Sales (Millions of yen)	Year-on-year comparison (%)
Department Store Business	Daimaru Matsuzakaya Department Stores	220,058	110.9
	The Hakata Daimaru	15,701	111.5
	Other	3,366	101.1
	Total	239,125	110.8
SC Business	PARCO	57,868	107.7
	Other	75	117.9
	Total	57,944	107.7
Developer Business	J. FRONT CITY DEVELOPMENT	19,381	254.8
	J. Front Design & Construction	35,902	127.6
	PARCO SPACE SYSTEMS	21,982	120.8
	Other	1,151	88.7
	Total	78,418	141.9
Payment and Finance Business	JFR Card	13,115	101.8
Other	Wholesale	35,981	92.9
	Other	15,944	92.8
	Total	51,925	92.9
Adjustments		(33,523)	98.8
Total		407,006	113.2

Notes: 1. Adjustments for inter-segment transactions are made in the adjustments column.
2. Sales amount shows revenue.

(2) Management's analysis and discussion of operating results

Analysis and discussion of the Group's financial position and operating results are, in principle, content that has been analyzed based on the consolidated financial statements.

Items in the text below that concern the future were determined as of the end of the current fiscal year.

(i) Significant accounting policies and estimates

The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards. The preparation of the consolidated financial statements requires selection and application of accounting policies by the management and accounting estimates that affect the reported amounts and disclosures of assets, liabilities, revenues and expenses. Although the management makes reasonable judgments for these estimates based on past results and current circumstances, actual results may differ from these estimates due to uncertainties unique to the estimation.

The significant accounting policies for preparation of the Group's consolidated financial statements are described in "V. Financial Information, 1. Consolidated Financial Statements, etc., Notes to Consolidated Financial Statements, 3. Significant Accounting Policies."

In addition, accounting estimates used in the preparation of the consolidated financial statements and assumptions used in those estimates are described in "V. Financial Information, 1. Consolidated Financial Statements, etc., Notes to Consolidated Financial Statements, 4. Significant Accounting Estimates and Judgments."

(ii) Perception, analysis and discussion of operating results, etc. for the current fiscal year

1) Operating results, etc.

Information by segment is described in (1) Financial position and operating results (i) Operating results for the current fiscal year.

a) Revenue

Revenue increased by ¥47,327 million from the previous fiscal year to ¥407,006 million.

b) Operating profit

Operating profit increased by ¥23,989 million from the previous fiscal year to ¥43,048 million.

c) Profit before tax

Profit before tax increased by ¥24,470 million from the previous fiscal year to ¥41,343 million.

d) Profit attributable to owners of parent

Profit attributable to owners of parent increased by ¥15,676 million from the previous fiscal year to ¥29,913 million.

e) Financial position

Total assets as of February 29, 2024, were ¥1,114,726 million, down ¥6,227 million compared with February 28, 2023. Total liabilities were ¥720,494 million, a decrease of ¥29,048 million compared with February 28, 2023. Interest-bearing liabilities (including lease liabilities) were ¥364,398 million, down ¥49,551 million compared with February 28, 2023. Total equity was ¥394,232 million, an increase of ¥22,822 million compared with February 28, 2023. As a result, operating profit/total assets (ROA) was 3.9%, profit/shareholders' equity (ROE) was 8.1%, and the ratio of equity attributable to owners of parent to total assets was 34.3%.

f) Cash flows

Net cash provided by operating activities was ¥90,692 million. Net cash used in investing activities was ¥13,429 million, and net cash used in financing activities was ¥72,746 million.

As a result, the balance of cash and cash equivalents as of February 29, 2024, was ¥71,342 million, up ¥31,468 million compared with February 28, 2023.

Looking forward, the Group plans to provide appropriate distribution of profit and capital investment, giving consideration to the level of profit and cash flow trends among other factors.

g) Liquidity and capital resources

(Basic capital policy)

The Company believes that any increase in free cash flow and improvement in ROE should help to ensure its sustainable growth and increase corporate value over the medium to long term. To such ends, the Company promotes a capital policy that takes a balanced approach to “undertaking strategic investment,” “enhancing shareholder returns,” and “expanding net worth” after taking into consideration the business environment and risk readiness.

Moreover, in procuring funds through interest-bearing debt, we aim to achieve an optimal structure of debt to equity in a manner cognizant of our funding efficiency and cost of capital, carried out on the basis of having taken into consideration our capacity for generating free cash flows and our balance of interest-bearing debt.

A business strategy where higher sales are accompanied by profits and a financial strategy (encompassing the capital policy) that heightens profitability of invested capital are essential elements with respect to improving free cash flows and ROE. In addition, we believe it is crucial that we achieve maximization of the business profit and sustainable improvement of the business profit margin by strengthening our core businesses and concentrating management resources on initiatives such as business field expansion and active development of new businesses.

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

(Status of procurement)

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

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

Based on the above policy, the Company raised ¥3,400 million in long-term borrowings from financial institutions during the current fiscal year. Meanwhile, with the repayment of ¥9,100 million in short-term borrowings and ¥29,500 million in long-term borrowings, our balance of interest-bearing liabilities (excluding lease liabilities) decreased by ¥35,100 million compared to February 28, 2023 to ¥213,900 million.

Details on risks associated with financing are mentioned in “II. Overview of Business, 3. Business risks.”

(Financial policy)

Financial policies under the “FY2024–FY2026 Medium-term Business Plan” are described in “II. Overview of Business, 1. Management policy, management environment, issues to be addressed, etc.”

(Dividend policy)

The Company’s basic policy on dividends of surplus and dividend results for the current fiscal year are described in “IV. Information About Reporting Company, 3. Dividend policy.”

2) Achievement status of management goals

In fiscal 2023, the final year of the 2021–2023 Medium-term Business Plan, the results of the above initiatives enabled us to more or less achieve our key performance indicator targets, including that for consolidated operating profit (¥40,300 million), and led to improvements in our financial standing, mainly through reductions in interest-bearing liabilities.

	Medium-term Business Plan targets*1	FY2023 results
Consolidated operating profit (IFRS)	¥40,300 million	¥43,048 million
Consolidated ROE	7.0%	8.1%
Consolidated ROIC	5.0%	5.1%
GHG emissions*2	(40.0)%	(57.5)%
Ratio of women in management positions*3	26.0%	22.5%

*1 At the time of the plan's formulation, the Company set the goals of achieving a "full recovery" from the COVID-19 pandemic by returning the financial figures to FY2019 levels by FY2023, the final year of the plan, while at the same time positioning the plan period as one for getting back on track for "regrowth" from FY2024 onward.

*2 Scope 1 and 2 reduction rate (compared with FY2017); result for FY2023 is a rough estimate as of May 29, 2024.

(Reference) Scope 1 emissions: Direct emissions of greenhouse gases from an organization itself (gasoline for company vehicles, etc.)

Scope 2 emissions: Indirect emissions from the use of electricity, heat, or steam provided by another company (electrical usage in stores and offices, etc.)

*3 Ratio of women in management positions: 26.2% as of March 1, 2024

As noted in "II. Overview of Business, 1. Management policy, management environment, issues to be addressed, etc.," the Company has formulated the "2024–2026 Medium-term Business Plan." Under the current Medium-term Business Plan, in addition to deepening the retail business in the Department Store Business and the SC Business and evolving Group synergies in preparation for substantial growth, we will focus on strengthening the Group's management foundation to heighten the effectiveness of these strategies, and make efforts to achieve the management goals.

5. Critical contracts for operation

<Consolidated subsidiaries>

Agreements relating to leases

Company name	Office name	Lessor	Leased property	Area (m^2)	Rent
Daimaru Matsuzakaya Department Stores Co. Ltd.	Daimaru Osaka Umeda store	Osaka Terminal Building Co., Ltd.	Building	95,101	(1) Fixed portion of rent expenses ¥6,186 million per annum (2) Variable portion of rent expenses 1.5% of net sales amount in excess of ¥85,000 million
	Daimaru Tokyo store	JR East Cross Station Co., Ltd.	Building	64,657	(1) Fixed portion of rent expenses ¥5,330 million per annum (2) Variable portion of rent expenses 1% of the amount in excess of the highest annual net sales in the most recent three fiscal years
The Hakata Daimaru, Inc.	Main Building	The Nishinippon Shimbun Building Inc. KAMIYO FUDOSAN CO. LTD	Building	31,258	¥1,266 million per annum
	East hall (ELLE GALA)	The Nishinippon Shimbun Building Inc.	Building	15,155	¥1,041 million per annum

6. Research and development activities

There are no significant matters to report.

III. Information About Facilities

1. Overview of capital expenditures, etc.

In the current fiscal year, total capital expenditures of ¥16,194 million were made, mainly in the SC Business and Department Store Business.

The breakdown by segment is as follows:

Segment name	Capital expenditures (Millions of yen)
Department Store Business	6,751
SC Business	8,479
Developer Business	5,700
Payment and Finance Business	51
Other	584
Adjustments	(5,374)
Total	16,194

Notes: 1. Guarantee deposits for store openings, etc. are included in the amounts above.

2. Newly acquired inventories and right-of-use assets are included in the amounts above.

The main projects in the Department Store Business were the Matsuzakaya Nagoya store and the renovation of the sales floors in the Daimaru Sapporo store, while in the SC Business they included the acquisition of assets in connection to PARCO_ya Ueno, and the acquisition of assets associated with the construction of HAB @ Kumamoto. In the Developer Business they included the acquisition of assets associated with the construction of parking facilities within condominiums developed by the Company, and investments in the renovation of store interiors and upgrading facilities.

The funds required for these expenditures were appropriated from funds on hand and borrowings.

2. Major facilities

Major facilities of the Group are as follows:

(1) Reporting company

As of February 29, 2024

Office name (Location)	Segment name	Facilities	Carrying amounts (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Land [Area in m^2]	Right-of-use assets	Other	Total	
J. FRONT RETAILING Co., Ltd. (Minato-ku, Tokyo)	Corporate (Shared)	Office, etc.	188	– [–]	323	–	512	185 [16]

Note: The number in the brackets in the “Number of employees” column (not included in number of employees) refers to the yearly average number of dedicated employees, fixed-term employees, etc.

(2) Domestic subsidiaries

As of February 29, 2024

Company name	Office name (Location)	Segment name	Facilities	Carrying amounts (Millions of yen)					Number of employees (Persons)
				Buildings and structures	Land [Thousands of m^2]	Right-of-use assets	Other	Total	
Daimaru Matsuzakaya Department Stores Co. Ltd.	Daimaru Osaka Shinsaibashi store (Chuo-ku, Osaka)	Department Store Business	Store, etc.	25,982	7,919 [11]	8,498	667	43,067	200 [71]
	Daimaru Osaka Umeda store (Kita-ku, Osaka)	Department Store Business	Store, etc.	151	– [–]	10,155	31	10,339	131 [93]
	Daimaru Tokyo store (Chiyoda-ku, Tokyo)	Department Store Business	Store, etc.	2,501	– [–]	16,932	58	19,491	110 [70]
	Daimaru Kyoto store (Shimogyo-ku, Kyoto)	Department Store Business	Store, etc.	9,802	8,759 [10]	3,070	92	21,724	201 [136]
	Daimaru Kobe store (Chuo-ku, Kobe)	Department Store Business	Store, etc.	7,272	1,693 [11]	12,124	132	21,223	227 [198]
	Daimaru Suma store (Suma-ku, Kobe)	Department Store Business	Store, etc.	803	– [–]	561	3	1,369	13 [3]
	Daimaru Ashiya store (Ashiya, Hyogo)	Department Store Business	Store, etc.	11	– [–]	650	–	661	8 [10]
	Daimaru Sapporo store (Chuo-ku, Sapporo)	Department Store Business	Store, etc.	7,055	12,696 [8]	122	72	19,947	140 [154]
	Daimaru Shimonoseki store (Shimonoseki, Yamaguchi)	Department Store Business	Store, etc.	–	1,302 [11]	0	–	1,303	50 [29]
	Matsuzakaya Nagoya store (Naka-ku, Nagoya)	Department Store Business	Store, etc.	14,730	65,919 [19]	7,670	165	88,486	450 [145]
	Matsuzakaya Ueno store (Taito-ku, Tokyo)	Department Store Business	Store, etc.	3,564	27,718 [7]	579	14	31,877	159 [39]
	Matsuzakaya Shizuoka store (Aoi-ku, Shizuoka)	Department Store Business	Store, etc.	3,599	6,628 [7]	57	98	10,383	54 [44]
	Matsuzakaya Takatsuki store (Takatsuki, Osaka)	Department Store Business	Store, etc.	1,187	3,738 [5]	2	30	4,958	10 [1]
	GINZA SIX (Chuo-ku, Tokyo)	Department Store Business	Store, etc.	13,411	82,660 [4]	208	258	96,539	2 [0]
	Head office/Others (Koto-ku, Tokyo, and other locations)	Department Store Business	Office, etc.	2,111	4,317 [37]	526	78	7,033	923 [252]
	Total	–	–	92,186	223,354 [135]	61,160	1,704	378,406	2,678 [1,245]

Company name	Office name (Location)	Segment name	Facilities	Carrying amounts (Millions of yen)					Number of employees (Persons)
				Buildings and structures	Land [Thousands of m^2]	Right-of-use assets	Other	Total	
The Hakata Daimaru, Inc.	Daimaru Fukuoka Tenjin store, etc. (Chuo-ku, Fukuoka, and other locations)	Department Store Business	Store, etc.	5,032	7,101 [8]	7,231	–	19,365	215 [101]
Kochi Daimaru Co., Ltd.	Kochi Daimaru store (Kochi, Kochi)	Department Store Business	Store, etc.	809	414 [3]	393	72	1,689	52 [15]
PARCO Co., Ltd.	Sapporo PARCO (Sapporo, Hokkaido)	SC Business	Store, etc.	1,573	5,011 [2]	408	67	7,060	18 [4]
	Sendai PARCO (Sendai, Miyagi)	SC Business	Store, etc.	8,220	4,261 [2]	6,226	76	18,785	18 [1]
	Urawa PARCO (Saitama, Saitama)	SC Business	Store, etc.	7,335	10,300 [7]	76	63	17,776	18 [2]
	Ikebukuro PARCO (Toshima-ku, Tokyo)	SC Business	Store, etc.	4,377	7,120 [1]	12,465	58	24,021	21 [5]
	PARCO_ya Ueno (Taito-ku, Tokyo)	SC Business	Store, etc.	985	– [–]	5,665	29	6,680	7 [1]
	Kichijoji PARCO (Musashino, Tokyo)	SC Business	Store, etc.	1,682	– [–]	3,281	29	4,993	10 [4]
	Shibuya PARCO (Shibuya-ku, Tokyo)	SC Business	Store, etc.	16,718	34,948 [3]	1,406	705	53,779	23 [2]
	Kinshicho PARCO (Sumida-ku, Tokyo)	SC Business	Store, etc.	1,752	– [–]	9,047	17	10,817	– [–]
	Chofu PARCO (Chofu, Tokyo)	SC Business	Store, etc.	3,424	8,029 [4]	1,237	71	12,763	15 [2]
	Shizuoka PARCO (Shizuoka, Shizuoka)	SC Business	Store, etc.	698	– [–]	627	9	1,335	9 [1]
	Nagoya PARCO (Nagoya, Aichi)	SC Business	Store, etc.	5,612	6,261 [2]	7,991	89	19,955	29 [3]
	Shinsaibashi PARCO (Osaka, Osaka)	SC Business	Store, etc.	12,875	21,309 [4]	386	281	34,853	21 [3]
	Hiroshima PARCO (Hiroshima, Hiroshima)	SC Business	Store, etc.	2,886	5,580 [2]	2,355	101	10,923	18 [4]
	Fukuoka PARCO (Fukuoka, Fukuoka)	SC Business	Store, etc.	3,993	23,633 [3]	1,831	30	29,489	17 [–]
	Shintokorozawa PARCO (Tokorozawa, Saitama)	SC Business	Store, etc.	636	1,706 [5]	50	2	2,397	– [–]
	Hibarigaoka PARCO (Nishi-Tokyo, Tokyo)	SC Business	Store, etc.	350	– [–]	1,365	3	1,719	– [–]
	Matsumoto PARCO (Matsumoto, Nagano)	SC Business	Store, etc.	5	447 [3]	1	–	454	8 [2]
	Head office/Others (Shibuya-ku, Tokyo, etc.)	SC Business	Office, etc.	1,640	2,225 [3]	2,899	179	6,945	261 [76]
	Total	–	–	74,771	130,835 [49]	57,326	1,819	264,752	493 [110]
J. FRONT CITY DEVELOPMENT Co., Ltd.	Ueno Frontier Tower (Taito-ku, Tokyo)	Developer Business	Multi-tenant building	10,670	15,825 [2]	381	–	26,878	– [–]
	Other (Shibuya-ku, Tokyo, etc.)	Developer Business	Commercial buildings, rental properties, etc.	10,641	38,378 [20]	14,996	–	64,016	65 [6]
	Total	–	–	21,312	54,204 [23]	15,378	–	90,894	65 [6]

Notes:
1. The number in the brackets in the "Number of employees" column (not included in number of employees) refers to the yearly average number of dedicated employees, fixed-term employees, etc.
2. Of the major facilities, the ones rented from external sources are listed in "Agreements relating to leases" under "5. Critical contracts for operation" in "II. Overview of Business."

3. Planned additions, retirements, etc. of facilities

Planned additions, retirements, etc. of significant facilities are as follows:

(1) Additions, etc. of significant facilities

Company name	Office name (Location)	Segment name	Facilities	Planned investment amount		Funds procurement method	Start	Scheduled completion
				Total (Millions of yen)	Amount already paid (Millions of yen)			
Daimaru Matsuzakaya Department Stores Co. Ltd.	Matsuzakaya Nagoya store, etc. (Naka-ku, Nagoya, etc.)	Department Store Business	Sales floor renovation, etc.	14,186	282	Funds on hand and borrowings	March 2024	February 2025
J. FRONT CITY DEVELOPMENT Co., Ltd.	Nagoya Sakae Kadochi (Naka-ku, Nagoya)	Developer Business	Multi-tenant building	13,423	3,700	Funds on hand and borrowings	October 2018	2026
J. FRONT CITY DEVELOPMENT Co., Ltd.	Shinsaibashi Plaza (Chuo-ku, Osaka)	Developer Business	Multi-tenant building	1,442	–	Funds on hand and borrowings	December 2022	April 2026

(2) Retirements, etc. of significant facilities

There are no significant matters to report.

IV. Information About Reporting Company

1. Company's shares, etc.

(1) Total number of shares

(i) Authorized shares

Class	Number of shares authorized (Shares)
Ordinary shares	1,000,000,000
Total	1,000,000,000

(ii) Number of issued shares

Class	Number of issued shares as of fiscal year end (Shares) (As of February 29, 2024)	Number of issued shares as of filing date (Shares) (As of May 29, 2024)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Details
Ordinary shares	270,565,764	270,565,764	Prime Market of the Tokyo Stock Exchange Premier Market of the Nagoya Stock Exchange	The number of shares per share unit 100 shares
Total	270,565,764	270,565,764	–	–

(2) Share acquisition rights

(i) Employee share option plans

No items to report

(ii) Rights plans

No items to report

(iii) Share acquisition rights for other uses

No items to report

(3) Exercises of moving strike convertible bonds, etc.

No items to report

(4) Changes in number of issued shares, share capital and legal capital surplus

Date	Change in the total number of issued shares (Thousands of shares)	Balance of the total number of issued shares (Thousands of shares)	Change in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
July 24, 2017 (Note)	2,446	270,565	1,974	31,974	1,974	9,474

Note: Third-party allotment

Price of issue: ¥1,614

Amount to be included in capital: ¥807

Allottee: The Master Trust Bank of Japan, Ltd. (Trust account for officer remuneration BIP trust)

(5) Shareholding by shareholder category

As of February 29, 2024

Category	Shareholding status (Number of shares per share unit: 100 shares)								Shares less than one unit (Shares)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors, etc.		Individuals and others	Total	
					Companies, etc.	Individuals			
Number of shareholders (Persons)	–	67	31	1,034	317	228	164,554	166,231	–
Number of shares held (Units)	–	999,357	156,321	159,097	539,103	531	845,562	2,699,971	568,664
Shareholding ratio (%)	–	37.01	5.79	5.89	19.97	0.02	31.32	100.00	–

Notes: 1. The 6,277,182 treasury shares include 62,771 share units under "Individuals and others" and 82 shares under "Shares less than one unit." In addition, the 6,277,182 treasury shares are the shares listed on the shareholder register, and this is the same as the actual number of treasury shares owned as of the end of the fiscal year.

2. The number of units under "Other corporations" includes 94 share units registered in the name of Japan Securities Depository Center, Incorporated.

(6) Status of major shareholders

As of February 29, 2024

Name / Company name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity AIR, 1-8-1 Akasaka, Minato-ku, Tokyo	45,154	17.09
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	22,542	8.53
Nippon Life Insurance Company	1-6-6 Marunouchi, Chiyoda-ku, Tokyo	9,828	3.72
J. Front Retailing Kyoei Supplier Shareholding Association	Shinagawa Season Terrace, 1-2-70 Konan, Minato-ku, Tokyo	6,295	2.38
SMBC Nikko Securities Inc.	3-3-1 Marunouchi, Chiyoda-ku, Tokyo	4,261	1.61
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 2-7-3 Marunouchi, Chiyoda-ku, Tokyo	3,628	1.37
The Dai-ichi Life Insurance Company, Limited	1-13-1 Yurakucho, Chiyoda-ku, Tokyo	3,439	1.30
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1-9-2 Otemachi, Chiyoda-ku, Tokyo	3,401	1.29
SMBC Trust Bank Ltd. (Sumitomo Mitsui Banking Corporation Retirement Benefit Trust Account)	1-3-2 Marunouchi, Chiyoda-ku, Tokyo	3,204	1.21
JUNIPER (Standing proxy: MUFG Bank, Ltd.)	P.O. Box 2992, Riyadh 11169, Kingdom of Saudi Arabia (2-7-1 Marunouchi, Chiyoda-ku, Tokyo)	2,871	1.09
Total	–	104,627	39.59

Notes: 1. J. Front Retailing Kyoei Supplier Shareholding Association is a shareholder association comprised of business partners of the Group.

2. In addition to the above, there are 6,277,000 treasury shares (the percentage of the number of treasury shares owned to the total number of issued shares is 2.32%), and the shareholding ratio is calculated after excluding those treasury shares.

Treasury shares do not include shares held by the officer remuneration BIP trust.

(7) Voting rights

(i) Issued shares

As of February 29, 2024

Category	Number of shares (Shares)	Number of voting rights (Rights)	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares) Ordinary shares 6,277,100	–	–
Shares with full voting rights (Other)	Ordinary shares 263,720,000	2,637,200	–
Shares less than one unit	Ordinary shares 568,664	–	–
Total number of issued shares	270,565,764	–	–
Total number of voting rights	–	2,637,200	–

Notes: 1. Figures under "Shares with full voting rights (Other)" include 2,143,400 shares of the Company held by the officer remuneration BIP trust (21,434 voting rights) and 9,400 shares registered in the name of Japan Securities Depository Center, Incorporated (94 voting rights).

2. The number of "Shares less than one unit" includes 82 treasury shares held by the Company and 47 treasury shares held by the officer remuneration BIP trust.

(ii) Treasury shares, etc.

As of February 29, 2024

Name of shareholder	Address of shareholder	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Shareholding ratio (%)
(Treasury shares) J. FRONT RETAILING Co., Ltd.	10-1, Ginza 6-chome, Chuo-ku, Tokyo	6,277,100	–	6,277,100	2.32
Total	–	6,277,100	–	6,277,100	2.32

Note: Treasury shares do not include shares of the Company held by the officer remuneration BIP trust.

(8) Share ownership plan for directors (and other officers) and employees

1) Overview of new stock-based remuneration system for officers

The Company resolved to replace the "stock-based remuneration system for officers utilizing trust" that was introduced in fiscal 2017 as an incentive plan targeting the officers of the Company and the Company's main subsidiary, Daimaru Matsuzakaya Department Stores Co. Ltd. (the "Former System"), by introducing a new stock-based remuneration system for officers (the "System"). In addition to officers of the Company and Daimaru Matsuzakaya Department Stores Co. Ltd., the System covers Executive Officers of PARCO Co., Ltd. and Representative Directors of JFR Card Co., Ltd., J. FRONT CITY DEVELOPMENT Co., Ltd., and J. Front Design & Construction Co., Ltd.

For the introduction of the System, the three trusts described below, including those already established under the Former System, will continue to be used as trusts of the System by making changes to parts of the trust so that they match the details of the System, extending the trust periods and adding additional monetary trusts as required.

(i) The trust that issues the Company's shares for Executive Officers of the Company and Directors and Corporate Officers of Daimaru Matsuzakaya Department Stores Co. Ltd. as well as Representative Directors of JFR Card Co., Ltd., J. FRONT CITY DEVELOPMENT Co., Ltd., and J. Front Design & Construction Co., Ltd. to help the Group achieve sustainable growth and increase corporate value over the medium to long term ("Trust I").

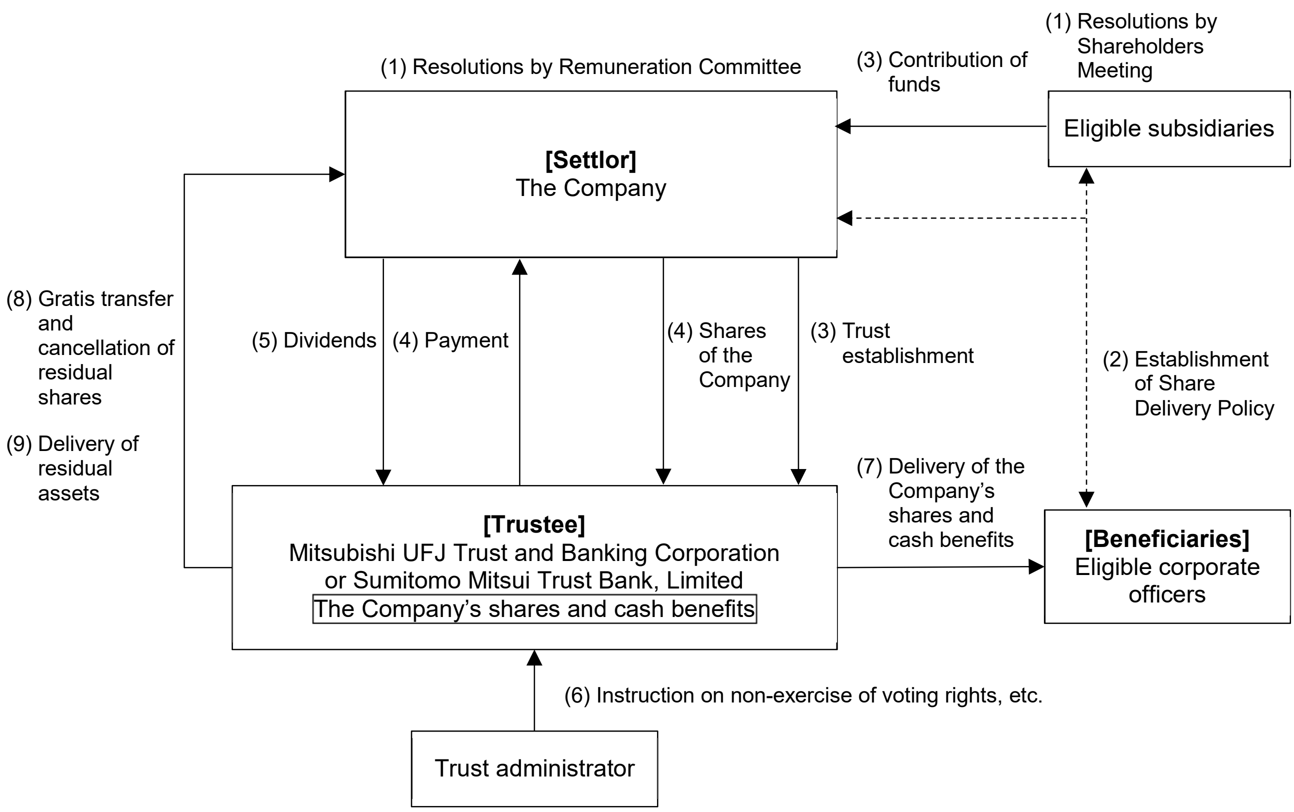
(ii) The trust that issues the Company's shares in a way that is not linked to performance with the objective of involving Non-executive Directors of the Company (Independent Outside Directors as well as the chairperson of the Board of Directors, Audit Committee members and other internal Non-executive Directors; collectively the "Non-executive Directors") in management with a medium- to long-term view in order that they should strengthen proactive and defensive governance of the Company from a different standpoint to the executives as representatives of stakeholders ("Trust II").

(iii) The trust that issues the Company's shares for Executive Officers of PARCO Co., Ltd. to help the Group achieve sustainable growth and increase corporate value over the medium to long term ("Trust III").

2) Overview of the trust agreement

	(Reference) "Trust I"	"Trust II"	"Trust III"
(i) Trust category:	Monetary trust other than a specific individually operated monetary trust (third-party benefit trust)		
(ii) Trust objective:	To provide incentive to Executive Officers of the Company and Directors and Corporate Officers of Daimaru Matsuzakaya Department Stores Co. Ltd. as well as Representative Directors of JFR Card Co., Ltd., J. FRONT CITY DEVELOPMENT Co., Ltd., and J. Front Design & Construction Co., Ltd.	To have Non-executive Directors of the Company engage in management as representatives of stakeholders from a medium- to long-term perspective and from a standpoint that is different from that of Executive Officers	To provide incentive to Executive Officers of PARCO Co., Ltd.
(iii) Settlor:	The Company		
(iv) Trustee:	Mitsubishi UFJ Trust and Banking Corporation (Joint Trustee: The Master Trust Bank of Japan, Ltd.)		Sumitomo Mitsui Trust Bank, Limited (Re-trust Trustee: Custody Bank of Japan, Ltd.)
(v) Beneficiaries:	Executive Officers of the Company and Directors and Corporate Officers of Daimaru Matsuzakaya Department Stores Co. Ltd. as well as Representative Directors of JFR Card Co., Ltd., J. FRONT CITY DEVELOPMENT Co., Ltd., and J. Front Design & Construction Co., Ltd. who meet the beneficiary requirements	Non-executive Directors of the Company who meet the beneficiary requirements	Executive Officers of PARCO Co., Ltd. who meet the beneficiary requirements
(vi) Trust administrator:	Third party with no relationship of interest with the Company (certified public accountant)		
(vii) Date of trust agreement:	July 14, 2017 (changed on July 20, 2021)		July 9, 2018 (changed on July 27, 2021)
(viii) Trust period:	July 14, 2017, to August 31, 2022 (Extension until August 31, 2024, due to amendment of trust agreement on July 20, 2021)		July 9, 2018, to July 31, 2023 (Extension until August 31, 2024, due to amendment of trust agreement on July 27, 2021)
(ix) Execution of voting rights:	None		

3) The structure of share distribution trust



2. Acquisition and disposal of treasury shares

Class of shares, etc. Acquisition of ordinary shares under Article 155, item (vii) of the Companies Act

(1) Acquisitions by resolution of Shareholders Meeting

No items to report

(2) Acquisition by resolution of Board of Directors meeting

Acquisition based on the provisions of Article 459, paragraph (1) of the Companies Act

Category	Number of shares (Shares)	Total value (Yen)
Status of resolution at Board of Directors meeting (April 15, 2024) (Purchase period: From May 1, 2024 to July 31, 2024)	8,000,000	10,000,000,000
Treasury shares acquired prior to the current fiscal year	–	–
Treasury shares acquired during the current fiscal year	–	–
Total number and value of remaining resolution shares	–	–
Percentage of unexercised shares as of the end of the current fiscal year (%)	–	–
Treasury shares acquired during the period from March 1, 2024, to the filing date of this Annual Securities Report	–	–
Percentage of unexercised shares as of the filing date (%)	–	–

Note: The figure for treasury shares acquired during the period from March 1, 2024, to the filing date of this Annual Securities Report does not include the number of shares acquired during the period from May 1, 2024, until the filing date of this Annual Securities Report.

(3) Acquisition not based on resolution of Shareholders Meeting or Board of Directors meeting

Category	Number of shares (Shares)	Total value (Yen)
Treasury shares acquired during the current fiscal year	5,122	7,148,439
Treasury shares acquired during the period from March 1, 2024, to the filing date of this Annual Securities Report	1,098	1,699,267

Note: The figure for treasury shares acquired during the period from March 1, 2024, to the filing date of this Annual Securities Report does not include the number of shares arising from purchases of shares less than one unit from shareholders upon request during the period from May 1, 2024, until the filing date of this Annual Securities Report.

(4) Disposal of acquired treasury shares and number of treasury shares held

Category	Fiscal year ended February 29, 2024		From March 1, 2023, until the filing date of this Annual Securities Report	
	Number of shares (Shares)	Total disposal value (Yen)	Number of shares (Shares)	Total disposal value (Yen)
Acquired treasury shares offered for subscription	–	–	–	–
Acquired treasury shares that were disposed of	–	–	–	–
Acquired treasury shares transferred for merger, share exchange, share delivery and company split	–	–	–	–
Other (Decrease due to sales of shares less than one unit to shareholders upon request)	60	95,728	–	–
Treasury shares held	6,277,182	–	6,277,950	–

Note: The "Treasury shares held" includes the number of shares from purchases of shares less than one unit. The figure does not include the number of shares from purchases of shares less than one unit from May 1, 2024, until the filing date of this Annual Securities Report.

3. Dividend policy

The Company's basic policy is to maintain and enhance its sound financial standing while appropriately returning profits by providing stable dividends and enlisting a flexible and agile approach to purchasing its treasury shares in a manner that involves taking profit levels, future capital investment, free cash flow trends and other such factors into consideration.

In accordance with this policy, during the period of the current Medium-term Business Plan (FY2024–FY2026), the Company aims to optimize the amount of equity by maintaining a consolidated dividend payout ratio of 40% or more and conducting purchases of treasury shares.

With respect to internal reserves, the Company intends to enhance corporate value by using them for such purposes as investing in store refurbishments to further strengthen the retail business, upfront investment in the Developer Business to realize group synergies, and growth investment.

The Company has paid an annual dividend of ¥36 per share for the current fiscal year, comprising an interim dividend of ¥16 per share and a year-end dividend of ¥20 per share.

The Company's basic policy on dividends of surplus is to pay a dividend twice a year in the form of an interim dividend and a year-end dividend, and the Articles of Incorporation stipulate that the Company may pay dividends based on a resolution of a Board of Directors meeting.

Note: Dividends of surplus with record dates falling in the current fiscal year are as follows:

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
October 10, 2023 Resolution of the Board of Directors	4,228	16.00
April 15, 2024 Resolution of the Board of Directors	5,285	20.00

4. Status of corporate governance, etc.

(1) Overview of corporate governance

(i) Overview of corporate governance system and reasons for adopting the system

The Company has established Corporate Governance Guidelines that set out the role of corporate governance in the Company and its subsidiaries (the "Group"). The aims of the Guidelines are to realize our best possible corporate governance practices in order to ensure the sustainable growth of the Group and increase corporate value over the medium to long term.

The Company is a holding company and, with the exception of the authority for matters affecting the business of the Group, it accordingly delegates authority to its respective operating subsidiaries with respect to matters involving business execution by the business subsidiaries in order to speed up business decisions and to make managerial responsibilities clear.

The roles and responsibilities of the Company, as a holding company, are as described below. Accordingly, the Company:

- Plans, formulates and penetrates the Group Vision, Group Medium-term Business Plan, Group Annual Management Policy, and Sustainability Policy and tracks the progress and results thereof;
- Sets business domains of the Group;
- Business portfolio management (Optimally allocates the Group's management resources);
- Generates synergies between businesses;
- Establishes Group-wide risk management system;
- Organization design and operation of the entire Group;
- Human resource management of the entire Group;
- Management of shareholders;
- Establishes corporate governance practices for the entire Group;
- Makes decisions on important matters of business execution relating to management of the Group; and
- Provides advice and approval for management policy and management strategy of respective operating subsidiaries and oversees and evaluates progress thereof

The Company has six supervisory units (Management Strategy Unit, CRE Strategy Unit, Digital Strategy Unit, Financial Strategy Unit, Human Resources Strategy Unit, and Administration Unit) as management bodies of the Company to clarify each unit's roles, responsibilities and authorities, thereby reinforcing the supervisory function and improving the internal control systems of the entire Group.

