Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.
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Securities code: 3086
May 6, 2021

To Our Shareholders

YOSHIMOTO Tatsuya
Director, President and Representative Executive Officer
J. FRONT RETAILING Co., Ltd.
10-1, Ginza 6-chome, Chuo-ku, Tokyo

Notice of Convocation of the 14th Annual Shareholders Meeting

You are hereby notified that the 14th Annual Shareholders Meeting of J. FRONT RETAILING Co., Ltd. (hereinafter the "Company") will be held on Thursday, May 27, 2021.

There will be discussion of the current status of the Company's business and related issues, and the proposal to be presented at the Shareholders Meeting will be explained.

We look forward to the continued understanding and support of all our shareholders.

Date and Time: Thursday, May 27, 2021, at 10:00 a.m. (JST) (Reception opens at 9:30 a.m.)

Venue: New Pier Hall
11-1, Kaigan 1-chome, Minato-ku, Tokyo

Purpose of the meeting:

Matters to be reported:
1. Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements for the 14th fiscal year (from March 1, 2020 to February 28, 2021)
2. Audit reports of the Accounting Auditor and the Audit Committee on Consolidated Financial Statements for the 14th fiscal year

Matters to be resolved: Proposal: Election of Twelve (12) Directors

Decisions made for convocation:

Please refer to Guide to the Exercise of Voting Rights on pages 3 to 4.

* Please note that persons who are not shareholders who can exercise voting rights, such as proxies who are not shareholders, and accompanying persons, will not be admitted. (The accompanying persons of shareholders with disabilities are exempt and will be admitted.)
However, institutional investors who hold shares in the names of trust banks, etc. and do not hold shares in their own names will be admitted, on condition that they fulfilled the requirements and procedures provided for in the Company's Articles of Incorporation and Share Handling Regulations.

- Of the documents attached to Notice of Convocation of the Annual Shareholders Meeting, Systems to ensure properness of operations <Basic Policy to Build Internal Control System>* in the Business Report, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements are provided on the Company's website in accordance with relevant laws and regulations and Article 16 of the Company's Articles of Incorporation, hence are not indicated on this Notice of Convocation.

  * "Operational status of systems to ensure properness of operations <Basic Policy to Build Internal Control Systems>" is included in this Notice of Convocation.
- Business Report, which has been audited by the Audit Committee, and Consolidated Financial Statements and Non-consolidated Financial Statements, which have been audited by the Audit Committee and the Accounting Auditor, shall include not only the documents stated in this Notice of Convocation, but also Systems to ensure properness of operations <Basic Policy to Build Internal Control System>, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements, which are provided on the Company's website.
- If any amendments to Reference Materials for Shareholders Meeting, Business Report, Consolidated Financial Statements or Non-consolidated Financial Statements are made, the revised version will be provided on the Company's website.

The Company's website: https://www.j-front-retailing.com/

In view of the situation of the novel coronavirus disease (COVID-19), and with the safety of our shareholders as our top priority, we strongly request that shareholders refrain from attending the Annual Shareholders Meeting in person this year as much as possible and exercise voting rights via either postal mail or the Internet in advance.

Please refer to page 3 for details on how to exercise voting rights in advance.
Exercise due date of your voting rights: Received by 6:00 p.m. on Wednesday, May 26, 2021 (JST)

We will conduct the "live streaming of the meeting via Internet" on the day of the meeting.

▶Please refer to pages 5 to 6 for details.

Guide to the Exercise of Voting Rights

Exercising voting rights via the Internet
Please read the following items before exercising voting rights via the Internet.
Exercise due date: Received by 6:00 p.m. on Wednesday, May 26, 2021 (JST)

(Instructions concerning the exercise of voting rights via the Internet)

How to scan QR code
You can log in to the voting website without entering your login ID and temporary password printed on the voting form.

1. Scan QR code printed on the voting form (at right).
   *"QR code" is a registered trademark of DENSO WAVE INCORPORATED.
2. Follow the directions that appear on the screen to input approval or disapproval to each proposal.
   The QR code can be used for login only one time.
   If you need to exercise your voting rights again or exercise your voting rights without using the QR code, see "How to enter login ID and temporary password."

How to enter login ID and temporary password
Voting website: https://evote.tr.mufg.jp/
Access the voting website.
Enter the "Login ID" and the "Temporary password" shown on the voting form and click the "Login" button.
Set a new password.
Follow the directions that appear on the screen to input approval or disapproval to each proposal.

Handling of cases where voting rights are exercised in duplicate by the same shareholder both in writing and by an electromagnetic means
The voting rights exercised by an electromagnetic means shall be treated as valid. If the same shareholder exercises his/her voting rights by an electromagnetic means more than once, only the last exercise of voting rights shall be treated as valid.

For inquiries about the system, please contact:

Corporate Agency Division (Help Desk)
Mitsubishi UFJ Trust and Banking Corporation
(Toll free) 0120-173-027
(available 9:00 a.m. – 9:00 p.m., only in Japan)

To institutional investors

To exercise voting rights at this meeting, institutional investors can use the electronic voting rights exercise platform for institutional investors operated by ICJ, Inc.

Exercising voting rights by postal mail
Please indicate on the enclosed voting form whether you approve or disapprove of the proposal, and return the completed form to us.
Exercise due date: Received by 6:00 p.m. on Wednesday, May 26, 2021 (JST)

Attending the Shareholders Meeting in person
Please submit the enclosed voting form at the reception of the meeting.

In view of the situation of the novel coronavirus disease (COVID-19), and with the safety of our shareholders as our top priority, we strongly request that shareholders refrain from attending the Annual Shareholders Meeting in person this year as much as possible.

Measures to prevent COVID-19 infection

- Please make sure to wear a mask to protect yourself and others from COVID-19.
(You may be refused entry if you do not wear one.)
- We ask for your cooperation in disinfecting your hands with alcohol and taking your temperature at the entrance of the venue.
- Please note that we may ask you to refrain from entering the venue if the temperature check shows that you have a fever of more than 37.5 degrees Celsius or if you look unwell.
- The Company’s officers and staff will wear a mask and respond at the venue after checking their physical condition.
- The proceedings of this Annual Shareholders Meeting will be shortened to prevent COVID-19 infection.

Guide to live streaming of the meeting via Internet
The Annual Shareholders Meeting will be live streamed via the Internet for you to view the proceedings of the meeting at home or other locations.

1. Date and time of the live streaming
From 10:00 a.m. on Thursday, May 27, 2021 to the closing time of the Annual Shareholders Meeting
***A live streaming web page is available from around 9:30 a.m., approximately 30 minutes before the start time of the Annual Shareholders Meeting.**

2. How to view the live streaming
Please prepare in advance your Shareholder ID (Shareholder Number) and password (postal code) required on the shareholder authentication page (login screen), and access the following website for live streaming.

Website for live streaming: https://www.virtual-sr.jp/users/j-front-retailing/login.aspx

(i) Shareholder ID: **Shareholder Number** (eight-digit number) shown on the voting form, etc.
(ii) Password: **Postal code** of the address registered in the shareholders' register as of the end of February 2021 (seven-digit number without a hyphen)

The **Shareholder ID (Shareholder Number)** and **Password (postal code)** are printed on the voting form.

***Please be sure to take a note of your Shareholder Number before posting your voting form.** If you forget your ID and/or password, please contact us at the contact number listed below "Contact information for inquiries about live streaming" on page 6.

(Note)
(ii) "Password (Postal code)" may differ from the postal code printed on the voting form (because the password does not reflect information such as on change of address made after the record date of the Annual Shareholders Meeting or on mailing address designated for the voting form to be sent). Shareholders residing outside Japan who have designated a standing proxy are requested to enter the postal code of the proxy.

3. Important notice
(1) Due to unavoidable circumstances, we might be unable to provide the live streaming. In that case, a notice will be posted on the Company's website (https://www.j-front-retailing.com/).
<u>(2) Shareholders viewing the live streaming are not considered to be attending the Annual Shareholders Meeting under the Companies Act, and therefore, will not be able to exercise their voting rights or make any comments, including questions on the day. Please exercise your voting rights in advance by following the instructions on page 3 on this Notice of Convocation.</u>
(3) Viewing will be restricted to shareholders only.
(4) It is strictly prohibited to capture, record audio or video of, or save the live streaming, or to publish it on SNS or other media.
(5) Please note that due to the Internet communication environment and other factors, the video and audio may be distorted, or the streaming may be interrupted.
(6) The live streaming may not be viewable depending on the device used or the network environment connected.
(7) Fees for accessing the website for viewing (Internet access fees, communication fees, etc.) shall be borne by the shareholder.

(Contact information for inquiries about live streaming)
Mitsubishi UFJ Trust and Banking Corporation Tel: 0120-191-060
Service period
May 27, 2021 (the day of the Annual Shareholders Meeting) From 9:00 a.m. to the closing time of the Annual Shareholders Meeting from 9:00 a.m. to the closing time of the Annual Shareholders Meeting

Questions will be accepted in advance via the Internet

We will accept questions from shareholders in advance on the Company's website.
We plan to answer questions frequently asked by shareholders at the Annual Shareholders Meeting.
Please note that we do not respond to individual inquiries.

Please access the dedicated website for receiving questions using the URL or QR code below to fill in the Question Submission Form.

URL:	https://krs.bz/jfr/m?f=1
Due date for receipt of questions:	by 6:00 p.m. on Thursday, May 20, 2021

Reference Materials for Shareholders Meeting

Proposal and Reference Information

Proposal: Election of Twelve (12) Directors

The terms of office of all 13 Directors will expire at the conclusion of this Annual Shareholders Meeting. Accordingly, based on the decision of the Nomination Committee, the Company has made the number of Director candidates 12, reducing the number of Directors by one, and proposes the election of those candidates.

If the candidates for Director in this proposal are elected as proposed, the Board of Directors will have 12 Directors with one less Inside Director, half of the members (six out of 12) will be independent Outside Directors, and three female Directors. The Company believes that this structure will allow the Board to promote management from a shareholder-oriented perspective, continue to facilitate the appropriate functioning of the Company's three statutory committees (nomination, audit, and remuneration), and exercise diverse supervisory functions. Furthermore, the Company has reviewed the composition of its three statutory committees, and will reduce the number of members in each committee from five to four and will only select Directors who do not execute business as members for the Nomination Committee and the Remuneration Committee. Consequently, in matters such as the determination of the plan for the selection and dismissal of Representative Executive Officers and the decision of individual remuneration, the Company believes that it can expect the further strengthening of management supervision functions due to the increase of objectivity and transparency. The candidates for the Directors are as follows.

Furthermore, of the candidates for Director, please refer to "3. Matters relating to corporate officers" in the Business Report regarding the status of activities of four Outside Directors who are proposed for reappointment, and "6. Operation of the Board of Directors" and "7. Operations of each Committee" in the Business Report regarding the status of operations of the Board of Directors and each committee.

Skills expected of candidates for Director

In selecting candidates for the Board of Directors, the Company takes the perspective of strengthening management supervisory functions, and, within the scope of the number of members specified in the Articles of Incorporation, considers the balance of the numbers of supervisors and executives. In addition, in order to effectively fulfill the roles and responsibilities of the Board of Directors, the Board shall consist of personnel with experience and knowledge in key areas related to the Company's business management.

In selecting candidates for Outside Director, the Company selects persons from the point of view of Board diversity who have experience as managers not in the retailing industry that forms the core of the Company's business but in manufacturing and other non-retail industries, and who have expertise in legal, accounting audit and other fields. With regard to candidates for non-executive Inside Director, wide-ranging practical experience within the Group and specialized knowledge in fields such as auditing are sought by the Company. As for candidates for executive Director, the Company has selected a person responsible for the Financial Department whose high level of knowledge will facilitate the execution of the strategic financial policies demanded by our shareholders and investors as well as persons responsible for the Group's core subsidiaries, which are Daimaru Matsuzakaya Department Stores and PARCO.

No.	Name	Attribute				Committee to belong (The “◎” mark indicates the candidates of Chairperson.)		
						Nomination	Audit	Remuneration
1	YAMAMOTO Ryoichi (Note 1) Chairperson Male	Reappointment	Non-executive			○		○
2	HAMADA Kazuko (Note 2) Female	New	Non-executive				○	
3	YAGO Natsunosuke Male	Reappointment	Non-executive	Independent	Outside	◎		○
4	HAKODA Junya Male	New	Non-executive	Independent	Outside		◎	
5	UCHIDA Akira Male	Reappointment	Non-executive	Independent	Outside	○		◎
6	SATO Rieko (Note 3) Female	Reappointment	Non-executive	Independent	Outside		○	
7	SEKI Tadayuki Male	Reappointment	Non-executive	Independent	Outside		○	
8	KOIDE Hiroko Female	New	Non-executive	Independent	Outside	○		○
9	YOSHIMOTO Tatsuya Male	Reappointment	Executive					
10	SAWADA Taro Male	Reappointment	Executive					
11	MAKIYAMA Kozo Male	Reappointment	Executive					
12	WAKABAYASHI Hayato Male	Reappointment	Executive					

No.	Name	Expected skills as Candidate for Director								
		Management strategies	Finance	Marketing	Human resource & organization development	Legal affairs & compliance	IT & digital	E: Environment	S: Society	G: Governance
1	YAMAMOTO Ryoichi Chairperson (Note 1)	○		○				○		○
2	HAMADA Kazuko (Note 2)				○				○	○
3	YAGO Natsunosuke	○						○		○
4	HAKODA Junya	○	○							○
5	UCHIDA Akira	○	○							○
6	SATO Rieko (Note 3)					○	○		○	○
7	SEKI Tadayuki		○			○			○	
8	KOIDE Hiroko	○		○	○					
9	YOSHIMOTO Tatsuya	○		○				○		○
10	SAWADA Taro	○		○			○		○	
11	MAKIYAMA Kozo	○		○	○		○		○	
12	WAKABAYASHI Hayato	○	○		○					

(Notes) 1. If the election of YAMAMOTO Ryoichi is approved in this proposal, the Company plans to select him once again as the Chairperson of Board of Directors at a Board of Directors meeting that is to be held after this Annual Shareholders Meeting.
2. HAMADA Kazuko is recorded under the name of HIMENO Kazuko in the family register.
3. SATO Rieko is recorded under the name of KAMATA Rieko in the family register.
4. The Company plans to elect eight Executive Officers who do not concurrently serve as Directors at a Board of Directors meeting that is to be held after this Annual Shareholders Meeting.

Reappointment	Candidate for reappointment as Director
New	Candidate for new Director
Non-executive	Candidate for Director who does not concurrently serve as Executive Officer
Executive	Candidate for Director who concurrently serves as Executive Officer
Independent	Independent officer whose status as such is registered with the stock exchange
Outside	Candidate for Outside Director

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company</th></tr>
<tr><td rowspan="10">1</td><td rowspan="10">YAMAMOTO Ryoichi
(March 27, 1951)

Gender: Male

Number of the Company’s shares owned (shares):
95,667

Special interests between the Company and the Candidate:
None

Number of attendance at the Board of Directors meetings for the 14th fiscal year:
15/15

Number of attendance at the meetings of Nomination Committee
14/14

Number of attendance at the meetings of Remuneration Committee
15/15

Tenure as Director (at the conclusion of this Meeting):
approx. 13 years and 9 months</td><td>April 1973</td><td>Joined The Daimaru, Inc.</td></tr>
<tr><td>May 2003</td><td>President and COO and General Manager of Department Store Operations, Group Headquarters</td></tr>
<tr><td>September 2007</td><td>Director of J. Front Retailing Co., Ltd.
In charge of Sales Reform and Out-of-Store Sales (gaisho) Reform Promotion
Executive General Manager of Department Store Operations Headquarters and Planning Office for New Umeda Store, Head Office of The Daimaru, Inc.
Director of Matsuzakaya Co., Ltd.</td></tr>
<tr><td>March 2008</td><td>Executive General Manager of Sales Headquarters, Head Office of The Daimaru, Inc.</td></tr>
<tr><td>March 2010</td><td>President of Daimaru Matsuzakaya Department Stores Co. Ltd.</td></tr>
<tr><td>September 2012</td><td>President of Daimaru Matsuzakaya Department Stores Co. Ltd. and President of Daimaru Matsuzakaya Sales Associates Co. Ltd.</td></tr>
<tr><td>April 2013</td><td>President and Representative Director of J. Front Retailing Co., Ltd.</td></tr>
<tr><td>May 2017</td><td>Director, President and Representative Executive Officer</td></tr>
<tr><td>May 2020</td><td>Director, Chairperson of Board of Directors (present)</td></tr>
<tr><td></td><td></td></tr>
<tr><td colspan="4">Reasons for nomination as candidate for Director and overview of expected roles
-YAMAMOTO Ryoichi possesses broad-based insight and a high-level overview gained through his abundant experience spanning overall retail operations. Since being appointed as President and Representative Director of the Company in April 2013, he has been precisely and efficiently managing business of the Group overall. In addition to formulating a new Group Vision that showed the direction of management strategies that is necessary considering the external environment surrounding the Group and leading its permeation, he has been demonstrating strong leadership in positioning the corporate governance code at the center of change and reform of corporate management. In light of his track record and abundant experience, and to achieve the Group Vision and sustainability management in a business environment where uncertainty is increasing, the Company expects him, as an Inside Director who is well versed in the Group’s overall strategy and the roles and expectations of individual businesses, to help ensure the improved corporate value and sustained growth of the Group by serving as the Chairperson of Board of Directors and conducting supervisory operations that consider all stakeholders. As such, the Company has nominated him as a candidate to continue serving as Director.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company</th></tr>
<tr><td>2</td><td>New Candidate
HAMADA Kazuko
(Name in the family register: HIMENO Kazuko)
(September 6, 1962)

Gender: Female
Number of the Company’s shares owned (shares):
None
Special interests between the Company and the Candidate:
None</td><td>April 1985
September 2000

March 2002
March 2005
March 2007
March 2010
March 2013
March 2015
May 2020</td><td>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 (present)</td></tr>
<tr><td colspan="4">**Reasons for nomination as candidate for Director and overview of expected roles**
-HAMADA Kazuko served as store manager of the Kichijoji and Shintokorozawa stores at Parco Co., Ltd. before being appointed as Executive Officer of the company in March 2010. She then engaged in initiatives such as planning a senior management development program as Executive Officer in charge of Administration and Personnel. Based on such abundant experience, she has broad insight in the areas of store operations and business management of Parco Co., Ltd. as well as corporate diversity promotion. Furthermore, she was in charge of the Group Audit Office from March 2015, and served as Auditor from May 2020, contributing to strengthening the audit function of Parco. The Company expects her to help ensure the improved corporate value and sustained growth of the Group, particularly through the maximization of group synergies with Parco, which has become a wholly owned subsidiary of the Company, by utilizing her abundant knowledge based on her achievements and experience and fulfilling appropriate management supervisory function, and therefore has newly nominated her as a candidate to serve as Director.</td></tr>
</table>

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company	
3	Independent Outside Director YAGO Natsunosuke (May 16, 1951) Gender: Male Number of the Company's shares owned (shares): **2,208** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 14th fiscal year: **12/12** Number of attendance at the meetings of Nomination Committee **11/11** Number of attendance at the meetings of Remuneration Committee **11/11** Tenure as Director (at the conclusion of this Meeting): **approx. 1 year**	April 1977	Joined EBARA CORPORATION
		June 2002	Executive Officer
		April 2004	Senior Executive Officer, Group Executive of Precision Machinery Group, 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
		April 2005	Director and Chairman of Ebara Precision Machinery Taiwan Inc.
		June 2005	Director, President of Precision Machinery Company and General Manager of Fujisawa Operation
		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 (present)
		May 2020	Outside Director of J. Front Retailing Co., Ltd. (present)
		Important concurrent positions Outside Director of SUBARU CORPORATION	

Reasons for nomination as candidate for Outside Director and overview of expected roles

-YAGO Natsunosuke has been involved in top-level company management for many years, and has abundant experience in strengthening financial bases and in compliance management. He also possesses highly specialized knowledge of internal control and corporate governance gained through his experience of being involved in the transition 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 on the overall management strategy of a holding company, including approaches to setting appropriate targets for structural reform, how to identify issues for the formulation of medium-term business plans, the ideal form of management in matrix management, and how to set and assess materiality and specific promotion measures thereof. Moreover, he has contributed to strengthening the management personnel function by providing necessary advice as appropriate on transparent and fair decision making of officer personnel appointment plan and when deliberating on the Nomination Committee's operational policies focusing on succession plan as a member of the Nomination Committee, as well as facilitating deliberation on specific remuneration amounts and revisions to the officer remuneration system, etc. as the Chairperson of the Remuneration Committee, 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. As such, he has been nominated as a candidate to continue serving as Outside Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company	
4	New Candidate Independent Outside Director HAKODA Junya (July 10, 1951) Gender: Male Number of the Company's shares owned (shares): **None** Special interests between the Company and the Candidate: **None**	April 1974	Joined Mitsubishi Rayon Co., Ltd. (present Mitsubishi Chemical Corporation)
		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
		June 2015	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 (present)
		August 2020	Vice Chairperson of the Committee on Training and Research for Outside Officers (present)
		Important concurrent positions Member of the Ethics Committee of the Japanese Institute of Certified Public Accountants Vice Chairperson of the Committee on Training and Research for Outside Officers, Japanese Institute of Certified Public Accountants	

Reasons for nomination as candidate for Outside Director and overview of expected roles

-HAKODA Junya was involved in accounting audits, management consulting, and internal audits of auditing firms, etc. as a certified public accountant for many years at PricewaterhouseCoopers, 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). In light of his track record, abundant experience and high level of insight, the Company expects that he will apply them to the appropriate supervision of management in the Group, and has accordingly appointed him as a candidate to serve as a new Outside Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company	
5	Independent Outside Director UCHIDA Akira (October 4, 1950) Gender: Male Number of the Company's shares owned (shares): **3,118** Number of other shares as stock-based remuneration not yet granted (shares): **1,933** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 14th fiscal year: **15/15** Number of attendance at the meetings of Nomination Committee **11/11** Number of attendance at the meetings of Remuneration Committee **11/11** Number of attendance at the meetings of Audit Committee **5/5** Tenure as Director (at the conclusion of this Meeting): **approx. 2 years**	April 1975	Joined Toray Industries, Inc.
		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. (present)
		Important concurrent positions Outside Director of Yokogawa Electric Corporation (Concurrent positions in the Group) Director of Daimaru Matsuzakaya Department Stores Co. Ltd.	

Reasons for nomination as candidate for Outside Director and overview of expected roles

-UCHIDA Akira possesses broad experience and knowledge in the corporate division, as a manager in charge of management planning and IR, and 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 how to strengthen collaboration among organizations that will lead to group synergies, clarify the chain of command in promoting structural reforms and digital initiatives, and formulate and communicate visions and strategies expected by stakeholders, as well as approaches to ESG and CSV management that will lead to increased corporate value. Moreover, he has contributed to strengthening the management personnel function, by facilitating deliberation on specific remuneration amounts and revisions to the officer remuneration system, etc., as the Chairperson of the Remuneration Committee, as well as by providing necessary advice as appropriate on transparent and fair decision making of officer personnel appointment plan and when deliberating on the Nomination Committee's operational policies focusing on succession plan as a member of the Nomination Committee. In light of his track record and abundant insight, the Company expects him to contribute greatly to management of the Group. As such, he has been nominated as a candidate to continue serving as Outside Director.