The Company has adopted the organizational structure of a company with three committees (nomination, audit, and remuneration committees). This is for the purpose of carrying out initiatives to further strengthen corporate governance from the following perspectives:

- The Company will strengthen the oversight function for business execution of the Board of Directors by separating oversight from execution.

  In addition, the Company aims to promote sophistication of strategy by having the Board of Directors actively include the insights of external persons in order to hold rigorous discourse on important strategic issues relating to the Group's management.
- The Company will enable decisions of business execution to be delegated to Executive Officers, clarify authority and responsibilities, and carry out speedy management decision-making.
- The Company will improve the transparency and objectivity of management by adopting the structure of a company with three committees (nomination, audit, and remuneration committees). The majority of the members of each of these committees are independent Outside Directors.
- The Company will build a governance structure that is easy to understand from global perspectives, such as those of overseas investors.

1) Organization of the Company

A. Board of Directors

Directors who are appointed by the shareholders and are entrusted with management of the Company are to carry out the roles and responsibilities of the Board of Directors as listed below. They are to do so in accordance with their fiduciary responsibility and accountability to shareholders and with the aim of realizing the Group Vision. Accordingly, these roles and responsibilities include:

- Indicating the overall direction that the Group’s management is to take by engaging in constructive discussions with respect to the Group Vision, the Sustainability Policy, the Group Medium-term Business Plan, the Group Management Policy for the fiscal year, and other fundamental management policies, and carrying out multifaceted and objective deliberations that include evaluation of risks with respect to the aforementioned;
- Appropriately making decisions in terms of overall policy and plans pertaining to the Group’s management on the basis of the direction noted above and overseeing progress and results of the plans;
- Developing an environment conducive to encouraging offense-oriented management geared to achieving discontinuous growth;
- Taking steps to build and develop internal control systems of the Group overall and otherwise overseeing the operational status of such systems;
- Overseeing conflicts of interest between related parties; and
- On the basis of summary reports furnished by the Nomination Committee, overseeing the progress of the President and Representative Executive Officer succession planning and personnel assignment plans pertaining to managerial talent and Executive Officer training in consultation with the Nomination Committee

The Board of Directors of the Company is to be composed of an appropriate number of Directors, but not more than 11, as stipulated in the Articles of Incorporation. The number of Directors is currently ten (10) (including six (6) independent Outside Directors), and the term of office is one year. From the standpoint of separating supervision and execution and ensuring the effectiveness of discussions in the Board of Directors meetings, a majority of its membership comprises independent Outside Directors.

We take steps to ensure diversity when nominating candidates for positions of Director, upon giving consideration to bringing about a balance of knowledge, experience and abilities within the Board of Directors as a whole.

Members of the Board of Directors are as follows.

Internal Directors:	YOSHIMOTO Tatsuya, HAMADA Kazuko, ONO Keiichi, and WAKABAYASHI Hayato
Outside Directors:	KOIDE Hiroko (Chairperson), YAGO Natsunosuke, HAKODA Junya, UCHIDA Akira, SEKI Tadayuki, and OMURA Emi

Evaluation of Effectiveness of the Board of Directors

Since 2015, the Company performs an annual third-party evaluation of the effectiveness of the Board of Directors.

Evaluation Items

Approximately 40 items including 1) Contribution of the Board of Directors to the overall Group, 2) Composition of the Board of Directors, 3) Operational status, 4) Content of discussions, and 5) Effectiveness of the activities of the Nomination, Remuneration, and Audit Committees.

Evaluation Method

Based on a preliminary questionnaire, a third party organization conducted individual interviews (Note) and the results were compiled and analyzed in a report, which was then discussed at the Board of Directors meeting.

Note: Individual interviews

Based on the results of the questionnaire, a third party organization conducted individual interviews of approximately one hour with each member of the Board of Directors (both internal and external), to hear their thoughts on and awareness regarding various questions related to the Board of Directors. The Board of Directors uses the results of the interviews to resolve issues.

Evaluation Results and Initiatives to Address Issues

The past eight evaluations have clarified issues such as strengthening discussion of important agenda items and reviewing the composition of the Board of Directors. Through efforts aimed at improvement, the supervisory function is being strengthened such as by increasing the ratio of Outside Directors, strengthening agenda setting, and enhancing the content of deliberations.

According to the third party organization, the ninth evaluation of effectiveness of the Board of Directors conducted from August to September 2023 showed that the Company's Board of Directors had succeeded in improving its effectiveness by building an advanced governance system involving the transition to a company with three committees (nomination, audit, and remuneration committees) and a Board of Directors on which independent Outside Directors make up a majority of the members, as well as by strengthening the functions of the three statutory committees. On the other hand, whereas these structural improvements are nearly complete in terms of format, issues in terms of substance have been identified from the perspective of increasing medium- to long-term corporate value, such that include, "monitoring of the Medium-term Business Plan," and "thoroughly engaging in preparation and analysis for discussions on growth strategy." In response to these issues, we will continue to strive to share issues based on the evaluation of the effectiveness of the Board of Directors and improve the substantive effectiveness of the Board of Directors.

Board of Directors Meeting Dates and Agenda Items

In FY2023 (from March 2023 to February 2024), 15 Board of Directors meetings were held. The attendance rate of Directors was 98.8%. (The average duration of each meeting was 2 hours and 28 minutes.)

Date and Time	Main Agenda Items
March 28, 2023	Status of implementation of Basic Policy to Build Internal Control System and evaluation results of internal controls related to financial reporting, etc.
April 11	Financial reports
April 25	Sale of shares held, etc.
May 25	Revision of Corporate Governance Policy, Corporate Governance Report, and Basic Policy to Build Internal Control System, etc.
June 28	Formulation of the next Medium-term Business Plan, etc.
July 25	Outline of the next Medium-term Business Plan, etc.
August 29	Outline of the next Medium-term Business Plan, validation of cross-shareholdings rationale, etc.
September 26	Next Medium-term Business Plan, Payment and Finance Business growth strategy, etc.
October 10	Financial reports
October 31	Results of evaluation of the effectiveness of the Board of Directors, financial strategy of next Medium-term Business Plan, etc.
November 28	Next Medium-term Business Plan, JFR's human capital management, etc.
December 26	Next Medium-term Business Plan, etc.
January 30, 2024	Nomination and dismissal of Representative Executive Officer, JFR's officer personnel, etc.
February 27	Next Medium-term Business Plan, FY2024 profit and loss budget, financial planning, BS budget, etc.

B. Three Committees

(Nomination Committee)

The Nomination Committee is composed of three (3) independent Outside Directors and one (1) full-time Director who does not execute business, and the Chairperson is chosen from among independent Outside Directors from the standpoint of ensuring transparency and objectivity.

The Nomination Committee determines the contents of proposals on the nomination and dismissal of Directors 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 chairpersons and members of individual statutory committees and other matters.

Members: YAGO Natsunosuke (Chairperson), UCHIDA Akira, KOIDE Hiroko, and YOSHIMOTO Tatsuya

Nomination Committee Meeting Dates and Agenda Items

In FY2023 (from March 2023 to February 2024), 15 Nomination Committee meetings were held. The attendance rate of members was 100%. (The average duration of each meeting was 1 hour and 23 minutes.)

Date and Time	Main Agenda Items
March 17, 2023	Directors' structure and skills matrix, etc.
April 3	Nomination of 11 candidates for Director, recommendations to the Board of Directors, etc.
April 20	Management structure of JFR Group companies
May 8	Independent Outside Director structure, future approach of the Nomination Committee, etc.
May 25	FY2023 Nomination Committee schedule, etc.
June 19	Succession plan, independent Outside Director structure, etc.
July 18	Succession plan, independent Outside Director structure, etc.
July 24	Independent Outside Director structure
August 18	Succession plan, independent Outside Director structure, etc.
September 13	Succession plan, independent Outside Director structure, etc.
October 24	Succession plan, mid-term evaluation of executive officers and presidents of major operating subsidiaries, etc.
November 20	Succession plan, FY2024 JFR executive structure, independent Outside Director structure
December 18	Succession plan, FY2024 executive structure for JFR and major operating subsidiaries
January 22, 2024	Succession plan, FY2024 executive structure for JFR and major operating subsidiaries
February 19	FY2024 JFR Directors' structure

(Audit Committee)

The Audit Committee is composed of three (3) independent Outside Directors and one (1) full-time Director who does not execute business, and the Chairperson is chosen from among independent Outside Directors from the standpoint of ensuring transparency and objectivity.

The Audit Committee effectively audits whether the execution of duties by Executive Officers and Directors is in compliance with laws, regulations, and the Articles of Incorporation of the Company and whether they are performing their duties efficiently in accordance with the Company's basic philosophy and the Group Vision, and it provides necessary advice and recommendations, etc.

Members: HAKODA Junya (Chairperson), SEKI Tadayuki, OMURA Emi, and HAMADA Kazuko

Audit Committee Meeting Dates and Agenda Items

In FY2023 (from March 2023 to February 2024), 24 Audit Committee meetings were held. The attendance rate of members was 97.3%. (The average duration of each meeting was 1 hour and 18 minutes.)

Date and Time	Main Agenda Items
March 9, 2023	Evaluation of Accounting Auditor, etc.
March 16	Internal Audit Division report, etc.
March 28	Status of implementation of Basic Policy to Build Internal Control System, report on evaluation results of internal controls related to financial reporting, etc.
April 10	Audit report of Accounting Auditor for the 16th fiscal year, audit report of Audit Committee for the 16th fiscal year, reappointment of Accounting Auditor, Internal Audit Division report, etc.
April 19	Report from corporate auditors of Group companies for second half of FY2022, audit findings of Audit Committee members for FY2022, etc.
May 11	Corporate auditor structure of Group companies for FY2023, report from Accounting Auditor, evaluation feedback for Accounting Auditor, Compliance Committee report, Internal Audit Division report, etc.
May 25	FY2023 audit policy and plan, nomination of nominated and specific Audit Committee members, etc.
June 8	Accounting Auditor management letter report
June 15	Accounting Auditor’s audit plan for the 17th fiscal year, agreement on Accounting Auditor’s remuneration
July 6	Workshop for Group company corporate auditors
July 13	First quarter Accounting Auditor’s review report for the 17th fiscal year, IT audit, Internal Audit Division report, etc.
August 17	Internal Audit Division report, operating company phase management report, etc.
September 7	Summary of workshop for Group company corporate auditors, etc.
September 14	Compliance Committee report, Internal Audit Division report
October 6	Financial Strategy Unit report, etc.
October 13	Second quarter Accounting Auditor’s review report for the 17th fiscal year, report from corporate auditors of Group companies for first half of FY2023, etc.
November 1	Internal Audit Division report, etc.
November 9	Compliance Committee report, etc.
December 7	Internal Audit Division report
December 14	Audit report from Audit Committee
January 11, 2024	Third quarter Accounting Auditor’s review report for the 17th fiscal year, Internal Audit Division report, etc.
January 18	Operating company phase management, evaluation of Accounting Auditor
February 1	Internal Audit Division report, liaison meeting with corporate auditors
February 9	Report from Accounting Auditor (KAM, disclosure of remuneration-related information in response to revised ethics rules)

(Remuneration Committee)

The Remuneration Committee is composed of three (3) independent Outside Directors and one (1) full-time Director who does not execute business, and the Chairperson is chosen from among independent Outside Directors from the standpoint of transparency and objectivity.

The Remuneration Committee determines the policy on deciding the contents of individual remuneration for Directors and Executive Officers of the Company and officers of major subsidiaries of the Group (Directors, Executive Officers, and Audit & Supervisory Board Members) and determines the contents themselves of individual remuneration for Directors and Executive Officers of the Company.

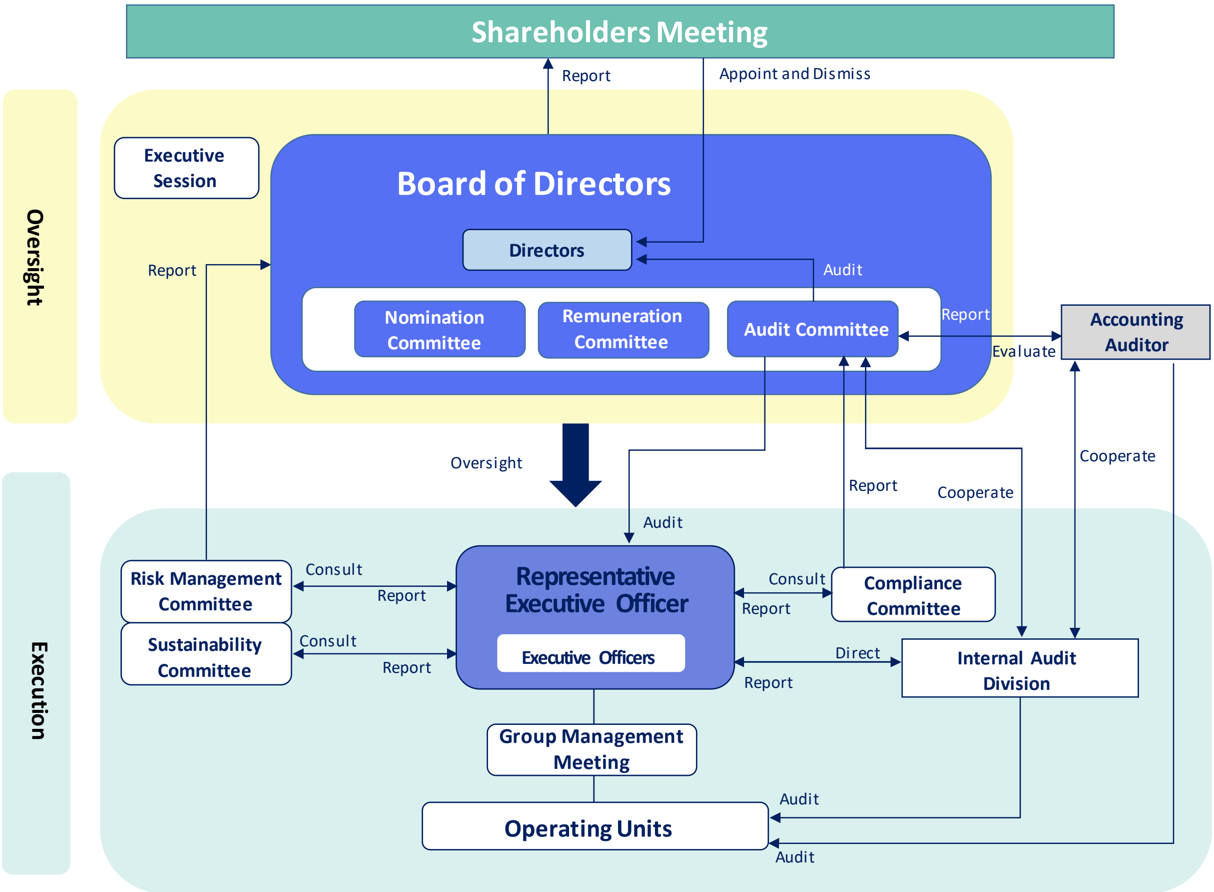
Members: UCHIDA Akira (Chairperson), YAGO Natsunosuke, KOIDE Hiroko, and YOSHIMOTO Tatsuya

Remuneration Committee Meeting Dates and Agenda Items

In FY2023 (from March 2023 to February 2024), 13 Remuneration Committee meetings were held. The attendance rate of members was 100%. (The average duration of each meeting was 55 minutes.)

Date and Time	Main Agenda Items
March 17, 2023	Total amount of FY2022 bonuses for directors, review of officer remuneration system (revision of regulations and remuneration policy)
April 20	Performance-linked factor and number of points paid for stock-based remuneration for officers (short-, medium-, and long-term performance share), FY2022 officer evaluation results
May 8	FY2022 bonuses for directors by individual and short-term performance share points paid, FY2023 mission grade and remuneration by individual, etc.
May 25	FY2023 mission grade and remuneration by individual, Remuneration Committee schedule, etc.
June 19	Review of officer remuneration system
July 18	Review of officer remuneration system
August 18	Review of officer remuneration system
October 24	Review of officer remuneration system
November 20	Review of officer remuneration system
December 18	Review of officer remuneration system
December 26	Review of officer remuneration system
January 22, 2024	Review of officer remuneration system
February 19	Review of officer remuneration system, remuneration by individual

2) Corporate governance structure



(ii) Status of internal control system

The Board of Directors of the Company adopted the following resolution (Basic Policy to Build Internal Control System) concerning "the matters prescribed by Ministry of Justice Order as those necessary for the execution of the duties of the audit committee" (Article 416, paragraph (1), item (i) (b) of the Companies Act) and "the development of systems necessary to ensure that the execution of duties by executive officers complies with laws and regulations and the articles of incorporation and other systems prescribed by Ministry of Justice Order as systems necessary to ensure the properness of operations of a Stock Company and of operations of a group of enterprises consisting of the Stock Company and its Subsidiary Companies" (Article 416, paragraph (1), item (i) (e) of the Companies Act).

Basic Policy to Build Internal Control System

A. Group management system

Regarding the group management system, the Board of Directors shall perform an oversight function by monitoring the Executive Officers' and Directors' execution of business. The Board of Directors shall discuss and resolve matters defined in the Companies Act and/or the Articles of Incorporation, as well as the Group Vision, Sustainability Policy, the Group Medium-term Business Plan, overall policy and plan for the Group management, M&As, the Group financing plans, and other individual important matters relating to the Group management. In order to speed up business decisions and execution, the task of determining matters involving business execution other than the above shall be delegated to execution, with the exception of matters which have a material impact on the Group management.

Regarding a management execution framework, the Company shall clearly separate management oversight and execution and strengthen the Board of Directors' oversight function while delegating authority for execution to enable swift management decision-making.

Regarding a system for promoting internal controls, under the direction of the President and Representative Executive Officer, to strengthen internal control over execution, the departments and responsible persons in charge of internal controls shall be established and shall manage the development and operation of the internal controls in relation to the Companies Act and the internal control system in relation to the Financial Instruments and Exchange Act at the Company and the operating subsidiaries.

B. Risk management system

Regarding the risk management, the Company shall establish the Risk Management Committee. The committee is chaired by the President and Representative Executive Officer and comprises Executive Officers and others. The Risk Management Committee shall discuss important matters, including risk identification and evaluation, and determination of risks to be reflected in strategies and utilize it for management decision-making. The committee also reports details of its deliberations to the Board of Directors in a timely manner.

Regarding crisis risk response, crisis management shall be controlled by the “Emergency Response Headquarters,” which is headed by the President and Representative Executive Officer, for crisis events such as large-scale earthquakes, fires, and accidents.

C. Legal compliance system

Regarding the legal compliance system, the Company shall establish the Compliance Committee. The President and Representative Executive Officer shall be the chairperson, and the members of the committee shall be corporate lawyers, Executive Officers, and others. The Compliance Committee continuously oversees development of the foundations of the compliance system and the status of implementation through enhanced collaboration with departments in charge of the compliance of each operating subsidiary and promotes compliance with laws and regulations, corporate ethics, and other such standards. It also draws up a policy for addressing matters involving serious compliance-related violations. The committee also reports details of its deliberations to the Audit Committee in a timely manner.

In addition, regarding a whistle-blowing system, the Company shall establish the “JFR Group Compliance Hotline” as the whistle-blowing system of the Group that also extends beyond companies (to a corporate lawyer) and which may be used by all persons working at the Company and operating subsidiaries. For hotline reports concerning management personnel, the Company shall build a structure whereby the reports are submitted directly to the Audit Committee and subjected to directions from the Audit Committee so as to secure an independent reporting route.

D. Internal audit structure

Regarding the internal audit structure, the Company shall establish an independent internal audit department under the direction of the President and Representative Executive Officer. In accordance with internal audit rules and under the direction of the President and Representative Executive Officer, the internal audit department shall audit the operations of the Company and operating subsidiaries or properly report the results of audits of operations, examine the properness and effectiveness of the processes for their operations, and provide guidance, advice and proposals to all departments at the Company and to operating subsidiaries.

E. Structure of the Audit Committee

Regarding the structure of the Audit Committee, it is chaired by an Outside Director and composed of four members, including an internal Director who does not execute business. The Audit Committee shall audit the legality and suitability of the execution of duties by the Executive Officers and Directors. The Audit Committee shall have periodic meetings with the President and Representative Executive Officer to share information. Moreover, the Company’s Executive Officers and Directors may be asked to attend Audit Committee meetings to provide reports and opinions as necessary.

Under the direction of the Audit Committee, the Audit Committee Secretariat has been established as an organization to support the Committee’s duties. Regarding personnel appointments and changes for the Audit Committee Secretariat staff members and personnel evaluation of the responsible person for the Audit Committee Secretariat, the Audit Committee’s advance approval is required to ensure independence.

F. System for storage and management of information

Regarding documents relating to the execution of duties by Executive Officers and Directors, as well as minutes and related materials of meetings hosted by Executive Officers and Directors (including electromagnetic documents), in accordance with the laws and regulations and the rules on confidential information management, each responsible department shall carry out document storage and management during the stipulated period and shall develop a system to enable inspections of such documents at any time.

Regarding information security, Senior Executive General Manager of the system departments shall control information security management of the Company based on the Information Security Policy and the IT Governance Policy and shall report periodically and whenever necessary on the status of information system management and related matters to the Board of Directors, the Audit Committee, the Management Meeting, and the President and Representative Executive Officer.

(iii) Overview of limited liability agreement

The Company concludes a limited liability agreement with each Director who does not execute business pursuant to the provisions of Article 427, paragraph (1) of the Companies Act so that Directors who do not execute business can adequately fulfill their expected roles. The limited liability agreement stipulates that the maximum amount of liability for damages due to negligence of duties by a Director who does not execute business shall be the higher of twelve million (12,000,000) yen or the amount fixed by laws and regulations; however, the limitation of liability is applicable only when the duties that caused the liability were executed by the Director who does not execute business in good faith and without gross negligence.

(iv) Number of Directors

The Articles of Incorporation stipulate that the number of Directors of the Company shall be eleven (11) or fewer.

(v) Requirements for a resolution to elect Directors

The Articles of Incorporation stipulate that a resolution to elect a Director of the Company shall be adopted by a majority of the voting rights of shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their voting rights are present, and such a resolution shall not be held by cumulative voting.

(vi) Requirements of a special resolution of a shareholders meeting

The Articles of Incorporation stipulate that a special resolution of a shareholders meeting provided for in Article 309, paragraph (2) of the Companies Act shall be adopted by at least two-thirds of the voting rights of the shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their voting rights are present. The purpose of this is to facilitate the operation of the shareholders meeting by providing an easier quorum requirement for special resolutions at shareholders meetings.

(vii) Organizational body to determine dividends of surplus, etc.

To implement even more flexible dividend measures, the Company provides in the Articles of Incorporation that matters regarding dividends of surplus, including matters prescribed in the items of Article 459, paragraph (1) of the Companies Act, shall be determined by a resolution of a Board of Directors without obtaining a resolution at a shareholders meeting unless otherwise provided for by laws and regulations.

(viii) Basic policy regarding control of the Company

1) Contents of basic policy

The Company believes it is necessary for the party controlling the Company's financial and business policy decisions to be a party who sufficiently understands the financial and business details of the Group and the sources of the Group's corporate value, who continuously and sustainably ensures that the corporate value of the Group and, by extension, the common interests of shareholders are served, and who enables further improvement in this area.

As the Company is a listed enterprise, the Company's policy regarding its shareholders is that, in general, they are determined through free market transactions on the financial instruments market. Furthermore, even in the case of a purchase of shares of the Company above a certain scale by specific shareholders or specific groups (hereinafter "Large-Scale Purchase"), if this Large-Scale Purchase will contribute to the corporate value of the Group and, by extension, the common interests of its shareholders, the Company believes that this should not be rejected outright and that, ultimately, the decision on whether to accept or reject it should be left to the discretion of the Company's shareholders.

Nevertheless, a Large-Scale Purchase that involves a serious risk of causing damage to the corporate value of the Group may be envisaged. This may include a Large-Scale Purchase that, in view of its purpose and other factors, would demonstrably harm the Group's corporate value; one with the potential to involve substantial coercion of shareholders to sell shares of the Company; or one that would not provide sufficient time and information for the Company's Board of Directors and shareholders to consider factors such as the details of the large-scale purchaser's proposal or for the Company's Board of Directors to make an alternative proposal.

A party attempting this kind of Large-Scale Purchase, which would not contribute to the corporate value of the Group and, by extension, the common interests of its shareholders (hereinafter, the "Large-Scale Purchaser"), would not be appropriate as a party controlling the Company's financial and business policy decisions. Accordingly, the Company believes that it is the duty of the Company's Board of Directors, which is entrusted by the shareholders to manage the Company, to respond to this kind of Large-Scale Purchase by ensuring that processes such as provision of information by the Large-Scale Purchaser and considerations and evaluations by the Company's Board of Directors are carried out and securing sufficient time for the Company's Board of Directors and shareholders to consider the details of the Large-Scale Purchaser's proposal in order to prevent damage to the corporate value of the Group and, by extension, the common interests of its shareholders.

2) Frameworks contributing to realization of basic policy

Since the foundation of Daimaru and Matsuzakaya, the Group has been engaged in the businesses of kimono fabric stores and department stores for many years based on the corporate philosophies and traditional spirits of these businesses, which are: "Service before profit (those who place service before profit will prosper)," "Abjure All Evil and Practice All Good" and "In doing good to others, we do good to ourselves."

The Company believes that the sources of the Group's corporate value are the relationships of trust it has established with customers and with society, which have been refined on the basis of these philosophies and spirits.

Accordingly, in order to exemplify the principles of "customer-first principle" and "contribution to society," which are in common with these philosophies and spirits, the Company has established the following basic philosophies of the Group: "to aim at providing high quality products and services that meet the changing times and satisfying customers beyond their expectations" and "to aim at developing the Group by making a broad contribution to society as a fair and trusted business entity." Based on these basic philosophies, the Company implements a wide range of measures, aiming to realize the Group's vision of "Create and Bring to Life 'New Happiness,'" in order to make a contribution to securing and enhancing the corporate value of the Group and, by extension, the common interests of shareholders.

3) Framework to prevent parties deemed inappropriate in light of basic policy from controlling the financial and business policy decisions of the Company

At present, the Company has not specifically stipulated a concrete framework for a case in which a Large-Scale Purchaser appears, commonly known as takeover defense measures.

Nevertheless, the Company believes that, in order to prevent damage to the Group's corporate value if a Large-Scale Purchaser appears, it is necessary to carefully examine the impact a Large-Scale Purchase would have on the Group's corporate value after ascertaining certain information about the Large-Scale Purchaser. Such information would include the nature of the Large-Scale Purchaser, the purpose of the Large-Scale Purchase, the Large-Scale Purchaser's proposed financial and business policies and their policy for handling shareholders, the Group's customers, business partners, employees, the communities that surround the Group and other stakeholders.

Accordingly, if this occurs, the Company will establish an independent committee composed of Outside Directors and experts with viewpoints that are independent from the Company's management personnel and Internal Directors. If the Company judges that the said Large-Scale

Purchaser is inappropriate in light of the aforementioned basic policy after considering advice and opinions from the committee, the Company will act to secure the Group's corporate value and, by extension, the common interests of shareholders by taking necessary and appropriate measures.

4) Judgment of the Company's Board of Directors regarding concrete framework and reasons for such judgment

Various measures formulated by the Group are formulated based on the Group's basic philosophy and are intended to further build up the relationship of trust with customers and with society, which are the sources of the Group's corporate value. Therefore, the Company believes that these measures are in line with the contents of the basic policy and contribute to securing and enhancing the corporate value of the Group and, by extension, the common interests of shareholders.

Furthermore, if the Company takes necessary and appropriate countermeasures against a Large-Scale Purchaser judged to be inappropriate in light of the basic policy, the fairness, neutrality and rationality of this judgment will be ensured by making it in consideration of advice and opinions from an independent committee whose independence from the management personnel and Internal Directors of the Company is assured. Accordingly, the Company believes that these measures would not damage the corporate value of the Group or the common interests of shareholders and that they are not intended to maintain the positions of the officers of the Company.

(2) Information about officers

(i) List of officers

Officers include 15 males and 4 females. (Percentage of female officers: 21.05%)

(1) Directors

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director Chairperson of Board of Directors	KOIDE Hiroko	August 10, 1957	September 1986	Joined J. Walter Thompson Japan K.K. (present Wunderman Thompson Tokyo G.K.)	(Note 2)	2
			May 1993	Joined Nippon Lever K.K. (present Unilever Japan K.K.)		
			April 2001	Director		
			April 2006	General Manager of Marketing Management Division of Masterfoods Ltd. (present Mars Japan Limited)		
			April 2008	Chief Operating Officer		
			November 2010	President and Representative Director of Parfums Christian Dior Japon K.K.		
			January 2013	Outside Director of Kirin Co., Ltd.		
			April 2013	Senior Vice President of Global Marketing of Newell Rubbermaid Inc. (U.S.) (present Newell Brands Inc.)		
			June 2016	Outside Director of Mitsubishi Electric Corporation (scheduled to retire in June 2024)		
			April 2018	Director of Vicela Japan Co., Ltd.		
			June 2019	Outside Director of Honda Motor Co., Ltd		
				Outside Director of J-OIL MILLS, Inc. (scheduled to retire in June 2024)		
			May 2021	Outside Director of J. FRONT RETAILING Co., Ltd. (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	YAGO Natsunosuke	May 16, 1951	April 1977	Joined EBARA CORPORATION	(Note 2)	8
			June 2002	Executive Officer		
			April 2004	Senior Executive Officer, Group Executive of Precision Machinery Group of EBARA CORPORATION, Representative Director and Chairman of Ebara Precision Machinery Europe GmbH, Representative Director and Chairman of Ebara Technologies Inc., and Chairman of Ebara Precision Machinery Shanghai Inc.		
			June 2004	Director of EBARA CORPORATION		
			April 2005	Director of EBARA CORPORATION and Chairman of Ebara Precision Machinery Taiwan Inc.		
			June 2005	Director, President of Precision Machinery Company, and General Manager of Fujisawa Operation of EBARA CORPORATION		
			April 2006	Director and Managing Executive Officer President of Precision Machinery Company		
			April 2007	President and Representative Director		
			May 2007	President and Representative Director and General Manager of Internal Control Promotion Department		
			July 2009	President and Representative Director and General Manager of Internal Control Department		
			April 2013	Chairman & Director		
			October 2017	Representative Director of The Ebara Hatakeyama Memorial Foundation (present)		
			March 2019	Retired from the office of Chairman & Director of EBARA CORPORATION		
			June 2019	Outside Director of SUBARU CORPORATION		
			May 2020	Outside Director of J. FRONT RETAILING Co., Ltd. (present)		
			May 2021	Director of PARCO Co., Ltd.		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	HAKODA Junya	July 10, 1951	April 1974	Joined Mitsubishi Rayon Co., Ltd. (present Mitsubishi Chemical Corporation)	(Note 2)	2
			November 1980	Joined Pricewaterhouse CPA Office (Reorganized as Aoyama Audit Corporation in June 1983)		
			April 1984	Registered as Certified Public Accountant		
			April 2000	Partner at the merged firm, ChuoAoyama Audit Corporation/ PricewaterhouseCoopers		
			August 2006	Representative of Arata Audit Corporation/Partner of PricewaterhouseCoopers		
			April 2008	Eminent Professor of Graduate School of Keio University (internal audit theory)		
			September 2009	Member of the Agreement Monitoring Committee of the Japan External Trade Organization (JETRO)		
			September 2010	Director of Japan Internal Control Research Association		
			December 2014	Outside Corporate Auditor of Schroder Investment Management (Japan) Limited (present)		
			March 2015	Director of Institute of Corporate Governance, Japan (present)		
			June 2015	Outside Corporate Auditor of Yamaha Corporation		
				Outside Director of AEON Financial Service Co., Ltd.		
			June 2017	Outside Director and Chairperson of the Audit Committee of Yamaha Corporation		
			September 2019	Member of the Ethics Committee of the Japanese Institute of Certified Public Accountants		
			August 2020	Vice Chairperson of the Committee on Training and Research for Outside Officers, Japanese Institute of Certified Public Accountants		
			May 2021	Outside Director of J. FRONT RETAILING Co., Ltd. (present)		
			August 2021	Chairperson of the Committee on Training and Research for Outside Officers, Japanese Institute of Certified Public Accountants		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	UCHIDA Akira	October 4, 1950	April 1975	Joined Toray Industries, Inc.	(Note 2)	6
			June 1996	Executive Vice President of Toray Industries (America), Inc.		
			June 2000	General Manager on Special Assignment of Corporate Strategic Planning Division 1, General Manager on Special Assignment of Corporate Communications Dept. of Toray Industries, Inc.		
			June 2004	Counsellor of Corporate Strategic Planning Division, and Counsellor of Investor Relations Dept.		
			June 2005	Member of the Board, General Manager of Finance and Controller's Division		
				President, Toray Holding (USA), Inc.		
			June 2009	Senior Vice President (Member of the Board), General Manager of Finance and Controller's Division		
				President, Toray Holding (USA), Inc.		
			June 2012	Senior Vice President (Member of the Board), in charge of CSR; General Manager of General Administration and Legal Division, Investor Relations Dept., Corporate Communications Dept., and Advertising Dept., Tokyo Head Office		
			June 2016	Adviser		
			March 2019	Retired from Adviser		
			May 2019	Outside Director of J. FRONT RETAILING Co., Ltd. (present)		
			June 2019	Outside Director of Yokogawa Electric Corporation (present)		
			May 2020	Director of Daimaru Matsuzakaya Department Stores Co. Ltd.		
			May 2022	Director of PARCO Co., Ltd. (present)		

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director	SEKI Tadayuki	December 7, 1949	April 1973 Joined ITOCHU Corporation June 1998 General Manager, Finance Division, ITOCHU International Inc. (Stationed in New York) June 2004 Executive Officer of ITOCHU Corporation, CFO of Food Company April 2007 Managing Executive Officer, General Manager of Finance Division June 2009 Representative Director, Managing Director, Chief Officer for Finance, Accounting, Risk Management and CFO April 2010 Representative Director, Senior Managing Executive Officer May 2011 Representative Director, Senior Managing Executive Officer and CFO April 2013 Representative Director, Executive Vice President and CFO April 2014 Representative Director, Executive Vice President, Executive Advisory Officer, CFO & CAO April 2015 Adviser May 2016 External Director of PARCO Co., Ltd. June 2016 Outside Director of NIPPON VALQUA INDUSTRIES, LTD. (present VALQUA, LTD.) April 2017 Advisory Member of ITOCHU Corporation June 2017 Outside Director of JSR Corporation (present) July 2017 Outside Statutory Auditor of Asahi Mutual Life Insurance Company (present) May 2020 Outside Director of J. FRONT RETAILING Co., Ltd. (present) Director of PARCO Co., Ltd. May 2022 Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)	(Note 2)	4

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	OMURA Emi	September 2, 1976	October 2002 March 2007 July 2008 September 2010 September 2013 January 2014 September 2014 June 2019 April 2021 November 2021 January 2022 December 2022 June 2023 May 2024	Registered as attorney at law Joined Iwasaki & Motoyama Registered as attorney at law of New York State, U.S.A. Partner of Athena Law Office Associate Expert, International Labour Standards Department, International Labour Organization in Geneva, Switzerland Partner of Athena Law Office Director, Office of International Affairs, Japan Federation of Bar Associations Outside Director of Digital Garage, Inc. (scheduled to retire in June 2024) Counsel of Kamiyacho International Law Office Counsel of CLS HIBIYA TOKYO LAW OFFICE Outside Director, Audit and Supervisory Committee Member of Valuence Holdings Inc. (present) Partner of CLS HIBIYA TOKYO LAW OFFICE (present) External Director (Audit & Supervisory Committee Member) of FOOD & LIFE COMPANIES LTD. (present) Auditor of Japan Association for Women’s Education (present) Outside Director of J. FRONT RETAILING Co., Ltd. (present)	(Note 2)	0

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	YOSHIMOTO Tatsuya	April 13, 1956	April 1979 March 2000 January 2008 May 2008 January 2010 March 2010 May 2012 April 2013 May 2013 May 2017 May 2020 March 2023 March 2024	Joined The Daimaru, Inc. Senior Manager of Preparatory Office for Opening Sapporo Store of Planning Office for Sapporo Store, Head Office General Manager of Tokyo Store Corporate Officer, General Manager of Tokyo Store Corporate Officer, General Manager of Sales Planning Promotion Division and Marketing Planning Promotion Division of Department Stores Coordination Division of J. FRONT RETAILING Co., Ltd. Corporate Officer of Daimaru Matsuzakaya Department Stores Co. Ltd. Senior General Manager of Management Planning Division Director and Corporate Officer President of Daimaru Matsuzakaya Department Stores Co. Ltd. and President of Daimaru Matsuzakaya Sales Associates Co. Ltd. Director of J. FRONT RETAILING Co., Ltd. (present) Representative Managing Executive Officer President and Representative Executive Officer President and Representative Executive Officer and Senior Executive General Manager of CRE Strategy Unit Executive Officer of J. FRONT RETAILING Co., Ltd.	(Note 2)	107
Director	HAMADA Kazuko	September 6, 1962	April 1985 September 2000 March 2002 March 2005 March 2007 March 2010 March 2013 March 2015 May 2020 May 2021	Joined PARCO Co., Ltd. General Manager of Marketing Department of Sales Management Division Deputy General Manager of Kichijoji PARCO General Manager of Kichijoji PARCO General Manager of Shintokorozawa PARCO Executive Officer (Personnel) Executive Officer (Administration and Personnel) Executive Officer (Group Audit Office) Auditor Director of J. FRONT RETAILING Co., Ltd. (present)	(Note 2)	1

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	ONO Keiichi	August 2, 1975	April 1998	Joined The Daimaru, Inc.	(Note 2)	8
			April 2007	Planning Office for New Umeda Store, Department Store Business Division, Head Office		
			September 2010	In charge of Sales Promotion and Advertising of Business Promotion Division of Daimaru Umeda Store, Daimaru Matsuzakaya Department Stores Co. Ltd.		
			November 2012	Store Planning Department, Head Office of PARCO Co., Ltd.		
			November 2013	In charge of Inbound Business of Sales Planning Unit of Sales & Marketing Headquarters, Head Office of Daimaru Matsuzakaya Department Stores Co. Ltd.		
			September 2015	General Manager of Inbound Business, Merchandising and Channel Development Division, Head Office		
			September 2016	General Manager of Business Promotion Division of Daimaru Kyoto store		
			March 2018	Executive Officer of J. FRONT RETAILING Co., Ltd. and President and Representative Director of Dimples' Co., Ltd.		
			October 2020	Senior General Manager of Structural Reform Promotion Division, Financial Strategy Unit of J. FRONT RETAILING Co., Ltd.		
			March 2022	Managing Executive Officer		
				Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management		
			May 2022	Director of PARCO Co., Ltd.		
			March 2024	President and Representative Executive Officer and Senior Executive General Manager of CRE Strategy Unit (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	WAKABAYASHI Hayato	August 31, 1961	April 1985	Joined Matsushita Electric Industrial Co., Ltd. (present Panasonic Corporation)	(Note 2)	19
			April 1998	President of Panasonic Financial Center Malaysia Co., Ltd.		
			April 2007	Director and Chief Executive Officer of Matsushita Electric (China) Finance Limited		
			February 2009	Finance Planning Team Leader (Manager), Headquarters Finance & IR Group of Panasonic Corporation		
			July 2013	General Manager, Finance & IR Group, Corporate Strategy Division and Finance Strategy Team Leader of Panasonic Corporation (Director)		
			May 2015	Joined J. FRONT RETAILING Co., Ltd.		
				In charge of Finance Policy, Administration Unit		
			September 2015	Executive Officer		
				In charge of Financial Strategy and Policy, Administration Unit		
			March 2016	Senior Executive General Manager of Financial Strategy Unit (present) and in charge of Finance Policy		
			May 2016	Director (present)		
			March 2017	In charge of Financing and Finance Policy		
			May 2017	Managing Executive Officer (present)		
			May 2018	Senior General Manager of Financing and Finance Policy Division		
			May 2020	Director of PARCO Co., Ltd.		
			May 2023	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)		
Total						161

Notes: 1. Directors KOIDE Hiroko, YAGO Natsunosuke, HAKODA Junya, UCHIDA Akira, SEKI Tadayuki, and OMURA Emi are Outside Directors.