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company</th></tr>
<tr><td rowspan="11">6</td><td rowspan="11">Independent
Outside Director
SATO Rieko
(Name in the family register: KAMATA Rieko)
(November 28, 1956)

Gender: Female
Number of the Company's shares owned (shares):
1,777
Number of other shares as stock-based remuneration not yet granted (shares):
3,866
Special interests between the Company and the Candidate:
None
Number of attendance at the Board of Directors meetings for the 14th fiscal year:
14/15
Number of attendance at the meetings of Audit Committee
18/18
Tenure as Director (at the conclusion of this Meeting):
approx. 3 years</td><td>April 1984</td><td>Registered as attorney at law</td></tr>
<tr><td>August 1989</td><td>Shearman & Sterling LLP</td></tr>
<tr><td>July 1998</td><td>Partner of Ishii Law Office (present)</td></tr>
<tr><td>June 2004</td><td>External Audit & Supervisory Board Member of Ajinomoto Co., Inc.</td></tr>
<tr><td>June 2012</td><td>Outside Corporate Auditor of NTT DATA CORPORATION</td></tr>
<tr><td>June 2015</td><td>Outside Director of The Dai-ichi Life Insurance Company, Limited</td></tr>
<tr><td>October 2016</td><td>Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc. (present)</td></tr>
<tr><td>May 2018</td><td>Outside Director of J. Front Retailing Co., Ltd. (present)</td></tr>
<tr><td>May 2019</td><td>Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)</td></tr>
<tr><td>June 2020</td><td>Outside Director (Member of the Audit and Supervisory Committee) of NTT DATA CORPORATION (present)
Outside Audit & Supervisory Board Member of Mitsubishi Corporation (present)</td></tr>
<tr><td colspan="2">Important concurrent positions
Partner and attorney at law of Ishii Law Office
Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc.
Outside Director (Member of the Audit and Supervisory Committee) of NTT DATA CORPORATION
Outside Audit & Supervisory Board Member of Mitsubishi Corporation
(Concurrent positions in the Group)
Director of Daimaru Matsuzakaya Department Stores Co. Ltd.</td></tr>
<tr><td colspan="4">Reasons for nomination as candidate for Outside Director and overview of expected roles
-SATO Rieko possesses abundant experience as an outside director and outside audit & supervisory board member at other companies, in addition to having made a career in handling many projects with in-depth and specialized knowledge as an attorney at law specializing in corporate legal affairs. She has contributed to improving the effectiveness of the Board of Directors by providing active advice and oversight from legal perspectives on how to promote structural reforms, points to keep in mind in conducting them, the importance of analyzing the future environment in medium- to long-term strategies, and what digital-based services customers expect, etc. Moreover, as a member of the Audit Committee, she has endeavored to strengthen the audit function by auditing the execution of duties by Directors and Executive Officers of the company with three committees (nomination, audit, and remuneration committees), while engaging in discussions from the perspective of legality and appropriateness related to items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee. In light of her track record and abundant insight, the Company expects her to contribute greatly to management of the Group. As such, she has been nominated as a candidate to continue serving as Outside Director.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company</th></tr>
<tr><td rowspan="2">7</td><td rowspan="2">Independent
Outside Director
SEKI Tadayuki
(December 7, 1949)

Gender: Male
Number of the Company’s shares owned (shares):
984
Special interests between the Company and the Candidate:
None
Number of attendance at the Board of Directors meetings for the 14th fiscal year:
12/12
Number of attendance at the meetings of Audit Committee
13/13
Tenure as Director (at the conclusion of this Meeting):
approx. 1 year</td><td>April 1973
June 1998

June 2004
April 2007
June 2009

April 2010
May 2011
April 2013
April 2014

April 2015
May 2016
June 2016

April 2017
June 2017
July 2017

May 2020</td><td>Joined ITOCHU Corporation
General Manager, Finance Division, ITOCHU International Inc. (Stationed in New York)
Executive Officer of ITOCHU Corporation, CFO of Food Company
Managing Executive Officer, General Manager of Finance Division
Representative Director, Managing Director, Chief Officer for Finance, Accounting, Risk Management and CFO
Representative Director, Senior Managing Executive Officer
Representative Director, Senior Managing Executive Officer and CFO
Representative Director, Executive Vice President and CFO
Representative Director, Executive Vice President, Executive Advisory Officer, CFO & CAO
Adviser
External Director of Parco Co., Ltd.
Outside Director of NIPPON VALQUA INDUSTRIES, LTD. (present VALQUA, LTD.) (present)
Advisory Member of ITOCHU Corporation (present)
Outside Director of JSR Corporation (present)
Outside Statutory Auditor of Asahi Mutual Life Insurance Company (present)
Outside Director of J. Front Retailing Co., Ltd. (present)
Director of Parco Co., Ltd. (present)</td></tr>
<tr><td colspan="2">Important concurrent positions
Outside Director of VALQUA, LTD.
Outside Director of JSR Corporation
Outside Statutory Auditor of Asahi Mutual Life Insurance Company
(Concurrent positions in the Group)
Director of Parco Co., Ltd.</td></tr>
<tr><td colspan="4">**Reasons for nomination as candidate for Outside Director and overview of expected roles**
-SEKI Tadayuki was involved in international business management and risk management at a general trading company for many years, and has extensive experience in finance and accounting as CFO, as well as abundant experience as an outside director and outside corporate auditor of multiple companies. He has contributed to improving the effectiveness of the Board of Directors by actively and affirmatively providing advice to the Board of Directors on how to promote structural reforms, how the Payment and Finance Businesses and new businesses should be structured in the Medium-term Business Plan, and how to formulate capital cost-conscious financial strategies, etc. As a member of the Audit Committee, he has contributed to strengthening the audit function by auditing the execution of duties by Directors and Executive Officers of the company with three committees (nomination, audit, and remuneration committees), while engaging in discussions from the perspective of legality, appropriateness, etc. related to items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee. In light of his track record and high level of insight, the Company expects him to contribute greatly to management of the Group. As such, he has been nominated as a candidate to continue serving as Outside Director.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company</th></tr>
<tr><td rowspan="2">8</td><td rowspan="2">New Candidate
Independent
Outside Director
KOIDE Hiroko
(August 10, 1957)

Gender: Female
Number of the Company's shares owned (shares):
None
Special interests between the Company and the Candidate:
None</td><td>September 1986
May 1993
April 2001
April 2006
April 2008
November 2010
January 2013
April 2013
June 2016
April 2018
June 2019</td><td>Joined J. Walter Thompson Japan K.K. (present J. Walter Thompson Japan G.K.)
Joined Nippon Lever K.K. (present Unilever Japan K.K.)
Director
General Manager of Marketing Management Division of Masterfoods Ltd. (present Mars Japan Limited)
Chief Operating Officer
President and Representative Director of Parfums Christian Dior Japon K.K.
Outside Director of Kirin Co., Ltd.
Senior Vice President of Global Marketing of Newell Rubbermaid Inc. (U.S.) (present Newell Brands Inc.)
Outside Director of Mitsubishi Electric Corporation (present)
Director of Vicela Japan Co., Ltd.
Outside Director of Honda Motor Co., Ltd (present)
Outside Director of J-OIL MILLS, Inc. (present)</td></tr>
<tr><td colspan="2">Important concurrent positions
Outside Director of Mitsubishi Electric Corporation
Outside Director of Honda Motor Co., Ltd
Outside Director of J-OIL MILLS, Inc.</td></tr>
<tr><td colspan="4">Reasons for nomination as candidate for Outside Director and overview of expected roles
- KOIDE Hiroko served as an officer at foreign companies for many years, also engaged in corporate management as the head of marketing at the head office of a U.S. company, and therefore has abundant experience in global management and knowledge based on her extensive experience in the marketing field. She also has wide-ranging insight as an outside director of multiple listed companies. In light of her track record, abundant experience, and deep knowledge, the Company expects that she will apply them to the appropriate supervision of management in the Group, and has accordingly appointed her as a candidate to serve as a new Outside Director.</td></tr>
</table>

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company	
9	YOSHIMOTO Tatsuya (April 13, 1956) Gender: Male Number of the Company's shares owned (shares): **75,004** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 14th fiscal year: **15/15** Number of attendance at the meetings of Nomination Committee **11/11** Number of attendance at the meetings of Remuneration Committee **11/11** Tenure as Director (at the conclusion of this Meeting): **approx. 8 years**	April 1979 March 2000 January 2008 May 2008 January 2010 March 2010 May 2012 April 2013 May 2013 May 2017 May 2020	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 (present)

Reasons for nomination as candidate for Director and overview of expected roles

-YOSHIMOTO Tatsuya has abundant experience and insight into the whole of the Department Store Business, particularly those areas related to business management, planning and store operations. Since being appointed as President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. in April 2013, he has been involved in executing existing high-quality department store business strategy considering the roles and expectations of the Department Store Business under the Group's strategy, and formulating a new Department Store Business strategy in reaction to the massive changes in the external environment. He has been demonstrating swift and resoundingly effective leadership based on a strong results-oriented approach aimed at realizing these initiatives. Since 2017, as Representative Managing Executive Officer of the Company, he has accumulated further knowledge based on his experiences in management reform in relation to business management and corporate governance for the Group as a whole. Since being appointed as President and Representative Executive Officer of the Company in May 2020, he has exercised leadership in leading the entire Group amid the severe business environment, and in formulating group strategies to achieve sustainability management in the Medium-term Business Plan starting this fiscal year. In light of his track record and experience, the Company expects that he will help ensure the improved corporate value and sustained growth of the Group and has accordingly nominated him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company	
10	SAWADA Taro (January 17, 1960) Gender: Male Number of the Company's shares owned (shares): **20,114** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 14th fiscal year: **12/12** Tenure as Director (at the conclusion of this Meeting): **Approx. 1 year** (Reference) Tenure as Director before April 2020 **Approx. 1 year** (May 24, 2018 to May 23, 2019)	April 1983	Joined The Daimaru, Inc.
		June 2004	Department Manager of Sales Promotion Department, Sales Planning & CS Promotion Division of Kobe Store
		March 2010	Division Manager of Management Planning Division of Daimaru Matsuzakaya Department Stores Co. Ltd.
		January 2011	Executive Store Manager of Daimaru Kobe
		May 2011	Corporate Officer
		May 2012	Executive Store Manager of Daimaru Osaka Shinsaibashi
		September 2015	Executive Store Manager of Daimaru Osaka Shinsaibashi and Executive General Manager of Shinsaibashi New Store Planning Office
		July 2016	Executive General Manager of Management Planning Unit
		March 2017	Executive General Manager of Management Planning Unit, Senior General Manager of Management Planning Division and Executive General Manager of Future Standard Laboratory
		May 2017	Director and Managing Executive Officer
		May 2018	Director of J. Front Retailing Co., Ltd. Managing Executive Officer Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management
		March 2019	Senior General Manager of New Business Division
		May 2020	Director of J. Front Retailing Co., Ltd. (present) Senior Managing Executive Officer of J. Front Retailing Co., Ltd. (present) President of Daimaru Matsuzakaya Department Stores Co. Ltd. (present) President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd. (present)
		Important concurrent positions (Concurrent positions in the Group) President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd.	

Reasons for nomination as candidate for Director and overview of expected roles

-SAWADA Taro has served in management in Daimaru Matsuzakaya Department Stores Co. Ltd., serving as Executive Store Manager of Daimaru Kobe and Executive Store Manager of Daimaru Osaka Shinsaibashi, and since being appointed as Executive General Manager of Shinsaibashi New Store Planning Office in September 2015, he has accumulated valuable practical experience as the person responsible for formulating the master plan for rebuilding the main building of the Shinsaibashi Store and promoting the action plan, possessing in-depth insight and the ability to lead organizations in planning and proposals. From July 2016, he has coordinated the Medium-term Business Plan as the Executive General Manager of Management Planning Unit of Daimaru Matsuzakaya Department Stores, and has been involved in projects to create business models from a broad perspective with new ideas. From 2018, as the Senior Executive General Manager of Management Strategy Unit of the Company, he has been promoting the Group Medium-term Business Plan, leading the conception, planning and promotion toward making the Group Vision a reality. Since being appointed as President of Daimaru Matsuzakaya Department Stores Co. Ltd. in May 2020, he has demonstrated leadership in formulating a new Department Store Business strategy, including efforts to redefine the department store business in the Medium-term Business Plan starting this fiscal year, based on the role and expectations of the department store business under the Group Strategy. In light of his track record, the Company expects that he will help ensure the improved corporate value and sustained growth of the Group in acting as a manager of Daimaru Matsuzakaya Department Stores, and has accordingly nominated him as a candidate to continue serving as Director.

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company</th></tr>
<tr><td rowspan="2">11</td><td rowspan="2">MAKIYAMA Kozo
(August 28, 1958)

Gender: Male
Number of the Company's shares owned (shares):
26,844
Special interests between the Company and the Candidate:
None
Number of attendance at the Board of Directors meetings for the 14th fiscal year:
15/15
Tenure as Director (at the conclusion of this Meeting):
approx. 8 years</td><td>April 1981
March 2004

March 2007

March 2008

May 2008
March 2009
March 2010
March 2011
May 2011
May 2013
May 2017
May 2020</td><td>Joined Parco Co., Ltd.
Executive Officer, Executive General Manager of Store Operation Division
Managing Executive Officer, Executive General Manager of Store Management Division
Senior Executive Officer, Senior Executive General Manager of Store Operation Headquarters and Executive General Manager of Store Management Division
Director and Senior Executive Officer
Supervisor of Store Operation Division
In charge of Store Management
In charge of Business Management
Director, President and Representative Executive Officer
Director of J. Front Retailing Co., Ltd. (present)
Managing Executive Officer
Senior Managing Executive Officer (present)
Representative Director, President and Executive Officer of Parco Co., Ltd. (present)</td></tr>
<tr><td colspan="2">Important concurrent positions
(Concurrent positions in the Group)
Representative Director, President and Executive Officer of Parco Co., Ltd.</td></tr>
<tr><td colspan="4">Reasons for nomination as candidate for Director and overview of expected roles
-MAKIYAMA Kozo serves as Representative Director, President and Executive Officer of Parco Co., Ltd., and has abundant experience and insight related to the business management and store operations of Parco. Drawing on a sufficient understanding of Parco roles and expectations under the Group's strategy, he promotes the management vision leveraging attributes of Parco, and is proactively expanding into new store makeups that are symbolized by the opening of the new Shibuya PARCO and new business fields. When Parco became a wholly owned subsidiary of the Company, he demonstrated resoundingly effective leadership based on his ability to act as a unifying force within the organization. In opening Shinsaibashi PARCO, he helped realize a new store image that symbolizes the maximization of group synergy. In addition, he continuously takes on challenges for sustainable growth. For example, in formulating the Medium-term Business Plan, he sets his sights on the future, 50 years from now, considering the roles and expectations of Parco under the Group's strategy. In light of his track record, the Company expects that he will help ensure the improved corporate value and sustained growth of the Group in acting as a manager of Parco, and has accordingly nominated him as a candidate to continue serving as Director.</td></tr>
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<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company</th></tr>
<tr><td rowspan="2">12</td><td rowspan="2">WAKABAYASHI Hayato
(August 31, 1961)

Gender: Male
Number of the Company’s shares owned (shares):
12,165
Special interests between the Company and the Candidate:
None
Number of attendance at the Board of Directors meetings for the 14th fiscal year:
15/15
Tenure as Director (at the conclusion of this Meeting):
approx. 5 years</td><td>April 1985
April 1998
April 2007
February 2009
July 2013
May 2015
September 2015
March 2016
May 2016
March 2017
May 2017
May 2018
May 2020</td><td>Joined Matsushita Electric Industrial Co., Ltd. (present Panasonic Corporation)
President of Panasonic Financial Center Malaysia Co., Ltd.
Director and Chief Executive Officer of Matsushita Electric (China) Finance Limited
Finance Planning Team Leader (Manager), Headquarters Finance & IR Group of Panasonic Corporation
General Manager, Finance & IR Group, Corporate Strategy Division and Finance Strategy Team Leader of Panasonic Corporation (Director)
Joined J. Front Retailing Co., Ltd.
In charge of Finance Policy, Administration Unit
Executive Officer
In charge of Financial Strategy and Policy, Administration Unit
Senior Executive General Manager of Financial Strategy Unit (present) and in charge of Finance Policy
Director (present)
In charge of Financing and Finance Policy
Managing Executive Officer (present)
Senior General Manager of Financing and Finance Policy Division
Director of Parco Co., Ltd. (present)</td></tr>
<tr><td colspan="2">Important concurrent positions
(Concurrent positions in the Group)
Director of Parco Co., Ltd.</td></tr>
<tr><td colspan="4">Reasons for nomination as candidate for Director and overview of expected roles
-WAKABAYASHI Hayato has pursued a career mainly in the financial realm of Panasonic Corporation and its group companies, and as such has adequate insight and sufficient experience related to financial policy with respect to enhancing financial standing, improving levels of cash management and other such initiatives. As such, he was invited into the Group in May 2015 and has established and promoted a financial strategy encompassing the entire Group. From 2016, he has led the transition to IFRS with an eye to the future, and began its application during the previous Medium-term Business Plan. Amid the severe business environment caused by COVID-19, he has raised funds to support the continuation of corporate activities by implementing appropriate financial measures. In addition to such achievements and in-depth insight on finance, he has the commensurate abilities as a management professional in terms of his strategic and transformation-minded leadership, strong results-oriented approach and other such attributes. As such, the Company expects that he will help ensure the improved corporate value and sustained growth of the Group by executing duties acting as a Director, and has accordingly nominated him as a candidate to continue serving as Director.</td></tr>
</table>

Special notes regarding the candidates for Director

-The Company has entered into an agreement with candidates for reappointment as Directors YAMAMOTO Ryoichi, YAGO Natsunosuke, UCHIDA Akira, SATO Rieko and SEKI Tadayuki individually to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act as prescribed in Paragraph 1, Article 427 of the said Act. If the election of the new candidates for Director HAMADA Kazuko, HAKODA Junya and KOIDE Hiroko is approved under this proposal, the Company plans to enter into the same agreement with each of the three candidates.

-The Company has entered into a Directors and Officers liability insurance contract with an insurance company as prescribed in Paragraph 1, Article 430-3 of the Companies Act. Under such insurance contract, the Company will bear the full amount of insurance premiums for all the insured. The insurance policy covers all Directors and Executive Officers of the Company and all Directors and Audit & Supervisory Board Members of its subsidiaries. All candidates for reappointment as Directors and new candidate for Director HAMADA Kazuko (Auditor of Parco Co., Ltd.) are included in the insured persons of the said insurance contract. If the election of the new candidates for Director HAKODA Junya and KOIDE Hiroko is approved under this proposal, the Company plans to include both of them as the insured under the insurance contract.

-Candidates for reappointment as Directors YAGO Natsunosuke, UCHIDA Akira, SATO Rieko and SEKI Tadayuki are independent officers who have been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders. If the election of the new candidates for Director HAKODA Junya and KOIDE Hiroko is approved under this proposal, the Company plans to register both of them as independent officers.

(Reference) The Company's criteria for determining independence of Outside Directors are as follows.

In appointing the Company's Outside Directors, we select individuals who maintain a high degree of independence and consequently are not susceptible to conflicts of interest involving the Company's shareholders. An individual does not meet the criteria for independence if one or more of the items listed below apply to that individual.

(i) Person who executes business in the J. Front Retailing Group (the "Group")

(ii) Major shareholder of the Company (including person who executes business thereof; the same applies with items (iii) to (vi) below)

(iii) Major business partner of the Group

(iv) Person affiliated with a law office, audit firm, consultancy or other entity that receives payment other than executive compensation of more than a certain amount from the Group

(v) Recipient of donations of more than a certain amount contributed by the Group

(vi) Related party in cases where the party is engaged in an arrangement involving a reciprocal officer appointment with the Group

(vii) Person with respect to whom any of items (i) to (vi) has applied at any point over the last five years

(viii) Spouse or relative within the second degree of consanguinity of a person with respect to whom any of the items (i) to (vii) applies

With respect to the above, "person who executes business" refers to an Executive Director, an Executive Officer, and any other employee; "major shareholder" refers to a shareholder who holds voting rights accounting for no less than 10% of the Company's voting rights; "major business partner" refers to a business partner whose transactions with the Group account for 2% or more of the Company's annual consolidated net sales or the business partner's annual net sales for any of the fiscal years over the last five years; "a certain amount" refers to an annual amount of ¥10 million in any of the fiscal years over the last five years.

[Reference Document for the 14th Annual Shareholders Meeting]

Business Report (From March 1, 2020 to February 28, 2021)

1. Current status of the corporate group

(1) Business summary and results

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

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

Responding to the novel coronavirus (COVID-19)

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

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

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

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

Initiatives toward the achievement of medium- and long-term growth

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

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

Along with such efforts to reinforce our foundation toward the achievement of medium- and long-term growth, we worked on the formulation of a new Medium-term Business Plan starting from FY2021. Regarding the reform of management structure that is included in the plan, we aim to work on improving revenue by accelerating the transformation of business models and streamlining business operations by restructuring the Group's business to quickly build a future growth platform, while taking a serious look at the future survivability and growth potential of each of our businesses. As part of such efforts, in light of environmental changes in each of our businesses and the future survivability of the market, we decided to close Tsudanuma PARCO and Shintokorozawa PARCO in the PARCO Business (on February 28, 2023, and February 29, 2024, respectively), and excluded J. Front Foods Co., Ltd., which is engaged in the restaurant business, from the scope of consolidated subsidiaries by transferring all the shares in the company in February.

Consolidated revenue for the fiscal year under review

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

In this environment, despite securing a profit of ¥2,366 million in business profit as a result of controlling investments and reducing expenses throughout the fiscal year, operating loss was ¥24,265 million (operating profit of ¥40,286 million in the previous fiscal year) as a result of reclassification of fixed costs primarily due to suspending store operations, and the recording of expenses, such as those for store closures and impairment loss. Loss before tax was ¥28,672 million (profit before tax of ¥37,161 million in the previous fiscal year), and loss attributable to owners of parent was ¥26,193 million (profit attributable to owners of parent of ¥21,251 million in the previous fiscal year) due to an increase in expenses as a result of reversing the deferred tax assets of subsidiaries.

Regarding, dividends, given the unprecedented business environment as well as severe earnings forecasts and financial conditions, the Company paid an interim dividend of ¥9 per share (¥18 in the previous fiscal year), but from the perspective of ensuring stable dividend payments to shareholders, has decided to pay a year-end dividend of ¥18 per share, which is the same as the previous fiscal year. As a result, the annual dividend is ¥27 per share.

Results by segment are as follows.

Revenue and operating profit by business segment of the corporate group

(Millions of yen)

Business segment	13th fiscal year (Fiscal 2019)				14th fiscal year (Current fiscal year) (Fiscal 2020)			
	Revenue		Operating profit		Revenue		Operating profit	
	Results	Composition	Results	Composition	Results	Composition	Results	Composition
		%		%		%		%
Department Store Business	263,748	54.9	17,625	43.7	164,024	51.4	(22,199)	–
PARCO Business	112,212	23.3	10,823	26.9	68,861	21.6	(6,895)	–
Real Estate Business	17,793	3.7	6,725	16.7	15,372	4.8	1,986	–
Credit and Finance Business	10,719	2.2	1,908	4.7	9,035	2.8	421	–
Total	404,474	84.1	37,082	92.0	257,294	80.6	(26,687)	–
Other	123,275	25.7	4,700	11.7	95,722	30.0	2,852	–
Adjustments	(47,128)	(9.8)	(1,496)	(3.7)	(33,937)	(10.6)	(430)	–
Consolidated total	480,621	100.0	40,286	100.0	319,079	100.0	(24,265)	100.0

<Department Store Business>

Due to the spread of COVID-19, we downsized operations at each of our department stores from March. After the declaration of state of emergency in April, we suspended operations at almost all the stores, excluding the food sales floors. Despite successively restarting operations in the middle of May, both the number of customers visiting stores and sales decreased significantly throughout the year, reflecting self-curfew and the reconsideration of the events and sales from the perspective of avoiding "Three Cs" (closed spaces, crowded places, and close-contact settings) and overseas travel restrictions.

Meanwhile, we promoted the enhancement of product lineups in the "Daimaru Matsuzakaya Online Shopping" to meet stay-at-home demand; the offering of remote sales services, through which customers can enjoy shopping at home; and sales activities using digital technologies such as the visit reservation system. In addition, we carried out new activities amid the COVID-19 pandemic, such as the installment of non-contact collection boxes of used clothing for the "ECOFF Recycle Campaign," in which customers can participate.

Besides that, customers were invited to the Daimaru Shinsaibashi store in conjunction with the opening of Shinsaibashi PARCO, and a mutual customer referral campaign using both Daimaru's and PARCO's house cards was implemented.

As part of the restructuring of regional suburban department stores, we brought Shimonoseki Daimaru under direct management. Then, we re-opened the Daimaru Shimonoseki store in March. In addition, we proceeded with creating community-based stores at the Daimaru Ashiya store and the Daimaru Suma store.

Despite our efforts including capital investments and reduction of expenses throughout the fiscal year, coupled with various measures such as those mentioned above, revenue decreased significantly to ¥164,024 million, down 37.8% year on year, partly due to the stagnation in both domestic and inbound spending, and operating loss was ¥22,199 million (operating profit of ¥17,625 million in the previous fiscal year) partly due to the recording of impairment loss.

(Reference) Net sales by company, store and product of the Department Store Business (Japanese GAAP) are as follows.

Net sales by company and store of the Department Store Business (Millions of yen)

Company / Store			Amount	Composition	Year-on-year changes
				%	%
Daimaru Matsuzakaya Department Stores Co. Ltd.					
	Daimaru				
		Osaka Shinsaibashi store	41,646	8.9	(51.2)
		Osaka Umeda store	37,937	8.1	(41.0)
		Tokyo store	38,784	8.3	(51.0)
		Kyoto store	47,041	10.1	(29.6)
		Kobe store	57,633	12.3	(22.6)
		Suma store	6,893	1.5	(13.7)
		Ashiya store	3,420	0.7	(22.4)
		Sapporo store	41,772	8.9	(36.2)
		Shimonoseki store	8,115	1.8	(35.2)
		Sub total	283,245	60.6	(38.6)
	Matsuzakaya				
		Nagoya store	86,489	18.5	(25.6)
		Ueno store	28,913	6.2	(26.1)
		Shizuoka store	14,863	3.2	(25.1)
		Takatsuki store	5,787	1.2	(26.8)
		Toyota store	5,075	1.1	(26.5)
		Sub total	141,129	30.2	(25.8)
	Sub total		424,374	90.8	(34.8)
The Hakata Daimaru, Inc.			35,003	7.5	(33.9)
Kochi Daimaru Co., Ltd.			7,948	1.7	(28.2)
Elimination			(118)	(0.0)	12.3
Total			467,208	100.0	(34.7)

(Note) The Shimonoseki Daimaru, Inc. was merged and absorbed into Daimaru Matsuzakaya Department Stores Co. Ltd. on March 1, 2020, and renamed the Daimaru Shimonoseki store.

Net sales by product of the Department Store Business (Millions of yen)

Product	Amount	Composition	Year-on-year changes
		%	%
Men's clothing and haberdashery	28,347	6.1	(38.7)
Ladies' clothing and haberdashery	143,313	30.7	(32.6)
Children's clothing and haberdashery	6,719	1.4	(46.8)
Kimono, bedding and other clothing	5,587	1.2	(37.7)
Accessories	33,634	7.2	(39.6)
Furniture	3,747	0.8	(31.0)
Home appliances	290	0.1	(22.7)
Household goods	13,470	2.9	(33.4)
Food products	117,088	25.1	(27.1)
Food halls and cafes	9,367	2.0	(55.2)
General goods	82,985	17.8	(43.6)
Services	1,531	0.3	(51.1)
Other	21,243	4.4	0.4
Elimination	(118)	(0.0)	–
Total	467,208	100.0	(34.7)

<PARCO Business>

As a result of the impact of the spread of COVID-19, we suspended store operations and shortened operating hours, and were forced to restrict entrance to entertainment venues, which caused both the number of customers visiting stores and tenant transaction volume to decrease significantly. In this environment, in order to further progress customer communication, we worked on new digital measures, such as strengthening the “PARCO ONLINE STORE” in cooperation with suppliers, holding online exhibitions, promoting live commerce and implementing e-commerce services for overseas.

Additionally, in November, we opened Shinsaibashi PARCO, the first store for PARCO to open in Shinsaibashi, Osaka in approximately nine years. Despite opening in the midst of the rebound of the pandemic, the store has been visited by a broad range of customers and maintained sales exceeding expectations.

Despite securing a profit of ¥2,062 million in business profit as a result of initiatives, such as cutting capital investments, cost of sales and expenses, in addition to various measures such as those mentioned above, revenue was ¥68,861 million, down 38.6% year on year, partly due to a rebound following the sales of reserve floor space in the Shibuya redevelopment project in the previous fiscal year. Furthermore, operating loss was ¥6,895 million (operating profit of ¥10,823 million in the previous fiscal year) partly due to the recording of store closure-related expenses.

(Reference) Tenant transaction volume by store of PARCO (on a gross basis) is as follows.

Tenant transaction volume by store of PARCO (Millions of yen)

Store	Amount	Composition	Year-on-year changes	Store	Amount	Composition	Year-on-year changes
		%	%			%	%
Sapporo PARCO	7,055	3.9	(42.3)	Shintokorozawa PARCO	7,952	4.4	(21.0)
Sendai PARCO	13,646	7.6	(32.6)	Tsudanuma PARCO	8,716	4.8	(27.3)
Urawa PARCO	21,266	11.8	(21.7)	Hibarigaoka PARCO	5,858	3.2	(23.5)
Ikebukuro PARCO	14,459	8.0	(45.8)	Matsumoto PARCO	3,712	2.1	(29.5)
PARCO_ya Ueno	3,360	1.8	(42.0)	Total of community complex group	26,240	14.5	(32.9)
Kichijoji PARCO	5,353	3.0	(44.7)	Total of city and community complex groups	180,424	100.0	(30.3)
Shibuya PARCO	11,877	6.6	25.8				
Kinshicho PARCO	6,332	3.5	(29.4)				
Chofu PARCO	14,388	8.0	(22.6)				
Shizuoka PARCO	6,968	3.9	(29.0)				
Nagoya PARCO	20,705	11.5	(38.9)				
Shinsaibashi PARCO	4,122	2.2	–				
Hiroshima PARCO	10,104	5.6	(33.0)				
Fukuoka PARCO	14,542	8.1	(34.5)				
Total of city complex group	154,184	85.5	(29.8)				

(Notes) 1. The tenant transaction volume represents the total amount of tenant transactions at PARCO stores.
2. Shibuya PARCO opened on November 22, 2019.
3. Shinsaibashi PARCO opened on November 20, 2020.

(Real Estate Business)

As was the case with the Department Store Business and the PARCO Business, rental income decreased due to a drop in tenant sales impacted by self-curfew as well as being forced to suspend the operations of facilities and shorten operating hours of facilities. On the other hand, we promoted the development in the Nagoya Sakae area to make the area more appealing to customers by working with the Matsuzakaya Nagoya store and Nagoya PARCO. Specifically, in July, we entered into a basic agreement for the "development of Nishiki 3-chome District 25," which is scheduled to complete and open in 2026, and opened "BINO SAKAE" in November.

Despite various measures such as those mentioned above, revenue was ¥15,372 million, down 13.6% year on year, partly due to the impact of rent concessions on fixed rent income during the suspension period and decreased percentage rents, and operating profit was ¥1,986 million, down 70.5% year on year, due to a rebound following the recording of gain on sale of property in the previous fiscal year.

<Credit and Finance Business>

In order to strengthen business, we updated Daimaru Matsuzakaya Card in January to enhance services and introduced a new point program "QIRA POINT." We also started the offering of a personal card loan service "QIRA LOAN - BRIGHT LIFE -" in February.

Despite various measures such as those mentioned above, revenue was ¥9,035 million, down 15.7% year on year, partly due to decreased transaction volume at department stores and increased costs associated with the update of the card, and operating profit was ¥421 million, down 77.9% year on year, due to changes in the method of recording annual membership fees.

<Other>

The electronic devices division of Daimaru Kogyo, which is engaged in the wholesale business, had strong performance. Despite this, revenue was ¥95,722 million, down 22.4% year on year, and operating profit was ¥2,852 million, down 39.3% year on year, as a result of a reactionary drop in the design and construction contracting business engaged by J. Front Design & Construction, following the special demand associated with the renovation of the main building of the Daimaru Shinsaibashi store in the previous fiscal year; and an adverse impact on Dimple's personnel recruitment business resulting from the suspension of operations at its client facilities.

(2) Explanation of financial position

(Assets, liabilities, and equity as of February 28, 2021)

Total assets as of February 28, 2021 was ¥1,263,722 million, up ¥23,414 million compared with February 29, 2020. Total liabilities was ¥899,378 million, an increase of ¥58,751 million compared with February 29, 2020. Interest-bearing liabilities (including lease liabilities) was ¥562,815 million, up ¥84,042 million compared with February 29, 2020.

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

(Cash flow position)

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

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

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

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

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

(3) Status of capital investment

The basic approach taken regarding the Group's recurring capital investment is to keep such investment within the scope of the amount of depreciation. In the current fiscal year, total capital investments were ¥29,996 million, as a result of curtailing investments, excluding those for opening Shinsaibashi PARCO.

(i) Major facilities completed during the current fiscal year

Mainly, in the Department Store Business this included building of the north wing of the Daimaru Shinsaibashi store, and in the PARCO Business this included asset purchases associated with new opening of Shinsaibashi PARCO.

(ii) New establishments and expansions of major facilities with ongoing construction works during the current fiscal year

Not applicable.

(iii) Sales, removals and losses of major non-current assets

Not applicable.

(4) Status of procurement

The Group's basic policy is to source funds needed for business activities using internally generated funding. Moreover, when the need arises for business investment or other expenditures, such funds are procured 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 centralized and streamlined means of procuring funds by means of intra-Group financing using a cash management system. PARCO also completed centralizing fund procurement timed to coincide with it becoming a wholly owned subsidiary to generate the Group synergies and facilitate the highly efficient management.

For the current fiscal year, based on the above policy, funds were procured in the following ways to prepare for a shortage of funds resulting from the spread of the infectious disease and secure sufficient cash on hand. They consisted of procuring ¥82,000 million in long-term borrowings and ¥47,000 million in current borrowings from financial institutions, and ¥66,000 million through commercial papers. In addition to the redemption of the third unsecured straight bonds of ¥10,000 million, after having repaid current borrowings of ¥60,000 million and long-term borrowings of ¥23,400 million, the interest-bearing liabilities (excluding lease liabilities) increased by ¥101,700 million compared to the end of the previous fiscal year to ¥359,900 million, and the balance of cash and deposit stood at ¥128,900 million. The commitment line of ¥300,000 million was also set in preparation for a cash shortage possibly caused by the unexpectedly lingering spread of infectious disease.

(5) Issues to be addressed

1. Preparation of the Medium-term Business Plan

The Group positioned the period of the previous Medium-term Business Plan starting in fiscal 2017 as a phase of changing its structure towards transforming its business portfolio. Under the new Group Vision, "Create and Bring to Life 'New Happiness'," we have steadily worked to expand our business domain and transform the business models of our existing businesses, as well as promoting ESG management and so forth. Further, the Group established a system enabling the Group-wide initiatives to be undertaken to evolve fundamental but flexible portfolios by making PARCO a wholly owned subsidiary and consolidating the Real Estate Business.

Meanwhile, the spread of COVID-19 has had a significant impact on social and economic activities in Japan and overseas, and the Group was obliged to record heavy losses in its operating results for the fiscal 2020. With these and other factors, the Group faces a severe situation.

There are ongoing trends such as the declining birthrate and aging population, population decline, and technology advancement. Moreover, consumer awareness and behavior have changed due to the COVID-19 pandemic, creating a "new normal." We recognize that the environment surrounding management will not return to its pre-COVID-19 state.

However, such times of great uncertainty in the future all the more provide a good opportunity for the Group to reexamine the values that it considers important and the significance of its existence amid changes in society and the times.

In preparing the Medium-term Business Plan, we have formulated specific strategies and measures that the Group should focus on for the three-year period to achieve early recovery of earnings and improvement of financial position. The strategies and measures have been formulated by developing the Group's vision toward 2030 and a strategic direction for achieving it.

2. Basic policy promoting sustainability management

The spread of COVID-19 has provided people with opportunities to rethink their lives and work and remind themselves of the importance of health, safety and security, and the connection between people.

Corporations are strongly called for to play a role and fulfill their responsibilities to tackle and address issues over the environment, society, and human rights through business activities, alongside economic values.

We have set seven materiality issues in order to position sustainability at the core of management and embody it in Group-wide corporate activities, with a view to realizing the Group Vision.

By promoting business activities based on these materiality issues, we will work to realize "Well-Being Life" for all of our stakeholders.

[Please refer to pages 38 to 39 for descriptions of the materiality issues and Well-Being Life]

3. Management direction looking ahead to 2030

(1) Corporate vision

"A corporate group producing fulfilling lifestyles and unique urban development in coexistence with local communities"

When we consider management direction looking ahead to 2030, the Group's values to date will become even more important. These are "respect for human thought and individuality," "coexistence with local communities," and "passing on traditional culture and communicating a cutting-edge culture."

The Group has developed business with the commercial field at its core, such as the Department Store Business and Shopping Center Business (PARCO Business). Looking forward, we will expand our business portfolio beyond the commercial field into areas such as the Real Estate Business, and provide consumers with cultural and fulfilling lifestyles through the Group's distinctive unique urban development in coexistence with local communities.

(2) Strategic direction

For business environment looking ahead to 2030, we consider the following external environmental changes will have a significant impact on the Group: 1) the "resilience of the urban commercial area" amid a shrinking national population, 2) the "fusion of real and digital," in which information received through "people" and its reliability are reevaluated, and 3) "continued polarization of income and consumption."

Moreover, we recognize that the Group's four strengths are 1) store real estate assets in major Japanese cities such as Tokyo, Nagoya, and Osaka, 2) commercial production capabilities developed through store and urban development, 3) partners such as suppliers and specialist stores with excellent content and original creators, and 4) a high quality customer base that enjoys active lifestyles.

1) Three key strategies - Shift to a developer strategy -

We have taken these long-term environmental changes as an opportunity to carry out business structure reforms and create new businesses. We have reconfigured the Group's four strengths and determined the Groups' three key strategies: "developer strategy," "real x digital strategy," and "prime life strategy," to make full use of them across the Group.

Among these, the "developer strategy" is positioned as a growth driver for regrowth of the Group, and we will concentrate our allocation of management resources in this area as our top priority strategy.

(i) **Developer strategy**

- We will maximize the value of the Group's real estate assets. In complex redevelopment and so forth, we will adjust the scale of department stores and PARCO and make use of the relaxed floor-area ratio. We will increase the share of non-commercial applications to increase profitability.
- In the development of large-scale complexes in key areas, we will contribute to lively towns through attractive urban development that respects individuality of the towns, while increasing our share of consumer sentiment.
- We will diversify multiple revenue streams by acquiring and developing new real estate, organizing private subscription investment funds, and engaging in asset management. In addition, we will expand our development area to include suburban areas.

(ii) **Real x digital strategy**

- With use of digital technology inspired by stores, we will transform the business model into one that provides new experience value beyond time and space.
- We will increase the sophistication of customer data analysis and use of digital tools to deepen the relationships with customers putting "people" at the start.
- In addition to sales revenue, we will diversify multiple revenue streams, such as rental revenue and commission revenue through the use of digital technology.

(iii) **Prime life strategy**

- We will further strengthen our proposals for consumers who value culture and arts and enjoy fulfilling, sustainable lifestyles.
- We will enhance our content by utilizing the Group's entertainment and arts, as well as developing new products and service that provide premium experiences through alliances with companies outside the Group.
- We will promote the acquisition of customers beyond department store gaisho, such as the new rich in Japan and wealthy classes overseas in Asia, including through alliances with other companies.

- We will expand our pool of loyal customers by offering new payment methods and developing high added value financial services through customer life planning.

2) Area strategy bringing together the three key strategies

In Shinsaibashi district, Osaka and Sakae district, Nagoya, in which our department stores and PARCO are adjacent, we will bring together the three key strategies to promote unique urban development in coexistence with local communities.

Our area customer strategy will be advanced by utilizing the integrated customer database across multiple businesses such as department stores, PARCO, and new commercial and non-commercial facilities, and by promoting links with JFR Card customer services.

3) Alliances, M&As, and wing expansion

We will realize long-term, highly important Group strategies, such as alliances with other companies and business acquisitions with a view to expanding the scale and increasing the speed of our key strategies.

(3) Pursue Group synergies with strategy committees

The three key strategies shall each have a newly established committee comprising members from across the Group to guide the proposal and execution of plans from an optimal Group perspective.

(4) Approach to long-term profit growth and business portfolio

From fiscal 2024 onward, through annualized profit growth of over 10%, we will aim to achieve consolidated operating profit of ¥80,000 million and ROE (profit/equity attributable to owners of parent) of 10% for fiscal 2030.

We will increase the shares of the Developer Business and the Payment and Finance Business in consolidated operating profit in the business portfolio in 2030 to 40% from 20% in fiscal 2019.

From fiscal 2021, the Group will have four business segments: the Department Store Business, the SC (Shopping Center) Business, the Developer Business, and the Payment and Finance Business.

4. FY2021-FY2023 Medium-term Business Plan

(1) Positioning of the Medium-term Business Plan - Complete recovery and start on regrowth -

This Medium-term Business Plan aims to achieve “complete recovery” from the COVID-19 pandemic by returning our financial figures to fiscal 2019 levels in the final fiscal year of the plan, fiscal 2023, while at the same time positioning this period as one for getting back on track for “regrowth” from fiscal 2024 onward.

Aiming for early recovery in profitability, we will concentrate our efforts at the renovation of flagship stores and digital investment under a key strategy, the “real x digital,” as well as solid customer base underpinned by the department store gaisho under the “prime life strategy.” At the same time, we will steadily promote efforts to achieve “management structure reforms” as the most important measure for complete recovery.

In the “developer strategy,” we will increase our investment allocation in advance, starting during the period of this plan as a medium- to long-term growth driver.

Overall Composition of the FY2021-FY2023 Medium-term Business Plan

Three key strategies for "quick recovery of earnings and regrowth"	(i) Real x digital strategy (Department Store Business and SC Business (PARCO))
	(ii) Prime life strategy (Department Store Business and Payment and Finance Business)
	(iii) Developer strategy (Developer Business (PARCO))
Most important measure towards "complete recovery"	Management structure reforms (reduce fixed expenses, increase management efficiency and asset efficiency)
Strengthening of management foundation	Financial strategy, human resource strategy, (defensive) IT strategy, and governance

(2) Key performance indicator targets

ROIC (Return on Invested Capital) will be applied as the indicator to manage the capital's profitability from this medium-term business plan.

For fiscal 2023, we will aim to achieve consolidated operating profit of ¥40,300 million, Return on Equity (ROE) of 7%, Return on Invested Capital (ROIC) of 5%. In addition, as sustainability targets, we will aim to achieve a reduction in greenhouse gas emissions of 40% and a ratio of women in management positions of 26%.

	FY2019 results	FY2020 results	FY2023 targets
Consolidated operating profit (IFRS)	¥40,286 million	¥(24,265) million	¥40,300 million
Consolidated ROE	5.4%	(7.1)%	7.0%
Consolidated ROIC	–	–	5.0%
Greenhouse gas emissions*	(16.3)%	(under calculation)	(40)%
Ratio of women in management positions	16.6%	19.9%	26%

*Scope 1 and 2 emissions compared with FY2017. The result of FY2020 is under calculation.

(3) Financial policy

We will generate operating cash flow of ¥190,000 million or more (including depreciation of right-of-use assets) over three years, ¥90,000 million of which will be injected into the growth and capital investments. Until fiscal 2023, investment allocation will be made giving priority to projects that contribute to profit and the "developer strategy."

We will reduce interest-bearing liabilities (excluding lease liabilities) to ¥260,000 million by the end of fiscal 2023.

We will provide shareholder returns on the basis of maintaining a consolidated dividend payout ratio of at least 30% and also consider the option of purchasing treasury shares as appropriate.

(4) Framework for the medium-term business plan

[Key strategies]

1) Real x digital strategy

(Department Store Business)

(i) Increase the attractiveness of stores and content

- We will focus on expanding the categories in which department stores have strengths, such as by further enhancing luxury, centered on flagship stores, and delving deep into cosmetics, watches, art and other item groupings that have a high share within the industry, aiming to establish a competitive advantage in each location.
- We will work to increase the value of the customer experience by increasing the attractiveness of stores, through efforts such as developing new content and sales floors that utilize a variety of customer contact

points, such as physical stores, gaisho and e-commerce, improving the comfortable sales floors and store environment that are exclusive to physical stores, and developing high-quality service menus.

(ii) Expand businesses that utilize online spaces

- We will increase the attractiveness of our stores and develop original OMO sales spaces (merging physical stores with online) for cosmetics, art, and so forth, inspired by physical stores. In tandem with this, we will enrich and expand product lineups such as foods and gifts and rebuild department stores' websites to develop brands and the like.

(iii) Conduct business activities from a CSV (Creating Shared Value) perspective

- We will develop business activities connected with increasing social value, such as development and sale of limited products created with local communities, entry into the subscription business that utilizes online spaces, and collaboration with suppliers to contribute to decarbonized society.

<SC (Shopping Center) Business>

(i) Rebuild the PARCO store brand value

- We will combine elements form our development of the Shibuya PARCO and Shinsaibashi PARCO stores with the local culture of each store's area to rebuild the original brand value provided by each store.

(ii) Pursue a digital SC platform

- Through a digital SC platform developed in collaboration with our business partners, we will promote the construction of PARCO's proprietary OMO sales spaces, including the mutual transfer of customers between the physical world and online based on the stores' power of communication.

(iii) Develop alliance-based sales floors and new content

- We will work to develop sales floors, zones, and content that provide experience value such as "health," "beauty," "food," and "learning" through real x digital.

(iv) Develop content from a CSV perspective

- We will work to enhance online events for art, theatrical performance, and music, hold cultural events in cooperation with towns, and develop businesses that cater to new values and lifestyles such as wellness and shared offices.

2) Prime life strategy

(i) Develop solution services

- Based on department store gaisho, we will deepen our mainstay categories while also taking steps to provide content and experience value beyond the conventional framework by developing new categories and services, and so forth.

(ii) Evolve communication with customers

- We will work to strengthen online communication, such as promoting digitalization in department store gaisho activities and enhancing remote sales services.
- We will work to increase the sophistication of CRM (Customer Relationship Management) activities, including strengthening relationships with customers through full use of our customer database and retaining overseas customers who visit Japan.

(iii) Enhance products in the Payment and Finance Business

- We will develop new products aligned with customers' life stages, such as insurance and financial services while collaborating with Department Store Business to strengthen the customer base.

3) Developer strategy

(i) Work on diverse applications that are not limited to the commercial field

- In addition to the commercial field, we will work on development of residences, offices, hotels, and complexes that include combinations of them by working together with other companies.

(ii) Promote CRE (Corporate Real Estate) strategies

- We will work to improve profitability through measures such as asset sales and asset replacement.

(iii) Start operation of a circular investment scheme

- We will organize a private subscription fund and start a circular investment scheme. Furthermore, we will diversify multiple revenue streams by entering the asset management business.

(iv) Expand into suburban areas

- We will work to develop complex facilities in suburban areas where needs for closely situated “work, living, and commercial” facilities are expected to increase.

(v) Promote key area development

- We will work to develop large-scale complexes in the Group’s key areas such as Shinsaibashi, Osaka and Sakae, Nagoya, looking ahead to 2030.

[Management structure reforms]

1) Reduction of fixed costs through structure reforms

We will reduce fixed expenses by ¥10,000 million compared with fiscal 2019 and lower our break-even point.

(i) Organizational and personnel structure reforms

- We will promote organizational and personnel structure reforms, including business model reforms in each business as well as revision of store operation methods and areas for business process outsourcing.

(ii) Cost structure reforms

- We will promote cost reductions, such as streamlining offices through work style reforms, use of digital media for advertising and promotion, and Group purchasing of material and supplies.

2) Increase management efficiency and asset efficiency

We will narrow down our businesses based on the future and growth potential of each business to increase the efficiency of management. We will also increase asset efficiency by identifying non-business assets.

[Strengthening of management foundation]

1) Group financial strategy

We will respond flexibly to ensure liquidity of funds while monitoring the impact of the COVID-19 pandemic on business. In addition, we will perform new fund procurement to promote ESG investment. In addition, we will strengthen the governance in accordance with the Group’s tax policies, and promote optimization of tax costs.

2) Group human resource strategy

We will strengthen human resource management through measures such as skill development for employees who will carry out the key strategies and boosted recruitment of specialists. To become a People Development Company where employees can demonstrate their full individuality and capabilities, we will conduct various measures such as encouragement of active participation of women, work style reforms, employment of people with disabilities, and initiatives related to LGBT issues.

3) Group IT strategy

To increase the sophistication of management and administration, we will work to rebuild backbone systems. We also aim to improve productivity through efforts such as revising our business processes. Furthermore, we will promote IT governance including optimization of IT investment and strengthening of information security.