2. The term of office will be from the conclusion of the Annual Shareholders Meeting for the fiscal year ended February 29, 2024, to the conclusion of the Annual Shareholders Meeting for the fiscal year ending February 28, 2025.

(2) Executive officers

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
President and Representative Executive Officer Senior Executive General Manager of CRE Strategy Unit	ONO Keiichi	August 2, 1975	(Note 1)		(Note 2)	8
Managing Executive Officer Senior Executive General Manager of Financial Strategy Unit	WAKABAYASHI Hayato	August 31, 1961	(Note 1)		(Note 2)	19
Managing Executive Officer Senior Executive General Manager of Management Strategy Unit	HAYASHI Kenichi	September 1, 1960	April 1983	Joined The Daimaru, Inc.	(Note 2)	0
			February 2007	General Manager of Men's Wear & Accessory Division of Daimaru Kyoto store		
			March 2009	General Manager of Men's Wear & Accessory Division, General Manager of Home Culture Products Division, and General Manager of Art, Kimono & Jewelry Division of Daimaru Kyoto store		
			March 2011	General Manager of Men's Wear & Accessory Division, General Manager of Home Culture Products Division, and General Manager of Art, Kimono & Jewelry Division of Daimaru Kobe store of Daimaru Matsuzakaya Department Stores Co. Ltd.		
			March 2013	General Manager of Sales Department of Matsuzakaya Shizuoka store		
			September 2015	General Manager of Merchandising and Channel Development Division (in charge of Event Planning and Management), Merchandising Strategy Promotion Office, Sales & Marketing Headquarters		
			January 2016	Representative Director and President of JFR Online Co., Ltd.		
			March 2017	Director and General Manager of Sales Management Department of The Hakata Daimaru, Inc.		
			May 2018	Senior General Manager of Merchandising Planning and New Business Development Office, Sales & Marketing Headquarters, General Manager of Merchandising Planning Department of Daimaru Matsuzakaya Department Stores Co. Ltd.		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
			August 2018	President & CEO of Daimaru Kogyo, Ltd.		
			January 2021	Corporate Officer, Executive Store Manager in Charge of Administration of Daimaru Sapporo store of Daimaru Matsuzakaya Department Stores Co. Ltd.		
			March 2024	Managing Executive Officer, Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management of J. FRONT RETAILING Co., Ltd. (present)		
				Director of PARCO Co., Ltd. (present)		
Managing Executive Officer Senior Executive General Manager of Digital Strategy Unit	HAYASHI Naotaka	September 7, 1968	April 1991	Joined PARCO Co., Ltd.	(Note 2)	6
			March 2009	General Manager of E-commerce Business Department of PARCO-CITY Co., Ltd. (present PARCO Digital Marketing Co., Ltd.)		
			March 2013	General Manager of Web Communication Department of PARCO Co., Ltd.		
			March 2016	Executive Officer (Web Marketing Department and Media Communication Department)		
			March 2017	Executive Officer (Group ICT Strategy Office)		
			May 2020	Executive Officer (CRM Promotion Department and Digital Promotion Department)		
			March 2022	Managing Executive Officer (present) and Senior Executive General Manager of Group Digital Unit of J. FRONT RETAILING Co., Ltd.		
			December 2023	Senior Executive General Manager of Group Digital Unit and Group System Unit		
			March 2024	Senior Executive General Manager of Digital Strategy Unit (present)		
				Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Managing Executive Officer Senior Executive General Manager of Human Resources Strategy Unit and Administration Unit	MATSUDA Hirokazu	March 29, 1960	April 1983	Joined The Daimaru, Inc.	(Note 2)	20
			April 2005	General Manager in charge of Labor, Personnel Department, Administration Division, Group Headquarters		
			January 2008	General Manager of Personnel Department, Operation Division, Group Headquarters		
			March 2010	General Manager of Administration Headquarters and in charge of Personnel Structure Reform, Head Office of Daimaru Matsuzakaya Department Stores Co. Ltd.		
			March 2014	General Manager of Personnel Department of Administration Headquarters, in charge of Personnel Structure Reform, and in charge of Personnel Planning and Labor, Head Office		
			May 2014	Corporate Officer and in charge of Group Organizational and Personnel Policy, Management Strategy Unit of J. FRONT RETAILING Co., Ltd.		
				Corporate Officer and General Manager of Personnel Department, Administration Headquarters of Daimaru Matsuzakaya Department Stores Co. Ltd.		
			January 2015	Senior Executive General Manager of Administration Headquarters and in charge of Compliance and Risk Management		
			May 2015	Director and Corporate Officer		
			May 2017	Director and Corporate Executive Officer		
			May 2018	Corporate Executive Officer		
			March 2021	Managing Executive Officer, Senior Executive General Manager of Human Resources Strategy Unit and Administration Unit and in charge of Compliance of J. FRONT RETAILING Co., Ltd. (present)		
			May 2022	Director of Daimaru Matsuzakaya Department Stores Co. Ltd.		
			December 2023	Director of PARCO Co., Ltd. (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Executive Officer	UMEBAYASHI Akira	May 4, 1972	April 1995	Joined The Daimaru, Inc.	(Note 2)	3
			May 2009	Assistant to Business Promotion Department, Administration Headquarters (Assigned Exclusively to Union) (Responsible for the Tokyo Store)		
			September 2016	Staff of Group Personnel Department, Administration Unit of J. FRONT RETAILING Co., Ltd.		
			March 2017	Staff of Group Personnel Department, Administration Unit and Staff of the Board of Directors Secretariat		
			September 2017	Senior General Manager of Group Personnel Department, Administration Unit (in charge of Group Personnel Policy) and Staff of the Board of Directors Secretariat		
			May 2018	Senior General Manager of Group Human Resources Policy Division, Human Resources Strategy Unit and Staff of the Board of Directors Secretariat		
			March 2020	Senior General Manager of Group Human Resources Policy Division, Human Resources Strategy Unit and Staff of Nomination Committee Secretariat and Remuneration Committee Secretariat		
			October 2020	Senior General Manager of Group Human Resources Policy Division, Human Resources Strategy Unit, Staff of Nomination Committee Secretariat and Remuneration Committee Secretariat, and Staff of Structural Reform Promotion Division, Financial Strategy Unit		
			September 2021	Senior General Manager of Group Human Resources Policy Division and Group Human Resources Development Division, Human Resources Strategy Unit, Staff of Nomination Committee Secretariat and Remuneration Committee Secretariat, and Staff of Structural Reform Promotion Division, Financial Strategy Unit		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
			March 2022 March 2023 March 2024	Executive Officer and Senior General Manager of Group Human Resources Policy Division, Group Human Resources Development Division, and Group Welfare Division of Human Resources Strategy Unit, and Staff of Nomination Committee Secretariat and Remuneration Committee Secretariat Executive Officer and Senior General Manager of Group Human Resources Development Division and Group Welfare Division of Human Resources Strategy Unit Executive Officer and Senior General Manager of Board of Directors Office (present)		
Executive Officer	OCHIAI Isao	December 21, 1968	April 1993 March 2020 January 2021 March 2023 March 2024	Joined Matsuzakaya Co., Ltd. General Manager of Management Planning Division, Management Planning Office, Head Office of Daimaru Matsuzakaya Department Stores Co. Ltd., General Manager of MIRAITEIBAN KENKYU-JYO Executive Store Manager of Matsuzakaya Shizuoka store Executive Officer, Senior General Manager of Management Planning Division and Business Portfolio Transformation Promotion Division of Management Strategy Unit of J. FRONT RETAILING Co., Ltd. Senior General Manager of Management Planning Division of Management Strategy Unit (present)	(Note 2)	0

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Executive Officer	MORITA Kosuke	February 14, 1978	April 2000	Joined PARCO Co., Ltd.	(Note 2)	0
			March 2019	General Manager of Collaboration Business Planning Department		
			September 2020	General Manager of Wellness Business Department		
			March 2022	General Manager of Content Development Department		
			March 2023	Executive Officer (Content Development Department, Collaboration Business Planning Department, and Digital Promotion Department)		
			March 2024	Executive Officer and Senior General Manager of Business Planning Division of Management Strategy Unit of J. FRONT RETAILING Co., Ltd. (present)		
Executive Officer	NOMURA Taiichi	December 25, 1963	April 1987	Joined ALL NIPPON AIRWAYS CO., LTD.	(Note 2)	0
			April 2011	Senior General Manager of Innovation Management Department of Peach Aviation Limited		
			April 2015	Director of Ad Value Creation Lab		
			April 2016	Director in charge of ANA HOLDINGS Digital Design Lab of ALL NIPPON AIRWAYS CO., LTD.		
			April 2017	Director of Innovation Promotion Department, Business Process Reform Office (concurrent position)		
			April 2022	Chief Digital Designer of Group Digital Unit of J. FRONT RETAILING Co., Ltd.		
			March 2024	Executive Officer and Senior General Manager of Group System Promotion Division of Digital Strategy Unit (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Executive Officer	NOGUCHI Hideki	May 15, 1965	April 1990	Joined PARCO Co., Ltd.	(Note 2)	6
			March 2007	General Manager in charge of Accounting & Finance Department, Financial Administration Unit		
			March 2010	Executive Officer (Accounting Department and Finance/IR Department)		
			May 2020	Executive Officer (Accounting Department, Business Management Department, and Administration and Legal Department)		
			May 2021	Executive Officer (Accounting & Finance Department, Business Administration Department, Business Management Department, and Administration and Legal Department)		
			March 2022	Executive Officer and Senior General Manager of Accounting and Tax Affairs Division, Financial Strategy Unit of J. FRONT RETAILING Co., Ltd. (present)		
Executive Officer	IMAZU Takako	August 7, 1971	April 1995	Joined The Daimaru, Inc.	(Note 2)	0
			March 2019	Senior General Manager of Group Human Resources Development Division, Daimaru Sapporo store of Daimaru Matsuzakaya Department Stores Co. Ltd.		
			December 2022	Corporate Unit Executive Officer of J. FRONT CITY DEVELOPMENT Co., Ltd.		
			March 2024	Executive Officer and Senior General Manager of Group Human Resources Development Division and Group Welfare Division of Human Resources Strategy Unit of J. FRONT RETAILING Co., Ltd. (present)		
Total						67

Notes: 1. Described in “(1) Directors” in “(i) List of officers” in “(2) Information about officers.”

2. The term of office of an Executive Officer shall expire at the end of the first meeting of the Board of Directors held after the end of the Annual Shareholders Meeting that relates to the latest business year that ends within one (1) year after his/her election to office.

(ii) Outside officers

The Company has six Outside Directors.

The basic view of the Company under the corporate governance structure with three committees is that more than half of the Board of Directors must be independent Outside Directors. By doing so, the Company aims to separate supervision and execution, ensure the effectiveness of the Board of Directors' discussions, and maintain and improve transparency and objectivity. Six independent Outside Directors, who have extensive external management experience or in-depth knowledge in specialized areas, fulfill their roles as chairperson of the Board of Directors, chairpersons of any of the Nomination, Audit, and Remuneration Committees, or members of the three committees, so that the effectiveness of independent and objective management supervision can be ensured.

1) Relationship with the Company and appointment of Outside Directors

Name	Important concurrent positions (As of May 24, 2024)	Relationship with the Company and appointment
KOIDE Hiroko	Outside Director of Mitsubishi Electric Corporation (scheduled to retire in June 2024); Outside Director of J-OIL MILLS, Inc. (scheduled to retire in June 2024)	KOIDE Hiroko has extensive knowledge based on her rich experience in the fields of global management and marketing, having served as an officer at foreign companies for many years, and having been engaged in corporate management as the head of marketing at the head office of a U.S. company, as well as a wealth of knowledge gained as an Outside Director at several listed companies. She has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight with respect to a wide range of matters including the importance of strategies for evolving existing core businesses, clarifying and delving into customer targets based on marketing thinking, and synchronizing medium- to long-term management strategies with human resource strategies. As a member of the Nomination Committee, she conducts discussions that ensure objectivity, transparency, and continuity and deliberates on the decision process for the new President and Representative Executive Officer based on the succession plan. As a member of the Remuneration Committee, she reviews the officer remuneration system in conjunction with the next Medium-term Business Plan and provides necessary advice at suitable times on the introduction of a new calculation method for officer remuneration and reviews of remuneration standards, composition, and performance evaluation indicators, etc., and contributes to strengthening the management personnel functions. In light of her track record, abundant experience and high level of insight, the Company expects her to contribute greatly to management of the Group and has accordingly appointed her as an Outside Director. The Company has no interest in or relationship with her.

Name	Important concurrent positions (As of May 24, 2024)	Relationship with the Company and appointment
YAGO Natsunosuke		YAGO Natsunosuke has been involved in top-level corporate management for many years, and has a wealth of experience in compliance management and strengthening financial bases. He also possesses a high level of expertise in internal control and corporate governance gained through his experience in transitioning to a company with three committees (nomination, audit, and remuneration committees). He has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice in many areas, including on the formulation of the Medium-term Business Plan with an awareness of overall optimization, the approach to cross-shareholdings, overseas business expansion based on past experiences and reflections, and approaches to human resource investment and human resource evaluation. As the Chairperson of the Nomination Committee, he conducts discussions that ensure objectivity, transparency, and continuity and resolves on the new President and Representative Executive Officer based on the succession plan. As a member of the Remuneration Committee, he reviews the officer remuneration system in conjunction with the next Medium-term Business Plan and provides necessary advice at suitable times on the introduction of a new calculation method for officer remuneration and reviews of remuneration standards, composition, and performance evaluation indicators, etc., and contributes to strengthening the management personnel functions. In light of his track record, abundant experience and high level of insight, the Company expects him to contribute greatly to management of the Group and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him.
HAKODA Junya		HAKODA Junya was involved in accounting audits, management consulting, and internal audits of auditing firms, etc. for many years at PricewaterhouseCoopers and also served as an eminent professor teaching internal audit theory at Graduate School of Keio University and therefore has abundant experience and high-level expertise in corporate auditing. He also has a high level of expertise in corporate governance and management auditing, having served as the Chairperson of the Audit Committee of Yamaha Corporation when the company changed its organizational design to a company with three committees (nomination, audit, and remuneration committees). He has also contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight regarding a wide range of matters including KPI perspectives necessary for monitoring the Medium-term Business Plan, consideration of financial policies in light of the macro environment, utilization of internal human resources in new business development, and approaches to the appointment of human resources in times of change. Moreover, as Chairperson of the Audit Committee, he has endeavored to strengthen the audit function by fulfilling his roles of auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees) while exchanging opinions and engaging in discussions from the perspective of legality and appropriateness, etc. related to items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee, which he is expected to promote. He is also simultaneously working to enhance the governance of the Group as a whole. In light of his track record, abundant experience and high level of insight, the Company expects him to contribute greatly to management of the Group and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him.

Name	Important concurrent positions (As of May 24, 2024)	Relationship with the Company and appointment
UCHIDA Akira	Outside Director of Yokogawa Electric Corporation	UCHIDA Akira possesses extensive experience and knowledge of not only business planning and IR but also corporate departments as the person responsible for the finance and accounting division. He has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight with respect to a wide range of matters including the importance of identifying issues and addressing risks when formulating the Medium-term Business Plan, aligning sustainability management policies with business strategies, digital strategies that also utilize stores, and the Company's approach to human capital management. As Chairperson of the Remuneration Committee, he reviews the officer remuneration system in conjunction with the next Medium-term Business Plan and introduces a new calculation method for officer remuneration and reviews remuneration standards, composition, and performance evaluation indicators, etc. As a member of the Nomination Committee, he conducts discussions that ensure objectivity, transparency, and continuity and provides necessary advice at suitable times regarding deliberation on the decision process for the new President and Representative Executive Officer based on the succession plan, and contributes to strengthening the management personnel functions. In light of his track record and abundant insight, the Company expects him to contribute greatly to management of the Group and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him.
SEKI Tadayuki	Outside Director of JSR Corporation; Outside Statutory Auditor of Asahi Mutual Life Insurance Company	SEKI Tadayuki has many years of experience in international business management and risk management at a general trading company, and has extensive knowledge and experience in finance and accounting as CFO, as well as broad knowledge as an outside director and outside statutory auditor of multiple companies. He has contributed to improving the effectiveness of the Board of Directors by actively and assertively providing advice on a wide range of matters including the promotion of business strategies with an awareness of the cost of capital, the importance of responding to stores and businesses facing challenges in the transformation of business portfolios, and the risks involved in entering new businesses and how to respond to those risks. As a member of the Audit Committee, he is working to strengthen audit functions by fulfilling expectations of him in terms of exchanging and discussing opinions from the perspective of legality, appropriateness, etc. on items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee, while auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees). He is also simultaneously working to enhance the governance of the Group as a whole. In light of his track record and high level of insight, the Company expects him to contribute greatly to management of the Group and has accordingly appointed him as an Outside Director. The Company has no interest in or relationship with him.
OMURA Emi	Partner of CLS HIBIYA TOKYO LAW OFFICE; Outside Director of Digital Garage, Inc. (scheduled to retire in June 2024); Outside Director, Audit and Supervisory Committee Member of Valuence Holdings Inc.; External Director (Audit & Supervisory Committee Member) of FOOD & LIFE COMPANIES LTD.	In addition to her global experience in handling abundant cases in international organizations and specialized insights in labor law as an attorney, OMURA Emi has extensive experience as an outside director (audit & supervisory committee member) at listed companies (B to C business). In particular, she is well versed in the practical aspects of sustainability and ESG legal fields such as human rights due diligence, and has extensive experience in providing objective advice and oversight on various issues that companies face, including diversity management. In light of her track record, extensive experience and considerable insights, the Company expects that she will apply them to the appropriate supervision of management in the Group and has accordingly appointed her as an Outside Director. The Company has no interest in or relationship with her.

(iii) Coordination between supervision by the Outside Directors, the internal audits and accounting audit, and relationship with the internal control department

The Company's Outside Directors, as members of the Board of Directors, make decisions on the basic policy for management policy and management strategy of the Group and execution of other management-related operations and fulfill the highly effective oversight function over the management from a standpoint that is independent from the execution of operations. As stated in "(3) Status of audit" below, the Audit Committee conducts audits for the legal compliance and appropriateness of the execution of operations by Directors and Executive Officers by cooperating with the Accounting Auditor and utilizing internal organizations in accordance with the audit policy and plan developed by the Audit Committee.

(3) Status of audit

(i) Status of audit by Audit Committee

1) Organization, members and procedures of Audit Committee

The Audit Committee consists of four Audit Committee Members (as of the filing date of the annual securities report; one full-time member and three outside members).

Chairperson of the Audit Committee, HAKODA Junya, has a wealth of experience as a Certified Public Accountant and extensive expertise in corporate accounting. Audit Committee Member SEKI Tadayuki has served as CFO at Itochu Corporation and possesses considerable insight in finance and accounting.

New Audit Committee member OMURA Emi has global experience in handling abundant cases in international organizations and specialized insights in labor law as an attorney. The Audit Committee Secretariat (three members) has been established to support the Audit Committee in its auditing duties.

From fiscal 2021, the Audit Committee Members clearly documented in the Rules of Audit Committee the right of approval of the Audit Committee concerning appointments and transfers of Audit & Supervisory Board Members in the Group companies to strengthen the auditing function in accordance with points made regarding the effectiveness evaluation of the Board of Directors, and working to enhance the auditing systems of organizations, the Audit & Supervisory Board Members in the Group companies concurrently serve on the Audit Committee Secretariat.

In accordance with the audit policy and plan developed by the Audit Committee, the Audit Committee conducts audits for the legal compliance and appropriateness of the execution of operations by Directors and Executive Officers by cooperating with the Accounting Auditor and utilizing internal organizations, and it prepares an audit report.

2) Activities of Audit Committee

Audit Policy and Key Audit Matters

The Audit Committee effectively audits with a fair an unbiased attitude whether the execution of duties by Executive Officers and Directors is in compliance with laws, regulations, and the Articles of Incorporation of the Company and whether they are performing their duties efficiently in accordance with the Company's basic philosophy and the Group Vision, and it provides necessary observations and recommendations, etc. as the basic audit policy. Based on this policy, the Audit Committee sets "matters related to business and management foundation based on the Group's management policy" and the "status of efforts to maintain and improve sound and sustainable company structure" as Key Audit Matters (KAM) for the current fiscal year, and performs audits from a perspective of governance, risk, and compliance.

Overview of Audit Activities

In the current fiscal year, the Audit Committee held a total of 24 meetings. The attendance of each Audit Committee member at the meetings is as follows.

Category	Name	Attendance at the meetings of the Audit Committee
Chairperson of Audit Committee (outside)	HAKODA Junya	23/24
Audit Committee Member (full-time)	HAMADA Kazuko	24/24
Audit Committee Member (outside)	SATO Rieko (Note 1)	22/24
Audit Committee Member (outside)	SEKI Tadayuki	24/24
Audit Committee Member (outside)	KATAYAMA Eiichi (Note 2)	17/17
Audit Committee Member (outside)	OMURA Emi (Note 3)	–

Note 1: Retired on May 23, 2024.

Note 2: Assumed office on May 25, 2023 and retired on May 23, 2024.

Note 3: Assumed office on May 23, 2024.

To improve the effectiveness of audits and discussions at the Audit Committee, Audit Committee meetings are held separately from the Audit Committee, and they were held 18 times during the current fiscal year. The average duration of a combined Audit Committee and Audit Committee meeting is approximately two hours. The main activities of the Audit Committee and Audit Committee meetings are as follows.

In addition, the activities of the full-time Corporate Auditors included confirming circular approval memos, attending important internal meetings, confirming auditing issues through periodic meetings with the Internal Audit Division, the Accounting Auditor, and the corporate auditors of other Group companies, and they promoted the construction of an organization audit structure while working to share information with other members.

Major activities of the Audit Committee

Matters to be resolved

- Audit policy, KAM, audit plan, allocation of work
- Independent Auditor's Report, Audit findings
- Reappointment of Accounting Auditor, Consent to audit fees
- Group company corporate auditor structure for next fiscal year

Matters to be discussed

- Appropriateness of audits by the Accounting Auditor and evaluation of the Accounting Auditor
- Regarding Key Audit Matters (KAM)

Matters to be reported

- Reports from the Internal Audit Division
- Reports from the Accounting Auditor (financial reports, etc.)
- Receive audit reports from corporate auditors of other Group companies
- Reports from the finance division (financial reports, financial conditions, etc.)
- Status of compliance with laws and regulations (collaboration with Legal Division and Compliance Committee)
- Construction and operation status of internal control system

Major activities of the Audit Committee meetings

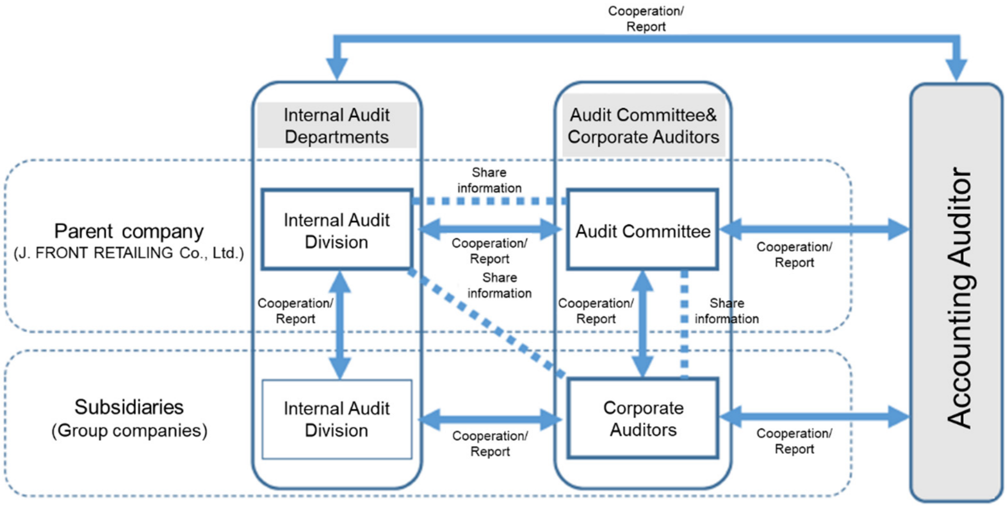
- Conduct audits of the execution of duties by the Representative Executive Officer and exchange opinions
- Audit the execution of duties of Directors and Executive Officers and interview them
- Prior consultation on matters to be resolved at the Audit Committee
- Reports from the full-time Corporate Auditors

Based on the information received through these discussions, the Audit Committee makes reports monthly to the Board of Directors and offers guidance and proposals in the form of "audit findings" regarding matters deemed to be of particular importance.

3) Enhancement of organizational audits

The Company has established an organizational audit system, as shown in the chart below, in which the Audit Committee, Internal Audit Division, and the corporate auditors of other Group companies always share information on issues discovered through regular meetings and reports and work together to resolve such issues. In addition to the Audit Committee, the Internal Audit Office and the corporate auditors of other Group companies hold regular meetings with the Accounting Auditor, and the content of these meetings is shared with the Audit Committee in an effort to enhance organizational auditing throughout the Group.

Organizational audit structure chart



(ii) Status of internal audit

1) Organization, members, and procedures of internal audit

The Company has established an independent Internal Audit Division (eight members) under the President and Representative Executive Officer. The Internal Audit Division verifies and evaluates the legality and effectiveness of systems of corporate governance, risk management and compliance management in addition to performing audits on business operations of the Company and the Group companies.

The Company shall adopt a dual-reporting system where both the President and Representative Executive Officer and the Audit Committee shall receive reports, and audit results and improvement measures related to audit findings are regularly reported on. As for orders related to improvement measures from management, issues are promptly handled in collaboration with the audited departments.

2) Coordination between the internal audits, auditing by the Audit Committee members and accounting audit, and their relationship with the internal control department

In addition to the contents described in "(i) Status of audit by Audit Committee," when the Internal Audit Division prepares its audit policy and plan, it submits the relevant report in advance to the Audit Committee. In addition, its audit results are regularly reported to the President and Representative Executive Officer and the Audit Committee. The Audit Committee is authorized to make requests to the Internal Audit Division on the execution of additional audits or directly conduct audits if necessary. Regarding personnel appointments and changes related to the Executive General Manager of the Internal Audit Division, the Audit Committee's advance approval is required.

(iii) Status of accounting audit

1) Name of audit firm

Ernst & Young ShinNihon LLC

2) Consecutive audit period

72 years

Note: The Company is a holding company jointly established by The Daimaru, Inc. and Matsuzakaya Holdings Co., Ltd. through the transfer of shares in 2007, and the above consecutive audit period includes the consecutive audit period of The Daimaru, Inc.

3) Certified public accountants who executed the audit duties

OJIMA Koji (Consecutive audit period: 1 year)

SHIBAYAMA Yoshihisa (Consecutive audit period: 7 years)

MATSUURA Hiroshi (Consecutive audit period: 7 years)

4) Breakdown of support staff for audit operations

Support staff for financial audit operations consists of 24 certified public accountants and 42 others.

5) Policies and reasons for selecting audit firm

The Audit Committee draws up criteria in advance for selecting and evaluating the Accounting Auditor, which are composed of matters relating to the auditor's independence, expertise and other aspects of executing the audit, with the aim of ensuring that the Accounting Auditor properly carries out the audit. On the basis of that criteria, the Audit Committee takes into account the opinions of the management team, etc. and then makes decisions on proposals for the election, dismissal and non-reappointment of the Accounting Auditor that are submitted to the Shareholders Meeting.

The Audit Committee is to take necessary measures that include dismissing the Accounting Auditor upon resolution of the committee, or otherwise making a decision on proposals to dismiss or not reappoint the Accounting Auditor submitted to the Shareholders Meeting, in the event that the Audit Committee deems it appropriate to dismiss or otherwise not reappoint the Accounting Auditor either if there are grounds for dismissal as provided for in Article 340, paragraph (1) of the Companies Act of Japan or if a situation arises whereby the audit of the Company has been significantly impeded, such as would be the case if the supervisory authorities were to issue an order requiring suspension of auditing activities.

6) Assessment of audit firm by Audit Committee

The Audit Committee assesses the appropriateness and validity of audit activities by the Accounting Auditor based on the Accounting Auditor Evaluation Standards established by the Audit Committee.

(iv) Details of audit fee, etc.

1) Remuneration to certified public accountants, etc. for audits

Category	Previous fiscal year		Current fiscal year	
	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	136	3	139	–
Consolidated subsidiaries	195	3	247	–
Total	331	6	387	–

2) Remuneration to companies which comprise the same network of certified public accountants, etc. for audits (Ernst & Young).

Category	Previous fiscal year		Current fiscal year	
	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	–	332	–	96
Consolidated subsidiaries	9	8	11	–
Total	9	341	11	96

Note: The content of non-audit services for the Company is accounting system-related support services, etc.

When outsourcing non-audit services, the Company confirms that the services to be provided will not cause any impediments to the independence of the Accounting Auditor, etc. and obtains the prior approval of the Audit Committee.

3) Policy on determining audit fee

The fee is determined in view of the audit system, the number of days for audit, and other factors.

4) Rationale for Audit Committee's agreement on remuneration of the Accounting Auditor, etc.

The Audit Committee furnished its agreement with respect to the amount of remuneration, etc. provided to the Accounting Auditor, which has been deemed appropriate upon conducting a review regarding audit appropriateness with respect to the Accounting Auditor's audit plan, its execution of duties, the basis used for calculating remuneration estimates and other factors.

(4) Remuneration, etc. for officers

(i) Matters regarding the policy on determination of the amounts of compensation paid to officers and the calculation method thereof

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

<Basic policy for officer remuneration>

The Company’s officer remuneration system is operated under the following basic policy with a view to realizing and promoting sustainability management (pay for purpose). The same basic philosophy is also established for Directors and Executive Officers of Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd. and Representative Directors of JFR Card Co., Ltd., J. FRONT CITY DEVELOPMENT Co., Ltd., and J. Front Design & Construction Co., Ltd. (“eligible officers of major subsidiaries of the Group”), which are major subsidiaries of the Group.

1) Contribute to the sustainable growth and increase of the corporate value of the Group over the medium to long term and also be compatible with its corporate culture.
2) Establish a remuneration system that facilitates the achievement of duties (mission) based on management strategies of professional corporate managers.
3) Remuneration levels that can secure and retain human resources who have the desirable managerial talent qualities required by the Company.
4) Increase shared awareness of profits with shareholders and awareness of shareholder-focused management.
5) Enhanced transparency and objectivity in the remuneration determining process.

<How to determine remuneration levels>

To make quick responses to changes in the external environment and the market environment, the Company refers to objectively verifiable survey data from specialist external organizations and adopts the officer remuneration levels of companies in the same industry (department stores / retailers) and companies of a comparable size (selected based on market capitalization and consolidated operating profit) in other industries as a benchmark and compares the remuneration levels of its Executive Officers and Directors with the benchmark every year. The same treatment is applied to the eligible officers of major subsidiaries of the Group.

<Composition of remuneration>

Executive Officer

Remuneration for Executive Officers shall comprise basic remuneration (monetary remuneration) in accordance with mission grade, bonuses (monetary remuneration) based on individual evaluations conducted each business year, and performance shares linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan as a stock-based remuneration system (trust-type stock-based remuneration). The performance indicators for bonuses and performance shares were selected, as shown in the table below, with an awareness that they function as sound incentives for the achievement of KPIs and sustainable growth in the final year of the Medium-term Business Plan.

<table>
<tr><th rowspan="2">Type of remuneration</th><th rowspan="2" colspan="4">Payment basis</th><th rowspan="2">Payment method</th><th colspan="2">Composition of remuneration (%)</th></tr>
<tr><th>President</th><th>Officers other than President</th></tr>
<tr><td>Basic remuneration (fixed)</td><td colspan="4">Determined separately for each mission grade</td><td>Monthly payment in cash</td><td>38.5</td><td>45.4</td></tr>
<tr><td rowspan="5">Bonuses (variable)</td><td colspan="4">Base amount by mission grade × Rate of change*1
*1. The rate of change is based on a calculation of scores using the quantitative and qualitative evaluations below.</td><td rowspan="5">Annual payment in cash</td><td rowspan="5">23.0</td><td rowspan="5">27.3</td></tr>
<tr><td colspan="3">Details</td><td>Evaluation weights (%)</td></tr>
<tr><td>Quantitative evaluation*2 <50%></td><td>Fiscal year’s financial evaluation</td><td>Consolidated operating profit*3</td><td>50</td></tr>
<tr><td rowspan="2">Qualitative evaluation*2 <50%></td><td rowspan="2">Fiscal year’s non-financial evaluation</td><td>Level of achievement of action plan for achieving individual mission</td><td>30</td></tr>
<tr><td>Level of achievement of action plan for achieving non-financial targets in line with materiality issues</td><td>20</td></tr>
<tr><td rowspan="9">Performance-linked stock-based remuneration (variable)</td><td colspan="4">[Short term: 40%] Base amount by mission grade × Performance achievement factor*4
*4. Calculated based on the following measures of achievement*4</td><td rowspan="3">Annual payment in stocks*6</td><td rowspan="9">38.5</td><td rowspan="9">27.3</td></tr>
<tr><td colspan="3">Details</td><td>Evaluation weights (%)</td></tr>
<tr><td colspan="3">Consolidated operating profit</td><td>100</td></tr>
<tr><td colspan="4">[Medium to long term: 60%] Base amount by mission grade × Performance achievement factor*5
*5. Calculated based on the following measures of achievement</td><td rowspan="6">At the expiration of the term of each Medium-term Business Plan in stocks*6</td></tr>
<tr><td colspan="3">Details</td><td>Evaluation weights (%)</td></tr>
<tr><td colspan="2" rowspan="2">Financial indicators <80%></td><td>Consolidated operating profit</td><td>40</td></tr>
<tr><td>ROE</td><td>40</td></tr>
<tr><td colspan="2" rowspan="2">Non-financial indicators <20%></td><td>GHG reductions (Scope 1 & 2 emissions)</td><td>10</td></tr>
<tr><td>Goal achievement for ratio of women in management positions</td><td>10</td></tr>
</table>

*2. For the eligible officers of major subsidiaries of the Group, the quantitative evaluation is 70% and the qualitative evaluation 30%, with the evaluation weights for the qualitative evaluation being 20% for the achievement of action plans to achieve individual missions and 10% for the achievement of action plans to achieve non-financial goals in line with materiality.

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

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

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

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

(Basic remuneration)

Basic remuneration is positioned as a fixed remuneration and is decided for each mission grade based on the size (weight) of the responsibility borne by each officer. Payments are made every month in the form of money.

(Bonuses)

Bonuses are paid as performance-linked remuneration to facilitate the achievement of goals set for each fiscal year as milestones for the Medium-term Business Plan, and evaluation for the bonuses is carried out using the fiscal year's financial indicators serving as quantitative evaluations and the fiscal year's non-financial indicators, which include qualitative evaluations. For the fiscal year's financial indicators, the Company evaluates the level of achievement against target figures set for consolidated financial indicators announced after a resolution by the Board of Directors at the start of each fiscal year. (Where the officer is in charge of a certain business, the target figures for that business are used.) For the fiscal year's non-financial indicators, the Company evaluates the level of achievement of the action plan for achieving each officer's individual mission for each fiscal year and the action plan for achieving the Company's materiality. Taking the weighting of the fiscal year's financial and non-financial indicators as 50:50, two-fifths of the fiscal year's non-financial indicators (20% of the total weight) is taken as the evaluation of the action plan for achieving the Company's materiality issues. For the fiscal year's financial indicators, the evaluation is made based on the achievement level of the fiscal year's target using the forecast figure of the consolidated operating profit announced at the start of the fiscal year (IFRS based). Where the officer is in charge of a certain business, the target figures for operating profit for that business decided by the Company's Board of Directors at the start of the fiscal year are used. The Company selected the indicators referred to above because they are linked to the respective indicators mentioned in the Medium-term Business Plan. However, since the target figures of the consolidated financial indicators for FY2023, the final year of the Medium-term Business Plan, are lower than the initially planned target figures, the Compensation Committee has decided to apply a revised standard amount of bonus set for each mission grade, which is calculated by dividing the target figures of the consolidated financial indicators (where the officer is in charge of a certain business, the target figures for that business are used) to be announced at the beginning of the current fiscal year after a resolution by the Board of Directors by the target figures of the consolidated financial indicators for the relevant fiscal year in the Medium-term Business Plan. For the fiscal year's non-financial indicators, the President and Representative Executive Officer, who is the evaluator, conducts an interview with each Executive Officer at the start of the fiscal year to formulate an action plan based on each Executive Officer's mission.

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

Performance-linked stock-based remuneration is issues of the Company's shares linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan. This remuneration is designed to help the Group achieve sustainable growth and increase corporate value over the medium to long term. When the shares are issued, in principle the equivalent of 50% of the Company's shares to be issued is converted and paid as cash to provide funds for payment of tax. Under this system, 60% of the entire amount of performance-linked stock-based remuneration will be issued in a single issuance at the end of the Medium-term Business Plan, with the remaining 40% to be issued each year in order to promote management from the shareholders' perspective. Of the portion issued at the end of the Medium-term Business Plan, 80% is evaluated by financial indicators and is weighted so that 40% is evaluated based on consolidated operating profit and 40% on ROE, this being the numerical targets of the Medium-term Business Plan (IFRS based) announced following a resolution of the Board of Directors. The remaining 20% is evaluated based on non-financial indicators. For non-financial targets, the system bases the evaluation on a weighting of 10% for GHG reductions (scope 1 & 2 emissions) and 10% for raising the ratio of women in management positions. Regarding the portion issued each year, the level of achievement with respect to figures announced in the initial forecast (IFRS based) following a resolution of the Board of Directors will be evaluated based only on consolidated operating profit. The fluctuation range for remuneration in accordance with the performance achievement rate is between 0% and 200%. However, since the target figures of the consolidated financial indicators for FY2023, the final year of the Medium-term Business Plan, are lower than the initially planned target figures, the Compensation Committee has decided to apply a revised reference point set for each mission grade, which is calculated by dividing the target figures of the consolidated financial indicators (where the officer is in charge of a certain business, the target figures for that business are used) to be announced at the beginning of the current fiscal year after resolution by the Board of Directors by the target figures of the consolidated financial indicators for the relevant fiscal year in the Medium-term Business Plan.

[Performance-linked stock-based remuneration targets]

KPI			Target figures for medium to long term	Evaluation weights
Profitability	(i)	Consolidated operating profit	¥40,300 million (FY2023)	40%
Efficiency	(ii)	ROE	7% (at the end of FY2023)	40%
Non-financial	(iii)	GHG reductions (Scope 1 & 2 emissions)	40% reduction (compared with FY2017)	10%
	(iv)	Raise the ratio of women in management positions	26% (at the end of FY2023)	10%

Note: KPI stands for Key Performance Indicator.

Note: For the short term, only consolidated operating profit is used. The target figure used is the forecast figure (IFRS based) for the fiscal year announced in the Company's financial results reports each year in April. However, since the target figures of the consolidated financial indicators for FY2023, the final year of the Medium-term Business Plan, are lower than the initially planned target figures, the Compensation Committee has decided to apply a revised reference point set for each mission grade, which is calculated by dividing the target figures of the consolidated financial indicators (where the officer is in charge of a certain business, the target figures for that business are used) announced at the beginning of the relevant fiscal year after resolution by the Board of Directors by the target figures of the consolidated financial indicators for the relevant fiscal year in the Medium-term Business Plan.

Note: In the medium to long term, we will use the ¥40,300 million target established for FY2023 in the Medium-term Business Plan.

(Targets and results of indicators for performance-linked remuneration in the current fiscal year (from March 2023 to February 2024))

(Millions of yen)

Type of remuneration			Target	Results
Bonuses	Financial perspective	Consolidated operating profit	38,500	43,048
Performance-linked stock-based remuneration	Short term	Consolidated operating profit	38,500	43,048
	Medium term	Consolidated operating profit	40,300	43,048
		ROE	7%	8.1%
		GHG reductions	40% reduction (compared with FY2017)	(55)%
		Ratio of women in management positions	26% (at the end of FY2023)	22.5%

Note: Results of GHG reductions are the forecast as of February 29, 2024.

<Director>

Non-executive Directors' remuneration shall consist only of fixed remuneration, which shall be (i) basic remuneration (monetary remuneration) in accordance with responsibilities and (ii) restricted stock (non-performance-linked stock-based remuneration, which is trust-type stock-based remuneration), which is not linked to performance as part of the stock-based remuneration system.

4) Remuneration determination process

To ensure the appropriateness of the level and amount of remuneration and the transparency of decision-making processes, decisions are made by deliberation and resolution of the Remuneration Committee comprising three independent Outside Directors and the chairperson of the Board of Directors, who is an internal Director and does not execute business, and it is headed by an independent Outside Director. Since the members of the Company's Remuneration Committee and its Nomination Committee are the same, they can use a common evaluation sheet for both committees to coordinate together in activities related to the areas of nomination and remuneration of management, including eligible officers of major subsidiaries of the Group. The Remuneration Committee determines the policy on deciding the contents of individual remuneration for eligible officers of major subsidiaries of the Group, and the contents of individual remuneration for Directors and Executive Officers of the Company. The Committee also deliberates on and resolves internal regulations and other rules for remuneration of the Company's Directors and Executive Officers. The individual remuneration details for the eligible officers of major subsidiaries of the Group are deliberated on by the nomination and remuneration committees (among the Group's major subsidiaries, those committees are established at Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd. and whose members include independent Outside Directors of the Company), which are established at the discretion of each company, and are decided by each company's Board of Directors after being resolved by each company's Annual Shareholders Meeting if such approval is required. It is planned that the Remuneration Committee shall meet at least four times a year. Revisions of the officer remuneration system will be undertaken based on Medium-term Business Plan periods. The Company will revise the level of basic remuneration during the Medium-term Business Plan if it is necessary to significantly revise basic remuneration due to extreme changes, etc. in the external environment. In the current fiscal year, the Remuneration Committee held 13 meetings.

In addition, the Company appoints external remuneration consultants with a view to introducing objective viewpoints from outside the Company and expertise on Officer Remuneration Systems. With their support, the Company reviews its remuneration levels and remuneration system in light of external data, economic environment, industry trends, business conditions, and corporate culture, among others.

5) Forfeiture of remuneration, etc. (clawback/malus clauses)

With regard to bonuses and stock-based remuneration, in cases where the Board of Directors has resolved that serious accounting errors or fraudulent adjustments after the settlement of accounts have occurred, or in cases where serious infringements of the delegation agreement, etc. between the Company and an officer have taken place, or in cases where a person has resigned for their own reasons during their tenure against the wishes of the Company, the right to be paid/issued remuneration may be forfeited, and the Company may demand the repayment of remuneration already paid or issued.

Furthermore, if a significant change occurs in the management environment, and so forth, the Remuneration Committee may deliberate on reducing the amount of officer remuneration in cases where it receives a submission from Executive Officers and Directors volunteering to reduce their remuneration.

6) Stock acquisition and holding

Any shares of the Company acquired by Executive Officers as stock-based remuneration shall continue to be held by respective Executive Officers at least for three years from the grant date of the shares (or at least for one year after they retire from the office of Executive Officer). The purpose of this requirement is to deepen the common interest of shareholders and officers. In particular, the purpose of granting shares of the Company to Executive Officers who are responsible for business execution as remuneration through performance-linked stock-based remuneration is to provide additional incentives to them to work for the improvement of the financial performance and corporate value of the Company from the medium- to long-term perspective.

The eligible officers of major subsidiaries of the Group shall adopt the same policy for their acquisition and holding of the Company's shares.

(ii) Total amount of remuneration, etc. by each category of Directors and Executive Officers, total amount of remuneration, etc. by type, and number of Directors and Executive Officers to be paid

Category of officer	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen)				Number of recipient Directors (and other officers) (Persons)
		Basic remuneration	Performance-linked bonuses	Performance-linked stock-based remuneration	Non-performance-linked stock-based remuneration	
Director [of which, Outside Director]	207 [117]	161 [95]	– [–]	– [–]	45 [21]	9 [7]
Executive Officer	377	182	104	90	–	10
Total	584	344	104	90	45	19

Notes:
1. Other than the above, the total amount of remuneration, etc. received by Outside Directors from subsidiaries of the Company in the current fiscal year is ¥7 million.
2. The remunerations, etc. paid to Directors who concurrently serve as Executive Officers as compensation for the performance of duties during the term of the Executive Officers is shown in the Executive Officer row.
3. Beginning in the fiscal year ended February 28, 2018, to ensure steady execution of the Medium-term Business Plan for realizing the Group Vision, the Company has adopted the stock-based remuneration system using a trust for officers (a system of granting the Company's shares to officers (in certain cases, the Company's shares are converted into cash within the trust, and cash in the amount equivalent to their conversion value is paid) in accordance with the officers' rank and level of achievement of the Medium-term Business Plan, etc.) The stock-based remuneration in the above chart is the total recorded as expenses for the period under review. It is divided into performance-linked stock-based remuneration corresponding to the degree of achievement of single fiscal year results and the degree of achievement of the Medium-term Business Plan targets, as well as non-performance-linked stock-based remuneration for Directors who do not execute business. The results of indicators related to the calculation of bonuses and performance shares, including the current fiscal year, are described in "Targets and results of indicators for performance-linked remuneration in the current fiscal year (from March 2023 to February 2024)."
4. Figures in the "performance-linked bonuses" and "performance-linked stock-based remuneration" columns represent amounts recognized as provisions (expenses) (standard amounts) before adjustment for the results of performance evaluations for the fiscal year ended February 2024. The actual amounts to be paid and amounts to be paid on an individual basis will be determined by a meeting of the Remuneration Committee scheduled in or after April 2024.

(iii) Total amount of consolidated remuneration, etc. per Director and Executive Officer

Name	Total amount of consolidated remuneration, etc. (Millions of yen)	Category of officer	Category of company	Total amount of remuneration, etc. by type (Millions of yen)			
				Basic remuneration	Performance-linked bonuses	Performance-linked stock-based remuneration	Non-performance-linked stock-based remuneration
YAMAMOTO Ryoichi	59	Director	Reporting company	43	–	–	16
HAMADA Kazuko	29	Director	Reporting company	21	–	–	8
YAGO Natsunosuke	16	Director (Note 1)	Reporting company	13	–	–	3
HAKODA Junya	21	Director (Note 1)	Reporting company	18	–	–	3
UCHIDA Akira	20	Director (Note 1)	Reporting company	17	–	–	3
SATO Rieko	16	Director (Note 1)	Reporting company	13	–	–	3
SEKI Tadayuki	19	Director (Note 1)	Reporting company	16	–	–	3
KOIDE Hiroko	15	Director (Note 1)	Reporting company	12	–	–	3
KATAYAMA Eiichi	11	Director (Note 1)	Reporting company	9	–	–	2
YOSHIMOTO Tatsuya	115	Executive Officer	Reporting company	46	26	43	–
ONO Keiichi	43	Executive Officer	Reporting company	20	12	11	–
WAKABAYASHI Hayato	48	Executive Officer	Reporting company	23	14	11	–
HAYASHI Kenichi	–	Executive Officer	Reporting company	–	–	–	–
HAYASHI Naotaka	38	Executive Officer	Reporting company	18	10	10	–
MATSUDA Hirokazu	42	Executive Officer	Reporting company	20	11	11	–
UMEBAYASHI Akira	27	Executive Officer	Reporting company	13	7	7	–
OCHIAI Isao	28	Executive Officer	Reporting company	13	8	7	–
MORITA Kosuke	–	Executive Officer	Reporting company	–	–	–	–
YAMAZAKI Shiro	26	Executive Officer	Reporting company	13	6	7	–
NOMURA Taiichi	–	Executive Officer	Reporting company	–	–	–	–
NOGUCHI Hideki	28	Executive Officer	Reporting company	13	8	7	–
IMAZU Takako	–	Executive Officer	Reporting company	–	–	–	–

Notes:
1. Independent Outside Director
2. Lists only those who were officers as of the Shareholders Meeting of May 23, 2024.
3. Directors who concurrently serve as officers are listed in the "Executive Officer" column.
4. In the case of Executive Officers who serve concurrently at operating companies, remuneration paid by each company is included.

(5) Ownership of shares

(i) Classification criteria and approaches for investment shares

The Company and the Group have defined the classification of investment shares held for the purpose of pure investment and investment shares held for purposes other than pure investment (cross-shareholdings) as follows.

(Investment shares held for the purpose of pure investment)

Shares held exclusively for the purpose of profiting through fluctuations in share prices or from the receipt of dividends

(Investment shares held for any purpose other than pure investment)

Shares held because the Group judged that they are necessary for the promotion of the Group's business strategy and that the holding of such shares will contribute to increasing corporate value in the medium to long term

(ii) Ownership of shares in the Group

1) Investment shares held for any purpose other than pure investment

A. Holding policy and the method to verify the reasonableness of the holding, as well as details of such verification by the Board of Directors concerning the appropriateness of the holding of the respective stocks

The Group has prescribed the holding policy and method for the validation of the rationale for cross-shareholdings, etc. in the Corporate Governance Policy as follows, and the Board of Directors decides whether or not the holding is appropriate.

(Holding policy)

- Shares will not be newly acquired in principle. However, this does not apply to shares where it has been recognized that they are necessary for the promotion of the Group's business strategy and that the holding of such shares will contribute to increasing corporate value in the medium to long term through the validation of the rationale for holding them.
- The Group annually validates shares that are already held, and for those that are judged to not be rational, the Group will negotiate with the companies that hold them and reduce them as appropriate upon receiving consent regarding sale method, period, etc.

The number of the Group's cross-shareholdings as of February 29, 2024, had decreased by 3 stocks compared with the previous fiscal year-end to 145 stocks (of which the number of stocks of listed companies was 11).

(Method for validation of rationale)

The Group annually validates the rationale for holding individual issues from the following perspective using the Group's common validation method.

- Qualitative perspective

  The perspective relating to business strategies, such as maintaining harmonious and favorable business relationships with companies that make up the local community together, corporate customers, and business partners, and securing supply chains

- Quantitative perspective

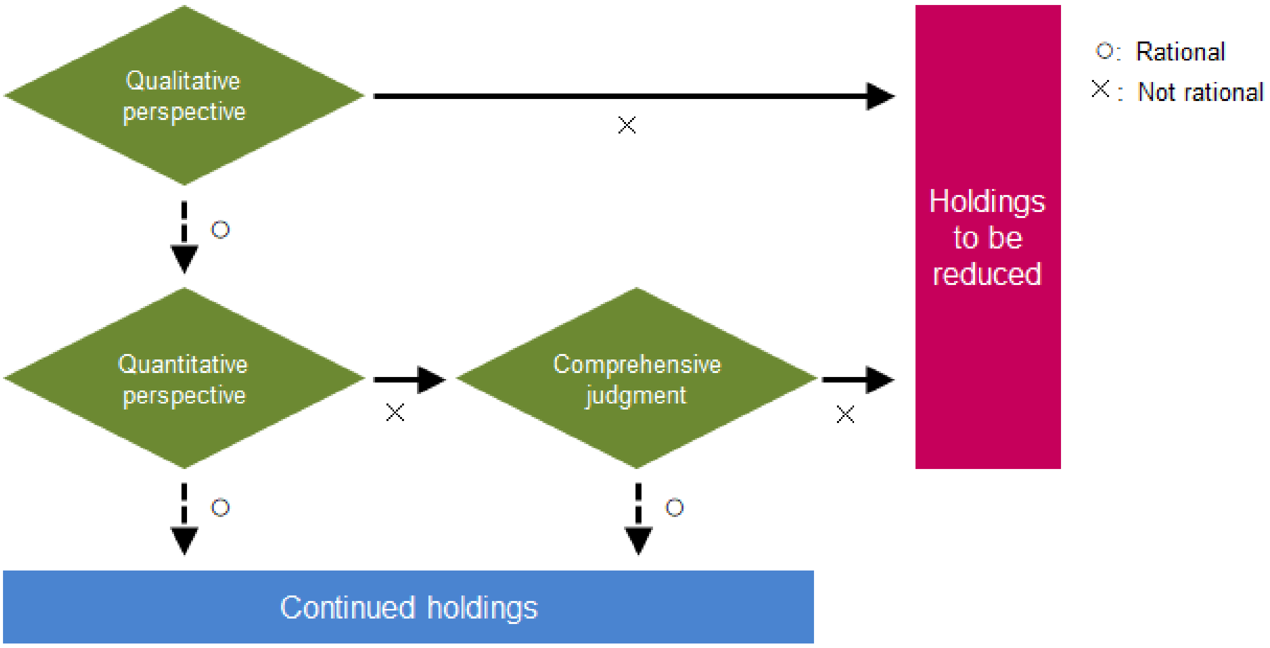
  The perspective relating to whether profitability by holding shares, including related trading profits and dividends, exceeds capital costs, etc.

(Details of verification by the Board of Directors concerning the appropriateness of the holding of the respective stocks)

- The results of the above validation that takes place based on the holding policy, the judgment regarding the continuation or reduction of held shares, and the reduction plan are discussed at the meeting of the Board of Directors held every August, and the Group confirms the reduction result at the meeting of the Board of Directors held in the following March.

□ Process for validation of rationale

- Validation is conducted with a focus on continued qualitative rationality in accordance with the purpose at the time of acquisition.



□ Schedule for validation of rationale, negotiation and reduction

* ○: Efforts in: Year X (first year), ●: X + 1 year, ●: X + 2 years

Content of implementation \ Implementation period			X			X + 1 year				X + 2 years			
			First half	August	Second half	March	First half	August	Second half	March	First half	August	Second half
Operating unit	Validation of rationale		○				●				●		
Operating unit	Development of reduction plan		○				●				●		
Operating unit	Negotiation/reduction				←→	←→	←→	←→	←→	←→	←→	←→	←
Board of Directors	Discussion	Decision on continuation/ reduction		○				●				●	
Board of Directors	Confirmation	Negotiation/ reduction result				○		○		●		●	

(Execution of voting rights)

The Group determines whether to exercise its voting rights pertaining to cross-shareholdings 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 are held 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, we will respond to them in line with such policies. We will engage in dialogue with companies whose shares we hold if necessary.

B. Number of issues and consolidated statement of financial position amount (IFRS)

(Shares not listed)

	Previous fiscal year	Increase*	Decrease	Increase or decrease in market value	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)	129	10	(5)	–	134	(Increased shares) Start-up companies with innovative technologies and business models, etc. (Purpose) Creation of new businesses through business alliances and transformation of existing businesses
Consolidated statement of financial position amount (Millions of yen)	22,605	1,392	(5,494)	(971)	17,532	

* Of the seven issues, the acquisition was made by JFR MIRAI CREATORS Fund, a corporate venture capital fund.

(Shares other than those not listed)

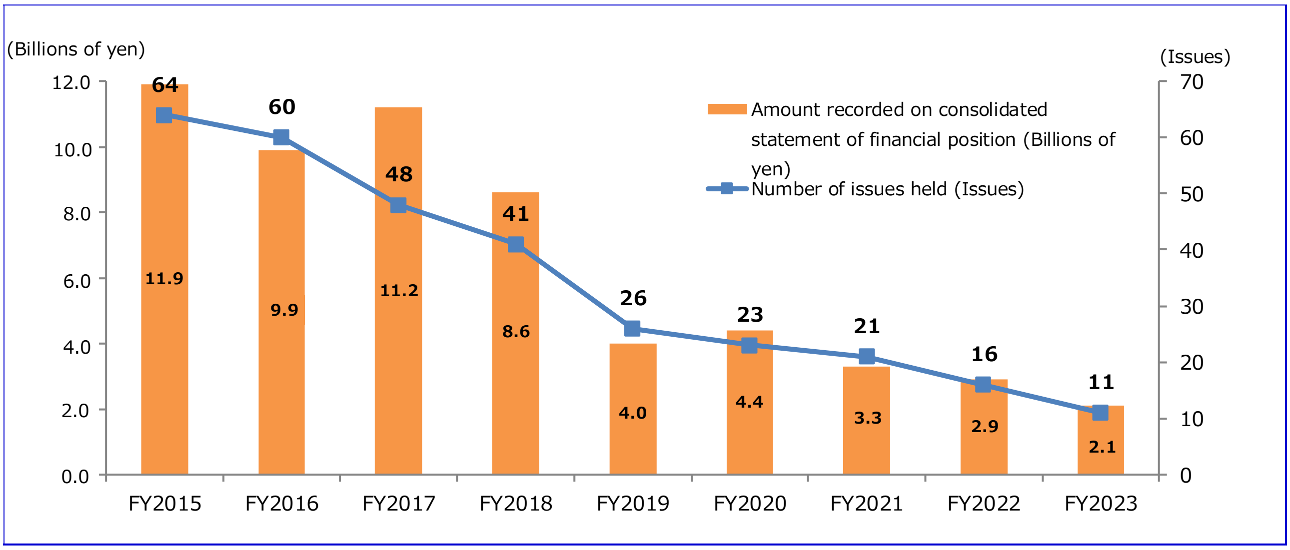
	Previous fiscal year	Increase	Decrease	Increase or decrease in market value	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)	16	–	(5)	–	11	(Increased shares) Regular contributions to stock ownership plans (Purpose) Maintaining business relationships
Consolidated statement of financial position amount (Millions of yen)	2,916	3	(1,073)	335	2,181	

(Deemed shareholdings)

	Previous fiscal year	Increase	Decrease	Increase or decrease in market value	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)	3	–	(3)	–	–	–
Consolidated statement of financial position amount (Millions of yen)	1,229	–	(1,229)	–	–	

The ratio of the amount recorded in the consolidated statement of financial position of cross-shareholdings to the equity attributable to owners of parent is 5.18%.

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



(iii) Ownership of shares in the reporting company (Japanese GAAP)

As for the reporting company, the ownership is as follows.

1) Investment shares held for any purpose other than pure investment

A. Number of issues and carrying amount

(Shares not listed)

	Previous fiscal year	Increase	Decrease	Year-end valuation	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)	6	2	–	–	8	(Increased shares) Start-up companies with innovative technologies and business models, etc. (Purpose) Creation of new businesses through business alliances and transformation of existing businesses
Carrying amount (Millions of yen)	1,740	889	–	(585)	2,044	

(Shares other than those not listed)

	Previous fiscal year	Increase	Decrease	Increase or decrease in market value	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)	1	–	–	–	1	–
Carrying amount (Millions of yen)	21	–	–	1	22	

B. Information on the number of shares and carrying amount by issue of specified investment shares and shares subject to deemed shareholding

(Specified investment shares)

The Company validates the rationale for all cross-shareholdings using the Group's common validation method.

The quantitative effects of shareholdings have not been provided from the viewpoint of trade secrets, etc.

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding and overview of business alliance, etc.	Quantitative effects of shareholding and comprehensive judgment	Reason for increase in number of shares	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)				
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)				
Misonoza Theatrical Corporation	12,000	12,000	(Purpose of holding) ・Contribution to community development ・Promotion of arts and culture	(Quantitative standard) ・Not met (Comprehensive judgment) ・Made judgment to continue to hold taking into consideration the fact that this company is indispensable for developing art and culture in the area in which stores of Daimaru Matsuzakaya Department Stores exist.	–	None
	22	21				

(iv) Ownership of shares in Daimaru Matsuzakaya Department Stores Co. Ltd. (Japanese GAAP)

As for Daimaru Matsuzakaya Department Stores Co. Ltd. of which the carrying amount of investment shares on the balance sheet is the largest among the Company and consolidated subsidiaries (company with the largest holdings), the ownership of shares is as follows.

1) Investment shares held for any purpose other than pure investment

A. Number of issues and carrying amount

(Shares not listed)

	Previous fiscal year	Increase	Decrease	Year-end valuation	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)	91	1	(2)	–	90	(Increased shares) Start-up companies with innovative technologies and business models (Purpose) Creation of new businesses through business alliances and transformation of existing businesses
Carrying amount (Millions of yen)	2,628	50	(466)	–	2,212	

(Shares other than those not listed)

	Previous fiscal year	Increase	Decrease	Increase or decrease in market value	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)	11	–	(5)	–	6	–
Carrying amount (Millions of yen)	2,574	–	(1,073)	284	1,785	

(Deemed shareholdings)

	Previous fiscal year	Increase	Decrease	Increase or decrease in market value	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)*	3	–	(3)	–	–	–
Carrying amount (Millions of yen)	1,229	–	(1,229)	–	–	

B. Information on the number of shares and carrying amount by issue of specified investment shares and shares subject to deemed shareholding

(Specified investment shares)

The Group validates the rationale for all cross-shareholdings using the Group's common validation method.

The quantitative effects of shareholdings have not been provided from the viewpoint of trade secrets, etc.

Of the issues held at the end of the current fiscal year, it is agreed that one will be sold in their entirety.

Issue name	Current fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Previous fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Purpose of holding and overview of business alliance, etc.	Quantitative effects of shareholding and comprehensive judgment	Reason for increase in number of shares	Holding of the Company's shares
Toho Gas Co., Ltd.	222,893 669	222,893 569	(Segment) ・ Department store (Purpose of holding and overview of transaction) ・ Maintaining good relationships ・ Stable merchandise sales	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru Matsuzakaya Department Stores exist and the recognition that it has continuously contributed to a stable level of profit.	–	Yes
CHUBU-NIPPON BROADCASTING CO., LTD.	568,205 402	568,205 305	(Segment) ・ Department store (Purpose of holding and overview of transaction) ・ Maintaining good relationships ・ Advertisement including public relations activities	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru Matsuzakaya Department Stores exist and the recognition that it has continuously contributed to a stable level of profit.	–	Yes
Misonoza Theatrical Corporation	200,000 378	200,000 360	(Segment) ・ Department store (Purpose of holding) ・ Contribution to community development ・ Promotion of arts and culture	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the fact that this company is indispensable for developing art and culture in the area in which stores of Daimaru Matsuzakaya Department Stores exist.	–	None
ANA HOLDINGS INC.*1	41,100 134	82,200 227	(Segment) ・ Department store (Purpose of holding and overview of transaction) ・ Maintaining good relationships ・ Stable merchandise sales	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the recognition that it has continuously contributed to a stable level of profit	–	None

Issue name	Current fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Previous fiscal year Number of shares (Shares) Carrying amount (Millions of yen)	Purpose of holding and overview of business alliance, etc.	Quantitative effects of shareholding and comprehensive judgment	Reason for increase in number of shares	Holding of the Company's shares
Meiko Trans Co., Ltd.*1	70,903 108	144,803 173	(Segment) ・ Department store (Purpose of holding and overview of transaction) ・ Maintaining good relationships ・ Stable merchandise sales	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru Matsuzakaya Department Stores exist.	–	None
OKAYA & CO., LTD.	6,600 93	6,600 67	(Segment) ・ Department store (Purpose of holding and overview of transaction) ・ Maintaining good relationships ・ Stable merchandise sales	(Quantitative standard) ・ Not met (Comprehensive judgment) ・ Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru Matsuzakaya Department Stores exist and the recognition that it has continuously contributed to a stable level of profit.	–	None
OSAKA GAS CO., LTD.*2	– –	310,400 686	–	–	–	Yes
Hakuyosha Co., Ltd.*2	– –	86,337 138		–	–	None
THE ROYAL HOTEL, LIMITED*2	– –	21,750 30	–	–	–	None

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding and overview of business alliance, etc.	Quantitative effects of shareholding and comprehensive judgment	Reason for increase in number of shares	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)				
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)				
Rinnai Corporation*2	–	1,155	–	–	–	None
	–	11				
Yamaguchi Financial Group, Inc.*2	–	5,000	–	–	–	None
	–	4				

*1. Partially sold in the current fiscal year upon reaching an agreement

*2. Fully sold in the current fiscal year upon reaching an agreement

(Deemed shareholdings)

Shares of which the holding is considered by the Company to contribute to increasing corporate value in the medium to long term have been added to the retirement benefit trust for the purpose of achieving sound pension financing in Daimaru Matsuzakaya Department Stores Co. Ltd., a subsidiary of the Company. The right of instructions for the exercise of voting rights is possessed by Daimaru Matsuzakaya Department Stores Co. Ltd.

The quantitative effects of shareholdings have not been provided from the viewpoint of trade secrets, etc.

In addition, the Company completed the sale of all three issues held at the end of the previous fiscal year with the agreement of the other party in the current fiscal year.

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding and overview of business alliance, etc.	Quantitative effects of shareholding and comprehensive judgment	Reason for increase in number of shares	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)				
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)				
OSAKA GAS CO., LTD.	–	300,000	–	–	–	Yes
	–	663				
YAMATO HOLDINGS CO., LTD.	–	135,000	–	–	–	Yes
	–	310				
OUG Holdings Inc.	–	102,700	–	–	–	None
	–	255				

V. Financial Information

1. Basis of preparation of the consolidated and non-consolidated financial statements

   (1) Pursuant to the provisions of Article 93 of the "Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as the "Ordinance on Consolidated Financial Statements"), the consolidated financial statements of the Company have been prepared in compliance with International Financial Reporting Standards ("IFRS").

   (2) The non-consolidated financial statements of the Company have been prepared in accordance with the "Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements" (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the "Ordinance on Financial Statements").

   The Company meets the criteria of a company allowed to file specified financial statements under the Financial Instruments and Exchange Act and prepares non-consolidated financial statements pursuant to the provisions of Article 127 of the Ordinance on Financial Statements.

   (3) The amounts presented in this report are rounded down to the nearest million yen.

2. Note on independent audit

   The consolidated financial statements for the fiscal year (from March 1, 2023 to February 29, 2024) and the non-consolidated financial statements for the fiscal year (from March 1, 2023 to February 29, 2024) were audited by Ernst & Young ShinNihon LLC in accordance with Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

3. Special efforts to ensure the appropriateness of the consolidated financial statements, etc. and development of a system for appropriate preparation of the consolidated financial statements, etc. in accordance with IFRS

   The Company makes special efforts to ensure the appropriateness of the consolidated financial statements, etc. and develops a system for appropriate preparation of the consolidated financial statements, etc. in accordance with IFRS. The details of such are as follows:

   (1) To develop a system for ensuring correct understanding of accounting standards, etc. and appropriate responses to any changes in accounting standards, etc., the Company has joined the Financial Accounting Standards Foundation and attends seminars, etc. held by the foundation and others.