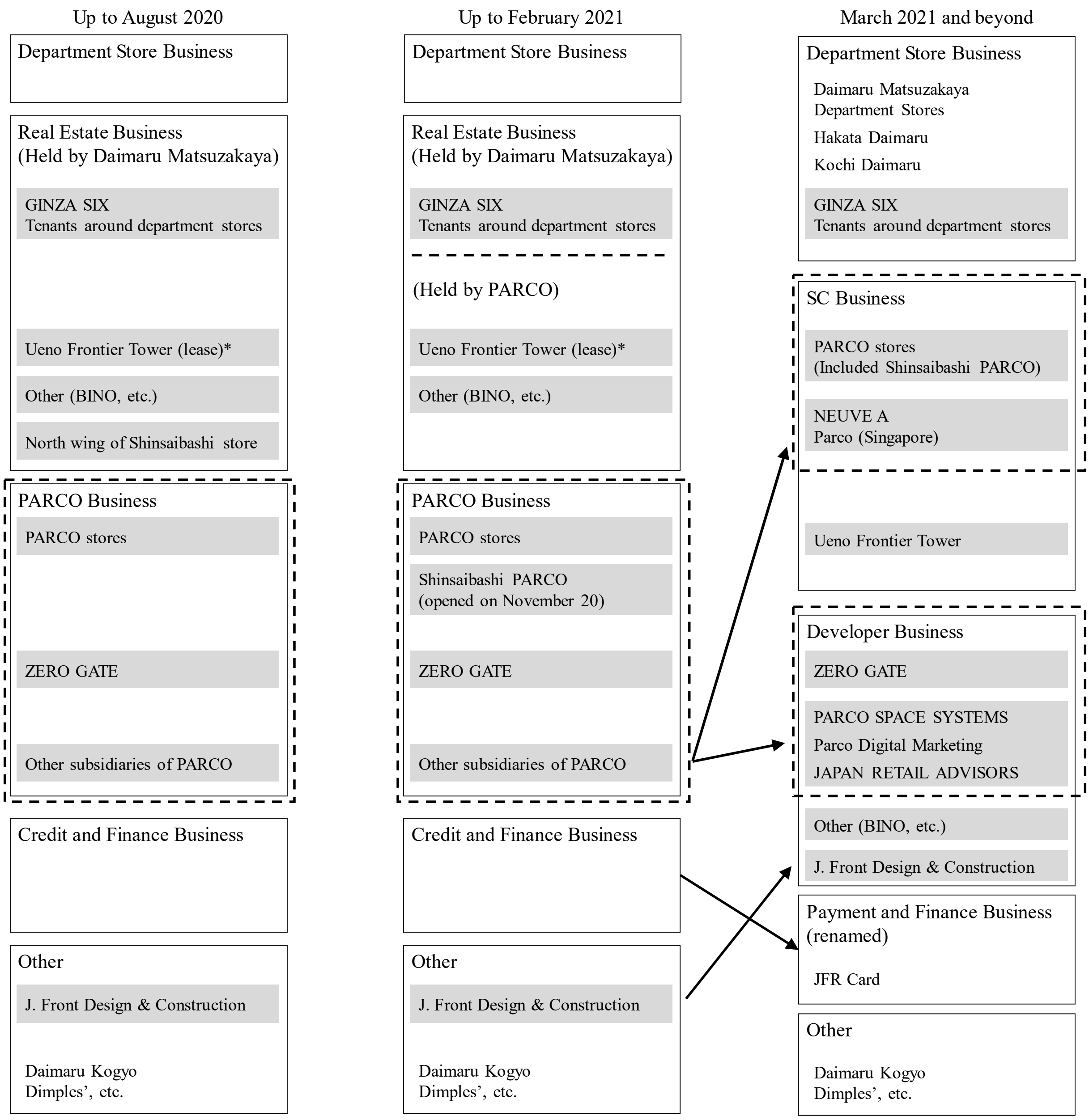
4) Sophistication of corporate governance

To expedite management decision-making and execution, we will work to increase the sophistication of corporate governance, such as further delegating business execution authority to executive officers and clarifying responsibilities, while strengthening the supervision function in the Board of Directors.

(Reference) Changes in the Reportable Segments

- From the fiscal year ending February 28, 2022, the Group will have four business segments; the Department Store Business, the SC (Shopping Center) Business, the Developer Business, and the Payment and Finance Business.
- The changes in the reportable segments under the Group, the major subsidiaries, and the classification of the real estate properties for the fiscal year ended February 28, 2021 and the fiscal year ending February 28, 2022 are as follows.

(Note) In the chart below, the scope of the existing PARCO Business is presented within the dotted lines.



* "Ueno Frontier Tower (lease)" up to February 2021 includes real estate lease revenue from PARCO Co., Ltd. on PARCO_ya Ueno.

(Feature) The Group’s Sustainability Vision

(i) JFR’s Sustainability Policy

With an aim to achieve sustainable management, the Group established its “Sustainability Policy,” the cornerstone of all ESG activities, to create and bring to life “New Happiness.” According to the policy, we also formulated our “Eco Vision” and “Social Vision,” which, together with the “Corporate Governance Policy,” form the basis for our ESG activities. In order to actually conduct ESG activities that the Company aimed to undertake, the “JFR Principles of Action” and “Principles of Action for Suppliers” were formulated in 2019 because it is necessary for the Company to fulfill its social responsibilities along with suppliers.

For details of the sustainability policy, please refer to: (https://www.j-front-retailing.com/english/sustainability/top-commitment01.php)

(ii) Sustainability Management and a renewed affluence “Well-Being Life”

We value the sustainability management which incorporates sustainability into the corporate and business strategies to achieve a sustainable business growth. Based on this recognition, the Group promotes the sustainability management through the business activities to achieve our Group Vision, “Create and Bring to Life ‘New Happiness’.”

On the other hand, the pandemic transformed the world with the social structure and consumption pattern being about to change, which alters the value that the retail industries are expected to offer. Amid an increasing uncertainty, in order to promote sustainability management and realize the Group’s vision, we have deliberated and discussed a model that will lead to new affluence, security and happiness after the pandemic. As a result, we concluded that the objective of the vision we should seek is to realize “Well-Being Life” for all of our stakeholders. What we regard as “Well-Being Life” refers to the life that realizes not only conventional material and economic affluence, but also spiritual (intellectual and cultural) and social wealth, as well as the enriched environment surrounding them. We will promote efforts to realize “Well-Being Life” while valuing the opportunities to interact with our customers and other stakeholders.

(iii) Seven materiality issues (key issues)

To promote the sustainability management and realize “Well-Being Life,” we reviewed the materiality issues. Taking the environmental issues, changes in the external circumstances due to such as the COVID-19 pandemic, balancing the existing materiality issues and contributing to SDGs into account, we add “promotion of circular economy” and “realization of customers’ healthy/safe/secure life” to the materiality issues.

In addition, in response to an increasing awareness toward decarbonization at home and abroad, among the existing materiality issues, the former “contribution to a low-carbon society” has changed to “realization of decarbonized society.” Furthermore, given the social background, “promotion of diversity” and “realization of work-life balance” are revised to “promotion of diversity & inclusion” and “realization of work-life integration,” respectively.

Toward the future, with the clarification of both aspects of risks and opportunities that lie in the seven materiality issues, we will respond to the risks, create the business opportunities related to each materiality issue, and aim to realize both social and economic values simultaneously based on the CSV vision.

	Materiality	JFR's commitment to realization of a sustainable society
Highest priority issue	Contribution to decarbonized society	Leading decarbonized society and creating a global climate for new generations
With people	Realization of customers' healthy/safe/secure life (new)	Realizing a future-oriented Well-Being Life that satisfies the mind and body of our customers Building safe, secure and resilient stores for the future
	Promotion of diversity & inclusion	Realizing a highly diversified society where everyone recognizes each other's diversity and flexibly demonstrates his/her individuality
	Realization of work-life integration	Realizing Well-Being for the employees and their families through new ways of working for the future of diversity and flexibility
With local communities	Coexistence with local communities	Building affluent future-oriented communities together with local residents, where people gather centered on our stores
	Management of the entire supply chain	Realizing a sustainable supply chain created together with suppliers Realizing decarbonization throughout the entire supply chain created together with suppliers Realizing Well-Being in which we, together with suppliers, protect the human rights and health of the people working along the supply chain
With environment	Promotion of circular economy (new)	Realizing a sustainable global environment for the future and a growth as a company through the promotion of circular economy

(6) Status of assets and profit or loss

Changes in assets and profit or loss of the corporate group

(Millions of yen, unless otherwise stated)

International Financial Reporting Standards (IFRS)				
Category	11th fiscal year (Fiscal 2017)	12th fiscal year (Fiscal 2018)	13th fiscal year (Fiscal 2019)	14th fiscal year (Fiscal 2020)
Gross sales	1,138,981	1,125,153	1,133,654	766,297
Revenue	469,915	459,840	480,621	319,079
Business profit	46,247	45,514	45,363	2,366
Operating profit	49,546	40,891	40,286	(24,265)
Operating profit/revenue	10.5%	8.9%	8.4%	(7.6)%
Profit before tax	48,271	42,126	37,161	(28,672)
Profit attributable to owners of parent	28,486	27,358	21,251	(26,193)
Total assets	1,022,348	1,029,573	1,240,308	1,263,722
Total equity	450,887	468,485	399,681	364,343
Equity attributable to owners of parent	395,519	412,700	387,188	352,171
Ratio of equity attributable to owners of parent to total assets	38.7	40.1	31.2	27.9
Cash flows from operating activities	57,079	34,870	73,358	56,471
Cash flows from investing activities	(19,030)	(26,836)	(49,559)	(20,870)
Free cash flows	38,048	8,034	23,799	35,601
Cash flows from financing activities	(31,048)	(21,274)	(14,829)	58,727
Cash and cash equivalents at end of period	38,883	25,659	34,633	128,925
Profit/equity attributable to owners of parent (ROE)	7.5%	6.8%	5.4%	(7.1) %
Operating profit/total assets (ROA)	4.9%	4.0%	3.2%	(1.9) %
Basic earnings per share (EPS) (Yen)	108.92	104.55	81.19	(100.03)
Equity attributable to owners of parent per share (Yen)	1,511.91	1,576.68	1,479.07	1,344.91
Price earnings ratio (PER)	17.91%	11.79%	14.13%	(10.17) %
Interim dividend (Yen)	16.00	17.00	18.00	9.00
Year-end dividend (Yen)	19.00	18.00	18.00	18.00
Dividend payout ratio	32.1%	33.5%	44.3%	–%
Dividends/equity attributable to owners of parent	2.3%	2.2%	2.4%	2.0%

(Notes) 1. The type of profit used for the calculation of ROE is profit attributable to owners of parent, and the type of profit used for the calculation of ROA is operating profit.

2. Gross sales are calculated by converting certain transactions recognized as revenue under IFRS on a net basis to amounts on a gross basis. Specifically, we converted sales from purchase recorded at the time of sale (shoka shiire) of the Department Store Business and Other (Daimaru Kogyo) to a gross amount and the net amount transactions of the PARCO Business to tenant sales (gross basis). Business profit is calculated by deducting cost of sales and selling, general and administrative expenses from revenue.

(7) Status of significant parent company and subsidiaries

(i) Relationship with the parent company

No items to report

(ii) Status of major subsidiaries (Millions of yen, unless otherwise stated)

Company name	Share capital	Ratio of ownership by the Company (%)	Major businesses
Daimaru Matsuzakaya Department Stores Co. Ltd.	10,000	100.0	Department Store Business, Real Estate Business
The Hakata Daimaru, Inc.	3,037	69.9	Department Store Business
Kochi Daimaru Co., Ltd.	300	100.0	Department Store Business
PARCO Co., Ltd.	34,367	100.0	PARCO Business, Real Estate Business
Parco (Singapore) Pte Ltd	S$4 million	100.0	PARCO Business
NEUVE A Co., Ltd.	100	100.0	PARCO Business
PARCO SPACE SYSTEMS Co., Ltd.	490	100.0	PARCO Business
PARCO Digital Marketing Co., Ltd.	10	100.0	PARCO Business
JAPAN RETAIL ADVISORS Co., Ltd.	10	100.0	PARCO Business
JFR Card Co., Ltd.	100	100.0	Credit and Finance Business
Daimaru Kogyo, Ltd.	1,800	100.0	Wholesale Business
Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	US$2 million	100.0	Wholesale Business
Daimaru Kogyo (Thailand) Co., Ltd.	THB202 million	99.9	Wholesale Business
Taiwan Daimaru Kogyo, Ltd.	NT$60 million	100.0	Wholesale Business
J. Front Design & Construction Co., Ltd.	100	100.0	Design and construction contracting
Dimples' Co., Ltd.	90	100.0	Staffing service
Consumer Product End-Use Research Institute Co., Ltd.	100	100.0	Merchandise test and quality control
Angel Park Co., Ltd.	400	50.2	Parking
JFR Service Co. Ltd.	100	100.0	Commissioned back-office service, leasing and parking management
JFR Information Center Co., Ltd.	10	100.0	Information service
Daimaru Matsuzakaya Sales Associates Co. Ltd.	90	100.0	Commissioned sales and store management operations
Daimaru Matsuzakaya Tomonokai Co., Ltd.	100	100.0	Specified prepaid transaction service

(Notes) 1. The Shimonoseki Daimaru, Inc. was absorbed and merged into the Daimaru Matsuzakaya Department Stores Co. Ltd. as of March 1, 2020, and renamed to the Daimaru Shimonoseki Store.
2. The Company transferred all of the shares of J. Front Foods Co., Ltd. as of February 26, 2021.

(iii) Matters relating to specified wholly owned subsidiaries

(Millions of yen)

Name	Address	Total book value	Total assets of the Company
Daimaru Matsuzakaya Department Stores Co. Ltd.	18-11, Kiba 2-chome, Koto-ku, Tokyo	202,109	675,917
PARCO Co., Ltd.	1-28-2 Minami-Ikebukuro, Toshima-ku, Tokyo	160,581	675,917

(Note) A specified wholly owned subsidiary is one where the book value of the shares of said subsidiary on the final day of the fiscal year exceeds 1/5th of the Company's total assets, and one whose shares are all held by the Company.

(8) Major businesses

The Department Store Business, the PARCO Business, the Real Estate Business, the Credit and Finance Business, and Other including wholesale business, design and construction contracting, parking, and leasing.

(9) Major business locations

(Department Store Business)

Name	Location	Name	Location
Daimaru Matsuzakaya Department Stores Co. Ltd.			
Head Office	Koto-ku, Tokyo	Matsuzakaya Nagoya store	Naka-ku, Nagoya
Daimaru Osaka Shinsaibashi store	Chuo-ku, Osaka	Ueno store	Taito-ku, Tokyo
Osaka Umeda store	Kita-ku, Osaka	Shizuoka store	Aoi-ku, Shizuoka
Tokyo store	Chiyoda-ku, Tokyo	Takatsuki store	Takatsuki, Osaka
Kyoto store	Shimogyo-ku, Kyoto	Toyota store	Toyota, Aichi
Kobe store	Chuo-ku, Kobe	The Hakata Daimaru, Inc.	Chuo-ku, Fukuoka
Suma store	Suma-ku, Kobe	Kochi Daimaru Co., Ltd.	Kochi, Kochi
Ashiya store	Ashiya, Hyogo		
Sapporo store	Chuo-ku, Sapporo		
Shimonoseki store	Shimonoseki, Yamaguchi		

(PARCO Business)

Name	Location	Name	Location
PARCO Co., Ltd.			
Headquarters	Toshima-ku, Tokyo	Shizuoka PARCO	Aoi-ku, Shizuoka
Shibuya Head Office	Shibuya-ku, Tokyo	Nagoya PARCO	Naka-ku, Nagoya
Sapporo PARCO	Chuo-ku, Sapporo	Shinsaibashi PARCO	Chuo-ku, Osaka
Sendai PARCO	Aoba-ku, Sendai	Hiroshima PARCO	Naka-ku, Hiroshima
Urawa PARCO	Urawa-ku, Saitama	Fukuoka PARCO	Chuo-ku, Fukuoka
Shintokorozawa PARCO	Tokorozawa, Saitama	Sapporo ZERO GATE	Chuo-ku, Sapporo
Ikebukuro PARCO	Toshima-ku, Tokyo	Harajuku ZERO GATE	Shibuya-ku, Tokyo
PARCO_ya Ueno	Taito-ku, Tokyo	Kawasaki ZERO GATE	Kawasaki-ku, Kawasaki-shi
Kinshicho PARCO	Sumida-ku, Tokyo	Nagoya ZERO GATE	Naka-ku, Nagoya
Shibuya PARCO	Shibuya-ku, Tokyo	Kyoto ZERO GATE	Shimogyo-ku, Kyoto
Hibarigaoka PARCO	Nishi-Tokyo, Tokyo	Shinsaibashi ZERO GATE	Chuo-ku, Osaka
Kichijoji PARCO	Musashino, Tokyo	Dotonbori ZERO GATE	Chuo-ku, Osaka
Chofu PARCO	Chofu, Tokyo	Sannomiya ZERO GATE	Chuo-ku, Kobe
Tsudanuma PARCO	Funabashi, Chiba	Hiroshima ZERO GATE	Naka-ku, Hiroshima
Matsumoto PARCO	Matsumoto, Nagano	Pedi SHIODOME	Minato-ku, Tokyo
NEUVE A Co., Ltd.	Shibuya-ku, Tokyo	Parco (Singapore) Pte Ltd	Singapore
PARCO Digital Marketing Co., Ltd.	Shibuya-ku, Tokyo	JAPAN RETAIL ADVISORS Co., Ltd.	Shibuya-ku, Tokyo
PARCO SPACE SYSTEMS Co., Ltd.	Shibuya-ku, Tokyo		

(Real Estate Business)

Name	Location
Daimaru Matsuzakaya Department Stores Co. Ltd. GINZA SIX PARCO Co., Ltd. Ueno Frontier Tower BINO OKACHIMACHI BINO GINZA BINO SAKAE BINO HIGASHINOTOIN and others	Koto-ku, Tokyo Chuo-ku, Tokyo Shibuya-ku, Tokyo Taito-ku, Tokyo Taito-ku, Tokyo Chuo-ku, Tokyo Naka-ku, Nagoya Nakagyo-ku, Kyoto

(Credit and Finance Business)

Name	Location
JFR Card Co., Ltd.	Head Office: Takatsuki, Osaka Office: Tokyo 3, Osaka 2, Kyoto 1, Kobe 1, Sapporo 1, Nagoya 1, Shizuoka 1

(Other subsidiaries)

Head Office: Osaka 8, Nagoya 1, Shanghai 1, Thailand 1, Taiwan 1

(10) Status of employees

(i) Employees of the corporate group

Category	Number of employees
J. FRONT RETAILING Co., Ltd.	133
Department Store Business	2,232
PARCO Business	1,575
Real Estate Business	47
Credit and Finance Business	182
Other	2,359
Total	6,528

(Note) Other than the employees above, the number of dedicated employees is 1,688 and the number of fixed-term employees is 1,419.

(ii) Employees of the Company

Number of employees	Average age
133	45.7

(Note) Other than the employees above, the number of fixed-term employees is 17.

(iii) Employees of major subsidiaries

Name	Number of employees	Average age
Daimaru Matsuzakaya Department Stores Co. Ltd.	1,886	47.9
PARCO Co., Ltd.	684	43.9

(11) Status of major creditors

Major creditors of the corporate group

(Millions of yen)

Creditor		Amount payable
Borrowings		
	MUFG Bank, Ltd.	54,277
	Development Bank of Japan Inc.	35,253
	Sumitomo Mitsui Banking Corporation	32,828
	Mizuho Bank, Ltd.	14,128
	Other	83,624
	Sub total	220,110
Straight bonds, etc.		139,820
Total		359,930

(12) Other important matters relating to current status of the corporate group

Aiming to strengthen the business foundation and competitiveness and enhance management efficiency as a retail and real estate business group, we transferred the real estate business of Daimaru Matsuzakaya Department Stores Co. Ltd. to PARCO Co., Ltd. effectively on September 1, 2020 to concentrate the Group assets and centralize operation, supervision, and development functions.

2. Matters relating to shares of the Company

(1) Number of shares authorized: 1,000,000,000 shares

(2) Number of shares issued: 270,565,764 shares

(3) Number of shareholders: 142,788

(4) Major shareholders

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

(Note) Although the Company holds 6,596 thousand shares of treasury shares, the Company is excluded from the above major shareholders. Shareholding ratio is calculated by deducting the said treasury shares. Treasury shares do not include shares of the Company owned by the officer remuneration BIP trust.

(5) Summary of shares that are granted to the officers of the Company as compensation for the performance of duties during the current fiscal year

Stock-based remuneration that is granted during the current fiscal year is as follows.

	Number of granted persons	Number of shares
Director	3	20,600
[of which, Outside Director]	(2)	(5,600)
Executive Officer	14	11,001
Total	17	31,601

(Notes)
1. The number of shares that are granted as compensation for the performance of duties during the term of the executive officers is shown in the Executive Officer row.
2. The aforementioned number of granted persons and the number of shares include the officers who retired during the current fiscal year and the shares granted to those officers.
3. The shares granted to those who were directors during the current fiscal year as compensation for the performance of duties were "Restricted Stock (non-performance linked stock-based remuneration)" that is not linked to performance under the stock-based compensation plan, which were granted at the time of retirement from the director.
4. The shares granted to the executive officers during the current fiscal year as compensation for the performance of duties were "Performance shares (performance linked stock-based remuneration)" (Trust-type stock-based remuneration) that is linked to a single year performance under a stock-based compensation plan, which were granted in the current fiscal year based on the performance of the previous fiscal year.
5. The number of shares above amounts to shares issued to each Director. 34,039 shares among the shares whose rights granted to each Director will be provided in cash in the amount equivalent to the amount converted within the Trust based on the share issuance policy of the stock-based remuneration system.

3. Matters relating to corporate officers

(1) Names, etc. of Directors

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company	Attendance at the meetings of the Board of Directors (Note 2)	Limited liability agreements (Note 3)
Director	YAMAMOTO Ryoichi	Chairperson of Board of Directors Member of Nomination and Remuneration Committees	100.0% 15/15	Yes
Director	TSUTSUMI Hiroyuki	Member of Audit Committee Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.	100.0% 15/15	Yes
Director	MURATA Soichi	Member of Audit Committee	100.0% 15/15	Yes
Director (Outside)	ISHII Yasuo	Chairperson of Nomination Committee and member of Remuneration Committee Director of PARCO Co., Ltd.	100.0% 15/15	Yes
Director (Outside)	NISHIKAWA Koichiro	Chairperson of Audit Committee	100.0% 15/15	Yes
Director (Outside)	UCHIDA Akira	Chairperson of Remuneration Committee and member of Nomination Committee Outside Director of Yokogawa Electric Corporation Director of Daimaru Matsuzakaya Department Stores Co. Ltd.	100.0% 15/15	Yes
Director (Outside)	SATO Rieko (Note 1)	Member of Audit Committee Partner of Ishii Law Office Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc. Outside Director (Member of the Audit and Supervisory Committee) of NTT DATA CORPORATION Outside Audit & Supervisory Board Member of Mitsubishi Corporation Director of Daimaru Matsuzakaya Department Stores Co. Ltd.	93.3% 14/15	Yes
Director (Outside)	SEKI Tadayuki	Member of Audit Committee Outside Director of VALQUA, LTD. Outside Director of JSR Corporation Outside Statutory Auditor of Asahi Mutual Life Insurance Company Director of PARCO Co., Ltd.	100.0% 12/12	Yes
Director (Outside)	YAGO Natsunosuke	Member of Nomination and Remuneration Committees Outside Director of SUBARU CORPORATION	100.0% 12/12	Yes
Director (President and Representative Executive Officer)	YOSHIMOTO Tatsuya	Member of Nomination and Remuneration Committees	100.0% 15/15	
Director (Senior Managing Executive Officer)	SAWADA Taro		100.0% 12/12	
Director (Senior Managing Executive Officer)	MAKIYAMA Kozo		100.0% 15/15	
Director (Managing Executive Officer)	WAKABAYASHI Hayato		100.0% 15/15	

(Notes) 1. SATO Rieko is recorded under the name of KAMATA Rieko in the family register.

2. Stated are the number of the meetings of the Board of Directors attended and number of the meetings of the Board of Directors held during the individual’s tenure this fiscal year (Details of attendance at each committee meeting are given in “7. Operations of each Committee.”)
3. The Company enters into agreements limiting liability for damages such that are stipulated in Paragraph 1, Article 423 of the Companies Act, provided for in Paragraph 1, Article 427 of the said Act, with the relevant individuals (marked as “Yes” in the “Limited liability agreements” column). These agreements limit the amount of their liability for damages to the higher of either ¥12,000,000 or the minimum amount of liability such that is stipulated in Paragraph 1, Article 425 of the said Act.
4. The Company enters into a Directors and Officers liability insurance contract with an insurance company as stipulated in Paragraph 1, Article 430-3 of the said Act. Under such an insurance contract, indemnification will be provided for legal damages and litigation costs to be borne by the insured. The Company covers the payment for the entire amount of the premium for all of those insured. The insurance policy covers all Directors and Executive Officers of the Company and all Directors and Audit & Supervisory Board Members of its subsidiaries. However, the contract does not cover any damages, etc. arising from criminal acts and violations of laws and regulations committed by the insured knowingly what they are doing, as a measure to prevent the impairment of the appropriateness of the execution of duties by the insured.
5. Audit Committee member TSUTSUMI Hiroyuki gained across-the-board experience into finance and accounting and deep insight into finance and accounting matters between 1981, his second year since joining The Daimaru, Inc., and his appointment as Director of the Board in May 2017.
6. Audit Committee member NISHIKAWA Koichiro has deep insight into financial matters, having been involved in areas such as business alliances, M&A and management reform, and also through his experience in multiple important international negotiations.
7. Audit Committee member SEKI Tadayuki was involved in international business management and risk management. As CFO, he has both abundant experience and highly specialized knowledge in relation to finance and accounting. He also has deep insight into finance and accounting matters.
8. Audit Committee members TSUTSUMI Hiroyuki and MURATA Soichi are full-time Audit Committee members. We aim to improve the effectiveness of supervisory roles by having as full-time Audit Committee members two Directors from in-house who are Directors who do not execute business and who have specialist knowledge of specific areas of our business based on a thorough understanding of in-house organizations and business operations.

(2) Names, etc. of Executive Officers

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company
President and Representative Executive Officer	YOSHIMOTO Tatsuya	
Senior Managing Executive Officer	SAWADA Taro	President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. President and Representative Director of Daimaru Matsuzakaya Sales Associates Co., Ltd.
Senior Managing Executive Officer	MAKIYAMA Kozo	Representative Director, President and Executive Officer of PARCO Co., Ltd.
Managing Executive Officer	WAKABAYASHI Hayato	Senior Executive General Manager of Financial Strategy Unit Director of PARCO Co., Ltd.
Managing Executive Officer	HIRANO Hidekazu	Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management Director of Daimaru Matsuzakaya Department Stores Co. Ltd.
Managing Executive Officer	YUNOKI Kazuyo	Senior Executive General Manager of Affiliated Business Unit
Managing Executive Officer	ARISAWA Hisashi	Senior Executive General Manager of Human Resources Strategy Unit and Administration Unit and in charge of Compliance
Executive Officer	NAKAYAMA Takashi	Senior Executive General Manager of Group Digital Strategy Unit and Senior General Manager of Digital Promotion Division
Executive Officer	IMAZU Takahiro	Senior General Manager of Management Planning Division and Group Communication Promotion Division, and Senior General Manager of New Business Division, Management Strategy Unit
Executive Officer	IWATA Yoshimi	Senior General Manager of Budget and Management Support Division, Financial Strategy Unit
Executive Officer	ONO Keiichi	Senior General Manager of Structural Reform Promotion Division of Financial Strategy Unit
Executive Officer	NINOBE Mamoru	President and Representative Director of JFR Card Co., Ltd.
Executive Officer	KONDO Yasuhiko	President and Representative Director of J. Front Design & Construction Co., Ltd.

(Reference) A new Executive Officer was elected and appointed. Accordingly, Executive Officers' areas of responsibility in the Company and important concurrent positions outside the Company have been partially changed on March 1, 2021 as indicated below. On March 1, 2021, Executive Officer, YUNOKI Kazuyo, retired from office and assumed the position of Executive Officer of Daimaru Matsuzakaya Department Stores Co. Ltd. and the position of President and Representative Director of GINZA SIX Retail Management Co., Ltd.

Position in the Company	Name	New areas of responsibility in the Company
Managing Executive Officer (New)	MATSUDA Hirokazu	Senior Executive General Manager of Human Resources Strategy Unit and Administration Unit and in charge of Compliance
Managing Executive Officer	ARISAWA Hisashi	In charge of Special Assignments from President
Executive Officer	IMAZU Takahiro	Senior General Manager of Management Planning Division and Group Communication Promotion Division, Management Strategy Unit
Executive Officer	IWATA Yoshimi	Senior General Manager of Accounting and Tax Affairs Division of Financial Strategy Unit

(3) Total amount of remuneration, etc. to Directors and Executive Officers

	Number of payees	Total amount of remuneration, etc. (Millions of yen)	Totals by category of remuneration, etc. (Millions of yen)			
			Basic remuneration	Performance-linked bonuses	Performance-linked stock-based remuneration	Non-performance-linked stock-based remuneration
Director	12	221	167	–	–	53
[of which, Outside Director]	[8]	[99]	[80]	–	–	[18]
Executive Officer	14	252	229	23	–	–
Total	26	474	397	23	–	53

(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 ¥12 million.
2. In the above table, the remuneration, etc. for Directors of ¥221 million includes ¥21 million (including non-performance-linked stock-based remuneration) paid to three Directors who held the post between March 1 and May 28, 2020.
3. Given the deterioration in earnings performance and downward revisions made in earnings and dividends forecasts impacted by the spread of COVID-19 infectious disease, the Company reduced (returned) the basic remuneration amount of Directors (including Outside Directors) and Executive Officers, from July to September 2020, by 10% with the approval of the Remuneration Committee that received the proposal from Executive Directors and Inside Directors. The amount affected by the reduced (or returned) basic remuneration amount is recorded in other operating income. The total amount of remuneration, etc., and basic remuneration do not reflect the effect of the reduced (or returned) basic remuneration amount.
4. The remunerations, etc. that are paid as compensation for the performance of duties during the term of the Executive Officers is shown in the Executive Officer row.
5. 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 corresponds to monetary remuneration in the Companies Act and is the total recorded as expenses for the period under review according to Japanese accounting standards. It is divided into performance-linked stock-based remuneration corresponding to degree of achievement of single fiscal year results and 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. Actual trend of earnings performance indicators for calculating bonuses and performance share in the current business year (consolidated operating income, consolidated operating profit, and ROE and basic earnings per share) are stated under 1. (6) Changes in assets and profit or loss.
6. The figure in the "Performance-linked bonuses" column represents an amount recognized as a provision (expense), factoring in the results of performance evaluation for the fiscal year ended February 28, 2021. The actual amounts to be paid after factoring in the earnings performance assessment of each Executive Director will be determined by a meeting of the Remuneration Committee scheduled for or after April 2021.
7. The "performance-linked stock-based remuneration" column reflects the reversal of a provision of ¥65 million for short-term incentives recorded in the first quarter of the fiscal year ended February 28, 2021 as the performance-linked factor was set to zero. As the performance-linked factor was set to zero, a provision of ¥356 million was also reversed for performance shares that are the medium- and long-term incentives of performance-linked stock-based remuneration.

(4) Outline of method for determining policy regarding decisions on amounts of remuneration, etc. of each corporate officer or calculation method thereof, and contents of such policy

(i) Policy on determining remuneration for Directors and Executive Officers

The Company established and published an Officer Remuneration Policy in April 2017. Beginning in the fiscal year ended February 28, 2021, the Remuneration Committee with a majority of independent Outside Directors reviewed the Officer Remuneration System according to changes in the Medium-term Business Plan, business environment and Management Policy, and revised the Officer Remuneration Policy to reflect the promotion of sustainability management and so forth, and further enhance the details of the policy.

<Basic policy for officer remuneration>

The Company’s Officer Remuneration System follows the basic approach below, aiming to achieve the objectives of realizing and promoting sustainability management (pay for purpose). The same basic philosophy is also established by Daimaru Matsuzakaya Department Stores, which is one of the major subsidiaries of the Group.

・ Contribute to the sustainable growth of the Group and increase corporate value over the medium to long term, and be consistent with the corporate culture.
・ A highly performance-based remuneration system that provides incentives to Executive Officers both for accomplishing objectives set under management strategies and business plans, and for achieving targets with respect to corporate performance.
・ Remuneration levels that can secure and retain human resources who have the “desirable managerial talent qualities” required by the Company.
・ Increase shared awareness of profits with shareholders and awareness of shareholder-focused management.
・ 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 uses objective remuneration survey data, and so forth, from external specialist organizations, adopts officer remuneration levels of companies in the same industry (department store, retailer) 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 annually.

<Composition of remuneration>

[Executive Officers]

Remuneration for Executive Officers shall comprise (i) “basic remuneration” (monetary remuneration) in accordance with rank (position), (ii) “bonuses” (monetary remuneration) based on individual evaluations conducted each business year, and (iii) “performance shares” (performance-linked stock-based remuneration, which is trust-type stock-based remuneration) linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan as a stock-based remuneration system. The performance indicators of bonuses and performance shares were selected as shown in the table below so as to achieve ROE of 8% in the final fiscal year of the Medium-term Business Plan and to make a healthy incentive for sustainable growth function.

<table>
<tr><th rowspan="2">Type of remuneration</th><th colspan="4" rowspan="2">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 rank (position)</td><td>Monthly payment in cash</td><td>38.5%</td><td>45.4%</td></tr>
<tr><td rowspan="8">Bonuses (variable)</td><td colspan="4">Base amount by rank (position) × Evaluation factor *1
*1 Determined based on the following quantitative and qualitative evaluation using a balanced scorecard.</td><td rowspan="8">Annual payment in cash</td><td rowspan="8">23.0%</td><td rowspan="8">27.3%</td></tr>
<tr><td colspan="3">Details</td><td>Evaluation weights</td></tr>
<tr><td rowspan="3">Quantitative evaluation <60% *2></td><td rowspan="3">Financial perspective</td><td>Consolidated revenue</td><td>18%</td></tr>
<tr><td>Consolidated operating profit</td><td>24%</td></tr>
<tr><td>ROE</td><td>18%</td></tr>
<tr><td rowspan="3">Qualitative evaluation <40% *2></td><td colspan="2">Customer perspective</td><td rowspan="3">40%</td></tr>
<tr><td colspan="2">Process perspective</td></tr>
<tr><td colspan="2">Organizational and human resource perspective</td></tr>
<tr><td rowspan="8">Performance-linked stock-based remuneration (variable)</td><td colspan="4">[Short-term: 40%] Base amount by rank (position) × Performance achievement factor *3
*3 Calculated based on the following measures of achievement *4</td><td rowspan="4">Annual payment in stocks</td><td rowspan="8">38.5%</td><td rowspan="8">27.3%</td></tr>
<tr><td colspan="3">Details</td><td>Evaluation weights</td></tr>
<tr><td colspan="3">Consolidated operating profit</td><td>20%</td></tr>
<tr><td colspan="3">Basic earnings per share</td><td>20%</td></tr>
<tr><td colspan="4">[Medium- to long-term: 60%] Base amount by rank (position) × Performance achievement factor *5
*5 Calculated based on the following measures of achievement *4
If free cash flow and ROE targets are not met, the amount paid will be cut by 50% (if only one of the targets is not met, by 25%).</td><td rowspan="4">At the expiration of the term of each Medium-term Business Plan in stocks</td></tr>
<tr><td colspan="3">Details</td><td>Evaluation weights</td></tr>
<tr><td colspan="3">Consolidated operating profit</td><td>30%</td></tr>
<tr><td colspan="3">Basic earnings per share</td><td>30%</td></tr>
</table>

*2 At the Affiliated Business Unit, which includes evaluations of departments in charge, the quantitative evaluation is 70% and the qualitative evaluation 30%.

*4 The performance-linked factor for performance-linked stock-based remuneration is calculated by the following calculation method:

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

[Directors who do not execute business]

Remuneration for Directors who do not execute business shall consist only of fixed remuneration, which shall be (i) “basic remuneration” (monetary remuneration) in accordance with rank (position) 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. Restricted stock is a system for issuing the Company’s shares in a way that it is not linked to performance, with the objective of involving Directors who do not execute business 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 Executive Officers as representatives of stakeholders. The shares are issued upon their retirement from office. The Company will disclose the number of shares held as the number of dilutive potential shares until the shares are issued.

<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 in the form of performance-linked stock-based remuneration is to provide additional incentive to them to work for the improvement of the financial performance and corporate value of the Company from the medium- to long-term perspective. Directors and Executive Officers of Daimaru Matsuzakaya Department Stores shall adopt the same policy for their acquisition and holding of the Company's shares.

(ii) Process for determining remuneration for Directors and Executive Officers

To ensure the appropriateness of the level and amount of remuneration, and the transparency of decision-making processes, decisions are made by resolution of the Remuneration Committee comprising independent Outside Directors (majority), a non-executive Chairperson of the Board of Directors and the President and Representative Executive Officer, and headed by an independent Outside Director. Remuneration Committee meetings are to be held at least four times per year. The committee decides on the policy for determining remuneration details for the individual officers (Directors and Executive Officers) of the Company, Daimaru Matsuzakaya Department Stores and PARCO, and on the remuneration details for individual Directors and Executive Officers of the Company. Basic remuneration positioned as fixed remuneration is decided for each rank (position) based on the size (weight) of the responsibility borne by each officer. Bonuses are decided by evaluating results that correspond to every fiscal year performance based on the numerical target of "financial perspective" and using a balanced scorecard with three key issues: "customer perspective," "process perspective" and "organizational and human resource perspective." The committee also confirms the performance-linked factor in accordance with the achievement rates of consolidated operating profit and basic earnings per share to determine short-term performance shares that account for 40% of performance shares (performance-linked stock-based remuneration). Based on these results, the committee determines that the remuneration details for individual Directors and Executive Officers during the current fiscal year align with the Company's basic policy for officer remuneration and the approach to determine remuneration levels.

Regarding Executive Officers' bonuses and stock-based remuneration, the right of payment of bonuses and granting of stock-based remuneration may be forfeited or the Company may request the return of remuneration that has already been paid or granted in cases such as where the Board of Directors has resolved that the financial results are to be amended afterwards due to a serious accounting misstatement or fraud, or where there has been a serious infringement of the appointment contract, etc., between the Company and an officer, or when an officer has retired for their own reasons during their term of office against the will of the Company.

To properly promote the initiatives above, 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.

In addition, the Remuneration Committee revised the Officer Remuneration Policy in April 2021 in accordance with the FY2021-FY2023 Medium-term Business Plan. The Officer Remuneration System is supposed to be reviewed in accordance with each Medium-term Business Plan period. During the Medium-term Business Plan period, the level of basic remuneration will be reviewed if a drastic review becomes necessary due to dramatic changes in the external environment and so forth.

For the details of this revision made in the Officer Remuneration Policy, please refer to the "Notice Regarding Revision of Officer Remuneration Policy" announced on April 13, 2021.

For details, please refer to:
(https://www.j-front-retailing.com/_data/news/210413_remunerationpolicy_E.pdf)

(5) Matters relating to Outside Directors

<table>
<tr><td rowspan="5">ISHII Yasuo
Independent
(Note)</td><td>Important concurrent positions</td><td colspan="2">Director of PARCO Co., Ltd.</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td colspan="2">PARCO Co., Ltd. is a wholly owned subsidiary of the Company.</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td colspan="2">No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td colspan="2">100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which he belongs</td><td>Nomination
Remuneration</td><td>100% (Attended all 14 meetings held during tenure this fiscal year)
100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="4">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
ISHII Yasuo has contributed to ensuring more effective meetings of the Board of Directors by fulfilling expectations of him drawing on points of view and perspectives that vary from those of Inside Directors in providing advice and oversight with regard to, among others, the importance of analyzing the future environment when developing medium- and long-term strategies, the approach to working on structural reforms in critical circumstances above everything else, the necessity of suggesting overseas business expansion with the effective use of the Group’s resources, and the approach to new businesses in line with sustainability management. He does so using his experience with global business outside the field of retail and advanced knowledge based on his broad experience in the field of business planning, including being knowledgeable of expanding business overseas. In regard to being a committee member, he serves as the Chairperson of the Nomination Committee and a member of the Remuneration Committee and has worked to strengthen the functions of managers by fulfilling expectations of him not only deciding on the transparent and fair choice of directors and promoting deliberations on the policy of operating the Nomination Committee focused on succession plans as the Chairperson of the Nomination Committee but also deciding on concrete compensation amounts and helping deliberate on the revision of the Officer Remuneration System as a member of the Remuneration Committee.</td></tr>
<tr><td rowspan="5">NISHIKAWA
Koichiro
Independent
(Note)</td><td>Important concurrent positions</td><td colspan="2">None</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td colspan="2">No special relationships exist</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td colspan="2">No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td colspan="2">100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which he belongs</td><td>Audit</td><td>100% (Attended all 18 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="4">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
NISHIKAWA Koichiro, utilizing his various experiences related to business tie-ups, M&As, business reforms, and important international negotiations, has contributed to ensuring more effective meetings of the Board of Directors by fulfilling expectations of him drawing on points of view and perspectives that vary from those of Inside Directors in providing advice and oversight with regard to, among others, the identification of multiple risks in financial strategies such as the importance of ensuring financial bases under the declaration of a state of emergency, the recruitment and development of diverse management personnel, the necessity of speedily working on digitalization and structural reforms, and the importance of clarifying KPIs including a non-financial perspective. In regard to being a committee member, he serves as the Chairperson of the Audit Committee and has worked to strengthen audit functions by fulfilling expectations of him promoting exchanges of opinions and discussions on items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee from the perspective of legality, appropriateness, etc. while auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees).</td></tr>
</table>

<table>
<tr><td rowspan="5">UCHIDA Akira
Independent
(Note)</td><td>Important concurrent positions</td><td colspan="2">Outside Director of Yokogawa Electric Corporation
Director of Daimaru Matsuzakaya Department Stores Co. Ltd.</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td colspan="2">Daimaru Matsuzakaya Department Stores Co. Ltd. is a wholly owned subsidiary of the Company.</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td colspan="2">No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td colspan="2">100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which he belongs</td><td>Nomination
Remuneration
Audit</td><td>100% (Attended all 11 meetings held during tenure this fiscal year)
100% (Attended all 11 meetings held during tenure this fiscal year)
100% (Attended all 5 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="4">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
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, and has contributed to ensuring more effective meetings of the Board of Directors by fulfilling expectations of him drawing on points of view and perspectives that vary from those of Inside Directors in providing advice and oversight with regard to, among others, the strengthening of inter-organizational cooperation to help generate the Group synergies, the clarification of the chain of command and order to promote structural reforms and work on digitalization, the approach to management from the perspectives of ESG and CSV to help increase corporate value, and the ways of developing and delivering visions and strategies that stakeholders expect to see. In regard to being a committee member, he serves as the Chairperson of the Remuneration Committee and a member of the Nomination Committee and has worked to strengthen the functions of managers by fulfilling expectations of him not only deciding on concrete compensation amounts and promoting deliberations on the revision of the Officer Remuneration System as the Chairperson of the Remuneration Committee but also deciding on the transparent and fair choice of directors and helping deliberate on the policy of operating the Nomination Committee focused on succession plans and other matters as a member of the Nomination Committee.</td></tr>
<tr><td rowspan="5">SATO Rieko
Independent
(Note)</td><td>Important concurrent positions</td><td colspan="2">Partner of Ishii Law Office
Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc.
Outside Director (Member of the Audit and Supervisory Committee) of NTT DATA CORPORATION
Outside Audit & Supervisory Board Member of Mitsubishi Corporation
Director of Daimaru Matsuzakaya Department Stores Co. Ltd.</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td colspan="2">Daimaru Matsuzakaya Department Stores Co. Ltd. is a wholly owned subsidiary of the Company.</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td colspan="2">No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td colspan="2">93.3% (Attended 14 of 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which she belongs</td><td>Audit</td><td>100% (Attended all 18 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="4">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
SATO Rieko has contributed to ensuring more effective meetings of the Board of Directors by fulfilling expectations of her drawing on points of view and perspectives that vary from those of Inside Directors in providing advice and oversight with regard to, among others, specific ways and points that should be kept in mind to promote structural reforms, the importance of analyzing the future environment when developing medium- and long-term strategies, new forms of services using digital technologies that customers expect us to offer, and views on agenda from the perspective of laws and regulations. She does so based on her abundant experience and advanced and expert knowledge as a lawyer specializing mainly in corporate legal affairs. She also has served as a lead director of the Company’s executive session established as an opportunity for Outside Directors to openly and freely exchange opinions and share information. In regard to being a committee member, she serves as a member of the Audit Committee and has worked to strengthen audit functions by fulfilling expectations of her exchanging opinions on and discussing items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee from the perspective of legality, appropriateness, etc. while auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees).</td></tr>
</table>

<table>
<tr><td rowspan="5">SEKI Tadayuki
Independent
(Note)</td><td>Important concurrent positions</td><td colspan="2">Outside Director of VALQUA, LTD.
Outside Director of JSR Corporation
Outside Statutory Auditor of Asahi Mutual Life Insurance Company
Director of PARCO Co., Ltd.</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td colspan="2">PARCO Co., Ltd. is a wholly owned subsidiary of the Company.</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td colspan="2">No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td colspan="2">100% (Attended all 12 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which he belongs</td><td>Audit</td><td>100% (Attended all 13 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="4">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
SEKI Tadayuki was involved in international business management and risk management at a general trading company for many years, and as CFO has both abundant knowledge and experience in relation to finance and accounting. He also has wide-ranging insights derived from roles as Outside Director and Audit & Supervisory Board Member at multiple companies. Using such experience and knowledge, he has contributed to ensuring more effective meetings of the Board of Directors by fulfilling expectations of him drawing on points of view and perspectives that vary from those of Inside Directors in providing advice and oversight with regard to, among others, specific ways of promoting structural reforms with employee motivation in mind, the approach to positioning the Payment and Finance Business in the Medium-term Business Plan, the ideal way of operating new businesses, and the best financial strategy considering the cost of capital. In regard to being a committee member, he serves as a member of the Audit Committee and has worked to strengthen audit functions by fulfilling expectations of him exchanging opinions on and discussing items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee from the perspective of legality, appropriateness, etc. while auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees).</td></tr>
<tr><td rowspan="6">YAGO Natsunosuke
Independent
(Note)</td><td>Important concurrent positions</td><td colspan="2">Outside Director of SUBARU CORPORATION</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td colspan="2">No special relationships exist</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td colspan="2">No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td colspan="2">100% (Attended all 12 meetings held during tenure this fiscal year)</td></tr>
<tr><td rowspan="2">Attendance at the meetings of Committees to which he belongs</td><td>Nomination</td><td>100% (Attended all 11 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Remuneration</td><td>100% (Attended all 11 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="4">[Major activities during current fiscal year and overview of duties executed in roles that are expected to be fulfilled]
YAGO Natsunosuke has been involved in top-level company management for many years, and has abundant experience in strengthening financial bases and in compliance management. He also has advanced knowledge of internal control and corporate governance based on his experience in transitioning to a company with three committees (nomination, audit and remuneration committees). Using such experience and knowledge, he has contributed to ensuring more effective meetings of the Board of Directors by fulfilling expectations of him drawing on points of view and perspectives that vary from those of Inside Directors in providing advice and oversight with regard to, among others, the approach to setting appropriate goals to promote structural reforms, the method of identifying issues toward the development of the Medium-term Business Plan, how the management should promote matrix management, the appropriate ways of identifying and examining materiality issues, and specific initiatives to help resolve the materiality issues. In regard to being a committee member, he serves as the Chairperson of the Remuneration Committee and a member of the Nomination Committee and has worked to strengthen the functions of managers by fulfilling expectations of him not only deciding on concrete compensation amounts and promoting deliberations on the revision of the Officer Remuneration System as the Chairperson of the Remuneration Committee but also deciding on the transparent and fair choice of directors and helping deliberate on the policy of operating the Nomination Committee focused on succession plans and other matters as a member of the Nomination Committee.</td></tr>
</table>

(Note) The above-mentioned Outside Directors are independent officers, which are required to be put in place by the Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. for the protection of general shareholders.

4. Matters relating to Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

(2) Amount of remuneration, etc. of Accounting Auditor

(i) Amount of remuneration, etc. to be paid by the Company	¥112 million
(ii) Total cash and other financial profits to be paid by the Company and its subsidiaries	¥255 million

(Note) The audit agreement entered into by the Accounting Auditor and the Company does not clearly distinguish the amount being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be practically distinguished from each other. Therefore, the amount in (i) above indicates the total of these two kinds of amounts.