   (2) For the adoption of IFRS, the Company keeps up with the latest accounting standards by obtaining press releases and standards published by the International Accounting Standards Board as needed. To prepare appropriate consolidated financial statements under IFRS, the Company has developed accounting policies of the Group in compliance with IFRS and performs accounting procedures based on these policies.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Notes	As of February 28, 2023	As of February 29, 2024
		Millions of yen	Millions of yen
Assets			
Current assets			
Cash and cash equivalents	7	39,874	71,342
Trade and other receivables	8,28	129,121	143,321
Other financial assets	10,37	10,836	11,439
Inventories	9	16,932	15,193
Other current assets	11	5,094	5,203
Total current assets		201,860	246,501
Non-current assets			
Property, plant and equipment	12	469,401	458,623
Right-of-use assets	14	119,501	107,623
Goodwill	13,16	995	560
Investment property	15	187,247	181,985
Intangible assets	13	7,797	7,886
Investments accounted for using equity method	17,20	41,402	23,531
Other financial assets	10,21, 37	79,711	72,034
Deferred tax assets	19	3,137	3,636
Other non-current assets	11	9,897	12,343
Total non-current assets		919,092	868,225
Total assets		1,120,953	1,114,726

	Notes	As of February 28, 2023	As of February 29, 2024
		Millions of yen	Millions of yen
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	20,21	63,530	57,330
Trade and other payables	22	133,835	151,230
Lease liabilities	14,20	28,411	27,222
Other financial liabilities	20,21, 37	29,975	28,362
Income tax payables		1,527	7,183
Provisions	24	2,397	2,487
Other current liabilities	25,28	58,276	57,445
Total current liabilities		317,953	331,261
Non-current liabilities			
Bonds and borrowings	20,21	185,593	156,618
Lease liabilities	14,20	136,414	123,228
Other financial liabilities	20,21, 37	35,290	34,798
Retirement benefit liability	23	16,754	15,980
Provisions	24	8,699	6,746
Deferred tax liabilities	19	48,366	51,439
Other non-current liabilities	25	469	419
Total non-current liabilities		431,589	389,232
Total liabilities		749,542	720,494
Equity			
Share capital	26	31,974	31,974
Capital surplus	26	189,068	189,172
Treasury shares	26	(14,466)	(14,231)
Other components of equity	26	10,654	7,383
Retained earnings	26	142,153	167,600
Total equity attributable to owners of parent		359,385	381,898
Non-controlling interests		12,025	12,333
Total equity		371,410	394,232
Total liabilities and equity		1,120,953	1,114,726

2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

	Notes	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
		Millions of yen	Millions of yen
Revenue	28	359,679	407,006
Cost of sales	30	(190,142)	(211,490)
Gross profit		169,536	195,516
Selling, general and administrative expenses	31	(144,682)	(151,185)
Other operating income	29	4,540	3,673
Other operating expenses	32	(10,336)	(4,955)
Operating profit		19,059	43,048
Finance income	33	871	1,609
Finance costs	33	(5,218)	(4,847)
Share of profit (loss) of investments accounted for using equity method		2,161	1,532
Profit before tax		16,873	41,343
Income tax expense	19	(2,611)	(11,096)
Profit		14,262	30,247
Profit attributable to:			
Owners of parent		14,237	29,913
Non-controlling interests		25	333
Profit		14,262	30,247
Earnings per share			
Basic earnings per share (Yen)	35	54.32	114.06
Diluted earnings per share (Yen)	35	54.30	114.06

Consolidated Statement of Comprehensive Income

	Notes	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
		Millions of yen	Millions of yen
Profit		14,262	30,247
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	34,37	823	(1,638)
Remeasurements of defined benefit plans	34	1,176	2,276
Share of other comprehensive income of entities accounted for using equity method	34	(7)	(75)
Total items that will not be reclassified to profit or loss		1,992	562
Items that may be reclassified to profit or loss			
Cash flow hedges	34	(1)	20
Exchange differences on translation of foreign operations	34	144	103
Share of other comprehensive income of entities accounted for using equity method	34	4	1
Total items that may be reclassified to profit or loss		147	126
Other comprehensive income, net of tax		2,140	688
Comprehensive income		16,402	30,935
Comprehensive income attributable to:			
Owners of parent		16,384	30,561
Non-controlling interests		18	373
Comprehensive income		16,402	30,935

3) Consolidated Statement of Changes in Equity

	Notes	Equity attributable to owners of parent					
					Other components of equity		
		Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at March 1, 2022		31,974	188,894	(14,780)	60	(1)	9,516
Profit		–	–	–	–	–	–
Other comprehensive income		–	–	–	148	(1)	822
Total comprehensive income		–	–	–	148	(1)	822
Purchase of treasury shares	26	–	–	(8)	–	–	–
Disposal of treasury shares	26	–	(0)	1	–	–	–
Dividends	27	–	–	–	–	–	–
Obtaining of control of subsidiaries		–	–	–	–	–	–
Share-based payment transactions		–	175	322	–	–	–
Transfer from other components of equity to retained earnings		–	–	–	–	–	109
Total transactions with owners		–	174	314	–	–	109
Balance at February 28, 2023		31,974	189,068	(14,466)	209	(2)	10,448
Profit		–	–	–	–	–	–
Other comprehensive income		–	–	–	105	20	(1,647)
Total comprehensive income		–	–	–	105	20	(1,647)
Purchase of treasury shares	26	–	–	(7)	–	–	–
Disposal of treasury shares	26	–	(0)	0	–	–	–
Dividends	27	–	–	–	–	–	–
Share-based payment transactions		–	104	240	–	–	–
Change due to capital increase of consolidated subsidiaries		–	–	–	–	–	–
Changes in ownership interests in subsidiaries		–	0	–	–	–	–
Transfer from other components of equity to retained earnings		–	–	–	–	–	(1,749)
Total transactions with owners		–	103	234	–	–	(1,749)
Balance at February 29, 2024		31,974	189,172	(14,231)	314	17	7,050

	Notes	Equity attributable to owners of parent				Non-controlling interests	Total
		Other components of equity		Retained earnings	Total		
		Remeasurements of defined benefit plans	Total				
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at March 1, 2022		–	9,574	134,705	350,368	11,751	362,120
Profit		–	–	14,237	14,237	25	14,262
Other comprehensive income		1,177	2,147	–	2,147	(6)	2,140
Total comprehensive income		1,177	2,147	14,237	16,384	18	16,402
Purchase of treasury shares	26	–	–	–	(8)	–	(8)
Disposal of treasury shares	26	–	–	–	0	–	0
Dividends	27	–	–	(7,857)	(7,857)	(64)	(7,921)
Obtaining of control of subsidiaries		–	–	–	–	319	319
Share-based payment transactions		–	–	–	497	–	497
Transfer from other components of equity to retained earnings		(1,177)	(1,067)	1,067	–	–	–
Total transactions with owners		(1,177)	(1,067)	(6,789)	(7,368)	255	(7,113)
Balance at February 28, 2023		–	10,654	142,153	359,385	12,025	371,410
Profit		–	–	29,913	29,913	333	30,247
Other comprehensive income		2,169	648	–	648	40	688
Total comprehensive income		2,169	648	29,913	30,561	373	30,935
Purchase of treasury shares	26	–	–	–	(7)	–	(7)
Disposal of treasury shares	26	–	–	–	0	–	0
Dividends	27	–	–	(8,386)	(8,386)	(64)	(8,450)
Share-based payment transactions		–	–	–	344	–	344
Change due to capital increase of consolidated subsidiaries		–	–	–	–	6	6
Changes in ownership interests in subsidiaries		–	–	–	0	(7)	(6)
Transfer from other components of equity to retained earnings		(2,169)	(3,919)	3,919	–	–	–
Total transactions with owners		(2,169)	(3,919)	(4,466)	(8,048)	(65)	(8,113)
Balance at February 29, 2024		–	7,383	167,600	381,898	12,333	394,232

4) Consolidated Statement of Cash Flows

	Notes	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
		Millions of yen	Millions of yen
Cash flows from (used in) operating activities			
Profit before tax		16,873	41,343
Depreciation and amortization expense		49,107	46,492
Impairment loss	16	5,900	2,310
Finance income		(871)	(1,609)
Finance costs		5,218	4,847
Share of loss (profit) of investments accounted for using equity method		(2,161)	(1,532)
Loss (gain) on sales of non-current assets		(771)	(757)
Loss on disposals of non-current assets		2,102	1,302
Decrease (increase) in inventories		(2,185)	3,748
Decrease (increase) in trade and other receivables		(16,898)	(13,010)
Increase (decrease) in trade and other payables		17,599	18,001
Increase (decrease) in retirement benefit liabilities		(2,661)	(773)
Decrease (increase) in retirement benefit assets		3,360	(2,306)
Other, net		1,944	(812)
Subtotal		76,558	97,245
Interest received		123	150
Dividends received		170	899
Interest paid		(5,172)	(4,803)
Income taxes paid	20	(8,282)	(4,679)
Income taxes refund		2,083	1,880
Net cash flows from (used in) operating activities		65,480	90,692
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment		(8,641)	(7,030)
Proceeds from sales of property, plant and equipment		190	241
Purchase of investment property		(3,043)	(1,594)
Proceeds from sales of investment property		1,599	4,014
Purchase of intangible assets		(3,099)	(2,863)
Purchase of investment securities		(1,946)	(1,885)
Proceeds from sales of investment securities	20	2,072	22,179
Purchase of shares of subsidiaries resulting in change in scope of consolidation		(207)	–
Proceeds from refund of guarantee deposits		2,342	2,422
Other, net		(2,638)	(2,054)
Net cash flows from (used in) investing activities		(13,371)	13,429

	Notes	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
		Millions of yen	Millions of yen
Cash flows from (used in) financing activities			
Net increase (decrease) in current borrowings	20	(24,000)	(9,100)
Net increase (decrease) in commercial papers	20	(15,002)	–
Proceeds from non-current borrowings	20	5,500	3,400
Repayments of non-current borrowings	20	(15,150)	(29,530)
Redemption of bonds	20,21	(20,000)	–
Repayments of lease liabilities	14,20	(29,138)	(29,088)
Purchase of treasury shares		(9)	(8)
Dividends paid		(7,832)	(8,362)
Dividends paid to non-controlling interests		(64)	(64)
Other, net		2	6
Net cash flows from (used in) financing activities		(105,694)	(72,746)
Net increase (decrease) in cash and cash equivalents		(53,585)	31,375
Cash and cash equivalents at beginning of period		93,278	39,874
Effect of exchange rate changes on cash and cash equivalents		181	92
Cash and cash equivalents at end of period		39,874	71,342

Notes to Consolidated Financial Statements

1. Reporting Entity

J. FRONT RETAILING Co., Ltd. (the “Company”) is the ultimate parent of the Company group (the “Group”) and a company located in Japan. The registered address of its head office is Chuo-ku, Tokyo.

The Company’s consolidated financial statements for the fiscal year ended February 29, 2024 comprise the Company and its subsidiaries’ interests in the Group’s associates.

For the Group’s major business activities, please refer to “6. Segment Information.”

2. Basis of Preparation

(1) Compliance with IFRS

The consolidated financial statements of the Group have been prepared in compliance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board.

Pursuant to the provisions of Article 93 of the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976), the consolidated financial statements of the Group have been prepared in compliance with IFRS since the Company qualifies as a “Specified Company Complying with Designated International Accounting Standards” prescribed in Article 1-2 of the Ordinance.

(2) Basis of measurement

The Group’s consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, etc. measured at fair value as stated in “3. Significant Accounting Policies.”

(3) Functional currency and presentation currency

The Group’s consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency, and figures are rounded down to the nearest million yen.

3. Significant Accounting Policies

Significant accounting policies are applied consistently for all periods presented in these consolidated financial statements, except as otherwise provided.

(1) Basis of consolidation

1) Subsidiaries

Subsidiaries are entities controlled by the Group. Control means the power to govern the financial and operating policies of the entity so as to obtain benefits from its business activities.

The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date when the Group gains control until the date when it ceases to control the subsidiary.

When the Company retains control when there has been partial disposal of ownership interest in a subsidiary, the partial disposal is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity attributable to owners of the parent.

The additional acquisition of non-controlling interests is accounted for as a capital transaction, and therefore no goodwill is recognized with respect to such transactions.

When subsidiaries' fiscal year end is not the end of February, which is the fiscal year end of the Company, because the legal system of the region where the subsidiaries are located does not allow them to have the same fiscal year end as that of the Company, or for other reasons, adjustments are made by additionally preparing their financial statements as of the fiscal year end of the Company or other means.

2) Associates

An associate is defined as an entity over which the Group has significant influence on financial and operating policies but does not have control.

Associates are recognized at cost at the time of the acquisition, and are accounted for by the equity method thereafter. Goodwill recognized on acquisition (less accumulated impairment) is included in investments in associates.

For associates whose fiscal year end is not the end of February, which is the fiscal year end of the Company, due to relationships with other shareholders or other reasons, adjustments are made by additionally preparing their financial statements as of the fiscal year end of the Company or other means.

3) Joint control

A joint arrangement is a contractual arrangement of which two or more parties have joint control.

The Group classifies its involvement in joint arrangements as joint operations (when the Group has rights to assets and assumes obligations for liabilities in association with the arrangement) and joint ventures (when the Group only has rights to net assets of the arrangement), depending on rights and obligations of the parties to the arrangement.

In the case of joint operations, the Group recognizes its own assets, liabilities, income, and expenses as well as the amount equivalent to its share when the Group jointly holds or assumes them. Joint ventures are recognized at cost at the time of the acquisition and are subsequently accounted for using the equity method.

(2) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the acquisition date fair value of the assets transferred, liabilities assumed and equity instruments issued by the Company in exchange for control of the acquiree. Any excess of the consideration transferred over the fair value of identifiable assets and liabilities is recognized as goodwill in the consolidated statement of financial position. Conversely, any deficit is immediately recognized as income in the consolidated statement of income.

The Group measures non-controlling interests at the proportionate share of the recognized amounts of identifiable net assets.

(3) Foreign currency translation

1) Foreign currency transactions

Each entity of the Group has set its own functional currency as the currency of the primary economic environment in which the entity operates. Transactions of each entity are measured at the functional currency.

When each entity prepares non-consolidated financial statements, transactions in currencies other than its functional currencies are translated using the exchange rate prevailing at the dates of transactions.

Foreign currency monetary assets and liabilities at the end of the reporting period are translated using exchange rates at the end of the reporting period.

Exchange differences arising from translation or settlement are recognized as profit or loss. However, when gains or losses on non-monetary items are recorded in other comprehensive income, exchange differences are also recorded in other comprehensive income.

2) Financial statements of foreign subsidiaries and associates

Assets and liabilities of foreign subsidiaries and associates are translated into Japanese yen at the exchange rate prevailing at the end of the reporting period. Income and expenses of foreign subsidiaries and associates are translated into Japanese yen at the average exchange rate for the period, unless there is significant change in the exchange rate during the period. When there is significant change in the exchange rate, the income and expenses are translated using the exchange rate at the transaction date.

Exchange differences arising from translation of the financial statements of foreign subsidiaries and associates are recognized in other comprehensive income. Exchange differences for foreign subsidiaries and associates are recognized as profit or loss in the period during which the foreign subsidiaries and associates are disposed of.

(4) Financial instruments

1) Non-derivative financial assets

Trade and other receivables are initially recognized on the date when they are incurred. All other financial assets are initially recognized on the trade date when the Group becomes a party to the contractual provisions of the financial instruments.

An overview of classification and measurement model of non-derivative financial assets is as follows.

(i) Financial assets measured at amortized cost

With regard to investments in debt instruments, when the contractual cash flows consist of principal and interest paid on specified dates, and the Group holds such investments based on a business model whose objective is to hold the instrument to collect contractual cash flows, the debt instruments are measured at amortized cost using the effective interest method.

(ii) Financial assets measured at fair value through other comprehensive income (financial assets at FVTOCI)

With regard to investments in debt instruments, when the contractual cash flows consist of principal and interest paid on specified dates, and the Group holds such investments based on a business model whose objective is both to collect contractual cash flows and to sell the financial assets, the debt instruments are measured at fair value.

For investments in equity instruments that are not held for sale, the Group may make an irrevocable election at initial recognition to measure them at fair value and recognize any changes in the fair value in other comprehensive income. In this case, changes in the fair value are recognized in other comprehensive income (not reclassified to profit or loss). The cumulative amount recognized as other comprehensive income is transferred to retained earnings when the financial asset is derecognized. Dividends are recognized in profit or loss unless they obviously represent a partial recovery of the cost of the investment.

(iii) Financial assets measured at fair value through profit or loss (financial assets at FVTPL)

Financial assets other than the above are measured at fair value with changes in fair value recognized in profit or loss.

The Group does not designate any debt instrument as measured at fair value through profit or loss to eliminate or significantly reduce an accounting mismatch.

(iv) Impairment of financial assets

The Group recognizes impairment of debt instruments measured at amortized cost or at fair value through other comprehensive income based on its evaluation at the end of each reporting period of whether there has been a significant increase in credit risk of financial assets or groups of financial assets since initial recognition. Specifically, when there has been no significant increase in the credit risk since initial recognition, 12-month expected credit losses are recognized as allowance for credit losses. On the other hand, when there has been a significant increase in credit risk since initial recognition, lifetime expected credit losses of the financial assets are recognized as allowance for credit losses. Whether credit risk has significantly increased or not is determined based on changes in default risk.

For trade receivables arising from the ordinary course of business of the Group, since the period up to the collection is short, expected credit losses of such trade receivables are recognized over their remaining lives from the inception simply based on historical credit loss experience.

(v) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or the contractual rights to receive cash flows from the financial asset are transferred in a transaction where substantially all the risks and rewards incidental to ownership of the financial asset are transferred. Any interests in transferred financial assets that are created or continuously retained by the Group are recognized as a separate asset or liability.

2) Non-derivative financial liabilities

The Group recognizes financial liabilities at the date of transaction when the Group becomes a party to the contract for the financial instrument.

Non-derivative financial liabilities include borrowings, bonds, trade payables, other short-term payables, common gift certificates for department stores nationwide, deposits received, etc. These financial liabilities are initially recognized at fair value and subsequently measured at amortized cost based on the effective interest method.

The Group derecognizes a financial liability when the financial liability is extinguished, i.e. when the contractual obligation is discharged or cancelled or expires.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition that are readily convertible to cash and subject to insignificant risk of change in value.

(6) Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The acquisition cost is calculated mainly using the specific identification method, and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

(7) Assets held for sale

If the carrying amounts of non-current assets are recovered principally through a sale transaction rather than through continuing use, these assets (or disposal groups) are classified under “assets held for sale.”

An asset held for sale is measured at the lower of its carrying amount and fair value less cost to sell. After property, plant and equipment, intangible assets, and investment property have been classified under “assets held for sale,” depreciation or amortization will not be applied to these assets.

(8) Property, plant and equipment

Property, plant and equipment is measured using the cost model and is carried at cost less accumulated depreciation and accumulated impairment.

The acquisition cost includes costs directly attributable to the acquisition of the asset, costs related to disassembly, retirement, and site restoration, and borrowing costs that should be capitalized.

Depreciation of assets other than land and construction in progress is recognized using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of major components of property, plant and equipment are as follows:

・Buildings and structures	2 to 60 years
・Machinery and vehicles	2 to 20 years
・Furniture and fixtures	2 to 20 years

(9) Goodwill

The Group measures goodwill at the amount calculated by deducting the net recognized amount (usually, fair value) of identifiable assets acquired and liabilities assumed at the date of acquisition from the fair value of the consideration for the transfer including the recognized amount of non-controlling interests in the acquiree, which is measured at the date of acquisition.

Goodwill is not amortized. Instead, it is tested for impairment annually, or whenever there are indications of impairment.

Impairment losses of goodwill are recognized in the consolidated statement of income, and not reversed subsequently.

In addition, goodwill is carried at cost less accumulated impairment on the consolidated statement of financial position.

(10) Intangible assets

Intangible assets are measured using the cost model and stated at cost less accumulated amortization and accumulated impairment.

After initial recognition, intangible assets other than goodwill are amortized using the straight-line method over respective estimated useful lives, except for intangible assets with indefinite useful lives. Estimated useful lives of major intangible assets are as follows. In addition, the Group has no significant intangible assets with indefinite useful lives.

• Software 5 to 10 years

(11) Right-of-use assets

The Group confirms a right-of-use asset on the lease commencement date and initially measures it at its acquisition cost. The aforementioned acquisition cost consists of the amount of the lease liability, the amount of lease payments made before the lease commencement date adjusted to exclude any received lease incentives, and the initial direct cost that was incurred.

After the initial measurement, right-of-use assets are depreciated using the straight-line method over the lease term. The lease term is determined based on the non-cancellable term of the lease, taking into consideration any term for which there is reasonable certainty of extension and any term for which there is reasonable certainty of non-cancellation. In cases where a right-of-use asset is impaired, the impairment loss is deducted from the carrying amount of the right-of-use asset.

Right-of-use assets are depreciated using the straight-line method mainly over 2 to 73 years from the commencement date.

(12) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments to be paid in the future over the lease term on and after the lease commencement date. When calculating the present value, if the interest rate implicit in the lease can be readily determined, that is used, and if it cannot, the lessee's incremental borrowing rate is used.

The lease payments used in the measurement of lease liabilities mainly include the fixed lease payments, the lease payments of the extended term if the lease term reflects the exercise of a lease extension option, and the cancellation fees if the lease term reflects the exercise of a lease cancellation option.

After the initial measurement, lease liabilities are measured at the amortized cost using the effective interest method. Moreover, if changes in future lease payments arise due to changes in indexes or rates, or if changes in the assessment regarding the potential for execution of an extension option or a cancellation option arises, the Group remeasures the lease liabilities.

If remeasuring the lease liabilities, the carrying amount of the right-of-use asset is also adjusted using the remeasured amount of the lease liabilities. However, if the decrease in liabilities due to remeasurement of the lease liabilities is larger than the carrying amount of the right-of-use asset, the amount remaining after impairing the right-of-use asset to zero is recognized in profit or loss.

(13) Investment property

Investment property is measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment (For the depreciation method and useful lives, please refer to "(8) Property, plant and equipment").

(14) Impairment of non-financial assets

The Group determines at the end of every reporting period whether there is any indication that carrying amounts of the Group's non-financial assets excluding inventories and deferred tax assets may be impaired. If any indication exists, the recoverable amount of the asset is estimated. For goodwill and intangible assets that have indefinite useful lives or not yet available for use, the recoverable amount is estimated at the same time each year.

The recoverable amount of an asset or a cash-generating unit is the larger of its value in use and fair value less cost of disposal. The cash-generating unit is the smallest group of assets that generates cash inflows, from continuous use, that are largely independent of the cash inflows from other assets or groups of assets.

To test goodwill for impairment, cash-generating units to which the goodwill is allocated are integrated so that impairment is tested reflecting the smallest units related to the goodwill. Goodwill acquired in a business combination is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognized as profit or loss, if the carrying amount of an asset or cash-generating unit exceeds the recoverable amount. For an impairment loss recognized in the past, when there is an indication of a reversal of impairment loss and a change in the estimates used to determine the recoverable amount, the impairment loss is reversed to the recoverable amount. However, impairment losses related to goodwill are not reversed. An impairment loss is reversed up to the carrying amount that would have been determined had no impairment loss been recognized, net of necessary depreciation and amortization.

(15) Employee benefits

The Group has established defined benefit plans (such as a corporate pension fund plan and lump-sum retirement benefit plan) as employee retirement benefit plans, and certain consolidated subsidiaries have adopted defined contribution plans.

The projected unit credit method is used to determine the present value of defined benefit obligation, related current service cost and past service cost.

The discount rate is determined by reference to market yields at the end of the fiscal year on high quality corporate bonds corresponding to the discount period established based on the period to the date when the future benefits for each fiscal year are to be paid.

Net defined benefit liability or asset is determined as the present value of defined benefit obligation less the fair value of plan assets (including adjustments to the cap on plan assets).

Remeasurements of net defined benefit liability or asset are recognized as other comprehensive income and immediately transferred from other components of equity to retained earnings. Remeasurements consist of actuarial gains and losses on defined benefit obligation, return on plan assets (excluding the amount of interest revenue on plan assets) and others.

Costs for defined contribution benefits are recognized as expenses in the period in which the employees render the related service.

(16) Share-based payment

To ensure steady execution of the Medium-term Business Plan for realizing the Group Vision, the Company has adopted a stock-based remuneration system for officers utilizing a trust (officer remuneration BIP trust).

The officer remuneration BIP trust is a system of granting the Company's shares to officers (in certain cases, the Company's shares are converted into cash within the trust and cash in the amount equivalent to their conversion value is paid) in accordance with the level of achievement of the Medium-term Business Plan, etc. The consideration for the services received is calculated using the fair value of the Company's shares on the grant date. This value is expensed over the vesting period from the grant date, and a corresponding amount is recognized as an increase in equity.

(17) Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of financial resources will be required to settle the obligation and when a reliable estimate can be made of the amount of the obligation. To determine the amount of a provision, when the effect of the time value of money is material, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the liability. Unwinding of the discount over time is recognized in finance costs.

Asset retirement obligations

Asset retirement obligations are recorded at the estimated amount of restoration costs for leased stores, offices, etc. for which the Group has obligations to restore them to the original state at the time when the lease is terminated.

Provision for loss on business liquidation

Legal or constructive obligations are recorded for the cost of store dismantlement, etc. that is expected to be borne in the future as a result of business liquidation, store closure and store rebuilding.

(18) Revenue

Based on the following five-step approach, the Group recognizes revenue as the amount of consideration to which the Group expects to be entitled in exchange for the transfer of goods or services promised to customers.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group, under a holding company structure, develops businesses such as the SC Business, the Developer Business, and the Payment and Finance Business, with the Department Store Business at its core. Revenue recognition by business segment is as follows:

1) Revenue recognition by business segment

i) Department Store Business

The Department Store Business carries out the sale of clothing, general goods, household goods, food products, and others. With regard to these sales of goods, since performance obligations are deemed to be satisfied at the time when goods are delivered to customers, the Group recognizes revenue at the time of delivery of such goods. Payments for goods are principally received at the time of delivery of the goods, which is the time when the performance obligation is satisfied.

ii) SC Business

The SC Business undertakes development, management, supervision, and operation of shopping centers, as well as sale of personal belongings, general goods, and others.

With regard to services, because these services are provided on a continuous basis and thus it is determined that performance obligation is satisfied over a certain period of time, revenue is recognized as the services are rendered.

With regard to the sale of accessories, general goods, and others, since it is usually determined that performance obligation is satisfied at the time when goods are delivered to customers, revenue is recognized at the time of delivery of such goods. Payments for goods are received at the time of delivery of the goods, which is the time when performance obligation is satisfied.

Revenue from lease of shopping centers and others is recognized over the lease term, in accordance with IFRS 16.

iii) Developer Business

The Developer Business carries out development, sales, supervision, operation, interior decorating work, etc. of real estate.

Revenue from lease of real estate and others is recognized over the lease term, in accordance with IFRS 16. Revenue from sales of real estate is recognized at the time of delivery.

With regard to the design and operation of interior decorating work, if the outcome of a work contract can be estimated reliably, revenue is recognized according to the stage of completion of the performance obligation. If the outcome of a work contract cannot be estimated reliably, revenue is recognized only to the extent that it is probable that the contract costs incurred will be recoverable.

iv) Payment and Finance Business

The Payment and Finance Business undertakes issuance and administration, etc. of credit cards.

In the Payment and Finance Business, annual membership fees from cardholders, and fees from department stores and external affiliated stores are recognized as revenue. With regard to interest on installment sales, the Group multiplies the revolving balance and number of installment payments by their respective set interest rates to calculate interest revenue, and recognizes the interest in the period to which it is attributable, in accordance with IFRS 9.

v) Other

Within other, for sales of products and merchandise such as electronic components, automobile components, industrial supplies, and liquor within the wholesale business, the Group deems that in most cases the customer acquires control of the products when they are delivered and its performance obligations are satisfied. Therefore, usually revenue is recognized for the goods upon their delivery.

2) Gross and net presentation of revenue

When the Group conducts transactions as a principal, revenue is presented at the gross amount of consideration received from customers. When the Group conducts transactions as an agent for the benefit of a third party, revenue is presented at the net amount calculated by deducting the amount collected for the benefit of the third party from the gross amount of consideration received from customers.

(19) Income tax

Income tax consists of current taxes and deferred taxes, and is recognized as profit or loss except for the items that are recognized in other comprehensive income.

Deferred taxes are recognized for temporary differences between the carrying amounts of assets or liabilities in the statement of financial position and its tax base, and for unused tax losses and unused tax credits.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when temporary differences are reversed based on the laws enacted or substantively enacted by the end of the reporting period.

The recoverability of deferred tax assets is reviewed at the last day of every fiscal year after recognizing deferred tax assets to the extent that it is probable that taxable profit will be available against which deductible temporary differences, unused tax losses, and unused tax credits can be utilized. A deferred tax liability is recognized for all taxable temporary differences in principle.

The Company and some of its subsidiaries apply the Japanese group relief system.

4. Significant Accounting Estimates and Judgments

In the preparation of consolidated financial statements, management is required to make judgments, estimates, and assumptions that affect application of accounting policies as well as amounts of assets, liabilities, revenue, and expenses. Actual results may differ from these estimates.

The estimates and their underlying assumptions are reviewed on an ongoing basis. The effects of changes in accounting estimates are recognized in the fiscal period in which the estimates are changed and in future periods that are affected.

In terms of the business environment, while the impact of COVID-19 on social and economic activities has diminished, there are still uncertainties such as the emergence of geopolitical risks, slowdown in overseas economies, and growing concerns of economic recession due to inflation and other factors. Given these circumstances, the Group factors in the effects of strategies and measures in each business and has made reasonable estimates that reflect the situation as of the end of the reporting period, based on the assumption that domestic spending will remain solid in FY2024 and inbound tourism demand will continue to increase. If uncertainty further increases, the Group may revise the carrying amounts of assets and liabilities in future accounting periods.

Estimates and judgments made by management that significantly affect the amounts in the consolidated financial statements are as follows.

(1) Property, plant and equipment, right-of-use assets, intangible assets, and investment property

The Group conducts impairment tests if there is an indication that property, plant and equipment, right-of-use assets, intangible assets, and investment property may be impaired.

Impairment tests are performed by comparing the carrying amount and the recoverable amount of the asset. If the recoverable amount is less than the carrying amount, an impairment loss is recognized.

The recoverable amount is usually determined by the value in use. In calculating the value in use, future cash flows generated from the use of the asset, future cash flows generated by its final disposal, and the discount rate are used as estimation factors.

The forecasting period for future cash flows is estimated by considering the remaining useful life of the relevant asset.

Future cash flows before discounting are estimated based on the business plan. The main assumptions include forecast for personal spending trend in Japan and projected inbound tourism demand, and the rate of sales growth after the period of business plan.

For the forecast for personal spending trends in Japan, which is the basis of revenue, the Group refers to forecast trends provided by several external specialist organizations, factors in the effect of measures in its business plan, and sets the revenue for each of the relevant primary business segments for the following fiscal year onward. In addition, in the outlook for inbound tourism demand, the Group creates a scenario based on international shipping forecasts and tourism demand forecasts by external organizations, and forecasts the demand within the scope of that scenario.

Although it is difficult to forecast changes in the impact of consumption and other factors due to changes in social and economic conditions, the Group has made certain assumptions and incorporated them into the forecast of domestic consumer spending trends.

The sales growth rate for the period since the business plan is determined by making reference to long-term growth rates for the relevant markets. These estimates are based on management’s best estimates, but may differ from actual results due to effects of changes in uncertain future economic conditions.

Moreover, the amounts of impairment losses and non-financial assets in the Department Store Business and the SC Business are as follows.

(Millions of yen)

	Department Store Business	SC Business
Impairment losses	1,654	29
Property, plant and equipment	228,220	201,597
Right-of-use assets	62,001	54,987
Intangible assets	3,799	871
Investment property	109,518	5,050

(2) Recoverability of deferred tax assets

The Group recognizes deferred tax assets to the extent that it is probable that, after the scheduling, taxable profit will be available against which deductible temporary differences can be utilized.

The judgment of the recoverability is made on the basis of an estimate of taxable profit, etc. for each future fiscal year determined based on the Group's business plan.

The significant assumptions in the Group's business plan are forecast for revenue that incorporates the effect of each business plan based on market growth rates predicated on forecast for personal spending trends in Japan, the outlook for tourism demand, and the like in the Department Store Business, the SC Business, and the Payment and Finance Business segments; forecast for revenue that incorporates new development projects from the business plans in the Developer Business segment; and forecast for operating profit taking into account the effects of cost reductions achieved through business structure reforms in each segment.

These significant assumptions are based on management's best estimates, but may differ from actual results due to effects of changes in uncertain future economic conditions. If significant revisions become necessary, it may have a material impact on the amounts to be recognized in the consolidated financial statements for the next fiscal year and beyond.

The breakdown of deferred tax assets by major cause and their carrying amounts are stated in "19. Income Tax."

(3) Post-employment benefits

The Group has defined benefit and defined contribution post-employment benefit plans for employees and retirees. Present value of defined benefit obligations, service costs and others are determined based on various actuarial assumptions. For actuarial assumptions, a variety of factors, such as discount rates, future payment of salaries, those who withdraw from the plan in the future, and life expectancy of members, are estimated. These estimates are made based on management's best estimates, but may differ from actual results due to effects of changes in uncertain future economic conditions and amendment or promulgation of relevant laws and regulations.

Of the assumptions provided above, the discount rate and anticipated rate of salary increase, which are particularly important, are provided in "23. Employee Benefits."

(4) Determination and revision of lease periods

The Group determines the lease periods based on the non-cancellable term of the lease, taking into consideration any term for which there is reasonable certainty of extension and any term for which there is reasonable certainty of non-cancellation. Specifically, the Group estimates the period for which there is reasonable certainty considering changes in rent expenses resulting from extension or shortening of the lease period, the existence of cancellation penalties, and the payback period for investments in significant fixtures, facilities, etc. for rental properties.

For real estate leases in which the Group is the lessee in the Department Store Business, there may be revisions to the lease period for the flagship store or properties tied to the flagship store coinciding with the next individual-store large-scale renovation plan or when the next Medium-term Business Plan is decided. If revisions to the lease periods become necessary, such revisions could have a material effect on the amounts recognized in the consolidated financial statements in the next fiscal year and beyond.

Details of lease periods are stated in "3. Significant Accounting Policies."

5. New Standards Not Yet Applied

The main new standards and interpretations that were newly established or revised by the date of approval of the consolidated financial statements and which have not been early adopted by the Group are as follows.

The impact of the adoption of IFRS 18 Presentation and Disclosure in Financial Statements on the Group's consolidated financial statements is currently being reviewed.

Standard		Mandatory application period (fiscal year starting from)	Group's scheduled application period	Overview of new and revised standards
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Fiscal year ending February 29, 2028	New standard that replaces the current IAS 1 accounting standard on presentation and disclosure in financial statements

6. Segment Information

(1) Overview of reportable segments

The reportable segments of the Group are constituent units of the Group for which separate financial information is obtainable. These segments are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and evaluating business results.

The Group is comprised, under a holding company structure, of the reportable segments "Department Store Business," "SC Business," "Developer Business," and "Payment and Finance Business," with the Department Store Business at its core.

The Department Store Business carries out the sale of clothing, general goods, household goods, food products, and others. The SC Business undertakes development, management, supervision, operation, etc. of shopping centers. The Developer Business carries out development, sales, management, operation, interior decorating work, etc. of real estate. The Payment and Finance Business undertakes issuance and administration, etc. of credit cards.

Due to the organizational restructuring effective March 1, 2023, real estate assets have been transferred from PARCO Co., Ltd. to J. FRONT CITY DEVELOPMENT Co., Ltd. Accordingly, the prior year's results for SC Business and Developer Business have been retroactively adjusted as if the transfer had been effective from the beginning of the previous fiscal year (March 1, 2022).

(2) Segment revenue and business results

Revenue and business results by reportable segments of the Group are as follows. Inter-segment transactions are generally based on prevailing market prices.

Fiscal year ended February 28, 2023

	Reportable segment					Other	Total	Adjustments	Consolidated
	Department Store Business	SC Business	Developer Business	Payment and Finance Business	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
External revenue	215,295	52,725	42,880	7,585	318,486	41,193	359,679	–	359,679
Inter-segment revenue	459	1,053	12,372	5,304	19,190	14,728	33,919	(33,919)	–
Total	215,754	53,779	55,252	12,889	337,676	55,922	393,599	(33,919)	359,679
Segment profit	7,529	4,244	3,184	3,485	18,443	899	19,343	(283)	19,059
Finance income									871
Finance costs									(5,218)
Share of profit (loss) of investments accounted for using equity method									2,161
Profit before tax									16,873
Segment assets	544,939	302,219	134,846	80,272	1,062,277	132,614	1,194,892	(73,938)	1,120,953
Other items									
Depreciation and amortization expense	30,624	13,915	4,313	158	49,012	1,460	50,472	(1,365)	49,107
Impairment loss	3,887	2,006	–	–	5,894	6	5,900	–	5,900
Investments accounted for using equity method	22,260	41	996	–	23,299	156	23,455	17,947	41,402
Capital expenditures	12,057	2,596	5,735	128	20,517	1,272	21,790	780	22,570

Notes:
1. The “Other” category is a business segment not included in reportable segments. It includes wholesaling, parking, leasing, etc.
2. Capital expenditures are the amount of the increase in property, plant and equipment, right-of-use assets, investment property, and intangible assets.
3. Adjustments are made as follows.
   (1) The adjustments for segment profit include inter-segment eliminations and corporate income and expenses not attributable to any business segment. Corporate income and expenses are mainly income and expenses of the company submitting consolidated financial statements that are not attributable to any business segment.
   (2) The adjustment for segment assets includes elimination of segment receivables, unrealized profit adjustments on non-current assets, and assets of the company submitting consolidated financial statements that are not attributable to any business segment.
   (3) The adjustment for depreciation and amortization expense consists of inter-segment transfers.
   (4) The adjustment for amounts invested in entities accounted for using equity method consists of investments in entities accounted for using equity method of the company submitting consolidated financial statements that are not attributable to any business segment.
   (5) The adjustment for capital expenditures consists mainly of inter-segment eliminations, inter-segment unrealized profit, and capital expenditures of the company submitting consolidated financial statements that are not attributable to any business segment.
4. Segment profit is adjusted to operating profit in the consolidated financial statements.