(3) Content of non-audit service

Tax accounting and taxation support, etc. for the transfer of real estate

(4) Rationale for Audit Committee's agreement on remuneration of the Accounting Auditor

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.

(5) Policy for determining dismissal or non-reappointment of Accounting Auditor

The Audit Committee is to take necessary measures that include dismissing the Accounting Auditor upon gaining consent of all Audit Committee members, or otherwise making a decision on the details of 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 Paragraph 1, Article 340 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) Rationale for Audit Committee's decision on reappointment of Accounting Auditor

The Audit Committee decided to reappoint Ernst & Young ShinNihon LLC, as a result of comprehensive considerations, following the evaluation of the appropriateness and validness of audit activities by the Accounting Auditor based on the Accounting Auditor Evaluation Standards established by the Audit Committee.

5. Basic ideas on corporate governance

(1) Role of corporate governance

The Company believes that ensuring sustainable growth of the Group and increasing corporate value over the medium to long term is conducive to realizing ideals of the Group Mission Statement. Accordingly, the role of corporate governance in the JFR Group must be to help enable us to realize the ideals of the Group Mission Statement.

The Company, which is a pure holding company at the core of corporate governance of the Group, assumes responsibility for ensuring managerial transparency, soundness and compliance of the entire Group, with the aim of realizing the ideals of the Group Mission Statement.

(2) Relationship with shareholders and other stakeholders

Through its business activities, the Company strives to build relationships of trust with all of its stakeholders.

Our shareholders are the providers of the Company's capital and act as the main source of the Group's corporate governance. Accordingly, the Company respects shareholder rights to the maximum extent (including those of minority shareholders and foreign shareholders), and substantively ensures their rights.

The Company treats its shareholders equitably and impartially, in accordance with types and numbers of shares held by shareholders. Moreover, neither the Company nor the Group provides property benefits to any person, such that relate to the exercise of the rights of specific shareholders.

The Company actively works to fulfill its responsibilities towards customers, business partners, employees and local communities in relation to the environment and society, as part of its efforts to realize a sustainable society.

(3) Information disclosure

We believe that promoting constructive dialogue with our shareholders and investors helps the Group achieve sustainable growth while increasing corporate value over the medium to long term. The Company is committed to timely and appropriate disclosure of information, on which constructive dialogue is premised, and through such initiatives maintains and develops trusting relations with its stakeholders.

The Company discloses important information of the Group in a timely and appropriate manner, in accordance with Japan's Financial Instruments and Exchange Act and other such laws and regulations, as well as in accordance with rules for timely disclosure stipulated by financial instruments exchanges on which the Company's shares are listed. Even in cases where such laws, regulations and the timely disclosure rules do not apply, the Company recognizes information deemed useful to shareholders, investors and other stakeholders as important with respect to its corporate activities as called for by society. As such, the Company proactively discloses such information in an impartial and swift manner using appropriate means, and with the added aim of facilitating more extensive understanding regarding the Group.

(4) Roles and responsibilities of the Board of Directors, etc.

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

(i) Indicating the overall direction that Group management is to take, by engaging in constructive discussions with respect to the Group Vision, the Group Medium-term Business Plan, the Group Management Policy and other management fundamental policies, and carrying out multifaceted and objective deliberations that include evaluation of risks with respect to the aforementioned;

(ii) Appropriately making decisions in terms of overall policy and plans pertaining to the Group management on the basis of the direction noted above and overseeing progress and results of the plans;

(iii) Developing an environment conducive to encouraging offense-oriented management geared to achieving discontinuous growth;

(iv) Taking steps to build and develop internal control systems of the Group overall, and otherwise overseeing the operational status of such systems;

(v) Overseeing conflicts of interest between related parties; and

(vi) On the basis of summary reports furnished by the Nomination Committee, overseeing progress of senior management team succession planning, personnel assignment plans pertaining to managerial talent and management team training, as delegated to the Nomination Committee.

(5) Systems of corporate governance

The Company is currently adopting a company with three committees (nomination, audit and remuneration committees) as organizational structure. The reasons are as follows.

(i) 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 management.

(ii) The Company will enable decisions of business execution to be delegated to Executive Officers, clarify the authority and responsibility, and carry out speedy management decision making.

(iii) The Company will improve the transparency and objectivity of management by establishing a company with three committees. The majority of the members of each of these committees are independent Outside Directors.

(iv) The Company will build a governance structure that is easy to understand from global perspectives, such as those of overseas investors.

6. Operation of the Board of Directors

Composition of the Board	9 Directors who do not execute business (including 6 Outside Directors) and 4 Directors who concurrently serve as Executive Officer
Major roles	The Board of Directors shall discuss and resolve matters defined in the Companies Act and/or the Articles of Incorporation, as well as matters relating to management strategies, such as the Group Medium-Term Business Plan and Management Policy, and matters relating to important business execution, such as asset acquisition, new business development, and M&As.
Operational status	Held at least once every month, in principle. With one-third or more of Directors being independent Outside Directors, the Board of Directors functions as a venue for constructive discussions and deliberations, beyond being solely a decision-making body for important matters, and is a key to the enhancement of corporate governance.
Comment from Chairperson of the Board Director YAMAMOTO Ryoichi	The COVID-19 pandemic had a profound impact over the Company's performance during FY2020. Amid such backdrop, the Board of Directors made a decision based on factors such as the earning power and financial stability of the Group, to place utmost priority on proceeding with the management structure reforms. The decision was reflected in the Group's agenda setting accordingly. Considering the drastic change in environment internally and externally, the COVID-19 pandemic and the transformation of PARCO into a wholly owned subsidiary, we put halt to the Medium-term Business Plan covering period from FY2017 to FY2021 and terminated it one year ahead of schedule. The new Medium-term Business Plan that will initiate in March 2021 are plans that will lead to achievements by demonstrating the Group's strengths cross-sectionally between businesses. The target is to return to the pre-COVID-19 pandemic level of operational results reached in FY2019 in the final year of the business plan, FY2023. FY2021 will be the first year of the new Medium-term Business Plan. We will focus on working on management structure reforms while recovering the profit of the operating companies, achieving FY2023 goal, and creating a footing that will lead to regrowth in and after FY2024. We will hold discussions designed to improve the quality of strategies from the perspective of stakeholders and enhance management oversight in order to contribute to the realization of the Group Vision and greater corporate value.

(Evaluation of effectiveness of the Board of Directors)

The Company conducted its sixth evaluation of the effectiveness of the Board of Directors between September and October 2020. Third-party organization conducted individual interviews based on advance questionnaire. A Report was prepared from the collected and analyzed results and used in discussion at October's Board of Directors meeting. Taking into account the fact that we now have a new structure due to the changes of the Chairperson of the Board of Directors as well as the President and Representative Executive Officer, we examined the status of our responses to the previous year's findings while putting emphasis notably on identification of issues taking into consideration the status of deliberation and operation of the Board of Directors.

As a result, the following five issues were picked up: "redefining the roles of the Board of Directors," "strengthening discussion on medium- and long-term growth strategy," "reviewing the composition of the Board of Directors," "strengthening the PDCA cycle of the Board of Directors," and "strengthening the function of the Nomination Committee."

Based on these issues, during FY2021, we will: 1) redefine the roles of the Board of Directors, review guideline for submitting agenda items, and promote delegation of authority to executives to accelerate management; 2) for medium- and long-term growth strategy, take into account the COVID-19 crisis and emphasize discussion from the perspective of recovering profit; 3) look into more effective composition of the Board, taking into consideration the board diversity as well as the balance between the number of persons with the function to oversee and those with execution function; 4) prepare the Board of Directors issue management table to strengthen monitoring; and 5) review management evaluation process and strengthen cooperation with the Nomination Committee and the Remuneration Committee.

We will continue to strive to share issues based on the evaluation of the effectiveness of the Board of Directors and improve the effectiveness of the Board of Directors.

7. Operations of each Committee

(1) Nomination Committee

Composition of Committee	4 Directors who do not execute business (including 3 Outside Directors) and 1 Director who concurrently serves as Representative Executive Officer
Major roles	The Nomination Committee determines the contents of proposals on the nomination and dismissal of Directors to be submitted to shareholders' meetings, and reports to the Board of Directors upon consultations from the Board of Directors regarding the nomination and dismissal of management personnel of the Company and major business subsidiaries, as well as the chairpersons and members of individual committees, and other matters.
Number of meetings held	14
Number of meetings attended	2 incumbent members attended all 14 meetings. Directors Uchida, Yago, and Yoshimoto, who were newly appointed in May 2020, also attended all 11 meetings held during their tenure.
Comment from Chairperson of the Committee Director (Outside) ISHII Yasuo	The Nomination Committee utilizes in-house personnel evaluation information as well as assessment data by a third-party organization to deliberate effective composition of the Board of Directors and the election and dismissal of Directors including Outside Directors as well as Executive Officers of the Company. The committee also obtains opportunities to get to know candidate's personalities and ideas through conducting interviews, etc., as necessary, and ensures higher objectivity, transparency and rationality. The Nomination Committee has positioned the management team succession plan as a central issue necessary to generate sustainable growth of the Company and continues to conduct related deliberations. As for training of candidates for the next generation of managers, the committee evaluates their performance, debates their roles and transfers to strengthen future human resources, and ties it to implementation if necessary. The Nomination Committee will secure management personnel necessary for continuous growth and development of the Company, and strive for the election of the right person in the right place.

(2) Audit Committee

Composition of Committee	5 Directors who do not execute business (including 3 Outside Directors)
Major roles	In accordance with the overall policy and plan determined by the Board of Directors, the Audit Committee audits the execution of business by Directors and Executive Officers, important matters to be submitted to the Board of Directors, and other individual matters the Audit Committee considers necessary.
Number of meetings held	18
Number of meetings attended	4 incumbent members attended all 18 meetings. Director Seki, who was newly appointed in May 2020, also attended all 13 meetings held during his tenure.
Comment from Chairperson of the Committee Director (Outside) NISHIKAWA Koichiro	The Audit Committee, in accordance with the Rules of Audit Committee, Audit Standards, and Practice Standards for Audit concerning Internal Control System, etc., formulated an audit plan for the current fiscal year, conducted the audit, and reported its contents to the Board of Directors. The committee also conducted hearing at Audit Committee Meeting (held 16 times), a meeting body held apart from the Audit Committee, regarding topics such as the group's business strategy, progress of organizational reform, and governance and risk management system under the influence COVID-19 pandemic to gain understanding of the current situation. From the perspective of increasing the effectiveness and accuracy of audits, the Audit Committee will mutually cooperate with the Internal Audit Division, Accounting Auditor, and Audit & Supervisory Board Members of the Group companies and work to further enrich the audit system. The Committee will also continue to work to establish high quality corporate governance structure that is worthy of social trust and to conduct audits in a fair and impartial manner to contribute to the growth of the Group and the enhancement of its corporate value.

(3) Remuneration Committee

Composition of Committee	4 Directors who do not execute business (including 3 Outside Directors) and 1 Director who concurrently serves as Representative Executive Officer
Major roles	The Remuneration Committee determines the policy on deciding the contents of individual remuneration to management personnel of the Company and major business subsidiaries, and these contents themselves.
Number of meetings held	15
Number of meetings attended	2 incumbent members attended all 15 meetings. Directors Uchida, Yago, and Yoshimoto, who were newly appointed in May 2020, also attended all 11 meetings held during their tenure.
Comment from Chairperson of the Committee Director (Outside) UCHIDA Akira	Pursuant to the Officer Remuneration Policy formulated in April 2017 and revised in 2020, the Remuneration Committee examines the overall level of officer remuneration and the ratio of performance-linked remuneration, as well as the ratio of stock-based remuneration therein against preset peer group. By doing so, the Company maintains objective and appropriate remuneration level and system at all times. Furthermore, upon formulating the new Medium-term Business Plan, the Committee held series of discussions regarding reviewing the officer remuneration system and the policy. To support the achievement of the new Medium-term Business Plan, overall level of officer remuneration, the ratio of performance-linked remuneration, and current trends on stock-based remuneration for officers were examined using third-party organization, while also designing appropriate remuneration system and remuneration level to compensate officers the amount adequate for their work. Going forward, we will continue to operate the system appropriately.

8. System and policies of the Company

(1) Systems to ensure properness of operations <Basic Policy to Build Internal Control System>

The Basic Policy to Build Internal Control System is disclosed on our website (https://www.j-front-retailing.com/) in accordance with the laws and regulations and the Article 16 of the Company's Articles of Incorporation.

You can access here to read the entire contents of the Basic Policy to Build Internal Control System. (https://www.j-front-retailing.com/english/company/internalcontrol.php)

(2) Operational status of systems to ensure properness of operations <Basic Policy to Build Internal Control Systems> (FY2020)

The Company endeavors to maintain its internal control systems and properly operate such systems on the basis of its "Basic Policy to Build Internal Control Systems." Details regarding the overall status of such operations during the current fiscal year are as follows.

I. Group Management System

(1) Board of Directors

1) The Board of Directors is comprised of highly independent Outside Directors who have no risk of a conflict of interest with the Company's shareholders, Inside Directors who own deep understandings about the business environment and issues surrounding the Group, and Directors who do not execute business. It functions to oversee the execution of duties by Executive Officers and Directors.

2) The composition of the Board of Directors is such that one-third or more of Directors are independent Outside Directors and that the majority of Directors are independent Outside Directors and/or internally promoted Directors who do not execute business and are well informed about internal information.

3) The Board of Directors deliberates on material issues related to the Group management, such as strategies. As for the findings of and issues raised by the Board of Directors, there are demands for additional reports on execution, and efforts are made to run through the PDCA cycle, including additional debate by the Board of Directors. Briefings are also provided to Outside Directors prior to the Board of Directors meetings for fuller discussions at such meetings. The effectiveness of the Board of Directors is being improved through these initiatives.

4) During the current fiscal year, the Board of Directors met 15 times. It discussed items stipulated in the Companies Act and Articles of Incorporation, matters related to initiatives for structural reform in view of business continuity under COVID-19 crisis, formulated FY2021-FY2023 Medium-term Business Plan, and worked to steadily implement the current Medium-term Business Plan by strengthening audits to check progress of the execution of the plan.
In addition, the Board of Directors evaluates the state of creating and operating the various items stipulated in the "Basic Policy to Build Internal Control Systems" and confirms there are no major problems.

5) Evaluations of the effectiveness of the Board of Directors are performed by a third-party organization each fiscal year to continuously and further improve the effectiveness of the Board of Directors by resolving any identified issues.

(2) Management execution framework

1) In the Company, the organization responsible for execution consists of the Management Strategy Unit, Group Digital Strategy Unit, Affiliated Business Unit, Financial Strategy Unit, Human Resources Strategy Unit, and Administration Unit. These units support the prompt execution of operations and management of operating companies under the "Mission Statement," which stipulates their roles and responsibilities.

2) The roles and responsibilities of the Company as a pure holding company are to formulate overall policy and plan for the Group management, such as the Group Vision, Medium-term Business Plan, M&As, the Group financing plans, along with the progress and performance management control of the said plans, and proper allocation of the Group's management resources. With regard to matters related to business execution at operating companies, in order

to promote speedy management decisions and clarify management responsibilities; standards have been established for delegating authority to operating companies, which exclude items that have an important impact on the Group management; and things are operated in accordance with these standards.

3) The Company has established various meetings to execute items, the roles of which are clearly indicated. The Group Management Meeting focuses on discussions of important issues to be submitted to the Board of Directors, such as overall policy and plans for the Group management, and the matters discussed are confirmed at the Group Policy Meeting, the Group Liaison Meeting, and the Group Results and Strategy Examination Meeting to facilitate prompt management decisions.

4) As a rule, the common Group accounting system is introduced; and efforts are made to promote more efficient operations and integrated and more efficient fund procurement by the Group through a cash management system.

5) In view of the critical condition of business performance resulting from the worsening management environment affected by the outbreak of novel coronavirus, we established Structural Reform Promotion Division to press ahead with the planning and execution of structural reform of the entire group, which has become a pressing issue.

6) With regard to internal controls over financial reporting, the Company and operating companies maintain and operate internal systems to ensure the legality and appropriateness of financial reporting in line with the Financial Instruments and Exchange Act and various associated laws and regulations.

II. Risk Management System

(1) Risk Management Committee

1) The Company has established the Risk Management Committee as an advisory body to the President and Representative Executive Officer with regard to risk management. The committee is chaired by the President and Representative Executive Officer and comprises Executive Officers and others.
The committee regularly discusses, identifies, and evaluates risks (uncertainties), prioritizes them and reflects them in strategies, monitors related countermeasures, and submits related reports to the Audit Committee and the Board of Directors.

2) During the current fiscal year, the committee met three times and reexamined corporate risks that will become the starting point of the Company's management strategy, taking into consideration the forward-looking forecast for 2030, impact of COVID-19 pandemic, and management's medium-and long-term risk recognition, among others. The committee shares information and provides advice to operating companies in order to establish process to improve risk management of the whole Group.

(2) Execution control

1) Under the direction of the President and Representative Executive Officer, the Company has placed designated staff in the ESG Promotion Division in the Management Strategy Unit and develops and manages internal controls under the Companies Act and the internal control system under the Financial Instruments and Exchange Act at the Company and operating companies.
During the current fiscal year, no material deficiencies that should be disclosed were found, and this was reported to the Audit Committee and the Board of Directors.

2) Moreover, the Company has developed and managed the "Mission Statement," which stipulates each unit's roles and responsibilities, and strengthening links between departments.

(3) Hazard risk response

For hazard risks such as large-scale earthquakes, fires, and accidents, the Company has established a system in which crisis management is controlled by the "Emergency Response Headquarters" headed by the President and Representative Executive Officer.
During the current fiscal year, we thoroughly implemented measures to prevent infection at the Group's stores and offices, by continuing the operation of Emergency Response Headquarters

which was established in February 2020 to address COVID-19 crisis, by prioritizing "continuation of the Company's existence," "protecting jobs of employees," and "not letting go of the hands of our customers and suppliers," and by expanding telework by formulating guideline in view of the infection situation and memorandums issued by the administration.

III. Legal Compliance System

(1) Compliance Committee

1) The Company has established the Compliance Committee as an advisory body to the President and Representative Executive Officer regarding the compliance operation. The President and Representative Executive Officer shall be the chairperson and the members of the committee shall be a corporate lawyer, Executive Officers and others.

2) Departments and responsible persons in charge of promotion of compliance and risk management are also put at operating companies, and carry out daily supervision and direction of business operations that are in accordance with laws and regulations and internal company rules.

3) The Compliance Committee met five times during the current fiscal year and discussed factors behind and countermeasures against compliance-related violations and provided instructions to implement specific measures to prevent recurrence. In addition, the Committee once again carried out a group-wide discussion on how the Group's compliance should be, and reconfirmed that it is a broader concept that is not just a matter of compliance but is something rooted in corporate philosophy.

4) In order to spread efforts to ensure compliance, those responsible for compliance at each group company meet three times a year to increase compliance awareness and implement activities within the entire group. We also invited lecturer from outside the Group and gave trainings to Group company managements and those in charge of compliance at each group company.

(2) Whistle-blowing system

1) The Company has established the "JFR Group Compliance Hotline" for reporting issues to the Company or an independent party (corporate lawyer), which may be used by all persons working at the Company and operating companies.

2) For hotline reports concerning management personnel, the Company has built a structure whereby the reports are directly submitted through the hotline desk to the Audit Committee and subjected to directions from the Audit Committee.

3) During the current fiscal year, efforts were made to increase recognition and promote understanding of the system among the Group company employees through measures such as renewing posters. As a result, 24 cases related to labor-management relations and other issues were reported, and are being dealt mainly by the secretariat.

(3) Other

Daimaru Matsuzakaya Department Stores Co. Ltd. and Daimaru Matsuzakaya Sales Associates Co. Ltd., subsidiaries of the Company, have been reinforcing their monitoring to ensure legal compliance. As a result, they detected a violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in sales of school uniform to a prefectural high school in Aichi Prefecture.
The companies voluntarily reported the violation by making an application under the leniency program of the Japan Fair Trade Commission (JFTC), and stopped the conduct that was in violation with the Act and fully cooperated in the JFTC's investigation.
Since such actions were recognized, the companies did not receive any cease and desist order or surcharge payment order. However, the Group is taking this matter seriously and sincerely and will work with Daimaru Matsuzakaya Department Stores Co. Ltd. and Daimaru Matsuzakaya Sales Associates Co. Ltd. to continue to further strengthen the compliance system of the Group.

IV. Internal Audit Structure

1) The Company has established an independent Internal Audit Division 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 operating companies.

2) There is a system in which reports are submitted to both the President and Representative Executive Officer and Audit Committee, and audit results and improvement measures related to audit findings are regularly reported. As for orders related to improvement measures from management, issues are promptly handled in collaboration with the audited departments.

3) We have established an audit structure that utilizes digital equipment to enable execution of audit under COVID-19, and are performing audits. Our audits and reports given during the current fiscal year focused on compliance situation of the "Subcontracting Law and the Anti-monopoly Law," "organizational culture and human resources development," "IT system operation," and "maintenance and operation of appropriate internal control rules."

V. Structure of the Audit Committee

1) The Audit Committee, which is chaired by an Outside Director, is composed of five members, two of whom are Directors who do not execute business and are Inside Directors.

2) In accordance with the overall policy and plan determined by the Board of Directors, the Audit Committee audits the execution of business by Executive Officers and Directors, important matters submitted to the Board of Directors, and other individual matters the Audit Committee considers necessary, as well as the status of establishing and implementing internal controls, and then prepares audit reports.

3) The Audit Committee receives explanations on the audit policy and plan prior to the audit from the Accounting Auditor, and receives explanations and reports on the audit results and expresses its opinions including requests on audit items, and in addition, exchanges of opinions with the Accounting Auditor are carried out on a regular basis.

4) To grasp important decision-making processes and the status of the execution of duties, full-time members of the Audit Committee not only attend important committees and other meetings, such as the Group Management Meeting, but also peruse important documents relating to the execution of business such as approval circulars.

5) During the current fiscal year, the Audit Committee met 18 times. Apart from the Audit Committee, efforts are being made at the Audit Committee Meeting, to gain understanding of the current situation regarding execution by carrying out audits on execution of duties of all of the Executive Officers of the Company. Meeting with Audit & Supervisory Board Members of the Group companies are held every month for each company in principle, to enhance cooperation.

VI. Other

(1) System for storage and management of information

Documents relating to the execution of duties by Executive Officers and Directors and the minutes of the important meetings and committees such as the meetings of the Board of Directors and the Group Management Meeting are being accurately recorded and prepared, and information is being properly stored and managed by the responsible department.

(2) Digital information security

In order to strengthen security, the Company has formulated a "JFR Group Information Security Policy," shares that policy within the Group, and manages digital information based on that. Reports on the status of digital information management and related matters are made at the Board of Directors, the Audit Committee, and Group Management Meeting regularly and when necessary. During the current fiscal year, we newly formulated "IT governance policy, regulations, and rules" intending to minimize potential IT related risks and to increase corporate value, and are controlling the set of activities from establishing IT strategy to implementing them, while promoting information security policy compliance initiatives as a priority measure.

(3) Basic policy regarding control of the Company

I. 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, continuously and sustainably ensures that the corporate value of the Group and, by extension, the common interests of shareholders are served, and 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.

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.

II. Frameworks contributing to realization of basic policy

Since the foundation of Daimaru and Matsuzakaya, the Group has been engaged in 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 Mission Statement 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 this Basic Mission Statement, the Company implements a wide range of measures, aiming to realize the Group 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.

III. 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 Inside 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 countermeasures.

IV. 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 Mission Statement, and are intended to further build up the relationships 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 Inside 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.

(4) 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 being” equipped to address risks.

Moreover, in procuring funds through interest-bearing liabilities, 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 liabilities.

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 operating profit and sustainable improvement of the operating profit margin by strengthening our core businesses and concentrating management resources on initiatives such as business field expansion and active development of new businesses.

(5) Policy regarding decisions on dividends of surplus, etc.

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

(6) IR Policy

We aim at developing the Group by contributing to society at large as a fair and reliable corporation. Under such Basic Mission Statement, the Company promotes IR activities for the purpose of maintaining and developing relations of trust with stakeholders including shareholders and investors. By accurately and plainly disclosing important information about the Company in a fair, timely and appropriate manner, we aim to improve management transparency and help stakeholders better understand the Company.

Consolidated Financial Statements

Consolidated Statement of Financial Position (As of February 28, 2021)

(Millions of yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	**273,605**	**Current liabilities**	**389,926**
Cash and cash equivalents	128,925	Bonds and borrowings	145,151
Trade and other receivables	113,414	Trade and other payables	121,937
Other financial assets	5,841	Lease liabilities	29,799
Inventories	20,684	Other financial liabilities	30,211
Other current assets	4,739	Income tax payables	1,957
		Provisions	914
		Other current liabilities	59,953
Non-current assets	**990,116**	**Non-current liabilities**	**509,451**
Property, plant and equipment	493,644	Bonds and borrowings	214,779
Right-of-use assets	157,819	Lease liabilities	173,085
Goodwill	523	Other financial liabilities	39,237
Investment property	188,879	Retirement benefit liability	19,781
Intangible assets	5,752	Provisions	10,534
Investments accounted for using equity method	37,815	Deferred tax liabilities	51,301
		Other non-current liabilities	731
Other financial assets	86,870		
Deferred tax assets	6,751		
Other non-current assets	12,061		
		Total liabilities	**899,378**
		Equity	
		Equity attributable to owners of parent	**352,171**
		Share capital	31,974
		Capital surplus	188,542
		Treasury shares	(14,830)
		Other components of equity	9,578
		Retained earnings	136,906
		Non-controlling interests	**12,171**
		Total equity	**364,343**
Total assets	**1,263,722**	Total liabilities and equity	**1,263,722**

(Note) Amounts have been rounded down to the nearest one million yen.

Consolidated Statement of Profit or Loss (From March 1, 2020 to February 28, 2021)

(Millions of yen)

Item	Amount
Revenue	319,079
Cost of sales	(184,711)
Gross profit	**134,368**
Selling, general and administrative expenses	(132,001)
Other operating income	5,711
Other operating expenses	(32,343)
Operating profit (loss)	**(24,265)**
Finance income	962
Finance costs	(6,086)
Share of profit (loss) of investments accounted for using equity method	717
(Loss) before tax	**(28,672)**
Income tax expense	2,251
(Loss)	**(26,421)**
Loss attributable to:	
Owners of parent	(26,193)
Non-controlling interests	(227)
(Loss)	(26,421)

(Note) Amounts have been rounded down to the nearest one million yen.

Consolidated Statement of Changes in Equity (From March 1, 2020 to February 28, 2021)

(Millions of yen)

	Equity attributable to owners of parent							
				Other components of equity				
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total
Balance as of March 1, 2020	31,974	189,340	(14,974)	(65)	(3)	11,710	–	11,641
(Loss)	–	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	(24)	15	(2,107)	1,013	(1,103)
Total comprehensive income	–	–	–	(24)	15	(2,107)	1,013	(1,103)
Purchase of treasury shares	–	–	(3)	–	–	–	–	–
Disposal of treasury shares	–	(0)	0	–	–	–	–	–
Dividends	–	–	–	–	–	–	–	–
Share-based payment transactions	–	(796)	148	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	53	(1,013)	(959)
Total transactions with owners	–	(797)	144	–	–	53	(1,013)	(959)
Balance as of February 28, 2021	31,974	188,542	(14,830)	(89)	11	9,656	–	9,578

	Equity attributable to owners of parent		Non-controlling interests	Total
	Retained earnings	Total		
Balance as of March 1, 2020	169,206	387,188	12,493	399,681
(Loss)	(26,193)	(26,193)	(227)	(26,421)
Other comprehensive income	–	(1,103)	0	(1,102)
Total comprehensive income	(26,193)	(27,296)	(226)	(27,523)
Purchase of treasury shares	–	(3)	–	(3)
Disposal of treasury shares	–	(0)	–	(0)
Dividends	(7,066)	(7,066)	(94)	(7,161)
Share-based payment transactions	–	(648)	–	(648)
Transfer from other components of equity to retained earnings	959	–	–	–
Total transactions with owners	(6,107)	(7,719)	(94)	(7,813)
Balance as of February 28, 2021	136,906	352,171	12,171	364,343

(Note) Amounts have been rounded down to the nearest one million yen.

[Reference]

Consolidated Statement of Cash Flows (Summary) (From March 1, 2020 to February 28, 2021)

(Millions of yen)

Item	Amount
Cash flows from operating activities	56,471
Cash flows from investing activities	(20,870)
Cash flows from financing activities	58,727
Net increase in cash and cash equivalents	94,328
Cash and cash equivalents at beginning of period	34,633
Effect of exchange rate changes on cash and cash equivalents	(37)
Cash and cash equivalents at end of period	128,925

(Note) Amounts have been rounded down to the nearest one million yen.

Non-consolidated Financial Statements

Non-consolidated Balance Sheet (As of February 28, 2021)
J. Front Retailing Co., Ltd.

(Millions of yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	**145,764**	**Current liabilities**	**129,701**
Cash and deposits	117,810	Short-term borrowings	56,925
Short-term loans receivable from subsidiaries and associates	26,244	Commercial papers	70,001
		Deposits received	1,230
Other	2,050	Accrued expenses	626
Allowance for doubtful accounts	(340)	Accounts payable - other	533
		Income taxes payable	135
		Provision for bonuses	106
		Provision for bonuses for directors and other officers	23
		Other	120
Non-current assets	**529,972**	**Non-current liabilities**	**216,864**
Property, plant and equipment	**111**	Bonds payable	70,000
Buildings and structures	90	Long-term borrowings	144,960
Other	21	Long-term deposits received for officer shares trust	1,765
		Provision for officer remuneration BIP trust	106
		Asset retirement obligations	29
		Deferred tax liabilities	3
		Total liabilities	**346,565**
Intangible assets	**205**	**Net assets**	
Software	205	**Shareholders' equity**	**329,382**
		Share capital	31,974
		Capital surplus	249,075
		Legal capital surplus	9,474
Investments and other assets	**529,654**	Other capital surplus	239,601
Investment securities	1,159	Retained earnings	62,398
Shares of subsidiaries and associates	377,358	Other retained earnings	62,398
Long-term loans receivable from subsidiaries and associates	151,000	Retained earnings brought forward	62,398
Other	636	Treasury shares	(14,066)
Allowance for doubtful accounts	(500)		
Deferred assets	**180**	**Valuation and translation adjustments**	**(30)**
Bond issuance costs	180	Valuation difference on available-for-sale securities	(30)
		Total net assets	**329,351**
Total assets	**675,917**	**Total liabilities and net assets**	**675,917**

(Note) Amounts have been rounded down to the nearest one million yen.

Non-consolidated Statement of Income (From March 1, 2020 to February 28, 2021)
J. Front Retailing Co., Ltd.

(Millions of yen)

Item	Amount	
Operating revenue		
Dividend income	9,210	
Consulting fee income	4,602	13,812
General and administrative expense		**4,264**
Operating profit		**9,547**
Non-operating income		
Interest income	677	
Dividend income	158	
Other	90	926
Non-operating expenses		
Interest expenses	868	
Commitment fees	415	
Provision of allowance for doubtful accounts	200	
Other	141	1,624
Ordinary profit		**8,849**
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	763	
Loss on sale of shares of subsidiaries and associates	241	
Impairment losses	343	1,348
Profit before income taxes		**7,500**
Income taxes - current	15	
Income taxes - deferred	(1)	13
Profit		**7,487**

(Note) Amounts have been rounded down to the nearest one million yen.

Non-consolidated Statement of Changes in Equity (From March 1, 2020 to February 28, 2021)
J. Front Retailing Co., Ltd.

(Millions of yen)

	Shareholders' equity						Valuation and translation adjustments	Total net assets
	Share capital	Capital surplus		Retained earnings	Treasury shares	Total share-holders' equity	Valuation difference on available-for-sale securities	
		Capital surplus	Other capital surplus	Other retained earnings / Retained earnings brought forward				
Balance as of March 1, 2020	31,974	9,474	239,601	62,038	(14,210)	328,878	(7)	328,871
Changes during period								
Dividends of surplus				(7,127)		(7,127)		(7,127)
Profit				7,487		7,487		7,487
Purchase of treasury shares					(4)	(4)		(4)
Disposal of treasury shares			(0)		148	148		148
Net changes in items other than shareholders' equity							(23)	(23)
Total changes during period	-	-	(0)	360	144	504	(23)	480
Balance as of February 28, 2021	31,974	9,474	239,601	62,398	(14,066)	329,382	(30)	329,351

(Note) Amounts have been rounded down to the nearest one million yen.

THE AUDIT REPORT OF INDEPENDENT AUDITORS CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS (COPY)

Report of Independent Auditors

April 9, 2021

The Board of Directors
J. FRONT RETAILING Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo office
Kazunori Takenouchi (seal)
Certified Public Accountant
Designated and Engagement Partner

Yoshihisa Shibayama (seal)
Certified Public Accountant
Designated and Engagement Partner

Hiroshi Matsuura (seal)
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to Paragraph 4, Article 444 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the notes to the consolidated financial statements of J. FRONT RETAILING Co., Ltd. (the "Company") applicable to the fiscal year from March 1, 2020 through February 28, 2021.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the J. Front Retailing Group, which consisted of the Company and consolidated subsidiaries, applicable to the 14th fiscal year from March 1, 2020 through February 28, 2021 in conformity with the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting that allows companies to prepare consolidated financial statements with the omission of a part of the disclosure items required under IFRS.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in conformity with the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting that allows companies to prepare consolidated financial statements with the omission of a part of the disclosure items required under the designated International Financial Reporting Standards ("IFRS"), and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements on the going concern basis, and disclosing, as applicable, matters related to going concern in accordance with the provisions of the second sentence of Paragraph 1, Article 120 of the Regulation on Corporate Accounting, which permit preparation omitting certain disclosures required under International Financial Reporting Standards and using the going concern basis of accounting.

The Audit Committee is responsible for overseeing the Executive Officers' and Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the consolidated financial statements.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with the provision of the second sentence of Article 120 (1) of the Regulation on Corporate Accounting of Japan, which permits the omission of some disclosure items required under IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

  We communicate with the Audit Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

  We also provide the Audit Committee with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We have no interest in the Company and its consolidated subsidiaries which should be disclosed in compliance with the Certified Public Accountants Act.

THE AUDIT REPORT OF INDEPENDENT AUDITORS CONCERNING THE NON-CONSOLIDATED FINANCIAL STATEMENTS (COPY)

Report of Independent Auditors

April 9, 2021

The Board of Directors
J. FRONT RETAILING Co., Ltd.

Ernst & Young ShinNihon LLC
Tokyo office
Kazunori Takenouchi (seal)
Certified Public Accountant
Designated and Engagement Partner

Yoshihisa Shibayama (seal)
Certified Public Accountant
Designated and Engagement Partner

Hiroshi Matsuura (seal)
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the notes to the non-consolidated financial statements and the related supplementary schedules of J. FRONT RETAILING Co., Ltd. (the "Company") (the "non-consolidated financial statements, etc.") applicable to the 14th fiscal year from March 1, 2020 through February 28, 2021.

In our opinion, the non-consolidated financial statements etc. referred to above present fairly, in all material respects, the financial position and results of operations of the Company applicable to the 14th fiscal year from March 1, 2020 through February 28, 2021 in conformity with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc. section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements etc. in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and the Audit Committee for the Non-consolidated Financial Statements, Etc.

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements etc. in accordance with accounting principles generally accepted in Japan; this includes the maintenance and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of non-consolidated financial statements etc. that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements etc., management is responsible for assessing whether it is appropriate to prepare the non-consolidated financial statements etc. on the going concern basis of accounting and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The Audit Committee is responsible for overseeing the Executive Officers' and Directors' performance of duties within the maintenance and operation of the financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements, Etc.

Our responsibilities are to obtain reasonable assurance about whether the non-consolidated financial statements etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the non-consolidated financial statements etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the non-consolidated financial statements etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of non-consolidated financial statements etc., whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider, in making those risk assessments, internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the non-consolidated financial statements etc. is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates by management and related notes thereto.
- Conclude on the appropriateness of management's use of the going concern basis for preparing the non-consolidated financial statements etc. and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related notes to the non-consolidated financial statements etc. or, if the notes to the non-consolidated financial statements etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the non-consolidated financial statements etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the non-consolidated financial statements etc. and the notes thereto are in accordance with accounting standards generally accepted in Japan, as well as evaluate the overall presentation, structure and content of the non-consolidated financial statements etc., including the related notes thereto, and whether the non-consolidated financial statements etc. fairly represent the underlying transactions and accounting events.

  We communicate with the Audit Committee regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, and other matters required by auditing standards.

  We also provide the Audit Committee with a statement that we have complied with the ethical requirements in Japan regarding independence that are relevant to our audit of the financial statements, and communicate with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

THE AUDIT REPORT OF AUDIT COMMITTEE MEMBERS (COPY)

Audit Report

The Audit Committee has audited the performance of duties by Directors and Executive Officers of J. FRONT RETAILING Co., Ltd. (the "Company") during the 14th fiscal year from March 1, 2020 through February 28, 2021. We hereby report as follows regarding the method and results of the audit.

1. Method and content of audits

With respect to the resolution of the Board of Directors concerning the matters stipulated in Item 1 (b) and (e), Paragraph 1, Article 416 of the Companies Act, as well as the system (the internal control system) developed based on such resolution of the Board of Directors, we received regular reports regarding the status of establishment and operation of such system from Directors, Executive Officers and employees, and others, requested explanations as necessary, expressed opinion thereon, and executed audits through the following methods.

(i) In accordance with audit policies stipulated by the Audit Committee and the division of duties, etc., Audit Committee Members, in coordination with the departments in the Company related to internal control, participated in key meetings, received reports from Directors, Executive Officers, and others regarding the matters related to the performance of their duties, and when necessary, requested explanations of those reports. Audit Committee Members also reviewed key decision documents, and conducted surveys of the operations and assets of the head office and of other principal places of business. Further, regarding subsidiaries, Audit Committee Members worked to communicate with Directors, Executive Officers, Audit & Supervisory Board Members, and other parties at those subsidiaries, and when necessary conduct hearings with them regarding their business.

(ii) Additional consideration was given to the basic policy set forth in Item 3 (a), Article 118 of the Regulation for Enforcement of the Companies Act and activities set forth in Item 3 (b), Article 118 of the same Ordinance, as noted in the Business Report, based on the status of deliberations at the meeting of the Board of Directors and other key meetings.

(iii) While monitoring and reviewing the audit of the Accounting Auditor to ensure they maintained an independent position and conducted their audits fairly, Audit Committee Members received reports from them regarding the performance of their duties, and when necessary, asked for further explanation regarding those reports. Audit Committee Members also received notice from the Accounting Auditor in accordance with "the system for ensuring appropriate execution of their duties" (as enumerated in each Item of Article 131 of the Regulation on Corporate Accounting) in compliance with the "Quality Control Standards Relating to Auditing" (adopted by the Business Accounting Deliberations Council in October 28, 2005), and, where necessary, Audit Committee Members requested further explanation regarding that notice.

Based on the above methods, Audit Committee Members proceeded to review the Business Report with the supplementary schedules, the non-consolidated financial statements (which consist of the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, and the notes to the non-consolidated financial statements) with the supplementary schedules, and the consolidated financial statements (which consist of the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity, and the notes to the consolidated financial statements) for the current fiscal year.

2. Audit Results

(1) Results of Audit of Business Report, etc.

(i) The Audit Committee confirms that the Business Report and the supplementary schedules conformed to the applicable laws and regulations, and the Articles of Incorporation, and that they accurately present the situation of the Company.

(ii) With respect to the performance of duties by Directors and Executive Officers, the Audit Committee found no improper acts or important violation of applicable laws and regulations or the Articles of

Incorporation.

(iii) The Audit Committee confirms that decisions by the Board of Directors regarding the Company's internal control systems are fair and adequate, and found no areas that require mention regarding the description of the internal control systems in the Business Report and the performance of duties by Directors and Executive Officers. Regarding the response to the novel coronavirus (COVID-19), the "Emergency Response Headquarters," which was established in the Company and operating companies in the previous fiscal year, continued, and comprehensive measures to prevent infections have been thoroughly implemented. The Audit Committee confirms that the Company and all the Group companies are working together to strengthen the crisis control system. Furthermore, as stated in the Business Report, Daimaru Matsuzakaya Department Stores Co. Ltd. and Daimaru Matsuzakaya Sales Associates Co. Ltd., subsidiaries of the Company, have been reinforcing their monitoring to ensure legal compliance. As a result, they detected a violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in sales of school uniform to a prefectural high school in Aichi Prefecture. The companies voluntarily reported the violation by making an application under the JFTC's leniency program, and stopped the conduct that was in violation with the Act and fully cooperated in the JFTC's investigation. Since such actions were recognized, Daimaru Matsuzakaya Department Stores has not received any cease and desist order or surcharge payment order. However, the Audit Committee confirms that the Company and J. Front Retailing Group (the "Group") are taking this matter seriously and sincerely and will continue to further strengthen the compliance system of the Group.

(iv) The Audit Committee confirms that the basic policy regarding those who control the determination of the Company's financial and operational policies, as noted in the Business Report, is fair and adequate. The Audit Committee confirms that activities set forth in Item 3 (b), Article 118 of the Regulation for Enforcement of the Companies Act, as noted in the Business Report, are in line with this basic policy, are not harmful to the common interest of the Company's shareholders, and are not intended to maintain the positions of corporate officers of the Company.

(2) Results of Audit of Non-consolidated Financial Statements and Supplementary Schedules

The Audit Committee confirms that the methods used and results achieved by the Accounting Auditor, Ernst & Young ShinNihon LLC, are fair and adequate.

(3) Results of Audit of Consolidated Financial Statements

The Audit Committee confirms that the methods used and results achieved by the Accounting Auditor, Ernst & Young ShinNihon LLC, are fair and adequate.

April 12, 2021

Audit Committee
J. FRONT RETAILING Co., Ltd.

NISHIKAWA Koichiro (seal)
Chairperson of Audit Committee

TSUTSUMI Hiroyuki (seal)
Audit Committee Member (full-time)

MURATA Soichi (seal)
Audit Committee Member (full-time)

SATO Rieko (seal)
Audit Committee Member

SEKI Tadayuki (seal)
Audit Committee Member

(Note) Audit Committee Members, namely, NISHIKAWA Koichiro, SATO Rieko and SEKI Tadayuki are Outside Directors as prescribed in Item 15, Article 2 and Paragraph 3, Article 400 of the Companies Act.

Internet Disclosure Items
for Notice of Convocation of the 14th Annual Shareholders Meeting

Systems to Ensure Properness of Operations <Basic Policy to Build Internal Control System>
in the Business Report
Notes to Consolidated Financial Statements
Notes to Non-consolidated Financial Statements
(From March 1, 2020 to February 28, 2021)

J. FRONT RETAILING Co., Ltd.

As for Systems to Ensure Properness of Operations <Basic Policy to Build Internal Control System>, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements, the Company provides those to shareholders by means of disclosure through the Internet (on the Company's website: https://www.j-front-retailing.com/) in accordance with the laws and regulations and the Company's Articles of Incorporation.

Systems to Ensure Properness of Operations <Basic Policy to Build Internal Control System> (revised on May 28, 2020)

This is a basic policy relating to building an internal control system for lawful and appropriate execution of overall business within the corporate group comprising J. FRONT RETAILING Co., Ltd. (hereinafter the "Company") and its operating companies (collectively, the "Group"). By specifically promoting this policy, the Group aims to contribute to increasing corporate value.

- The Company aims to realize corporate governance that is a structure for transparent, fair, swift and resolute decision-making with due attention to the perspectives of shareholders and also customers, employees and local communities in order to ensure the sustainable growth of the Group and increase corporate value over the medium to long term. The Company has therefore adopted the company with three committees (nomination, audit, and remuneration committees) in order to strengthen the oversight function and decision-making function for business execution of the Board of Directors by clearly separating management oversight and execution functions.
- In order to achieve our best possible corporate governance structure, it is important that the President and Representative Executive Officer takes and hedges various risks (uncertainties) within the corporate group to build an internal control system capable of appropriate and efficient business execution.
- The internal control system is a structure that companies should establish to control internal risks (uncertainties) with a view to realizing sustainable, stable growth. Specifically, the system comprises the following Group management system, risk management system, legal compliance system, internal audit structure, and structure of the audit committee.

I. Group Management System

(i) Board of Directors

- 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, 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.
- For monitoring action, decision making and the like by the Board of Directors, a certain number or more of highly independent Outside Directors shall be appointed, having no risk of a conflict of interest with the Company's shareholders, and being able to provide judgments independently from top management and make decisions appropriately.
- To ensure effectiveness of objective management oversight, in addition to the Outside Directors, internally promoted Directors who do not execute business and who are well informed about internal information shall also be appointed.
- To further strengthen oversight function while conducting smooth operation of the Board of Directors, an Inside Director who does not execute business shall be selected as the Chairperson of Board of Directors.

(ii) 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. Meanwhile, execution shall be controlled by having the following framework.
- The organization responsible for execution shall consist of the Management Strategy Unit, Group Digital Strategy Unit, Affiliated Business Unit, Financial Strategy Unit, Human Resources Strategy Unit and Administration Unit, and Executive Officers shall be appointed as the head of the units, through which the Company shall achieve swift and efficient business execution.

- Each unit shall have the "Mission Statement," and the responsibilities of execution are clarified, such as the objectives, risks, strategies, roles and interdivisional cooperation.
- Execution shall formulate the major Group management policies and individual important matters, and oversee business execution of operating companies. The Board of Directors shall discuss and determine (approve) the suitability of major policies and plans that execution has prepared as well as individual important matters.
- The Group Management Meeting, the Group Results and Strategy Examination Meeting, the Group Liaison Meeting, the JFR Liaison Meeting, the JFR Division Managers' Meeting shall discuss the overall policy and plan and other matters for the Group management, as well as checking on the progress of management strategies and sharing information between management, and so forth.
- The Company shall construct systems to raise overall efficiency of the Group such as the introduction of the Group's common accounting system in principle and promotion of centralized management of the Group funds.
- The Company has adopted the International Financial Reporting Standards (IFRS) voluntarily in the interest of implementing effective management based on appropriate asset evaluation, applying business management that gives emphasis to the profit of the current period and increasing convenience for overseas investors by improving the international comparability of financial information.

(iii) System to secure appropriateness of financial reporting

- With regard to internal controls over financial reporting, the Company shall be in compliance with Japan's Financial Instruments and Exchange Act and various associated laws and regulations, and construct an internal company system to ensure the legality and appropriateness of its financial reporting. In addition, all operating companies shall also construct the same system.

II. Risk Management System

(i) Risk Management Committee

- The Company shall establish the Risk Management Committee as an advisory body to the President and Representative Executive Officer with regard to risk management. The committee is chaired by the President and Representative Executive Officer and comprises Executive Officers and others.
- An officer shall be put in charge of risk management in order to promote the operation of risk management.
- Each operating company shall put departments and responsible persons in charge of promoting compliance and risk management, and carry out daily supervision and direction of risk.
- The Risk Management Committee shall systematically manage and address strategic and other risks as a whole from a company-wide perspective, enabling management decisions from the perspective of risk management.
- For risks involved in business operations, the Risk Management Committee shall carry out evaluations and management, and for important risks, the committee shall periodically report on the risk management status to the Board of Directors.
- Risks to be addressed shall be managed by the ESG Promotion Division by reviewing the JFR Group Risk List and JFR Group Risk Map, which centrally list all the risks in the Group at any time.
- Of the risks involved in business operations that are identified, for particularly serious items, the Risk Management Committee shall deliberate over and determine a policy in response, and shall respond to them by having the Company and operating companies execute the policy.
- The Risk Management Committee shall coordinate with the Revitalization Plan Review Committee, which shall discuss business revitalization for unprofitable or low-profit businesses, ascertain the management status of operating companies, and share risk recognition within execution.

(ii) Execution control

- Under the direction of President and Representative Executive Officer, the Company shall put dedicated staff within the ESG Promotion Division in the Management Strategy Unit to strengthen internal control over execution. The dedicated staff shall develop and manage the control environment at the Company and the operating companies.
- The ESG Promotion Division shall develop and manage the internal controls under the Companies Act and the internal control system under the Financial Instruments and Exchange Act at the Company and the operating companies.
- The ESG Promotion Division shall clarify the mission and risk responsibility in each unit and strengthen links between departments by developing and managing the "Mission Statement."
- The ESG Promotion Division shall coordinate with the Audit Committee, the Internal Audit Division, each unit and operating companies to share information and remedy any deficiencies that occur in the internal controls.