Fiscal year ended February 29, 2024

	Reportable segment					Other	Total	Adjustments	Consolidated
	Department Store Business	SC Business	Developer Business	Payment and Finance Business	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
External revenue	238,629	56,864	66,859	6,148	368,501	38,505	407,006	–	407,006
Inter-segment revenue	496	1,080	11,559	6,967	20,103	13,420	33,523	(33,523)	–
Total	239,125	57,944	78,418	13,115	388,604	51,925	440,530	(33,523)	407,006
Segment profit	23,587	9,414	7,437	2,583	43,022	1,370	44,392	(1,343)	43,048
Finance income									1,609
Finance costs									(4,847)
Share of profit (loss) of investments accounted for using equity method									1,532
Profit before tax									41,343
Segment assets	547,074	297,665	144,221	84,268	1,073,229	79,985	1,153,214	(38,488)	1,114,726
Other items									
Depreciation and amortization expense	29,728	12,919	4,295	177	47,120	1,154	48,275	(1,782)	46,492
Impairment loss	1,654	29	179	–	1,864	11	1,875	435	2,310
Investments accounted for using equity method	22,481	51	841	–	23,374	156	23,530	1	23,531
Capital expenditures	6,322	8,464	2,078	52	16,918	575	17,493	(5,405)	12,087

Notes:
1. The “Other” category is a business segment not included in reportable segments. It includes wholesaling, parking, leasing, etc.
2. Capital expenditures are the amount of the increase in property, plant and equipment, right-of-use assets, investment property, and intangible assets.
3. Adjustments are made as follows.
   (1) The adjustments for segment profit include inter-segment eliminations and corporate income and expenses not attributable to any business segment. Corporate income and expenses are mainly income and expenses of the company submitting consolidated financial statements that are not attributable to any business segment.
   (2) The adjustment for segment assets includes elimination of segment receivables, unrealized profit adjustments on non-current assets, and assets of the company submitting consolidated financial statements that are not attributable to any business segment.
   (3) The adjustment for depreciation and amortization expense consists of inter-segment transfers.
   (4) The adjustment for amounts invested in entities accounted for using equity method consists of investments in entities accounted for using equity method of the company submitting consolidated financial statements that are not attributable to any business segment.
   (5) The adjustment for capital expenditures consists mainly of inter-segment eliminations, inter-segment unrealized profit, and capital expenditures of the company submitting consolidated financial statements that are not attributable to any business segment.
4. Segment profit is adjusted to operating profit in the consolidated financial statements.

(3) Information by geographical area

Revenue from external customers

This information has been omitted, as revenue from external customers in Japan accounts for a large percentage of revenue recorded on the consolidated statement of income.

Non-current assets

This information has been omitted, as the amount of non-current assets located in Japan accounts for a large percentage of the amount recorded on the consolidated statement of financial position.

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	As of February 28, 2023	As of February 29, 2024
	Millions of yen	Millions of yen
Cash	2,744	3,228
Deposits (including time deposits with deposit terms of three months or less)	37,129	68,114
Total	39,874	71,342

8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows.

All these receivables have been classified as financial assets measured at amortized cost.

	As of February 28, 2023	As of February 29, 2024
	Millions of yen	Millions of yen
Notes receivable - trade	2,667	2,564
Accounts receivable - trade	60,674	79,565
Accounts receivable - other	54,553	49,879
Contract assets	6,832	6,821
Other	4,392	4,491
Total	129,121	143,321

9. Inventories

The breakdown of inventories is as follows:

	As of February 28, 2023	As of February 29, 2024
	Millions of yen	Millions of yen
Merchandise and finished goods	12,051	12,664
Work in process	30	147
Real estate for sale in process	4,304	2,010
Supplies	546	371
Total	16,932	15,193

The amount of inventories that were recognized as expenses was ¥175,548 million in the fiscal year ended February 28, 2023 and ¥192,734 million in the fiscal year ended February 29, 2024.

The amounts of write-down of inventories recognized as expenses are as follows:

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
	Millions of yen	Millions of yen
Amounts of write-down	69	85

10. Other Financial Assets

The breakdown of other financial assets is as follows:

	As of February 28, 2023	As of February 29, 2024
	Millions of yen	Millions of yen
Financial assets measured at amortized cost		
Time deposits with deposit terms of more than three months	4,915	4,981
Lease and guarantee deposits	53,436	52,079
Loans receivable	1,621	1,604
Other	4,924	4,821
Financial instruments measured at fair value through profit or loss		
Derivative financial assets	6	25
Shares	–	464
Other	–	127
Financial assets measured at fair value through other comprehensive income		
Shares and investments in capital	25,645	19,368
Total	90,548	83,473
Total current assets	10,836	11,439
Total non-current assets	79,711	72,034

11. Other Assets

The breakdown of other assets is as follows:

	As of February 28, 2023	As of February 29, 2024
	Millions of yen	Millions of yen
Prepaid expense	2,768	3,290
Advance payments - trade	794	867
Suspense payments	389	299
Retirement benefit assets	6,145	8,451
Other	4,894	4,636
Total	14,991	17,546
Other current assets	5,094	5,203
Other non-current assets	9,897	12,343

12. Property, Plant and Equipment

(1) Schedule of changes

Changes in acquisition costs and accumulated depreciation and impairment of property, plant and equipment are as follow:

Acquisition costs

	Land	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2022	287,268	506,616	4,174	16,504	335	814,899
Acquisitions	12	8,677	63	842	203	9,799
Sales or disposals	(34)	(9,296)	(44)	(443)	–	(9,818)
Transfer among line items	–	103	–	0	(114)	(10)
Other	–	7	–	4	(232)	(220)
Balance as of February 28, 2023	287,246	506,108	4,193	16,908	192	814,649
Acquisitions	9	5,953	85	411	389	6,850
Sales or disposals	–	(3,184)	(189)	(116)	–	(3,489)
Transfer among line items	–	136	5	(4)	(275)	(138)
Other	–	(123)	(6)	(1)	–	(131)
Balance as of February 29, 2024	287,255	508,889	4,089	17,198	306	817,739

Accumulated depreciation and impairment

	Land	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2022	(499)	(319,115)	(2,961)	(11,942)	–	(334,518)
Depreciation	–	(15,557)	(224)	(1,236)	–	(17,019)
Impairment loss	(50)	(2,508)	(4)	(94)	–	(2,657)
Sales or disposals	–	8,529	35	384	–	8,949
Transfer among line items	–	(1)	–	–	–	(1)
Balance as of February 28, 2023	(549)	(328,653)	(3,154)	(12,888)	–	(345,247)
Depreciation	–	(14,670)	(202)	(1,039)	–	(15,911)
Impairment loss	(58)	(1,258)	(0)	(88)	–	(1,404)
Sales or disposals	–	3,016	188	116	–	3,322
Transfer among line items	–	–	–	0	–	0
Other	–	116	6	1	–	124
Balance as of February 29, 2024	(608)	(341,449)	(3,161)	(13,897)	–	(359,116)

Carrying amount

	Land	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2022	286,768	187,500	1,213	4,561	335	480,380
Balance as of February 28, 2023	286,696	177,454	1,038	4,019	192	469,401
Balance as of February 29, 2024	286,647	167,440	927	3,300	306	458,623

Notes:
1. The amount of depreciation expense for property, plant and equipment is included in "cost of sales" and "selling, general and administrative expenses" in the consolidated statement of income.
2. Please refer to "29. Other Operating Income" for the gain on sales of non-current assets for the fiscal years ended February 28, 2023 and February 29, 2024, and "32. Other Operating Expenses" for the loss on disposals of non-current assets for the fiscal years ended February 28, 2023 and February 29, 2024.

(2) Assets pledged as collateral

There is no property, plant and equipment pledged as collateral for liabilities.

(3) Commitments

Please refer to "40. Commitments" for commitments related to purchase of property, plant and equipment.

13. Goodwill and Intangible Assets

(1) Schedule of changes

Changes in acquisition costs, accumulated amortization and impairment and carrying amounts of goodwill and intangible assets are as follows:

Acquisition costs

	Goodwill	Intangible assets		
		Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2022	568	14,715	481	15,197
Acquisitions	472	2,970	20	2,990
Sales or disposals	–	(1,317)	(1)	(1,319)
Transfer among line items	–	(220)	(11)	(231)
Other	(44)	–	–	–
Balance as of February 28, 2023	995	16,148	488	16,636
Acquisitions	–	2,807	6	2,814
Sales or disposals	–	(1,336)	(3)	(1,340)
Transfer among line items	–	(181)	3	(178)
Balance as of February 29, 2024	995	17,437	495	17,932

Note: The acquisition of goodwill in the fiscal year ended February 28, 2023 was due to a business combination (acquisition of shares of XENOZ CO., Ltd.).

Accumulated amortization and impairment

	Goodwill	Intangible assets		
		Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2022	(44)	(7,480)	(426)	(7,907)
Amortization expense	–	(2,212)	(2)	(2,214)
Impairment loss	–	(6)	–	(6)
Sales or disposals	–	1,287	1	1,288
Transfer among line items	–	0	0	0
Other	44	–	–	–
Balance as of February 28, 2023	–	(8,412)	(427)	(8,839)
Amortization expense	–	(2,454)	(2)	(2,457)
Impairment loss	(435)	(22)	(10)	(33)
Sales or disposals	–	1,282	3	1,285
Transfer among line items	–	(1)	–	(1)
Balance as of February 29, 2024	(435)	(9,608)	(437)	(10,045)

Note: The impairment loss of goodwill in the fiscal year ended February 29, 2024 was due to a decline in profitability of XENOZ CO., Ltd.

Carrying amount

	Goodwill	Intangible assets		
		Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2022	523	7,235	54	7,289
Balance as of February 28, 2023	995	7,736	60	7,797
Balance as of February 29, 2024	560	7,828	58	7,886

Note: The amount of amortization expense for intangible assets is included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of income.

Impairment losses of goodwill are recorded in “other operating expenses” in the consolidated statement of income.

(2) Impairment of goodwill

Goodwill arising in business combinations is allocated to cash-generating units that benefit from the business combination on the acquisition date. The breakdown of the carrying amount of goodwill by segment is as follows:

	As of February 28, 2023	As of February 29, 2024
	Millions of yen	Millions of yen
SC Business	523	523
Other	472	36
Total	995	560

The Group tests goodwill for impairment each fiscal year, or whenever there is an indication of impairment.

To test goodwill for impairment, cash-generating units to which the goodwill is allocated are integrated so that impairment is tested reflecting the smallest units related to the goodwill. Goodwill acquired in a business combination is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount is usually determined by the value in use. The Group estimates the discounted present value of future cash flows generated from use of the asset and the discounted present value of future cash flows generated from ultimate disposal of the asset. These estimates are based on management’s best estimates, but may differ from actual results due to effects of changes in uncertain future economic conditions.

There is a risk that impairment may arise if major assumptions used for impairment test are changed. However, in the SC Business segment, the value in use sufficiently exceeds the carrying amount of the cash-generating unit or the group of cash-generating units, and the Group considers value in use unlikely to fall below the carrying amount even if major assumptions used for impairment tests change within a reasonably foreseeable range.

In other segments, an impairment loss was recognized due to a decline in profitability of XENOZ CO., Ltd. and value in use falling below the carrying amount of the cash-generating unit. The value in use was calculated by discounting future cash flows by a pre-tax discount rate of 16.6%, which was based on the WACC at the time of measurement, taking into account the future profitability and other factors.

14. Leases

(1) As lessee

The Group enters into lease contracts for real estate, various facilities, etc. in the Department Store Business mainly for the purpose of ensuring flexibility relating to asset replacement, reducing the administrative burden relating to asset management, and efficiently operating funds. In cases where such a contract transfers the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is deemed to be a lease or to contain a lease, and the right-of-use assets and lease liabilities are recognized on the date of the commencement of the lease. However, for short-term leases and leases for which the underlying asset is of low value, the Group may recognize the lease payments related to the lease as an expense using the straight-line method over the lease term.

In some lease contracts among those aforementioned agreements, an option for the lessee to extend the lease period is attached.

The Group exercises the option to extend a lease if it judges it necessary to exercise that option after comprehensively considering the profitability of the underlying asset of the agreement, changes to the environment of the neighborhood market and the exercise conditions of the option. However, in cases where there is no reasonable certainty that the option will be exercised on the start date of the lease, the corresponding extension period is not included in the lease period and the lease payment for that period is not included in the measurement of lease liabilities.

Both the options to extend and terminate leases are reviewed each period for the likelihood of exercise, and the lease term is reviewed if there are significant events or material change in circumstances.

The total amount of agreements that contain contingent rents or residual value guarantee, or the total amount of leases that have not yet started regardless of whether the agreement has been concluded are immaterial.

The breakdown of right-of-use assets is as follows:

(Millions of yen)

	Type of underlying assets				Total
	Buildings and structures	Machinery, tools and fixtures	Land	Intangible assets, other	
As of February 28, 2023	95,554	1,308	21,414	1,223	119,501
As of February 29, 2024	85,455	858	20,196	1,112	107,623

Profit or loss and cash outflow related to right-of-use assets

1) Costs related to leases

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Depreciation expense of right-of-use assets		
Items with buildings and structures as the underlying assets	22,333	20,938
Items with machinery, tools and fixtures as the underlying asset	867	569
Items with land as the underlying asset	1,237	1,236
Items with intangible assets, other as the underlying asset	152	181
Total depreciation expense of right-of-use assets	24,590	22,925
Impairment loss of right-of-use assets		
Items with buildings and structures as the underlying assets	2,898	150
Items with machinery, tools and fixtures as the underlying asset	–	–
Items with land as the underlying asset	305	96
Items with intangible assets, other as the underlying asset	32	8
Total impairment loss of right-of-use assets	3,236	255
Interest expenses related to lease liabilities	3,607	3,297
Costs related to current lease obligations	285	307
Costs related to leases of low-value assets	990	1,176
Contingent rents not included in the measurement of lease liabilities	82	75

Notes:
1. Depreciation and impairment losses exclude right-of-use assets that fall under the definition of investment property.
2. The amount of depreciation expense is included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of income.
3. Impairment losses are recorded in “other operating expenses” in the consolidated statement of income.

2) Income from subleasing

(Millions of yen)

Income from subleasing	12,769	12,670

3) Cash outflow related to leases

(Millions of yen)

Cash outflow related to leases	34,081	33,920

Lease liabilities

A maturity analysis for lease liabilities is as follows.

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Contractual undiscounted cash flows		
Due within one year	30,946	29,983
Due after one year through two years	28,785	27,326
Due after two years through three years	23,729	22,079
Due after three years through four years	16,589	13,709
Due after four years through five years	11,814	9,724
Due after five years	78,207	70,704
Balance of lease liabilities before discount	190,072	173,526
Current	28,411	27,222
Non-current	136,414	123,228

(2) As lessor

The Group mainly leases investment property and tenant space inside commercial facilities using finance lease or operating lease transactions.

These lease assets are exposed to the risk of being damaged due to the use by the lessee that is above and beyond regular use, or as a result of intentional acts or gross negligence. To avoid and mitigate such risks, the Group requires in accordance with lease contracts that lessees provide a lease or guarantee deposit of a certain amount, and if the asset is actually damaged, the lease or guarantee deposit is used to fund the costs required for repair.

1) Finance leases (As lessor)

The information has been omitted due to its immateriality.

2) Operating leases (As lessor)

Revenue related to operating leases is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Lease revenue (other than contingent rents)	29,850	33,340
Lease revenue (contingent rents)	26,604	29,354

The maturity analysis for lease payments relating to operating leases is as follows:

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Due within one year	20,794	19,143
Due after one year through two years	18,684	17,354
Due after two years through three years	17,214	15,816
Due after three years through four years	15,813	14,995
Due after four years through five years	14,939	13,529
Due after five years	99,691	87,157
Total	187,138	167,996

Changes in the carrying amount, acquisition cost, and accumulated depreciation and impairment of underlying assets of operating leases recorded under property, plant and equipment in the consolidated statement of financial position are as follows:

Carrying amount

(Millions of yen)

	Land	Buildings and structures
Balance as of March 1, 2022	149,231	97,359
Acquisitions	20	3,376
Sales or disposals	–	(237)
Depreciation expense	–	(7,406)
Impairment loss	–	(1,134)
Other	(31)	(42)
Balance as of February 28, 2023	149,220	91,915
Acquisitions	9	1,605
Sales or disposals	–	(113)
Depreciation expense	–	(6,851)
Impairment loss	–	(14)
Other	–	60
Balance as of February 29, 2024	149,229	86,601

Acquisition costs

(Millions of yen)

	Land	Buildings and structures
Balance as of March 1, 2022	149,709	208,406
Balance as of February 28, 2023	149,698	207,537
Balance as of February 29, 2024	149,708	207,767

Accumulated depreciation and impairment

(Millions of yen)

	Land	Buildings and structures
Balance as of March 1, 2022	478	111,046
Balance as of February 28, 2023	478	115,622
Balance as of February 29, 2024	478	121,166

15. Investment Property

(1) Schedule of changes

Changes in acquisition costs, accumulated depreciation and impairment and carrying amounts of investment property and fair values as of the end of each fiscal year are as follows:

Acquisition costs

	Self-owned assets	Right-of-use assets	Total
	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2022	184,446	38,967	223,413
Acquisitions	4,714	2,432	7,146
Sales or disposals	(3,042)	–	(3,042)
Transfer among line items (Note 1)	(4,411)	(455)	(4,866)
Decrease due to cancellation of lease contracts	–	(1,689)	(1,689)
Other	(35)	722	687
Balance as of February 28, 2023	181,672	39,977	221,649
Acquisitions	1,727	–	1,727
Sales or disposals	(3,113)	–	(3,113)
Transfer among line items (Note 1)	(1,986)	–	(1,986)
Other (Note 2)	–	3,381	3,381
Balance as of February 29, 2024	178,300	43,358	221,658

Notes: 1. The change in inventories mainly includes a transfer to inventories of ¥(4,304) million in the fiscal year ended February 28, 2023 and ¥(2,010) million in the fiscal year ended February 29, 2024 due to a change in the holding purpose from leasing to selling of some investment properties in the Developer Business.

2. This mainly includes changes due to changes in terms and conditions.

Accumulated depreciation and impairment

	Self-owned assets	Right-of-use assets	Total
	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2022	(19,131)	(14,594)	(33,725)
Depreciation	(1,893)	(3,132)	(5,025)
Sales or disposals	2,146	–	2,146
Transfer among line items	495	5	501
Decrease due to cancellation of lease contracts	–	1,612	1,612
Other	–	88	88
Balance as of February 28, 2023	(18,381)	(16,019)	(34,401)
Depreciation	(1,988)	(3,178)	(5,167)
Impairment loss	(81)	(97)	(179)
Sales or disposals	45	–	45
Other	–	28	28
Balance as of February 29, 2024	(20,406)	(19,267)	(39,673)

Carrying amounts and fair values

(Millions of yen)

	As of February 28, 2023		As of February 29, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	187,247	259,459	181,985	289,151

Fair value of investment property is based on real-estate appraisal by an external real-estate appraiser with recent experience in appraisal for the region where the property is located and the type of the property to be valued who holds certified professional qualifications and others. The appraisal is based on market evidence reflecting the transaction price of similar assets in accordance with valuation standards of the country where the property is located.

(2) Income and expenses from investment property

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Rental income	17,667	19,830
Direct operating expense	10,781	11,683

The amounts of rental income from investment property and accompanying direct operating expense are included in “revenue” and “cost of sales,” respectively, in the consolidated statement of income.

(3) Commitments

Please refer to “40. Commitments” for commitments related to purchase of investment property.

16. Impairment of Non-financial Assets

Non-financial assets are grouped based on the smallest cash-generating unit (principally stores) that generates cash inflows largely independent of those of other assets.

Impairment losses are recorded in “other operating expenses” in the consolidated statement of income.

The breakdown of the assets for which impairment losses were recognized by segment is as follows:

Fiscal year ended February 28, 2023

(Millions of yen)

Segment	Company name (Location)	Use	Type	Impairment loss
Department Store Business	The Hakata Daimaru, Inc. (Chuo-ku, Fukuoka)	Merchandise Center	Buildings and structures	47
			Furniture and fixtures	0
	Daimaru Matsuzakaya Department Stores Co. Ltd. (Kita-ku, Osaka, etc.)	Store, etc.	Buildings and structures	1,341
			Furniture and fixtures	82
			Land	50
			Right-of-use assets	2,366
SC Business	PARCO Co., Ltd. (Shizuoka, Shizuoka, etc.)	Store, etc.	Buildings and structures	1,119
			Machinery and vehicles	4
			Furniture and fixtures	12
			Right-of-use assets	870
Other	Daimaru Kogyo, Ltd. (Chuo-ku, Osaka)	Software	Software	6
			Total	5,900

1) With regard to the Department Store Business, principally because of decreased profitability of Daimaru Matsuzakaya Department Stores Co. Ltd.’s Daimaru Umeda store and Daimaru Shimonoseki store, the carrying amount of right-of-use assets, etc. was reduced to the recoverable amount and the reduction of ¥3,840 million was recognized as an impairment loss. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by a pre-tax discount rates of 4.3 - 4.5%, which were based on the WACC at the time of measurement, taking into account the future profitability and other factors.

2) With regard to the SC Business, principally because of decreased profitability of PARCO Co., Ltd.’s Shizuoka PARCO, the carrying amount of right-of-use assets, etc. was reduced to the recoverable amount and the reduction of ¥1,011 million was recognized as an impairment loss. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by a pre-tax discount rate of 3.7%, which was based on the WACC at the time of measurement, taking into account the future profitability and other factors.

   In addition, with regard to PARCO Co., Ltd.’s Matsumoto PARCO which plans to terminate operations at the end of February 2025, an impairment loss of ¥995 million was recorded as loss on business liquidation. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by a pre-tax discount rate of 3.7%, which was based on the WACC at the time of measurement, taking into account the future profitability and other factors.

   There was no reversal of impairment losses recorded in the fiscal year ended February 28, 2023.

Fiscal year ended February 29, 2024

(Millions of yen)

Segment	Company name (Location)	Use	Type	Impairment loss
Department Store Business	Kochi Daimaru Co., Ltd. (Kochi, Kochi)	Store, etc.	Buildings and structures	410
			Furniture and fixtures	36
			Right-of-use assets	199
			Software	21
			Other	5
	Daimaru Matsuzakaya Department Stores Co. Ltd. (Shimonoseki, Yamaguchi)	Store, etc.	Buildings and structures	823
			Machinery and vehicles	0
			Furniture and fixtures	48
			Land	58
			Right-of-use assets	42
			Other	7
SC Business	PARCO Co., Ltd. (Matsumoto, Nagano)	Store, etc.	Buildings and structures	14
			Machinery and vehicles	0
			Furniture and fixtures	0
			Right-of-use assets	13
			Software	0
Developer Business	J. FRONT CITY DEVELOPMENT Co., Ltd. (Naka-ku, Hiroshima)	Store, etc.	Investment property	179
Other	Daimaru Kogyo, Ltd. (Chuo-ku, Fukuoka)	Store, etc.	Buildings and structures	9
			Furniture and fixtures	1
			Software	0
	XENOZ CO., Ltd. (Shibuya-ku, Tokyo)	Goodwill	Goodwill	435
			Total	2,310

1) With regard to the Department Store Business, because of decreased profitability of Daimaru Matsuzakaya Department Stores Co. Ltd.'s Daimaru Shimonoseki store, the carrying amount of buildings and structures and land, etc. were reduced to the recoverable amount and the reduction of ¥980 million was recognized as an impairment loss. The recoverable amount of the cash-generating unit is measured as the fair value less cost of disposal.

   In addition, because of decreased profitability of Kochi Daimaru Co., Ltd., the carrying amount of buildings and structures, right-of-use assets etc. were reduced to the recoverable amount and the reduction of ¥674 million was recognized as an impairment loss. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by a pre-tax discount rate of 5.1%, which was based on the WACC at the time of measurement, taking into account the future profitability and other factors.

2) With regard to other, mainly because of decreased profitability of XENOZ CO., Ltd., the carrying amount of goodwill was reduced to the recoverable amount and the reduction of ¥435 million was recognized as an impairment loss. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by a pre-tax discount rate of 16.6%, which was based on the WACC at the time of measurement, taking into account the future profitability and other factors.

3) For the Developer Business, since it was decided to close Hiroshima ZERO GATE of J. FRONT CITY DEVELOPMENT Co., Ltd., the carrying amount of investment property was reduced to the recoverable amount and the reduction of ¥179 million was recognized as an impairment loss. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by a pre-tax discount rate of 4.0%, which was based on the WACC at the time of measurement, taking into account the future profitability and other factors.

   There was no reversal of impairment losses recorded in the fiscal year ended February 29, 2024.

17. Investments Accounted for Using Equity Method

Investments in associates and joint ventures

The carrying amount of investments in associates and joint ventures that are not individually material is as follows:

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Associates	22,056	4,468
Joint ventures	19,346	19,063
Total	41,402	23,531

The Group's share of comprehensive income of associates and joint ventures that are not individually material is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Associates:		
Share of profit	1,759	999
Share of other comprehensive income	(3)	(74)
Share of comprehensive income	1,756	925
Joint ventures:		
Share of profit	402	532
Share of other comprehensive income	0	0
Share of comprehensive income	402	532
Associates and joint ventures:		
Share of profit	2,161	1,532
Share of other comprehensive income	(3)	(74)
Share of comprehensive income	2,158	1,458

18. Joint Operations

(1) GINZA SIX

In the Group, Daimaru Matsuzakaya Department Stores Co. Ltd., a subsidiary, works on the joint operation of GINZA SIX, a commercial facility located at Ginza 6-chome 10, running the joint operation with partners, namely L Real Estate S.C.A SICAR and another company. With regard to revenue and expenses related to the operation of this commercial facility, including profit and loss based on tenant agreements, the amount corresponding to the ownership ratio of Daimaru Matsuzakaya Department Stores Co. Ltd. (68%), determined according to the ownership category of the commercial facility and other factors, was recognized.

(2) "Nishiki 3-chome District 25 project (tentative name)"

J. FRONT CITY DEVELOPMENT Co., Ltd., a subsidiary of the Group is engaged in the construction of a new building in Nishiki 3-chome, Naka-ku, Nagoya City, under the "Nishiki 3-chome District 25 project (tentative name)," a joint operation with MITSUBISHI ESTATE CO., LTD., Japan Post Real Estate Co., Ltd., Meiji Yasuda Life Insurance Company, and Chunichi Shimbun Co., Ltd.

Of the project expenses related to the project, J. FRONT CITY DEVELOPMENT Co., Ltd. recognizes the full amount of the construction expenses for the exclusive use areas and some common use areas for the commercial use, and the amount equivalent to the percentage determined based on the exclusive use area ratio, etc. for the entire common use areas.

Construction of this project is scheduled to be completed in March 2026, and the entire facility is scheduled to open around the summer of 2026.

19. Income Tax

(1) Deferred tax assets and liabilities

The breakdown of and changes in deferred tax assets and liabilities by major cause are as follows:

Fiscal year ended February 28, 2023

(Millions of yen)

	Balance as of March 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of February 28, 2023
Deferred tax assets				
Retirement benefit liability	5,994	(702)	(166)	5,125
Allowance for credit losses	657	223	–	880
Non-current assets	4,653	(1,455)	–	3,198
Other financial assets	8	(6)	(0)	1
Asset retirement obligations	1,683	74	–	1,758
Tax loss carryforwards	6,630	(1,419)	–	5,210
Gain on adjustment of accounts payable	5,658	697	–	6,355
Long-term unearned revenue	98	(5)	–	93
Prepaid expense (Land leasehold right)	2,984	9	–	2,993
Lease liabilities	53,203	(5,442)	–	47,761
Other	15,154	(346)	–	14,808
Total	96,727	(8,374)	(166)	88,186
Deferred tax liabilities				
Non-current assets	75,616	(3,496)	–	72,120
Securities	5,508	178	491	6,179
Right-of-use assets	50,411	(5,974)	–	44,436
Other	8,679	1,695	304	10,679
Total	140,215	(7,596)	796	133,415
Net amount of deferred tax assets	(43,488)	(777)	(963)	(45,228)

Fiscal year ended February 29, 2024

(Millions of yen)

	Balance as of March 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of February 29, 2024
Deferred tax assets				
Retirement benefit liability	5,125	(242)	(283)	4,599
Allowance for credit losses	880	126	–	1,006
Non-current assets	3,198	1,394	–	4,593
Other financial assets	1	–	(1)	–
Asset retirement obligations	1,758	(38)	–	1,720
Tax loss carryforwards	5,210	(4,189)	–	1,020
Gain on adjustment of accounts payable	6,355	678	–	7,034
Long-term unearned revenue	93	(5)	–	87
Prepaid expense (Land leasehold right)	2,993	11	–	3,004
Lease liabilities	47,761	(2,107)	–	45,653
Other	14,808	(239)	–	14,568
Total	88,186	(4,612)	(285)	83,288
Deferred tax liabilities				
Non-current assets	72,120	805	–	72,925
Securities	6,179	(72)	(539)	5,566
Right-of-use assets	44,436	(1,743)	–	42,693
Other	10,679	(638)	(134)	9,906
Total	133,415	(1,648)	(674)	131,091
Net amount of deferred tax assets	(45,228)	(2,963)	389	(47,803)

Deferred tax assets and liabilities in the consolidated statement of financial position are as follows:

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Deferred tax assets	3,137	3,636
Deferred tax liabilities	48,366	51,439
Net amount	(45,228)	(47,803)

In recognizing deferred tax assets, the Group takes into account the possibility that tax loss carryforwards or deductible temporary differences can be utilized against future taxable profit. In the recoverability of deferred tax assets, the Group considers the scheduled reversal of deferred tax liabilities, projected future taxable profit and tax planning.

Based on the result of the above assessment of recoverability of deferred tax assets, some of the Group's subsidiaries have not recognized deferred tax assets for certain tax loss carryforwards and deductible temporary differences. Tax loss carryforwards and deductible temporary differences for which deferred tax assets have not been recognized are as follows:

Major balances of deferred tax assets of the Group are related to the group in which the Company is the parent corporation under the Japanese group relief system, and many of these deferred tax assets were recorded at Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd., which are domestic subsidiaries.

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Tax loss carryforwards	6,633	5,174
Deductible temporary differences	40,794	42,057
Total	47,428	47,232

The deferral period of tax loss carryforwards for which deferred tax assets have not been recognized is as follows:

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
1st year	–	–
2nd year	–	–
3rd year	–	–
4th year	–	–
5th year and after	6,633	5,174
Total	6,633	5,174

The Company and some of its domestic subsidiaries apply the Japanese group relief system. The above figures do not include the amounts of deductible temporary differences and unused tax losses for which deferred tax assets have not been recognized, related to local taxes (inhabitant tax and business tax), which are not subject to the said system. As of February 29, 2024, the amount of deductible temporary differences related to local taxes (inhabitant tax and business tax) was ¥44,500 million (¥52,118 million as of February 28, 2023), and the amount of unused tax losses was ¥11,720 million (¥9,041 million as of February 28, 2023).

As of February 28, 2023 and February 29, 2024, the total amount of temporary differences for investments in subsidiaries that were not recognized as deferred tax liabilities were ¥136,397 million and ¥158,671 million, respectively.

(2) Income tax

The breakdown of income tax is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Current taxes:		
Current period	2,619	8,123
Prior periods	(785)	8
Total current taxes	1,834	8,132
Deferred taxes:		
Origination and reversal of temporary differences, etc.	34	3,417
Changes in unrecognized deferred tax assets	743	(453)
Total deferred taxes	777	2,963
Total	2,611	11,096

(3) Reconciliation between effective tax rates

Differences between the effective statutory tax rate and average effective tax rate are as follows:

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
	%	%
Effective statutory tax rate	30.6	30.6
Entertainment expense	0.7	0.6
Bonuses for directors (and other officers)	0.4	0.2
Dividend income	(0.1)	(8.4)
Share of profit (loss) of investments accounted for using equity method	(3.9)	(1.1)
Unrecognized deferred tax assets	(7.1)	0.4
Income taxes for prior periods	(4.4)	(1.3)
Tax credits	(0.1)	(1.3)
Gain (loss) on sales of shares of subsidiaries and associates	–	6.0
Other	(0.6)	1.3
Average effective tax rate	15.5	26.8

(Changes in presentation)

"Difference from the applicable tax rate of subsidiaries," which was presented separately in the fiscal year ended February 28, 2023, has been included in "Other" due to the decreased materiality. In addition, "Tax credits," which were previously included in "Other," have been presented separately starting from the fiscal year ended February 29, 2024 due to the increased materiality. The notes for the previous fiscal year have been reclassified to reflect these changes in presentation.

As a result, the "Difference from the applicable tax rate of subsidiaries" of 0.1% and "Other" of (0.8)%, which were presented in the previous fiscal year, have been reclassified as "Tax credits" of (0.1)% and "Other" of (0.6)%.

20. Cash Flow Information

(1) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

Fiscal year ended February 28, 2023

			Changes that do not affect cash flows			
	Balance as of March 1, 2022	Changes that affect cash flows	New leases and changes in agreements	Changes in fair values	Other	Balance as of February 28, 2023
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Current borrowings	58,000	(24,000)	–	–	–	34,000
Commercial papers	15,002	(15,002)	–	–	–	–
Non-current borrowings	144,960	(9,650)	–	–	–	135,310
Bonds	99,752	(20,000)	–	–	61	79,813
Lease liabilities	184,394	(29,138)	9,570	–	–	164,825
Total	502,109	(97,791)	9,570	–	61	413,949

Fiscal year ended February 29, 2024

			Changes that do not affect cash flows			
	Balance as of March 1, 2023	Changes that affect cash flows	New leases and changes in agreements	Changes in fair values	Other	Balance as of February 29, 2024
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Current borrowings	34,000	(9,100)	–	–	–	24,900
Non-current borrowings	135,310	(26,130)	–	–	–	109,180
Bonds	79,813	–	–	–	54	79,868
Lease liabilities	164,825	(29,088)	14,713	–	–	150,450
Total	413,949	(64,318)	14,713	–	54	364,398

(2) Non-cash transactions

Right-of-use assets acquired through leases are as follows:

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
	Millions of yen	Millions of yen
Right-of-use assets acquired through leases	8,400	1,460

(3) Sale of shares of equity method associates

All shares of StylingLife Holdings Inc., an equity method associate, were sold in the fiscal year ended February 29, 2024. Proceeds from sales of these shares of ¥16,945 million are included in “Proceeds from sales of investment securities” in cash flows from (used in) investing activities in the consolidated statement of cash flows.

(4) Income taxes paid

Cash flows from the sale of shares of StylingLife Holdings are recorded in “Proceeds from sales of investment securities” after deducting withholding tax on deemed dividends.

Total income taxes paid for the fiscal year ended February 29, 2024, including this withholding tax, amounted to ¥6,834 million.

21. Bonds and Borrowings

(1) Breakdown of financial liabilities

The breakdown of “bonds and borrowings” and “other financial liabilities” is as follows:

	As of February 28, 2023	As of February 29, 2024	Average interest rate (Note 1)	Repayment deadline
	Millions of yen	Millions of yen	%	
Short-term borrowings	63,530	37,330	0.29	–
Long-term borrowings	105,780	96,750	0.42	From March 2025 to March 2035
Bonds (Note 2)	79,813	79,868	(Note 2)	(Note 2)
Guarantee deposits received	37,605	36,165	–	–
Other	27,660	26,995	–	–
Total	314,389	277,109	–	–
Current liabilities	93,505	85,692	–	–
Non-current liabilities	220,884	191,417	–	–

Notes: 1. The average interest rates are weighted-average interest rates based on the contract interest rates and the closing balances for each borrowing.

2. Summary of issuing conditions of bonds is as follows:

(Millions of yen)

Company name	Bond name	Date of issue	As of February 28, 2023	As of February 29, 2024	Interest rate (%)	Maturity date
J. FRONT RETAILING Co., Ltd.	6th series of unsecured bonds	August 4, 2017	20,000	20,000	0.43	August 4, 2027
J. FRONT RETAILING Co., Ltd.	7th series of unsecured bonds	May 22, 2019	20,000	20,000	0.20	May 22, 2024
J. FRONT RETAILING Co., Ltd.	8th series of unsecured bonds	May 22, 2019	10,000	10,000	0.37	May 22, 2029
J. FRONT RETAILING Co., Ltd.	9th series of unsecured bonds	May 26, 2021	15,000	15,000	0.17	May 26, 2026
J. FRONT RETAILING Co., Ltd.	10th series of unsecured bonds	May 26, 2021	15,000	15,000	0.47	May 26, 2028
Total			80,000	80,000	0.32	

Agreements on some of borrowings of the Group require the maintenance of specific financial ratios and net assets at a certain level.

The Group has complied with all the agreements on borrowings.

(2) Assets pledged as collateral

The Group has pledged corporate properties as collateral for borrowings, etc. Secured creditors have the right to receive the payment of their claims prior to other unsecured creditors with regard to the Group's properties.

Assets pledged as collateral for borrowings, etc. are as follows:

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Other financial assets	197	220
Inventories	146	148
Total	343	369

The corresponding obligations are as follows:

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Trade and other payables	215	356
Total	215	356

22. Trade and Other Payables

The breakdown of trade and other payables is as follows.

These are all classified as financial liabilities measured at amortized cost.

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Notes payable - trade	2,772	2,695
Accounts payable - trade	79,701	94,492
Accounts payable - other	28,761	31,636
Deposits received	21,581	21,866
Other	1,019	539
Total	133,835	151,230

23. Employee Benefits

The Group has established defined benefit plans (such as a corporate pension fund plan and lump-sum retirement benefit plan) as employee retirement benefit plans, and certain consolidated subsidiaries have adopted defined contribution plans. In addition, the Group may pay extra retirement payments when employees retire before their normal retirement date. Certain consolidated subsidiaries have instituted a retirement benefit trust.

In regard to the corporate pension fund plan, the Group has obligations including paying contributions to the corporate pension fund under the Defined-Benefit Corporate Pension Act, etc. Directors of the fund have responsibilities including a duty of loyalty to faithfully execute operations related to managing and operating funds in the interests of the fund. In addition, it is stipulated that directors are forbidden from entering into any asset management contract aimed at serving the interests of a third party, and rules of conduct that include forbidding acts that create a conflict of interest are clarified.

The plan is mainly operated by a corporate pension fund that is independent from the Group. The board of representatives comprises the same number of representatives elected from among the employers (elected representatives) and representatives elected from among employees (mutually elected representatives), and the chairperson (president) of the board of representatives is elected from among the employers.

Decisions of the board of representatives are made by a majority of members in attendance, but in the case of a tie, the President, who is the Chairperson, has the authority to make a decision. However, it is stipulated that decisions related to particularly important matters shall be determined by a majority in excess of the above.

The board of representatives holds the authority to make decisions about all important matters, such as investment policies. Actual asset management is conducted by a managing trustee under an investment service agreement, and directions from the board of representatives regarding investment in individual securities, etc. are forbidden by laws and regulations.

The Company is required to pay contributions to the corporate pension fund and contributions are regularly reviewed within the range permitted by laws and regulations. While the Company is obligated to make contributions stipulated by the fund into the future, in addition to these contributions, it also funds a retirement benefit trust on a voluntary basis.

With regard to the lump-sum retirement benefit plan, the Company is obligated to pay benefits directly to the beneficiaries. There are no statutory requirements regarding funding.

(1) Defined benefit plans

The relationship between the present value of the defined benefit obligations and the fair value of the plan assets and the amounts recognized in the consolidated statement of financial position is as follows:

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Present value of funded defined benefit obligations	21,325	22,249
Fair value of plan assets	(29,631)	(31,038)
Subtotal	(8,306)	(8,789)
Impact of maximum amount of plan assets	–	39
Present value of unfunded defined benefit obligations	18,915	16,279
Liabilities of defined benefit plans	10,609	7,529
Amounts in the consolidated statement of financial position		
Retirement benefit liability	16,754	15,980
Retirement benefit assets	6,145	8,451
Net defined benefit liability or asset in the consolidated statement of financial position	10,609	7,529

Changes in the present value of the defined benefit obligations are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Present value of defined benefit obligations at beginning of period	45,089	40,240
Service cost	1,511	1,321
Interest expense	161	396
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	(408)	(197)
Actuarial gains and losses arising from changes in financial assumptions	(673)	(932)
Benefits paid	(5,285)	(2,279)
Other	(154)	(20)
Present value of defined benefit obligations at end of period	40,240	38,528

Changes in the fair value of the plan assets are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Fair value of plan assets at beginning of period	35,179	29,631
Interest revenue	122	289
Remeasurements		
Return on plan assets	626	2,219
Contributions by employer	766	690
Benefits paid	(2,563)	(1,787)
Return of trust assets	(4,500)	–
Other	–	(4)
Fair value of plan assets at end of period	29,631	31,038

Changes in the impact of maximum amount of plan assets are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Impact of maximum amount of assets at beginning of period	–	–
Remeasurements		
Change in impact of maximum amount of assets	–	39
Impact of maximum amount of assets at end of period	–	39

The fair value of each item of plan assets is as follows:

As of February 28, 2023

(Millions of yen)

Items of plan assets	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Total
Cash and cash equivalents	4,158	–	4,158
Domestic shares	4,499	288	4,788
Overseas shares	3,463	271	3,734
Jointly operated trusts (shares)	–	754	754
Domestic bonds	5,389	600	5,989
Overseas bonds	2,996	105	3,102
Jointly operated trusts (public and corporate bonds)	555	948	1,504
General accounts of life insurance companies	–	4,799	4,799
Other	–	799	799
Total	21,063	8,568	29,631

As of February 29, 2024

(Millions of yen)

Items of plan assets	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Total
Cash and cash equivalents	5,627	–	5,627
Domestic shares	3,880	357	4,238
Overseas shares	4,135	352	4,487
Jointly operated trusts (shares)	–	849	849
Domestic bonds	4,821	699	5,520
Overseas bonds	3,234	137	3,371
Jointly operated trusts (public and corporate bonds)	555	1,000	1,556
General accounts of life insurance companies	–	4,570	4,570
Other	–	816	816
Total	22,255	8,783	31,038

The Group’s management of plan assets is aimed at ensuring the necessary income over the long-term to reliably make pension and lump-sum payments into the future. Its investment policy to achieve this is fundamentally to make diversified investments after analyzing characteristics of risks and returns for each asset and taking into account correlations between respective assets.

Specifically, the Group develops the policy asset mix that is the optimal combination now and in the future after taking into account the expected rate of return and risks on eligible investments, and the managing trustee manages assets accordingly.

In regard to plan assets, the status of asset management is managed primarily by regularly reviewing the financial position of the plans, formulating long-term management policies, and monitoring the status of asset allocation.

The Group’s pension funding is determined after taking into consideration various factors such as the allowable limit of deductible expenses under tax laws, the funding status of plan assets and actuarial calculations. Contributions to plan assets are intended to cover benefits for services already rendered, in addition to benefits for services to be rendered in future.

In accordance with the provisions of the Defined-Benefit Corporate Pension Act, the rules of the corporate pension fund stipulate that the amount of contributions shall be recalculated every three to five years with a record date of the fiscal year end, in order to preserve a balanced budget into the future. During the recalculation, the basic rates related to contributions (expected interest rates, expected mortality rates, expected withdrawal rates, expected salary increase indexes, expected number of new participants, etc.) are reviewed, and the appropriateness of the contributions is reverified.

The Group plans to pay contributions of ¥622 million in the fiscal year ending February 28, 2025.

The weighted average duration of the defined benefit obligations as of February 28, 2023 was 8.58 years.

The weighted average duration of the defined benefit obligations as of February 29, 2024 was 8.43 years.

The main actuarial assumptions used to calculate the present value of the defined benefit obligations are as follows:

	As of February 28, 2023	As of February 29, 2024
	%	%
Discount rate	Mainly 1.0	Mainly 1.0
Anticipated rate of salary increase	Mainly 4.6	Mainly 4.7

The sensitivity analysis is conducted based on changes in assumptions that are reasonably possible, as of the end of the fiscal year.

The sensitivity analysis is based on the premise that all actuarial assumptions remain constant other than the actuarial assumption that is the focus of the analysis, but in reality there is a possibility that changes in other actuarial assumptions may affect the sensitivity analysis.

If there are no other changes to assumptions, the sensitivity of defined benefit obligations at the end of each fiscal year to changes in the discount rate is as follows. Furthermore, the Group does not expect any changes in the anticipated rate of salary increase.

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Changes in discount rate		
0.5% increase	(1,624)	(1,532)
0.5% decrease	1,750	1,646

Amounts recognized as retirement benefit expense are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Service cost	1,511	1,321
Net interest	39	107
Other	4	167
Total	1,555	1,596

(2) Defined contribution plans

The amount recorded as expenses in relation to defined contribution plans is ¥3,875 million for the fiscal year ended February 28, 2023 and ¥4,080 million for the fiscal year ended February 29, 2024, and included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of income. The above amounts include the amount of the employer’s contribution to welfare pension insurance premiums.

(3) Extra retirement payments

Extra retirement payments may be provided when an employee retires prior to the normal retirement date.

The amount recorded as expenses in relation to extra retirement payments was ¥25 million in the fiscal year ended February 28, 2023 and ¥20 million in the fiscal year ended February 29, 2024, and included in “other operating expenses” in the consolidated statement of income.

(4) Employee benefit expenses

The amount of employee benefit expenses was ¥51,506 million in the fiscal year ended February 28, 2023 and ¥54,706 million in the fiscal year ended February 29, 2024, and included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of income.

24. Provisions

The breakdown and changes of provisions are as follows:

(Millions of yen)

	Asset retirement obligations	Provision for loss on business liquidation	Total
Balance as of March 1, 2022	6,342	4,165	10,507
Increase during the period	632	1,027	1,660
Discounted interest expenses for the period	36	–	36
Decrease during the period (use)	(310)	(217)	(528)
Decrease during the period (reversal)	(175)	(402)	(577)
Other	(0)	–	(0)
Balance as of February 28, 2023	6,524	4,573	11,097
Increase during the period	45	–	45
Discounted interest expenses for the period	37	–	37
Decrease during the period (use)	(350)	(1,108)	(1,458)
Decrease during the period (reversal)	(224)	(303)	(527)
Other	39	–	39
Balance as of February 29, 2024	6,072	3,161	9,233

The breakdown of provisions in the consolidated statement of financial position is as follows:

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Current liabilities	2,397	2,487
Non-current liabilities	8,699	6,746
Total	11,097	9,233

(1) Asset retirement obligations

Asset retirement obligations are recorded at the estimated amount of restoration costs for rented stores, offices, etc. for which the Group has obligations to restore to original state at the time when the lease agreement is terminated. These expenses are expected to be mainly paid after one year or longer has passed from the end of the fiscal year, and will be affected by future business plans, etc.

(2) Provision for loss on business liquidation

An amount of loss is recorded for the cost of store dismantlement, etc. that is expected to be borne in the future as a result of business liquidation, store closure and store rebuilding. These expenses are expected to be mainly paid after store closure or rebuilding (within four years from the end of the fiscal year), but will be affected by changes in the surrounding environment and other factors.

25. Other Liabilities

The breakdown of other liabilities is as follows:

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Accrued bonuses	5,089	5,599
Accrued paid absences	2,671	2,672
Deferred income (Note)	383	357
Contract liabilities	39,988	38,784
Other accrued expense	7,929	7,514
Other	2,682	2,936
Total	58,745	57,865
Other current liabilities	58,276	57,445
Other non-current liabilities	469	419

Note: The breakdown of deferred income in the fiscal year ended February 28, 2023 was ¥383 million in government grants.
The breakdown of deferred income in the fiscal year ended February 29, 2024 is ¥357 million in government grants.

26. Equity and Other Equity Items

(1) Share capital and capital surplus

Changes in the number of authorized shares, number of issued shares, and the balances of share capital, etc. are as follows:

	Number of authorized shares (Shares)	Number of issued shares (Shares)	Share capital (Millions of yen)	Capital surplus (Millions of yen)
As of March 1, 2022	1,000,000,000	270,565,764	31,974	188,894
Changes during the period	–	–	–	174
As of February 28, 2023	1,000,000,000	270,565,764	31,974	189,068
Changes during the period	–	–	–	103
As of February 29, 2024	1,000,000,000	270,565,764	31,974	189,172

Note: All shares issued by the Company are ordinary shares with no restrictions and no par value. Issued shares are fully paid.

(2) Treasury shares

Changes in the number and balance of treasury shares are as follows:

	Number of shares (Shares)	Amount (Millions of yen)
As of March 1, 2022	8,756,955	(14,780)
Changes during the period	(192,119)	314
As of February 28, 2023	8,564,836	(14,466)
Changes during the period	(144,207)	234
As of February 29, 2024	8,420,629	(14,231)

Note: Treasury shares include shares of the Company owned by the officer remuneration BIP trust.

(3) Nature and purposes of capital surplus and retained earnings

1) Capital surplus

It is stipulated in the Companies Act of Japan ("Companies Act"), that at least 50% of the payment of certain issues of common shares shall be credited to share capital. The remainder of the payment shall be credited to legal capital surplus included in capital surplus. In addition, the Companies Act permits, upon approval of the shareholders meeting, the transfer of amounts from legal capital surplus to share capital.

2) Retained earnings

Under the Companies Act, 10% of the amount paid as dividends from surplus shall be reserved as legal capital surplus (an item of capital surplus) or legal retained earnings (an item of retained earnings), until the total amount of legal capital surplus and legal retained earnings reaches 25% of share capital. The legal retained earnings may be used to eliminate or reduce a deficit, or may be reversed by resolution of the shareholders meeting.

(4) Nature and purposes of other components of equity

Exchange differences on translation of foreign operations

Exchange differences on translation of foreign operations represent the translation differences that occurred when consolidating financial statements denominated in a foreign currency for companies including foreign subsidiaries.

Cash flow hedges

The Group uses derivatives to hedge the risk of fluctuations in future cash flows. Cash flow hedges represent the effective portion of changes in fair value of derivative transactions designated as cash flow hedges.

Financial assets measured through other comprehensive income

Financial assets measured at fair value through other comprehensive income represent the changes in fair value of financial assets measured at fair value through other comprehensive income.

Remeasurements of defined benefit plans

Remeasurements of defined benefit plans are the effect of difference between actuarial assumptions as at the beginning of the period and actual results in defined benefit plans and the effect of changes in actuarial assumptions. They are recognized in other comprehensive income when incurred and immediately transferred from other components of equity to retained earnings.

27. Dividends

(1) Dividends paid

Fiscal year ended February 28, 2023

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 12, 2022	Ordinary shares	3,964	15.00	February 28, 2022	May 6, 2022
Board of Directors meeting held on October 11, 2022	Ordinary shares	3,964	15.00	August 31, 2022	November 11, 2022

Note: Total amount of dividends resolved at the Board of Directors meeting held on April 12, 2022 includes ¥37 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Total amount of dividends resolved at the Board of Directors meeting held on October 11, 2022 includes ¥34 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Fiscal year ended February 29, 2024

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 11, 2023	Ordinary shares	4,228	16.00	February 28, 2023	May 2, 2023
Board of Directors meeting held on October 10, 2023	Ordinary shares	4,228	16.00	August 31, 2023	November 13, 2023

Note: Total amount of dividends resolved at the Board of Directors meeting held on April 11, 2023 includes ¥36 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Total amount of dividends resolved at the Board of Directors meeting held on October 10, 2023 includes ¥34 million of dividends paid to the Company's shares held by an officer remuneration BIP trust.

(2) Dividends whose effective date belongs to the following fiscal year

Fiscal year ended February 28, 2023

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 11, 2023	Ordinary shares	4,228	16.00	February 28, 2023	May 2, 2023

Note: Total amount of dividends resolved at the Board of Directors meeting held on April 11, 2023 includes ¥36 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Fiscal year ended February 29, 2024

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 15, 2024	Ordinary shares	5,285	20.00	February 29, 2024	May 7, 2024

Note: Total amount of dividends resolved at the Board of Directors meeting held on April 15, 2024 includes ¥42 million of dividends paid to the Company's shares held by an officer remuneration BIP trust.

28. Revenue

(1) Disaggregation of revenue

In accordance with IFRS 8 Operating Segments, the Group reports information about its four segments, namely “Department Store Business,” “SC Business,” “Developer Business,” and “Payment and Finance Business.” These reportable segments are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and assessing business results. Furthermore, the “Other” category is an operating segment not included as a reportable segment. It includes wholesaling, parking, leasing, etc.

The Group considers that the categories of these reportable segments can be used to meet the objective for the disaggregation disclosure requirement in paragraph 114 of IFRS 15. The following table shows the disaggregation of revenue in accordance with the above categories and includes the reconciliation representing how disaggregated revenue relates to each segment.

Revenue arising from these businesses is mainly recorded in accordance with contracts with customers, and the amount of revenue related to variable consideration, etc. is immaterial. In addition, the amount of promised consideration does not include any significant financing.

Due to the organizational restructuring effective March 1, 2023, the Developer Business facilities and their operation business have been transferred from PARCO Co., Ltd. to J. FRONT CITY DEVELOPMENT Co., Ltd. Accordingly, the prior year’s results for SC Business and Developer Business have been retroactively adjusted as if the transfer had been effective from the beginning of the previous fiscal year (March 1, 2022).

Segment		Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
		Millions of yen	Millions of yen
	Daimaru Osaka Shinsaibashi store	23,979	32,768
	Osaka Umeda store	16,101	18,047
	Tokyo store	18,223	21,130
	Kyoto store	17,147	19,067
	Kobe store	25,330	27,236
	Sapporo store	17,652	20,575
	Matsuzakaya Nagoya store	35,382	37,144
	Ueno store	8,551	8,439
	Other stores, etc.	53,385	54,715
	Elimination of inter-segment revenue	(459)	(496)
Department Store Business		215,295	238,629
	PARCO	53,716	57,872
	Other	62	71
	Elimination of inter-segment revenue	(1,053)	(1,080)
SC Business		52,725	56,864
	J. FRONT CITY DEVELOPMENT	7,644	19,478
	PARCO SPACE SYSTEMS	18,751	22,631
	J. Front Design & Construction	28,142	35,902
	Other	714	405
	Elimination of inter-segment revenue	(12,372)	(11,559)
Developer Business		42,880	66,859
	Payment and Finance Business	12,889	13,115
	Elimination of inter-segment revenue	(5,304)	(6,967)
Payment and Finance Business		7,585	6,148
	Other	55,922	51,925
	Elimination of inter-segment revenue	(14,728)	(13,420)
Other		41,193	38,505
Total		359,679	407,006

	Revenue from contracts with customers	300,164	341,462
	Revenue arising from other sources	59,514	65,543
Revenue		359,679	407,006

Note: The “Department Store Business,” “SC Business,” and “Developer Business” categories include lease revenue based on IFRS 16, and the “Payment and Finance Business” category includes interest revenue based on IFRS 9. Lease revenue and interest revenue are included in “Revenue arising from other sources.” The “Other” category is a business segment not included in reportable segments. It includes wholesaling, parking, leasing, etc.

1) Department Store Business

The Department Store Business carries out the sale of clothing, general goods, household goods, food products, and others. With regard to these sales of goods, since performance obligations are deemed to be satisfied at the time when goods are delivered to customers, the Group recognizes revenue at the time of delivery of such goods. Payments for goods are principally received at the time of delivery of the goods, which is the time when the performance obligation is satisfied.

2) SC Business

The SC Business undertakes development, management, supervision, and operation of shopping centers, as well as sale of personal belongings, general goods, and others.

With regard to services, because these services are provided on a continuous basis and thus it is determined that performance obligation is satisfied over a certain period of time, revenue is recognized as the services are rendered.

With regard to the sale of accessories, general goods, and others, since it is usually determined that performance obligation is satisfied at the time when goods are delivered to customers, revenue is recognized at the time of delivery of such goods. Payments for goods are received at the time of delivery of the goods, which is the time when performance obligation is satisfied.

Revenue from lease of shopping centers and others is recognized over the lease term, in accordance with IFRS 16.

3) Developer Business

The Developer Business carries out development, sales, supervision, operation, interior decorating work, etc. of real estate.

Revenue from lease of real estate and others is recognized over the lease term, in accordance with IFRS 16.

Revenue from sales of real estate is recognized at the time of delivery.

With regard to the design and operation of interior decorating work, if the outcome of a work contract can be estimated reliably, revenue is recognized according to the stage of completion of the performance obligation. If the outcome of a work contract cannot be estimated reliably, revenue is recognized only to the extent that it is probable that the contract costs incurred will be recoverable.

4) Payment and Finance Business

The Payment and Finance Business undertakes issuance and administration, etc. of credit cards.

In the Payment and Finance Business, annual membership fees from cardholders, and fees from department stores and external affiliated stores are recognized as revenue. With regard to interest on installment sales, the Group multiplies the revolving balance and number of installment payments by their respective set interest rates to calculate interest revenue, and recognizes the interest in the period to which it is attributable, in accordance with IFRS 9.

5) Other

Within other, for sales of products and merchandise such as electronic components, automobile components, industrial supplies, and liquor within the wholesale business, the Group deems that in most cases the customer acquires control of the products when they are delivered and its performance obligations are satisfied. Therefore, usually revenue is recognized for the goods upon their delivery.

(2) Balance of contracts

Balance of contracts of the Group is as follows:

Fiscal year ended February 28, 2023

(Millions of yen)

	As of March 1, 2022	As of February 28, 2023
Receivables from contracts with customers	85,715	94,129
Contract assets	3,193	6,832
Contract liabilities	39,739	39,988

Fiscal year ended February 29, 2024

(Millions of yen)

	As of March 1, 2023	As of February 29, 2024
Receivables from contracts with customers	94,129	98,071
Contract assets	6,832	6,821
Contract liabilities	39,988	38,784

Notes: 1. Receivables from contracts with customers

Receivables from contracts with customers primarily consist of receivables in association with the use of credit cards issued by the Group, and the amount includes the amount collected on behalf of third parties as agent transactions. The collection period of these receivables is mainly within one to two months.

2. Contract assets

Contract assets are related to rights to considerations arising when the Group is to receive payments from customers in line with a series of performances, and are recognized mainly in association with contracted work agreements. For the completed part of work, the Group recognizes contract assets in advance, and they are transferred to trade receivables at the time when the customer conducts acceptance inspection and the invoice is sent.

Contract assets are included in trade and other receivables in the consolidated statement of financial position.

3. Contract liabilities

Contract liabilities are related to consideration received prior to performance under contracts and transferred to revenue at the time when the Group performs obligations under contracts.

Contract liabilities are included in other current liabilities in the consolidated statement of financial position.

Of contract liabilities at the end of the previous period, the amount recognized in revenue in the fiscal year ended February 29, 2024 was ¥18,793 million.

Regarding performance obligations satisfied or partially satisfied in prior periods, no amount was recognized in revenue in the fiscal years ended February 28, 2023 and February 29, 2024.

(3) Transaction price allocated to the remaining performance obligations

With regard to transaction price allocated to the remaining performance obligations, the Group will recognize revenue in accordance with progress toward completion of construction work, the actual use of gift certificates and points, and performance of services from membership fees. The total amount of transaction price allocated to the remaining performance obligations and the timing when revenue is expected to be recognized are as follows:

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Due within one year	39,886	37,499
Due after one year through two years	11,376	18,301
Due after two years	7,666	7,470
Total	58,929	63,271

29. Other Operating Income

The breakdown of other operating income is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Gain on sale of shares of subsidiaries and associates (Note 1)	–	760
Gain on sales of non-current assets (Note 2)	790	757
Subsidies for employment adjustment (Note 3)	3	–
Other subsidies	904	150
Other	2,842	2,005
Total	4,540	3,673

Notes: 1. Gain on sale of shares of subsidiaries and associates is a gain on sales due to the transfer of 100% of the shares of StylingLife Holdings Inc.

2. Gain on sales of non-current assets for the fiscal year ended February 28, 2023, is mainly a gain on sales due to the sale of real estate holdings in the Developer Business. Gain on sales of non-current assets for the fiscal year ended February 29, 2024, is a gain on sales due to the sale of real estate holdings in the SC Business, wholesale business, Developer Business, etc.

3. The Company was eligible for subsidies for employment adjustment and other special measures due to the impact of COVID-19.

30. Cost of Sales

The breakdown of cost of sales is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Cost of goods sold	149,934	170,878
Personnel expense	6,787	7,145
Depreciation and amortization expense	22,191	21,439
Other	11,229	12,026
Total	190,142	211,490

31. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Personnel expense	47,284	50,067
Depreciation and amortization expense	26,915	25,053
Advertising expense	10,489	10,639
Operational costs	9,581	11,274
Other	50,411	54,150
Total	144,682	151,185

32. Other Operating Expenses

The breakdown of other operating expenses is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Loss on disposals of non-current assets	2,102	1,302
Impairment loss (Note 1)	4,905	2,310
Loss on business liquidation (Note 2)	1,893	3
Other	1,434	1,339
Total	10,336	4,955

Notes: 1. For details, please refer to "16. Impairment of Non-financial Assets."

2. The loss on business liquidation for the fiscal year ended February 28, 2023 is due to ¥898 million in costs related to store closures (removal costs, sales reparations, etc.) and ¥995 million in impairment losses that were recorded following the decision to cease operations at PARCO Co., Ltd.'s Matsumoto PARCO.

33. Finance Income and Finance Costs

The breakdown of finance income is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Interest income		
Financial assets measured at amortized cost	700	709
Dividend income		
Equity financial assets measured at fair value through other comprehensive income	170	194
Equity financial assets measured at fair value through profit or loss	–	704
Total	871	1,609

The breakdown of finance costs is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Interest expenses		
Financial liabilities measured at amortized cost	1,135	1,036
Interest expenses related to lease liabilities	3,607	3,297
Other	475	513
Total	5,218	4,847

34. Other Comprehensive Income

The amount arising during the period and reclassification adjustments to profit or loss for each item of other comprehensive income and tax effect are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Financial assets measured at fair value through other comprehensive income		
Amount arising during the period	1,315	(2,176)
Tax effect	(491)	538
Financial assets measured at fair value through other comprehensive income	823	(1,638)
Remeasurements of defined benefit plans		
Amount arising during the period	1,708	3,309
Tax effect	(531)	(1,032)
Remeasurements of defined benefit plans	1,176	2,276
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the period	(11)	(115)
Tax effect	4	40
Share of other comprehensive income of entities accounted for using equity method	(7)	(75)
Total items that will not be reclassified to profit or loss	1,992	562
Items that may be reclassified to profit or loss		
Cash flow hedges		
Amount arising during the period	(1)	26
Reclassification adjustments	–	–
Before tax effect	(1)	26
Tax effect	0	(5)
Cash flow hedges	(1)	20
Exchange differences on translation of foreign operations		
Amount arising during the period	144	123
Reclassification adjustments	–	(19)
Before tax effect	144	103
Tax effect	–	–
Exchange differences on translation of foreign operations	144	103
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the period	4	1
Reclassification adjustments	–	–
Before tax effect	4	1
Tax effect	–	–
Share of other comprehensive income of entities accounted for using equity method	4	1
Total items that may be reclassified to profit or loss	147	126
Total other comprehensive income	2,140	688

35. Earnings Per Share

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Profit attributable to owners of parent (Millions of yen)	14,237	29,913
Adjustment to profit	–	–
Profit used to calculate diluted earnings per share (Millions of yen)	14,237	29,913
Average number of ordinary shares during the period (Shares)	262,075,939	262,260,084
Increase in the number of ordinary shares:		
Officer remuneration BIP trust (Shares)	138,870	–
Average number of diluted ordinary shares during the period (Shares)	262,214,809	262,260,084
Basic earnings per share (Yen)	54.32	114.06
Diluted earnings per share (Yen)	54.30	114.06

Note: The calculation of basic earnings per share and diluted earnings per share excludes the number of the Company's shares owned by the officer remuneration BIP trust from the average number of ordinary shares during the period because such shares are treated as the Company's treasury shares.

36. Share-Based Payment

(1) Share-based payment plan

1) Details of share-based payment plan

The Group has also adopted an officer remuneration BIP (Board Incentive Plan) trust (hereinafter the "BIP Trust") as a performance-linked share-based payment for representative directors of JFR Card Co., Ltd., J. FRONT CITY DEVELOPMENT Co., Ltd., and J. Front Design & Construction Co., Ltd., in addition to officers of the Company, Daimaru Matsuzakaya Department Stores Co. Ltd., and PARCO Co., Ltd. The BIP Trust, which is similar to performance share plans and restricted stock plans in the U.S. and Europe, is a system of granting the Company's shares to officers (in certain cases, the Company's shares are converted into cash within the trust and cash in the amount equivalent to their conversion value is paid) in accordance with the officers' rank and level of achievement of the Medium-term Business Plan, etc.

2) Number of points granted during the period and weighted average fair value of the points

In the assessment of fair value, a calculation is made based on the market price of shares adjusted after taking into account expected dividends. The number of points granted during the period and weighted average fair value of the points are as follows:

Fiscal year ended February 28, 2023

	BIP Trust		
	Short-term PS	Medium- to long-term PS	RS
Number of points granted during the period	136,871	251,398	40,971
Weighted average fair value (Yen)	988	922	922

Fiscal year ended February 29, 2024

	BIP Trust		
	Short-term PS	Medium- to long-term PS	RS
Number of points granted during the period	149,174	242,370	40,968
Weighted average fair value (Yen)	957	922	922

Notes: 1. PS (Performance Share) is a share-based payment plan under which shares are granted when a predetermined performance target for a certain period is achieved. The Company's shares are granted to officers according to the level of annual achievement in performance each year for short-term PS and according to the level of achievement of the Medium-term Business Plan after the completion of the Medium-term Business Plan for medium- to long-term PS.

2. RS (Restricted Stock) is a share-based payment plan under which shares that have restrictions on transfer for a certain period are granted at the time of retirement in accordance with rank.

(2) Share-based payment expense

The amounts recognized as share-based payment expense, which were included in the consolidated statement of income, were ¥480 million in the fiscal year ended February 28, 2023 and ¥359 million in the fiscal year ended February 29, 2024.

37. Financial Instruments

(1) Capital management

The Group works to increase productivity and managerial efficiency as a group and conducts capital management with the aim of achieving sustained improvement in corporate value.

One of the major indicators monitored in the Group's capital management is the D/E ratio, and management uses this for monitoring and confirmation. Furthermore, the Group is not subject to any material capital regulations.

D/E ratio is as follows:

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Interest-bearing debt	413,949	364,398
Equity attributable to owners of parent	359,385	381,898
D/E ratio (Times)	1.15	0.95

(2) Financial risk management policy

In the course of its business activities, the Group is exposed to financial risks (credit risk, liquidity risk, foreign currency risk, and interest rate risk), and engages in risk management to reduce these financial risks.

The Group uses derivative transactions to avoid foreign currency fluctuation risk or interest rate fluctuation risk and, in accordance with its policy, does not carry out any speculative transactions.

1) Credit risk management

Credit risk is the risk that a business partner will default on contractual obligations and cause the Group to incur a financial loss.

To address this risk, each Group company carries out due date management and balance management for each business partner and seeks early identification and mitigation of collectability concerns.

The Group's receivables are from a number of business partners in a wide range of industries and regions.

The Group does not have credit risks overly concentrated in a single counterparty or a group to which the counterparty belongs.

The maximum exposure to credit risk on financial assets is the carrying amount after impairment presented in consolidated financial statements. The Group does not hold any properties as collateral or other credit enhancements in regard to exposure to these credit risks.

The Group considers whether or not there has been a significant increase in credit risk from the date of initial recognition, and establishes an allowance for credit losses. Specifically, when there is no significant increase in credit risk since initial recognition, expected credit losses for 12 months are measured as allowance for credit losses.

On the other hand, when there is a significant increase in credit risk since initial recognition, lifetime expected credit losses are measured as allowance for credit losses. Whether credit risk has significantly increased or not is determined based on changes in default risk. Regardless of the above, for trade receivables, lease receivables, etc. without a significant financing component, allowance for credit losses is measured at an amount equal to lifetime expected credit losses.

In the measurement of these expected credit losses, reasonable and supportable information that is available at the fiscal year end is used for past events, current situations and projection of future economic conditions such as credit loss experience in past years, status of delinquent receivables and financial conditions of creditors. Expected credit losses on financial assets for which credit risk has not increased significantly and trade receivables, etc. without a significant financing component are set altogether as a group and collectively assessed based on historical credit losses because they have largely homogeneous credit risk characteristics.

Expected credit losses on financial assets for which credit risk has increased significantly and credit-impaired financial assets are individually assessed, taking into account historical credit loss experience, future estimated collectible amount and others.

If a debtor does not make a payment within 90 days after the due date, the situation is considered as default.

When financial assets are assessed as fully or partially uncollectible and the Group determines, as a result of credit research, that it is appropriate to write off the assets, the Group directly writes off the carrying amount of the credit-impaired financial assets.

(i) Changes in allowance for credit losses

The Group considers whether or not there has been a significant increase in credit risk from the date of initial recognition, and establishes an allowance for credit losses.

Changes in allowance for credit losses are as follows:

(Millions of yen)

	12-month expected credit losses	Lifetime expected credit losses (Assessed collectively)	Lifetime expected credit losses (Assessed individually)	Credit-impaired financial assets (Lifetime expected credit losses)
Balance as of March 1, 2022	111	38	3,187	835
Transfer to lifetime expected credit losses	(34)	–	77	(42)
Transfer to credit-impaired financial assets	(56)	–	(96)	153
Transfer to 12-month expected credit losses	0	–	(0)	(0)
Changes due to new arising and collection of financial assets	88	(7)	(443)	310
Financial assets that were derecognized during the period	–	–	–	–
Direct write-off	(0)	–	(75)	(336)
Changes in model/risk variables	–	–	–	–
Balance as of February 28, 2023	109	30	2,648	918
Transfer to lifetime expected credit losses	(49)	–	82	(33)
Transfer to credit-impaired financial assets	(201)	–	(124)	326
Transfer to 12-month expected credit losses	0	–	(0)	(0)
Changes due to new arising and collection of financial assets	250	1	1,139	249
Financial assets that were derecognized during the period	–	(1)	–	–
Direct write-off	(0)	–	(76)	(330)
Changes in model/risk variables	–	–	–	–
Balance as of February 29, 2024	108	31	3,669	1,131

(ii) The carrying amounts of financial assets by risk type (before deducting allowance for credit losses) are as follows:

	As of February 28, 2023	As of February 29, 2024
	Millions of yen	Millions of yen
Financial assets measured at amortized cost, etc. (12-month expected credit losses)	121,203	115,373
Trade and other receivables (Lifetime expected credit losses)	70,898	89,421
Financial assets whose credit risk has increased significantly since initial recognition (Lifetime expected credit losses)	4,667	5,741
Credit-impaired financial assets (Lifetime expected credit losses)	957	1,181

2) Liquidity risk management

Liquidity risk is the risk of failure to make payments on the due date when the Group is required to fulfill its payment obligations for financial liabilities due.

The Group manages liquidity risk with methods such as preparing monthly cash flow management plans at all companies, and securing sufficient liquidity on hand through commitment line contracts and overdraft contracts with its main financing banks.

The balance of financial liabilities (other than lease liabilities, etc.) by payment due date is as follows:

(Millions of yen)

As of February 28, 2023	Carrying amount	Contractual amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	133,835	133,835	133,835	–	–	–	–	–
Short-term borrowings	63,530	63,678	63,678	–	–	–	–	–
Long-term borrowings	105,780	107,990	444	12,874	28,794	17,686	22,182	26,009
Bonds	79,813	81,169	260	20,240	220	15,207	20,151	25,090
Other financial liabilities	65,265	65,329	29,975	522	428	14	–	34,389
Total	448,225	452,003	228,193	33,636	29,442	32,907	42,333	85,490

Note: Short-term borrowings include the current portion of long-term borrowings.

(Millions of yen)

As of February 29, 2024	Carrying amount	Contractual amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	151,230	151,230	151,230	–	–	–	–	–
Short-term borrowings	37,330	37,437	37,437	–	–	–	–	–
Long-term borrowings	96,750	98,488	380	28,810	20,595	22,185	648	25,868
Bonds	79,868	80,909	20,240	220	15,207	20,151	15,072	10,018
Other financial liabilities	63,161	63,216	28,362	1,346	473	345	414	32,274
Total	428,339	431,282	237,650	30,376	36,276	42,682	16,134	68,161

Note: Short-term borrowings include the current portion of long-term borrowings.

If funds are temporarily insufficient for the payment of trade payables, etc., the Group procures funds with the following financing methods. Fund procurement methods and the status of procurement in each fiscal year were as follows:

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Commitment line		
Used	–	–
Unused	100,000	100,000
Total	100,000	100,000
Overdraft limit		
Used	16,000	21,900
Unused	132,430	114,330
Total	148,430	136,230
Commercial paper issuance limit		
Used	–	–
Unused	100,000	100,000
Total	100,000	100,000

3) Foreign currency risk management

The Group conducts transactions denominated in foreign currencies and is exposed to the risk of fluctuations in exchange rates of foreign currencies against the Japanese yen, but this has immaterial effect on profit before tax.

4) Interest rate risk management

The Group is exposed to various interest rate fluctuation risks in the course of its business activities. Particularly, fluctuations in interest rates greatly affect borrowing costs.

To mitigate such interest rate fluctuation risks, the Group hedges the risks by conducting interest rate swap transactions and other means.

(3) Fair value of financial instruments

1) Calculation method of fair value

(Cash and cash equivalents, trade and other receivables, other financial assets (current), trade and other payables, and other financial liabilities (current))

The carrying amount is used as the fair value of these instruments, given that the fair value is almost the same as the carrying amount, as they are mostly settled in a short period of time.

Derivatives are measured as financial assets or liabilities measured at fair value through profit or loss based on prices presented by the counterparty financial institutions.

(Other financial assets (non-current), and other financial liabilities (non-current))

The fair value of listed shares is measured based on market prices at the last date of a fiscal year. The fair value of unlisted shares is measured by discounted future cash flows, valuation model based on profit and net assets, comparable company analysis method or the like.

Other financial assets or other financial liabilities measured at amortized cost mainly consist of lease and guarantee deposits paid or lease and guarantee deposits received, and their fair value is measured at present value calculated by discounting future cash flows at rates such as the current market interest rate.

(Bonds and borrowings)

The fair values of corporate bonds are estimated using the trading reference statistics of the Japan Securities Dealers Association and others. Borrowings are mainly measured by present value obtained by discounting future cash flows at interest rates that would be charged for a new similar borrowing.

2) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows.

Financial instruments measured at fair value and financial instruments whose carrying amount closely approximates fair value are not included in the following tables.

	As of February 28, 2023		As of February 29, 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets:				
Other financial assets (non-current)	54,480	55,332	52,073	52,473
Total	54,480	55,332	52,073	52,473
Financial liabilities:				
Borrowings	169,310	168,026	134,080	133,000
Bonds	79,813	78,812	79,868	79,257
Other financial liabilities (non-current)	35,290	35,290	34,798	34,798
Total	284,414	282,129	248,747	247,055

3) Fair value measurement

In regard to financial instruments measured at fair value, the fair value amounts measured are categorized into three levels, from Level 1 to Level 3, in accordance with the observability and materiality of inputs used in measurement.

Level 1: Market prices for identical assets or liabilities in active markets

Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using an observable price

Level 3: Fair value that is determined using a valuation technique including unobservable inputs

The fair value of financial instruments measured at fair value is as follows.

Any transfer between levels in the fair value hierarchy is recognized on each reporting date. In the fiscal years ended February 28, 2023 and February 29, 2024, there was no transfer between Level 1, Level 2, and Level 3.

As of February 28, 2023

Financial assets measured at fair value on a recurring basis

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Derivative financial assets	–	6	–	6
Financial assets measured at fair value through other comprehensive income				
Other financial assets (non-current)	2,916	–	22,314	25,231
Total	2,916	6	22,314	25,237
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	–	–	–	–
Total	–	–	–	–

As of February 29, 2024

Financial assets measured at fair value on a recurring basis

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Derivative financial assets	–	25	–	25
Other financial assets	–	127	464	592
Financial assets measured at fair value through other comprehensive income				
Other financial assets (non-current)	2,181	63	17,123	19,368
Total	2,181	217	17,588	19,986
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	–	–	–	–
Total	–	–	–	–

4) Changes, from the beginning to the end of the period, in financial instruments whose fair value measurement is categorized within Level 3

Changes, from the beginning to the end of the period, in financial instruments whose fair value measurement is categorized within Level 3 are as follows:

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
	Millions of yen	Millions of yen
Balance at beginning of period	20,899	22,314
Total gains and losses	1,286	(2,825)
Profit or loss (Note 1)	–	(237)
Other comprehensive income (Note 2)	1,286	(2,587)
Purchase	150	1,482
Sale	(19)	(3,382)
Other	(2)	(0)
Balance at end of period	22,314	17,588

Notes: 1. Gains or losses included in profit or loss relate to financial assets measured at fair value through profit or loss as of the reporting date. These gains or losses are recorded in “finance costs” in the consolidated statement of income.

2. Gains or losses included in other comprehensive income relate to financial assets measured at fair value through other comprehensive income as of the reporting date. These gains or losses are included in “financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.

Financial instruments classified as Level 3 principally consist of unlisted shares. Fair value of unlisted shares is measured by the Group’s department in charge using the latest figures available for each quarter in accordance with the Group’s accounting policies and others, and reported together with the basis for changes in fair value to superiors and to management where necessary.

Illiquidity discount that is a significant unobservable input used for the measurement of fair value classified as Level 3 in the fair value hierarchy is 30% in the calculation.

A significant increase (decrease) in this input will cause a significant decrease (increase) in the fair value.

(4) Fair value hierarchy for assets and liabilities that are not measured at fair value but of which fair value has been disclosed

Fair values of financial instruments measured at amortized cost are as follows.

Financial instruments measured at fair value and financial instruments whose carrying amount closely approximates fair value are not included in the following tables.

(Millions of yen)

As of February 28, 2023	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at amortized cost				
Other financial assets (non-current)	–	4,359	50,972	55,332
Total	–	4,359	50,972	55,332
Liabilities:				
Financial liabilities measured at amortized cost				
Borrowings	–	168,026	–	168,026
Bonds	–	78,812	–	78,812
Other financial liabilities (non-current)	–	–	35,290	35,290
Total	–	246,838	35,290	282,129

(Millions of yen)

As of February 29, 2024	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at amortized cost				
Other financial assets (non-current)	–	3,252	49,220	52,473
Total	–	3,252	49,220	52,473
Liabilities:				
Financial liabilities measured at amortized cost				
Borrowings	–	133,000	–	133,000
Bonds	–	79,257	–	79,257
Other financial liabilities (non-current)	–	–	34,798	34,798
Total	–	212,257	34,798	247,055

(5) Financial assets measured at fair value through other comprehensive income

The Group designates investments in equity instruments held in order to maintain and strengthen business relationships as financial assets measured at fair value through other comprehensive income in the light of the holding purpose.

1) Fair value of securities

In regard to investments in equity instruments designated as financial assets measured at fair value through other comprehensive income, the fair value of the main securities is as follows:

As of February 28, 2023

(Millions of yen)

Securities	Amount
Asahi Properties Inc.	6,476
Takenaka Corporation	5,416
Chunichi Shimbun Co., Ltd.	1,108
OSAKA GAS CO., LTD.	686
MBS MEDIA HOLDINGS, INC.	627
Toho Gas Co., Ltd.	569
Nagoya Dome Company, Limited	513
TOKAI TELEVISION BROADCASTING Co., Ltd.	493
Kyushu Kangyo Co., Ltd.	484
Misonoza Theatrical Corporation	381

As of February 29, 2024

(Millions of yen)

Securities	Amount
Asahi Properties Inc.	4,417
Nagoya Dome Company, Limited	1,097
Chunichi Shimbun Co., Ltd.	937
MBS MEDIA HOLDINGS, INC.	843
Nagashima Resort Co., Ltd.	776
Toho Gas Co., Ltd.	669
TOKAI TELEVISION BROADCASTING Co., Ltd.	563
Kyushu Kangyo Co., Ltd.	453
CHUBU-NIPPON BROADCASTING CO., LTD.	402
Misonoza Theatrical Corporation	400

2) Dividend income

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Investments derecognized during the period	4	67
Investments held at end of period	166	127
Total	170	194

3) Financial assets measured at fair value through other comprehensive income derecognized during the period

The Group sells financial assets measured at fair value through other comprehensive income for the purpose of periodic portfolio revisions, management of risk assets and others. The fair value on the date of sale thereof and cumulative gain or loss on the sale (before tax) are as follows:

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Fair value on the date of sale	471	4,534
Cumulative gain (loss) on sale	29	3,056

4) Transfer to retained earnings

The Group transfers cumulative gain or loss caused by fluctuations in the fair value of financial assets measured at fair value through other comprehensive income to retained earnings when the asset is derecognized. In the fiscal years ended February 28, 2023 and February 29, 2024, cumulative gain or loss (after tax) in other comprehensive income transferred to retained earnings were ¥(109) million and ¥1,749 million, respectively.

(6) Derivatives and hedges

1) Cash flow hedges

Cash flow hedges are hedges to avoid the risk of fluctuations in future cash flows. The Company utilizes forward exchange contracts to hedge fluctuations in cash flows for forecast transactions, and interest rate swaps and currency swaps to hedge fluctuations in cash flows related to floating-rate borrowings. Changes in fair value of derivative transactions designated as cash flow hedges are recognized as other comprehensive income, included in other components of equity, and transferred to profit (loss) when the hedged item is recognized as profit (loss).

The details of hedging instruments designated as cash flow hedges are as follows:

As of February 28, 2023

	Contract value	With term exceeding one year	Carrying amount		Line item in the consolidated statement of financial position	Changes in fair value used to calculate the ineffective portion of the hedge
			Assets	Liabilities		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		Millions of yen
Foreign currency risk						
Forward exchange contracts	2,101	–	6	–	Other financial assets	–
Interest rate risk						
Interest rate swaps	–	–	–	–	Other financial liabilities	–

As of February 29, 2024

	Contract value	With term exceeding one year	Carrying amount		Line item in the consolidated statement of financial position	Changes in fair value used to calculate the ineffective portion of the hedge
			Assets	Liabilities		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		Millions of yen
Foreign currency risk						
Forward exchange contracts	1,877	–	25	–	Other financial assets	–
Interest rate risk						
Interest rate swaps	–	–	–	–	Other financial liabilities	–

(7) Transfer of financial assets

The Group securitizes certain trade receivables through the transfer of shares. However, some of such securitized receivables impose an obligation to pay on the Group retrospectively if the debtor does not make a payment. Since these securitized receivables do not meet requirements for derecognition of financial assets, they are not derecognized.

As of February 28, 2023 and February 29, 2024, such transferred assets were recorded in “trade and other receivables” and the amount of money received arising at the time when the assets were transferred as related liabilities was recorded in “bonds and borrowings,” at ¥18,000 million in the fiscal year ended February 28, 2023 and ¥3,000 million in the fiscal year ended February 29, 2024.

38. Subsidiaries

Status of subsidiaries is as follows:

Name	Location	Reportable segment	Equity ratio (%)	
			As of February 28, 2023	As of February 29, 2024
Daimaru Matsuzakaya Department Stores Co. Ltd.	Japan	Department Store Business	100.0	100.0
The Hakata Daimaru, Inc.	Japan	Department Store Business	69.9	69.9
Kochi Daimaru Co., Ltd.	Japan	Department Store Business	100.0	100.0
PARCO Co., Ltd.	Japan	SC Business	100.0	100.0
PARCO (SINGAPORE) PTE LTD	Singapore	SC Business	100.0	100.0
PARCO SPACE SYSTEMS CO., LTD.	Japan	Developer Business	100.0	100.0
J. Front Design & Construction Co., Ltd.	Japan	Developer Business	100.0	100.0
PARCO Digital Marketing CO., LTD.	Japan	Developer Business	100.0	100.0
J. FRONT CITY DEVELOPMENT Co., Ltd.	Japan	Developer Business	100.0	100.0
JFR Card Co., Ltd.	Japan	Payment and Finance Business	100.0	100.0
Daimaru Kogyo, Ltd.	Japan	Other (Wholesale)	100.0	100.0
Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	China	Other (Wholesale)	100.0	100.0
Daimaru Kogyo (Thailand) Co., Ltd.	Thailand	Other (Wholesale)	99.9	99.9
Taiwan Daimaru Kogyo, Ltd.	Taiwan	Other (Wholesale)	100.0	–
Consumer Product End-Use Research Institute Co., Ltd.	Japan	Other (Merchandise test and quality control)	100.0	100.0
Angel Park Co., Ltd.	Japan	Other (Parking)	50.2	50.2
JFR Service Co. Ltd.	Japan	Other (Commissioned back-office service/parking and leasing)	100.0	100.0
JFR Information Center Co., Ltd.	Japan	Other (Information service)	100.0	100.0
Daimaru Matsuzakaya Tomonokai Co., Ltd.	Japan	Other (Specified prepaid transaction service)	100.0	100.0
XENOZ CO., Ltd.	Japan	Other (Management of e-sports team, etc.)	50.8	51.6

Note: 1. Taiwan Daimaru Kogyo, Ltd. resolved to dissolve as of August 22, 2022, and liquidation was completed on November 14, 2023.

39. Related Parties

(1) Transactions with related parties

(Millions of yen)

Type	Name	Ownership ratio of voting rights	Relationship	Nature of transactions	Transaction amount (Note 2)	Item	Balance at the end of the fiscal year
Officers and close relatives	NAKAYAMA Takashi	–	Ex-Managing Executive Officer of the Company	Payment of appropriate amount of remuneration, etc. (Note 1)	14	–	–

Notes:
1. The officer mentioned above resigned from his position on December 8, 2023, midway through his term of office for personal reasons. Upon his retirement, he was paid an appropriate amount, which was calculated based on his remuneration, etc. from the time of his resignation to the expiration of his term of office, in accordance with a resolution of the Board of Directors.
2. Transaction amounts do not include consumption taxes.

(2) Remuneration for key management personnel

Description of the remuneration for Directors and other key management personnel of the Group is as follows:

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Officer remuneration	1,750	1,781
Retirement benefit	1	1
Share-based payment	480	359
Total	2,232	2,142

40. Commitments

Commitments related to expenditures after the reporting date are as follows:

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Purchase of property, plant and equipment	246	1,280
Purchase of intangible assets	894	208
Purchase of investment property	8,062	7,067
Total	9,203	8,556

41. Contingent Liabilities

Amount of guarantee obligations

The Group has provided guarantee for transactions, etc. between its employees and financial institutions as follows:

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Debt guarantees for employees	0	–
Total	0	–

42. Subsequent Events

At the meeting of the Board of Directors held on April 15, 2024, a resolution was passed concerning matters related to the purchase of own shares in accordance with Paragraph 1, Article 459 of the Companies Act and Article 39 of the Company's Articles of Incorporation.

1. Reason for the purchase of own shares

As announced on April 15, 2024 in the FY2024-FY2026 Medium-term Business Plan, the Company has committed to working on the "Realization of growth with profitability" and "Optimization of equity amount and enhancement of shareholder returns" in order to enhance medium- to long-term return on capital. This purchase will be carried out based on this policy.

2. Details of matters related to the purchase

(1) Class of shares to be purchased

Ordinary shares

(2) Total number of shares to be purchased

8,000,000 shares (upper limit)

(3.03% of total number of issued shares (excluding treasury shares))

(3) Total value of shares to be purchased

¥10,000 million (upper limit)

(4) Purchase period

From May 1, 2024 to July 31, 2024

(5) Purchase method

Market purchase on the Tokyo Stock Exchange (Discretionary trading by a securities company)

43. Approval of Consolidated Financial Statements

These consolidated financial statements were approved by the President and Representative Executive Officer Keiichi Ono on May 29, 2024.

(2) Other

Quarterly financial information, etc. for the current fiscal year

(Cumulative)	First three months	First six months	First nine months	Current fiscal year
Revenue (Millions of yen)	93,456	191,634	286,562	407,006
Profit before tax (Millions of yen)	9,926	18,804	29,848	41,343
Profit attributable to owners of parent (Millions of yen)	6,397	12,900	21,604	29,913
Basic earnings per share (Yen)	24.39	49.19	82.38	114.06

(Quarterly)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	24.39	24.80	33.19	31.68

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

1) Non-consolidated Balance Sheet

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Assets		
Current assets		
Cash and deposits	31,087	62,904
Short-term loans receivable from subsidiaries and associates	75,100	113,565
Accounts receivable - other	4,939	4,804
Other	124	184
Allowance for doubtful accounts	(400)	(500)
Total current assets	110,851	180,959
Non-current assets		
Property, plant and equipment		
Buildings and structures	185	160
Other	34	28
Total property, plant and equipment	219	189
Intangible assets		
Software	1,348	2,221
Total intangible assets	1,348	2,221
Investments and other assets		
Investment securities	1,762	2,067
Shares of subsidiaries and associates	378,341	367,906
Long-term loans receivable from subsidiaries and associates	81,000	85,500
Deferred tax assets	472	346
Other	619	642
Allowance for doubtful accounts	(500)	(500)
Total investments and other assets	461,695	455,962
Total non-current assets	463,264	458,372
Deferred assets		
Bond issuance costs	186	131
Total deferred assets	186	131
Total assets	574,302	639,463

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Liabilities		
Current liabilities		
Short-term borrowings	45,530	34,330
Current portion of bonds	–	20,000
Deposits received from subsidiaries and associates	2,000	78,408
Accrued expenses	719	899
Income taxes payable	121	132
Provision for bonuses	194	236
Provision for bonuses for directors (and other officers)	122	104
Provision for officer remuneration BIP trust	178	168
Other	1,105	841
Total current liabilities	49,971	135,118
Non-current liabilities		
Bonds payable	80,000	60,000
Long-term borrowings	105,780	96,750
Provision for officer remuneration BIP trust	777	1,192
Other	1,652	1,227
Total non-current liabilities	188,209	159,169
Total liabilities	238,180	294,288
Net assets		
Shareholders’ equity		
Share capital	31,974	31,974
Capital surplus		
Legal capital surplus	9,474	9,474
Other capital surplus	239,400	239,400
Total capital surplus	248,874	248,874
Retained earnings		
Other retained earnings		
Retained earnings brought forward	68,719	77,513
Total retained earnings	68,719	77,513
Treasury shares	(13,526)	(13,316)
Total shareholders’ equity	336,043	345,046
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	78	128
Total valuation and translation adjustments	78	128
Total net assets	336,121	345,175
Total liabilities and net assets	574,302	639,463

2) Non-consolidated Statement of Income

(Millions of yen)

		Fiscal year ended February 28, 2023		Fiscal year ended February 29, 2024
Operating revenue				
Dividend income	*1	9,379	*1	10,536
Consulting fee income	*1	5,859	*1	5,975
Total operating revenue		15,238		16,512
General and administrative expenses	*1,*2	6,278	*1,*2	7,972
Operating profit		8,959		8,539
Non-operating income				
Interest income	*1	672	*1	578
Dividend income	*1	69	*1	939
Other		45		199
Total non-operating income		787		1,717
Non-operating expenses				
Interest expenses	*1	608	*1	545
Interest on bonds		280		260
Amortization of bond issuance costs		61		54
Provision of allowance for doubtful accounts	*3	30	*3	100
Commitment fees		383		193
Loss on investments in investment partnerships		34		311
Other		63		49
Total non-operating expenses		1,462		1,515
Ordinary profit		8,284		8,741
Extraordinary income				
Gain on sale of shares of subsidiaries and associates		–	*4	8,870
Total extraordinary income		–		8,870
Extraordinary losses				
Loss on valuation of investment securities		–	*5	656
Loss on valuation of shares of subsidiaries and associates		–	*6	614
Total extraordinary losses		–		1,271
Profit before income taxes		8,284		16,341
Income taxes - current		(1,276)		(1,013)
Income taxes - deferred		1,112		103
Total income taxes		(163)		(909)
Profit		8,448		17,251

3) Non-consolidated Statement of Changes in Equity

Fiscal year ended February 28, 2023

(Millions of yen)

	Shareholders' equity							
		Capital surplus			Retained earnings			
					Other retained earnings			
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	31,974	9,474	239,400	248,874	68,200	68,200	(13,816)	335,233
Changes during period								
Dividends of surplus					(7,928)	(7,928)		(7,928)
Profit					8,448	8,448		8,448
Purchase of treasury shares							(8)	(8)
Disposal of treasury shares			(0)	(0)			299	299
Net changes in items other than shareholders' equity								
Total changes during period	–	–	(0)	(0)	519	519	290	809
Balance at end of period	31,974	9,474	239,400	248,874	68,719	68,719	(13,526)	336,043

	Valuation and translation adjustments		
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Total net assets
Balance at beginning of period	7	7	335,241
Changes during period			
Dividends of surplus			(7,928)
Profit			8,448
Purchase of treasury shares			(8)
Disposal of treasury shares			299
Net changes in items other than shareholders' equity	70	70	70
Total changes during period	70	70	879
Balance at end of period	78	78	336,121

Fiscal year ended February 29, 2024

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	31,974	9,474	239,400	248,874	68,719	68,719	(13,526)	336,043
Changes during period								
Dividends of surplus					(8,457)	(8,457)		(8,457)
Profit					17,251	17,251		17,251
Purchase of treasury shares							(7)	(7)
Disposal of treasury shares			(0)	(0)			217	217
Net changes in items other than shareholders' equity								
Total changes during period			(0)	(0)	8,793	8,793	209	9,003
Balance at end of period	31,974	9,474	239,400	248,874	77,513	77,513	(13,316)	345,046

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	78	78	336,121
Changes during period			
Dividends of surplus			(8,457)
Profit			17,251
Purchase of treasury shares			(7)
Disposal of treasury shares			217
Net changes in items other than shareholders' equity	50	50	50
Total changes during period	50	50	9,054
Balance at end of period	128	128	345,175

Notes to Non-consolidated Financial Statements

(Notes on premise of going concern)

No items to report

(Significant accounting policies)

1. Basis and method of valuation of assets
   (1) Shares of subsidiaries and associates

   Stated at cost using the moving-average method

   (For investments in limited liability investment partnerships (deemed to be securities based on Paragraph 2, Article 2 of the Financial Instruments and Exchange Act), these are stated by the net amount corresponding to the Company's equity share based on the most recent obtainable financial statements depending on the reporting date established by the partnership agreement.)

   (2) Available-for-sale securities

   Other than stocks and other securities with no market price

   Stated at fair value based on the market prices at the fiscal year-end (Valuation differences are included in net assets; cost of securities sold is determined by the moving-average method)

   Stocks and other securities with no market price

   Stated at cost using the moving-average method

2. Basis and method of valuation of derivatives

   Derivatives

   Stated at fair value

3. Basis and method of valuation of inventories

   Supplies

   Stated at cost using the FIFO method (the book value is written down based on the decreased profitability)

4. Depreciation method of non-current assets
   (1) Property, plant and equipment (excluding leased assets)

   Straight-line method

   (2) Intangible assets (excluding leased assets)

   Straight-line method

   Internal use software is amortized using the straight-line method over the internally expected useful life (five years).

   (3) Leased assets

   Leased assets in finance leases that do not transfer ownership are depreciated using the straight-line method with zero residual value assuming the lease periods as useful lives.

5. Accounting method for deferred assets

   Bond issuance costs

   Amortized using the straight-line method over the period until redemption

6. Accounting policy for provisions

(1) Allowance for doubtful accounts

To prepare for losses from bad debt, an estimated uncollectible amount is provided.

(2) Provision for bonuses

To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.

(3) Provision for bonuses for directors (and other officers)

To prepare for the payment of bonuses to corporate officers, the amount expected to be paid is provided.

(4) Provision for officer remuneration BIP trust

To prepare for the granting of the Company's shares through an officer remuneration BIP trust, the amount equivalent to the value of shares in proportion to the number of points awarded to officers in accordance with the Stock Benefit Rules is provided.

7. Accounting policy for revenues and expenses

Revenue generated from contracts with customers for the Company, which is a holding company, mainly consists of consulting fee income and dividend income from subsidiaries. Income from consulting fees is recognized as revenue in equal amounts over the contract period because the performance obligation is to provide management, planning and other guidance to subsidiaries, and such performance obligations are satisfied on a recurring basis. Income from dividends is recognized as of the effective date.

8. Hedge accounting method

(1) Hedge accounting method

Exceptional treatment is applied to interest rate swaps that satisfy the requirements for exceptional treatment.

(2) Hedging instruments and hedged items

(i) Hedging instruments

Interest rate swaps

(ii) Hedged items

Borrowings and interest expenses on borrowings

(3) Hedging policy

Based on the risk management policy, hedging is undertaken to hedge interest rate fluctuation risk.

(4) Method for assessing the hedge effectiveness

At the end of each fiscal year, hedge effectiveness with respect to the hedged items and hedging instruments is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions, such as principal, interest rate, and duration, are identical between the assets or liabilities of hedged items and hedging instruments.

(Significant accounting estimates)

1. Recoverability of deferred tax assets

(1) Amounts recorded in financial statements for the current fiscal year

Deferred tax assets ¥346 million

(2) Other information contributing to understanding the details of accounting estimates

This information is omitted here as it is presented under "4. Significant Accounting Estimates and Judgments" in the notes to consolidated financial statements.

(Changes in accounting policies)

No items to report

(Changes in presentation)

1. Non-consolidated balance sheet

   "Deposits received from subsidiaries and associates" (¥2,000 million in the previous fiscal year), which was included in "Deposits received" in the previous fiscal year is recorded separately in the current fiscal year due to its increased materiality.

2. Non-consolidated statement of income

   "Loss on investments in investment partnerships" (¥34 million in the previous fiscal year), which was included in "Non-operating expenses" in the previous fiscal year is recorded separately in the current fiscal year due to its increased materiality.

(Notes to non-consolidated statement of income)

*1. Transactions with subsidiaries and associates

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Operating transactions		
Operating revenue	15,238	16,512
General and administrative expenses	889	887
Non-operating transactions	672	1,490

*2. Major components of general and administrative expenses

(Millions of yen)

	Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024
Officer remuneration	799	686
Employees' salaries	1,016	1,249
Provision for bonuses	194	236
Provision for bonuses for directors (and other officers)	122	104
Retirement benefit expenses	64	55
Welfare expenses	273	325
Taxes and dues	331	368
Depreciation	281	321
Rent expenses	265	161
Operational costs	1,068	1,703
Business consignment expenses	536	1,000
Miscellaneous expenses	331	507

*3. Provision of allowance for doubtful accounts

Fiscal year ended February 28, 2023

Loans to the subsidiary and associate JFR Kodomo Mirai Co., Ltd. were recognized as provision of allowance for doubtful accounts.

Fiscal year ended February 29, 2024

Loans to the subsidiary and associate JFR Kodomo Mirai Co., Ltd. were recognized as provision of allowance for doubtful accounts.

*4. Gain on sale of shares of subsidiaries and associates

Fiscal year ended February 29, 2024

Gain on sale was recognized in association with the sale of shares in the subsidiary and associate StylingLife Holdings Inc.

*5. Loss on valuation of investment securities

Fiscal year ended February 29, 2024

Loss on valuation was recognized for shares of the invested Financie, Inc.

*6. Loss on valuation of shares of subsidiaries and associates

Fiscal year ended February 29, 2024

Loss on valuation was recognized for shares in the subsidiary and associate XENOZ CO., Ltd.

(Notes on securities)

Shares of subsidiaries and associates

As of February 28, 2023

(Millions of yen)

Category	Carrying amount	Fair value	Difference
Shares of subsidiaries	–	–	–
Total	–	–	–

Note: Carrying amount of non-marketable stocks and other securities not included in the above table

(Millions of yen)

Category	Carrying amount
Shares of subsidiaries	368,045
Shares of associates	10,147
Investments in investment partnerships, etc.	148

As of February 29, 2024

(Millions of yen)

Category	Carrying amount	Fair value	Difference
Shares of subsidiaries	–	–	–
Total	–	–	–

Note: Carrying amount of non-marketable stocks and other securities not included in the above table

(Millions of yen)

Category	Carrying amount
Shares of subsidiaries	367,430
Shares of associates	15
Investments in investment partnerships, etc.	460

(Notes on tax effect accounting)

1. The breakdown of deferred tax assets and liabilities by major cause

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Deferred tax assets		
Provision for bonuses	59	72
Accrued insurance expenses	8	13
Accrued enterprise tax	35	38
Tax loss carryforwards	707	534
Allowance for doubtful accounts for subsidiaries and associates	275	306
Loss on valuation of shares of subsidiaries and associates	61	249
Loss on valuation of investment securities	–	200
Provision for officer remuneration BIP trust	119	160
Loss on impairment of non-current assets	112	112
Excess depreciation expense	–	142
Other	95	256
Subtotal deferred tax assets	1,475	2,087
Valuation allowance	(922)	(1,656)
Total deferred tax assets	552	431
Deferred tax liabilities		
Asset retirement obligations	(20)	(15)
Valuation difference on available-for-sale securities	(34)	(56)
Business tax refund receivable	(14)	(2)
Other	(10)	(10)
Total deferred tax liabilities	(80)	(85)
Net amount of deferred tax assets	472	346

2. Reconciliation of significant difference between effective statutory tax rate and effective income tax rate after application of tax effect accounting

(Millions of yen)

	As of February 28, 2023	As of February 29, 2024
Effective statutory tax rate (%)	30.6	30.6
(Adjustments)		
Permanent non-taxable income for tax purposes (e.g., dividend income)	(34.9)	(41.0)
Permanent non-deductible expenses for tax purposes (e.g., entertainment expenses)	0.8	0.4
Per capita inhabitant tax	0.1	0.0
Valuation allowance	1.8	2.7
Other	(0.3)	1.7
Effective income tax rate after application of tax effect accounting	(2.0)	(5.6)

3. Accounting treatment for income taxes and local income taxes and related tax effect accounting

The Company shifted from the consolidated taxation system to the Japanese group relief system in the current fiscal year. Accordingly, accounting treatment for and disclosure of income taxes and local income taxes and tax effect accounting are in accordance with Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (The Accounting Standards Board of Japan (ASBJ) Practical Solution No. 42, August 12, 2021. Hereinafter "Practical Solution No. 42"). The Company considers that there is no effect of the accounting policy that is associated with the application of Practical Solution No. 42 based on Paragraph 32 (1) of Practical Solution No. 42.

(Notes on business combinations)

No items to report

(Notes on revenue recognition)

The basis for understanding revenues is described in "Notes (Significant accounting policies) 7. Accounting policy for revenues and expenses."

(Significant subsequent events)

Purchase of treasury shares

Notes are omitted concerning the purchase of own shares as the same information is presented in "Significant subsequent events" in the Notes to Consolidated Financial Statements.

4) Annexed detailed schedules

[Annexed detailed schedule of property, plant and equipment, etc.]

(Millions of yen)

Category	Type of assets	Balance at beginning of period	Increase during the period	Decrease during the period	Amortization during the period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings and structures	185	–	–	25	160	42
	Other	34	–	–	5	28	18
	Total	219	–	–	30	189	60
Intangible assets	Software	1,348	3,392	2,229	290	2,221	–
	Total	1,348	3,392	2,229	290	2,221	–

[Annexed detailed schedule of provisions]

(Millions of yen)

Category	Balance at beginning of period	Increase during the period	Decrease during the period	Balance at end of period
Allowance for doubtful accounts	900	100	–	1,000
Provision for bonuses	194	236	194	236
Provision for bonuses for directors (and other officers)	122	104	122	104
Provision for officer remuneration BIP trust	956	721	317	1,360

(2) Components of major assets and liabilities

The information has been omitted as the consolidated financial statements are prepared.

(3) Other

No items to report

VI. Outline of Share-Related Administration of Reporting Company

<table>
<tr><td>Fiscal year</td><td colspan="2">From March 1 to the last day of February</td></tr>
<tr><td>Annual Shareholders Meeting</td><td colspan="2">May</td></tr>
<tr><td>Record date</td><td colspan="2">Last day of February</td></tr>
<tr><td>Record dates for dividends of surplus</td><td colspan="2">Last day of February
August 31</td></tr>
<tr><td>Number of shares per share unit</td><td colspan="2">100 shares</td></tr>
<tr><td>Purchase of shares less than one unit
Office for handling business

Shareholder register administrator

Forwarding office
Handling charge for purchase</td><td colspan="2">
(Special account)
1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Mitsubishi UFJ Trust and Banking Corporation
Stock Transfer Agency
(Special account)
1-4-5 Marunouchi, Chiyoda-ku, Tokyo
Mitsubishi UFJ Trust and Banking Corporation
–
No charge</td></tr>
<tr><td>Method of public notice</td><td colspan="2">The public notices of the Company shall be given by electronic means. However, in the case of unavoidable circumstances, such as an accident which prevents the use of the public notice by electronic means, they shall be placed in The Nikkei newspaper.</td></tr>
<tr><td rowspan="2">Special benefits for shareholders</td><td>(i)</td><td>For shareholders owning at least 100 shares as of the last day of February and new shareholders owning at least 100 shares as of August 31, the “Daimaru Matsuzakaya shopping courtesy card,” which entitles cardholders to a 10% discount when shopping at marked prices at department stores operated by Daimaru Matsuzakaya Department Stores Co. Ltd. (Daimaru Shinsaibashi store, Daimaru Umeda store, Daimaru Tokyo store, Daimaru Kyoto store, Daimaru Kobe store, Daimaru Suma store, Daimaru Ashiya store, Daimaru Sapporo store, Daimaru Shimonoseki store, Matsuzakaya Nagoya store, Matsuzakaya Takatsuki store, Matsuzakaya Ueno store, Matsuzakaya Shizuoka store), The Hakata Daimaru, Inc. (Fukuoka Tenjin store), Kochi Daimaru Co., Ltd., and also spending at Daimaru Matsuzakaya ONLINE STORE and DEPACO, will be issued on the following basis.

For shareholders as of the last day of February, the courtesy cards will be issued in May, with an annual spending limit set according to the number of shares owned as described below. (Valid from mid-May (the date of delivery) until May 31 the following year)
<table>
<tr><td rowspan="2">Number of shares owned as of the end of February</td><td colspan="2">Spending limit</td></tr>
<tr><td>Duration of ownership: Less than 3 years</td><td>Duration of ownership: 3 years or more</td></tr>
<tr><td>100 to 499 shares</td><td>¥0.5 million per year</td><td>¥1.5 million per year</td></tr>
<tr><td>500 to 999 shares</td><td>¥1.0 million per year</td><td>¥2.0 million per year</td></tr>
<tr><td>1,000 to 3,999 shares</td><td>Additional ¥1.0 million for every 1,000 shares</td><td>Additional ¥1.0 million for every 1,000 shares</td></tr>
<tr><td>4,000 shares or more</td><td>¥5.0 million per year (upper limit)</td><td>¥6.0 million per year (upper limit)</td></tr>
</table>
For new shareholders as of August 31, the courtesy cards will be issued in November, with an annual spending limit according to the number of shares owned set at half of the above amounts. (Valid from mid-November (the date of delivery) until May 31 the following year)</td></tr>
<tr><td>(ii)</td><td>By presenting the “Daimaru Matsuzakaya shopping courtesy card,” shareholders may gain entry free of charge for themselves and a guest to cultural events subject to admission fees held at facilities operated by Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd. (gallery spaces in Sapporo, Shibuya, Nagoya, Shinsaibashi, Fukuoka, etc.).
Note: Complimentary admission may not apply to all cultural events.</td></tr>
</table>

Note: The Company stipulates the rights regarding shares less than one unit in its Articles of Incorporation. According to the stipulation, the holders of shares less than one unit shall not be entitled to exercise the rights of shareholders in connection with such shares less than one unit other than those rights listed below:

(1) Rights set forth in items of Article 189, paragraph (2) of the Companies Act;

(2) Right to make a demand pursuant to the provisions of Article 166, paragraph (1) of the Companies Act;

(3) Right to receive an allotment of offered shares and offered share acquisition rights in proportion to the number of shares held by the shareholder; and

(4) Right to demand the purchase of additional shares less than one unit

VII. Reference Information of Reporting Company

1. Information about parent company, etc. of reporting company

The Company does not have a parent company, etc. as prescribed in Article 24-7, paragraph (1) of the Financial Instruments and Exchange Act.

2. Other reference information

From the beginning of this fiscal year until the filing date of this Annual Securities Report, the Company has filed the following documents.

(1) Annual Securities Report, Attached Documents and Written Confirmation

Fiscal year 16th fiscal year (from March 1, 2022 to February 28, 2023)

Filed to Director-General of Kanto Local Finance Bureau on May 26, 2023

(2) Internal Control Report

Filed to Director-General of Kanto Local Finance Bureau on May 26, 2023

(3) Quarterly Securities Reports and Written Confirmations

First quarter of the 17th fiscal year (from March 1, 2023, to May 31, 2023)

Filed to Director-General of Kanto Local Finance Bureau on July 12, 2023

Second quarter of the 17th fiscal year (from June 1, 2023, to August 31, 2023)

Filed to Director-General of Kanto Local Finance Bureau on October 12, 2023

Third quarter of the 17th fiscal year (from September 1, 2023, to November 30, 2023)

Filed to Director-General of Kanto Local Finance Bureau on January 11, 2024

(4) Extraordinary Securities Reports

Filed to Director-General of Kanto Local Finance Bureau on May 26, 2023

Extraordinary Securities Report based on Article 19, paragraph (2), item (ix)-2 (Results of Exercise of Voting Rights at the Shareholders Meeting) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

Filed to Director-General of Kanto Local Finance Bureau on February 6, 2024

Extraordinary Securities Report based on Article 19, paragraph (2), item (ix) (Change in Representative Director) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

(5) Amended Shelf Registration Statements

Filed to Director-General of Kanto Local Finance Bureau on May 26, 2023

Filed to Director-General of Kanto Local Finance Bureau on February 6, 2024

Amended Shelf Registration Statements pertaining to Shelf Registration Statement filed on March 2, 2022

B. Information About Reporting Company’s Guarantor, Etc.

No items to report