(iii) Hazard risk response

For hazard risks such as large-scale earthquakes, fires and accidents, crisis management shall be controlled by the "Emergency Response Headquarters" headed by the President and Representative Executive Officer.

III. Legal Compliance System

(i) Compliance Committee

- The Company shall establish the Compliance Committee as an advisory body to the President and Representative Executive Officer regarding the operation of compliance management. The President and Representative Executive Officer shall be the chairperson and the members of the committee shall be a corporate lawyer, Executive Officers and others.
- An officer shall be put in charge of compliance in order to promote the operation of compliance management.
- Each operating company shall put departments and responsible persons in charge of promotion of compliance and risk management, and shall carry out daily supervision and direction of business operations that are in accordance with laws and regulations and internal company rules.
- The Compliance Committee shall work to develop the foundations of compliance management such as internal company rules, operation management manuals and formulation of management systems. In addition, the committee shall periodically formulate and track progress on compliance penetration activities such as e-learning, through departments in charge of promotion of compliance at each company.
- The Compliance Committee shall periodically request reports from persons in charge of promotion of compliance at operating companies regarding the status of compliance management in their respective areas of responsibility, and take proper rectification measures. In addition, the committee shall formulate guidelines and measures to prevent recurrence to be followed and taken by the Group as a whole, and implement the said guidelines and measures.

(ii) 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), which may be used by all persons working at the Company and operating companies.
- The hotline's policy shall be to maintain strict confidentiality regarding notifications and reports and shall not disclose the personal information of whistleblowers to a third party without their consent; to be careful to avoid identification of the whistleblower when investigating the facts; and to ensure that whistleblowers are not subjected to disadvantageous treatment in terms of personnel affairs or any other aspect.

- 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.

IV. Internal Audit Structure

- The Company shall establish an independent Internal Audit Division 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 Division shall audit the operations of the Company and operating companies 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 companies.
- To further enhance corporate governance by strengthening auditing functions, the Company shall clarify links between the President and Representative Executive Officer, the Audit Committee and the Internal Audit Division. Specifically, the Company shall adopt a system in which reports are submitted to both the President and Representative Executive Officer and the Audit Committee. When the reports are made, the audit report and the improvement report shall be made together to realize swift measures.
- Appointments and transfers of persons responsible for the internal audit departments shall be subject to advance approval by the Audit Committee.

V. Structure of the Audit Committee

- The Audit Committee shall audit the legality and suitability of the execution of duties by the Executive Officers and Directors.
- To aim to maintain and improve the accuracy of audits, two full-time Audit Committee members shall be appointed from among the Inside Directors who do not execute business as Audit Committee members.
- The Audit Committee Secretariat has been established as an organization in charge of assistance for the Audit Committee’s duties.
- Regarding personnel affairs related to the Audit Committee Secretariat organization and staff members, the Audit Committee’s advance approval is required to ensure independence.
- 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.
- The Audit Committee shall regularly coordinate with the Internal Audit Division to share information. Moreover, the Accounting Auditor, outside experts and others may be asked to attend Audit Committee meetings to provide reports and opinions as necessary.
- The Audit Committee members shall report to the Audit Committee on the status of audits of the following matters:
    - Matters resolved by or reported to the Board of Directors
    - Matters identified by the Audit Committee as issues
    - Internal audit implementation status and results (audit report, improvement report, etc.)
- The Audit Committee members shall attend the Group Management Meeting and other meetings, inspect important documents associated with the execution of duties, such as approval circulars, and request explanations from officers and employees of operating companies as necessary.
- Operating companies shall submit the necessary audit reports and perform other duties if requested to do so by the Audit Committee.
- The Audit Committee shall have periodic meetings and the like with Audit & Supervisory Board Members of the operating companies to enhance and strengthen the auditing of the entire Group.

- The Audit Committee may claim expenses deemed necessary for performing the duties from the Company, and the Company shall bear them.

VI. Other

(i) System for storage and management of information

- For documents relating to the execution of duties by Executive Officers and Directors, in accordance with 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.
- For minutes and related documents regarding meetings chaired by Executive Officers and Directors, and other important documents relating to the execution of duties by Executive Officers and Directors, each responsible department shall carry out document storage and management and shall develop a system to enable inspections of such documents at any time.

(ii) Digital information security

- Senior Executive General Manager of the Group Digital Strategy Unit shall control digital information management of the Company, and shall report periodically and whenever necessary on the status of digital information management and related matters to the Board of Directors, the Audit Committee, the Management Meeting and the President and Representative Executive Officer.

Notes to Consolidated Financial Statements

Notes on important matters forming the basis of preparation of consolidated financial statements, etc.

1. Reporting standards for the preparation of consolidated financial statements

The Group has been preparing its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), based on the provisions of Article 120, Paragraph 1 of the Regulation on Accounting of Companies.

Certain items of the consolidated financial statements that are required to be disclosed by the IFRS are omitted based on the latter provisions of the same Paragraph.

2. Matters concerning the scope of consolidation

Consolidated subsidiaries 23 companies

Major consolidated subsidiaries are listed in "1. Current status of the corporate group, (7) Status of significant parent company and subsidiaries" in the Business Report.

In the fiscal year under review, Daimaru Matsuzakaya Department Stores Co. Ltd., which is a consolidated subsidiary of the Company, merged with and absorbed The Shimonoseki Daimaru, Inc. and changed the store name to Daimaru Shimonoseki Store.

The Company also transferred all shares of J. Front Foods Co., Ltd. and excluded the company from consolidation on February 26, 2021.

3. Matters concerning the application of the equity method

Equity method associates 8 companies

Major equity method associates include StylingLife Holdings Inc. With regard to equity method associates whose balance sheet dates are different from the consolidated balance sheet date, necessary adjustments are made by additionally preparing their financial statements as of the fiscal year end of the Company or other means.

4. Matters concerning the fiscal year of consolidated subsidiaries

With regard to subsidiaries whose balance sheet dates are not the end of February, which is balance sheet date of the Company, because the legal system of the region where the subsidiaries are located does not allow them to have the same balance sheet date 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.

5. Matters concerning accounting policies

(1) Foreign currency transactions

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, etc.

Assets and liabilities of foreign subsidiaries, etc., are translated into Japanese yen at the exchange rate prevailing at the end of the reporting period. Income and expenses of foreign subsidiaries, etc. 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, etc. are recognized in other comprehensive income. Exchange differences for foreign subsidiaries, etc. are recognized as profit or loss in the period during which the foreign subsidiaries, etc. are disposed of.

(2) Basis and method of valuation of significant assets and accounting method for deferred assets

1) Financial instruments

(i) 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.

(a) 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. Transaction cost directly attributable to acquisition of financial assets measured at amortized cost is included in the amount of initial measurement.

After the initial recognition, amortization cost is measured using the effective interest method, and impairment losses are deducted where necessary. Interest revenue, foreign exchange gains and losses and impairment losses on financial assets measured at amortized cost are recognized in profit or loss.

(b) 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. In this case, interest revenue, foreign exchange gains and losses and impairment losses measured using the effective interest method are recognized in profit or loss, and changes in the fair value excluding them are recognized in other comprehensive income (may be reclassified to profit or loss).

For investments in equity instruments that are not held for trading, the Group may make an election (irrevocable) at the 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.

Transaction cost directly attributable to acquisition of financial assets at FVTOCI is included in the amount of initial measurement.

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

Financial assets other than above are measured at fair value with changes in fair value recognized in profit or loss. Transaction cost directly attributable to acquisition of financial assets at FVTPL is recognized in profit or loss as incurred.

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

(d) 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 whether there is a significant increase in credit risk of financial assets or groups of financial assets since initial recognition. Specifically, when there is no significant increase in the credit risk since initial recognition, expected credit losses for 12 months are recognized as allowance for doubtful accounts. On the other hand, when there is a significant increase in credit risk since initial recognition, expected credit losses for the remaining life of the financial assets are recognized as allowance for doubtful accounts. Whether credit risk is significantly increased or not is determined based on the 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.

(e) 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.

(ii) 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.

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

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

(iii) Presentation of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(iv) Derivatives and hedge accounting

The Group uses derivatives to hedge interest rate fluctuation risk and foreign exchange fluctuation risk. Derivatives used by the Group include forward exchange contracts and interest rate swaps.

At the time of initial designation of the hedge, the Group documents the relationship between the hedging instrument and the hedged item, the risk management objective, the strategy for implementation of the hedge transaction, the hedging instrument and the hedged item, the nature of hedged risk, the method for assessing effectiveness of the hedge relationship and the method of measuring the effective portion and the ineffective portion.

The Group assesses whether the hedging instrument is expected to be highly effective in achieving offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk throughout the period for which the hedge is designated, at the inception of the hedge and on an ongoing basis.

To apply cash flow hedges to forecast transactions, the possibility that the forecast transaction occurs must be very high.

Derivatives are initially recognized at fair value and the transaction costs are recognized in profit or loss when they are incurred. After the initial recognition, derivatives are measured at fair value, and any changes in the fair value are accounted for as follows.

(a) Cash flow hedges

When a derivative is designated as a hedging instrument to hedge changes in cash flows attributable to certain risks related to highly likely forecast transactions that could affect recognized assets and liabilities or profit or loss, the effective portion of the hedge in changes in fair value of the derivative is included in other components of equity as "cash flow hedges." The balance of cash flow hedges is deducted from other comprehensive income in the consolidated statement of comprehensive income and transferred to profit or loss under the same item as the hedged item in the same period as the period in which cash flows of the hedged item affect profit or loss. The ineffective portion of the hedge in changes in fair value of the derivative is immediately recognized in profit or loss.

(b) Fair value hedges

Changes in fair value of derivatives that are hedging instruments are recognized in profit or loss. Carrying amounts of hedged items are measured at fair value. For gains or losses on hedged items attributable to hedged risk, any changes in the fair value are recognized in profit or loss.

(v) Cash and cash equivalents

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

2) Basis and method of valuation of non-financial instruments

(i) Inventories

Inventories are measured at the lower of acquisition 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 identified cost method, and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

(ii) 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 as "Assets held for sale."

The condition for classifying an asset under "assets held for sale" can only be met by an asset whose sale is highly probable, and which is available for immediate sale in its present condition. The management must have committed to the execution of a sales plan for that asset, and the sale of the asset must be scheduled to be completed within one year from the day it is classified as an asset 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.

3) 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 losses.

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 calculated on 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 3 to 50 years
- Machinery and vehicles 2 to 20 years
- Furniture and fixtures 2 to 20 years

The estimated useful lives and depreciation methods are reviewed at the end of the fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

4) 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 fair value of 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 potential impairment.

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

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

5) Intangible assets

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

Intangible assets acquired separately are measured at cost at initial recognition.

After the 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 intangible assets with indefinite useful lives.

- Software 5 years

The estimated useful lives, residual values and amortization methods are reviewed at the end of the fiscal year, and if there are any changes made, those changes are applied prospectively as a change in an accounting estimate.

6) 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 liabilities, 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.

7) 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 include the lease payments of the extended term if the lease term reflects the exercise of a lease extension option, and include 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 re-measurement 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.

8) Investment property

Investment property is property held to earn rentals or for capital gains or both.

Investment property is measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment losses (For the depreciation method and useful lives, please refer to "3) Property, plant and equipment").

When it is difficult to account for investment property and other portions separately, the entire property is accounted for as investment property only if the owner-occupied portion is insignificant.

9) Impairment of non-financial assets

The Group determines 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 with 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. In calculating value in use, 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 asset. 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 unit related to the goodwill. Goodwill acquired in business combination is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

Since the Group's corporate assets do not generate independent cash inflows, the recoverable amount of cash-generating units to which the corporate assets are attributed is determined if there is any indication of impairment in the corporate assets.

An impairment loss is recognized as profit or loss, if the carrying amount of an asset or cash-generating unit exceeds the recoverable amount. The impairment loss recognized in association with a cash-generating unit is first allocated to reduce the carrying amount of goodwill allocated to this unit, and then the carrying amounts of other assets in the cash-generating unit are reduced on a pro rata basis.

Impairment losses related to goodwill are not reversed. With regard to other assets, for previously recognized impairment losses, the Group assesses whether there is any indication that the loss has decreased or been extinguished at the end of each reporting period. An impairment loss is reversed when there has been a change in the estimates used to determine the recoverable amount. 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.

(3) Accounting policy for significant 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 highly 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 are 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 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.

(4) Revenue recognition

Based on the following five-step approach, revenue is recognized 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 business such PARCO Business, Real Estate Business and Credit and Finance Business with Department Store Business at its core. 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 it is determined that performance obligation is satisfied at the time of delivery of goods when customers gain control of such goods, the Group mainly recognizes revenue at the time of delivery of such goods. Furthermore, revenue is measured at the amount of consideration promised in contracts between customers, less any discounts, rebates and sales returns, etc.

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 it is determined that performance obligation is 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 received mainly at the time of delivery of the goods, which is the time when performance obligation is satisfied.

(ii) PARCO Business

The PARCO Business operates the shopping center business undertaking development, management, supervision and operation of shopping centers, the specialty store business selling accessories, general goods and others, and the space engineering and management business undertaking design, execution, etc. of interior decorating work, and other businesses. With regard to services in the shopping center business, 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.

With regard to the design and execution of interior decorating work in the space engineering and management business, 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.

(iii) Real Estate Business

The Real Estate Business mainly carries out development of the Group's own properties, focusing on the areas surrounding each store of Daimaru Matsuzakaya Department Stores, expansion of rental space by leasing and acquiring external properties, management and operation of such properties, and others.

Revenue from lease of real estate and others is recognized in the period in which it is earned, in accordance with IFRS 16.

(iv) Credit and Finance Business

The Credit and Finance Business undertakes issuance and administration of credit cards.

In the Credit and Finance Business, annual membership fees from cardholders, fees from department stores and external affiliated stores, and interest from installment sales are recognized as revenue.

2) Interest revenue

Interest revenue is recognized using the effective interest method.

3) Dividends

Dividend income is recognized when the right to receive dividends is established.

4) 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.

The following indicators are taken into account in the determination of whether the Group conducts a transaction as a principal or agent:

- Whether the entity is primarily responsible for fulfilling a contract
- Whether the entity has inventory risk before or after the customer order, during shipping or on return
- Whether the entity has discretion in establishing prices

(5) Government grants

Government grants are measured and recognized at fair value, if the conditions attaching to them are complied with, and there is reasonable assurance that the grants will be received. Grants for expenses incurred are recorded as income in the same fiscal year as the fiscal year in which the expenses are incurred. Grants related to acquisition of an asset are recorded as other operating income on a systematic basis over the useful life of the asset, and unearned government grants are recorded in liabilities as deferred income.

(6) Income tax

Income tax consists of current taxes and deferred taxes. Income tax is recognized as profit or loss, except for taxes related to business combinations and taxes related to items that are recognized directly in equity or in other comprehensive income.

1) Current taxes

Current taxes are measured in the amount of the expected tax payables to or receivables from the taxation authorities. Calculation of the amount of tax is based on the tax rates and tax laws enacted or substantively enacted by the end of the reporting period in countries where the Group conducts businesses and earns taxable income.

2) Deferred taxes

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.

No deferred tax assets and liabilities are recognized on following temporary differences:

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from initial recognition of assets and liabilities from transactions that are not business combinations and affect neither accounting income nor taxable income
- Taxable temporary differences associated with investments in subsidiaries and associates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

A deferred tax liability is recognized for all taxable temporary differences in principle, and a deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized.

Carrying amount of deferred tax assets is reassessed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to use all or part of the benefit of the deferred tax assets. Unrecognized deferred tax assets are reassessed each period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates and by the tax laws that are expected to apply to the period when the assets are realized or the liabilities are settled, based on the statutory tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to offset current tax assets against tax liabilities and income taxes are levied by the same taxation authority on the same taxable entity.

(7) 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.

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.

Past service costs are immediately accounted for as profit or loss.

Costs for defined contribution benefits are recognized as expenses when the contributions are made.

(8) 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 this system, 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' level of achievement of the Medium-term Business Plan, etc. The value of the service received is measured by 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.

(9) Earnings per share

Basic earnings per share are calculated by dividing profit (loss) attributable to ordinary equity holders of parent entity by the weighted average number of shares outstanding during the period, adjusting treasury shares. Diluted earnings per share are calculated by adjusting for the effects of all dilutive potential shares.

(10) Treasury shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized on the purchase, sale or cancellation of the Company's treasury shares. Any difference between the carrying amount and consideration received on the sale of treasury shares is recognized as capital surplus.

(11) Borrowing costs

The Group includes borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, that is, qualifying asset as part of the acquisition cost until the asset is substantially ready for its intended use or sale.

All borrowing costs other than those above are recognized as profit or loss in the fiscal period during which they incurred.

(12) Other important matters forming the basis of preparation of consolidated financial statements

Consumption tax and local consumption tax are accounted for under the tax exclusion method.

6. Notes to changes in accounting policies

(Application of amendments to IFRS 16 "Leases")

The Group has applied the amendment "Covid-19-Related Rent Concessions" (issued in May 2020, amended in March 2021) to IFRS 16 "Leases" early from the fiscal year ended February 28, 2021.

For leases as lessee, the Group has selected to apply the practical expedient and not to assess whether rent concessions are lease modifications if the rent concession is a direct consequence of the novel coronavirus disease (COVID-19) pandemic and all of the conditions of IFRS 16 paragraph 46B are met.

As a result, the reduced rent expenses were recognized as other operating income in the consolidated statement of profit or loss for the fiscal year ended February 28, 2021, but the impact was immaterial.

7. Notes to changes in accounting estimates

(Change in estimate of asset retirement obligations)

PARCO Co., Ltd., a subsidiary of the Company, formulated a new Medium-term Business Plan, reviewed and examined its business continuity and withdrawal strategies, and took into account the most recent store closings and other factors. As a result, we found that the Group would be highly likely to incur additional removal costs, and therefore the additional costs of ¥1,809 million was recorded in asset retirement obligations.

Please note that the change in estimate has no impact on profit or loss for the fiscal year ended February 28, 2021 because the Group changed the estimate at the end of the fiscal year.

Notes on consolidated statement of financial position

1. Allowance for doubtful accounts directly deducted from assets

(1) Trade and other receivables	¥177 million
(2) Other financial assets	¥3,779 million

2. Total amount of accumulated depreciation

(1) Property, plant and equipment	¥312,350 million
(2) Right-of-use assets	¥95,582 million
(3) Investment property	¥25,574 million

3. Assets pledged as collateral and secured liabilities

(1) Assets pledged as collateral

Buildings and structures	¥2,288 million
Land	¥5,290 million
Other	¥324 million
Total	¥7,903 million

(2) Secured liabilities

Long-term borrowings	¥225 million
Other	¥110 million
Total	¥335 million

4. Contingent liabilities

Guarantee of financing for employee housing and others	¥2 million
Total	¥2 million

Notes on consolidated statement of profit or loss

1. Other operating income

Gain on sale of non-current assets	¥0 million
Subsidies for employment adjustment (Note)	¥2,574 million
Compensation income	¥5 million
Other	¥3,131 million
Total	¥5,711 million

(Notes) Due to the impact of COVID-19, the Company was subject to special measures such as subsidies for employment adjustment.

2. Other operating expenses

Loss on disposal of non-current assets	¥1,260 million
Impairment losses (Note 1)	¥13,196 million
Costs associated with suspension of store operations (Note 2)	¥11,473 million
Loss on liquidation of business (Note 3)	¥4,663 million
Other	¥1,748 million
Total	¥32,343 million

(Note 1) As a breakdown of the ¥13,196 million in impairment losses in the current fiscal year, ¥10,357 million was recorded for the Department Store Business and ¥2,250 million was recorded for PARCO Business.
The main factor in Department Store Business was ¥9,534 million in impairment losses recognized as a result of the carrying amount for buildings and structures, etc. getting reduced to the recoverable amount as a result of deteriorated profitability of Daimaru Matsuzakaya Department Stores Co. Ltd.'s Daimaru Umeda Store. The recoverable amount of the cash-generating unit is measured by its value in use, and the future cash flows based on future profitability, etc. is calculated by applying a WACC discount rate of 3.7% at the time of measurement.
The main factor in PARCO Business was ¥783 million in impairment losses recorded as a result of the carrying amount of buildings and structures, etc. getting reduced to the recoverable amount as a result of the deteriorated profitability of PARCO Co. Ltd.'s Matsumoto PARCO. The recoverable amount of the cash-generating unit is measured by its value in use, and the future cash flows based on future profitability, etc. is calculated by applying a WACC discount rate of 3.6% at the time of measurement.

(Note 2) Costs associated with suspension of store operations are mainly fixed costs (depreciation and amortization, personnel expenses, etc.) incurred by Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd. during the suspension of operations of stores, etc. that closed due to the impact of the spread of COVID-19.

(Note 3) The main factors behind the loss on liquidation of business of ¥4,663 million are ¥1,843 million in costs related to store closure (removal cost, sales reparations, etc.), and ¥925 million in impairment losses, that were recorded following the decision to terminate trading at PARCO Co. Ltd.'s Tsudanuma PARCO in the PARCO Business. The recoverable amount of the cash-generating unit is measured by its value in use, and the future cash flows based on future profitability, etc. is calculated by applying a WACC discount rate of 3.4% at the time of measurement.

Notes on consolidated statement of changes in equity

1. Class and total number of shares issued as of the end of the current fiscal year

Common shares 270,565,764 shares

2. Matters concerning dividends

(1) Dividends paid

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 10, 2020	Common shares	4,751	18.00	February 29, 2020	May 8, 2020
Board of Directors meeting held on October 13, 2020	Common shares	2,375	9.00	August 31, 2020	November 11, 2020

(Note 1) Total amount of dividends resolved at the Board of Directors meeting held on April 10, 2020 includes ¥40 million of dividends paid to the Company's shares held by an officer remuneration BIP trust.

(Note 2) Total amount of dividends resolved at the Board of Directors meeting held on October 13, 2020 includes ¥19 million of dividends paid to the Company's shares held by an officer remuneration BIP trust.

(2) Dividends with the record date falling within the current fiscal year and with the effective date falling within the following fiscal year

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 13, 2021	Common shares	Retained earnings	4,751	18.00	February 28, 2021	May 7, 2021

(Note) Total amount of dividends resolved at the Board of Directors meeting held on April 13, 2021 includes ¥39 million of dividends paid to the Company's shares held by an officer remuneration BIP trust.

Notes on financial instruments

1. Matters concerning conditions of financial instruments

Risk management regarding financial instruments

The Group, in order to avoid or mitigate market risk, credit risk and liquidity risk, manages risks associated with financial instruments based on the following policies.

1) Market risk management

The Group limits its management of funds to highly stable deposits, bonds and the like. For the procurement of funds, the Group's policy is to use bank loans, issuances of commercial papers, issuances of bonds, securitized receivables and the like. The Group uses derivatives solely to avoid foreign exchange fluctuation risks on monetary claims and liabilities denominated in foreign currencies and interest rate fluctuation risks on borrowings and bonds, and does not enter into derivative transactions for speculative purposes.

(i) Foreign exchange fluctuation risk

The majority of the Group's notes and accounts payable - trade and income tax payables, which are trade and other payables, are those with payment dates within one year. Although some of them are denominated in foreign currencies and are exposed to foreign exchange fluctuation risk, the Group enters into forward exchange contracts for some of the settlement amounts to avoid this risk.

(ii) Interest rate fluctuation risks

Current borrowings, commercial papers, securitized receivables and the like are mainly to procure funds for operational transactions, while bonds and long-term borrowings are mainly to procure funds for capital investment. Although borrowings with floating interest rates are exposed to interest rate fluctuation risk, for some of the long-term borrowings, derivative transactions (interest rate swaps) for each individual contract are used as hedging instruments to avoid fluctuation risk on interest to be paid and to fix the interest to be paid. As a method for assessing hedge effectiveness, the Group periodically verifies hedging effects for each individual contract.

(iii) Market price fluctuation risk

The Group holds marketable securities, mainly ones of companies with which it has business relationships. Although such securities are exposed to market price fluctuation risk, the Group not only periodically monitors their market prices but also continuously reviews its shareholding positions. Further, as all of these securities are designated as the financial assets which are measured at fair value through other comprehensive income, the fluctuation of market price has no impact on profit or loss.

2) Credit risk management

The Group is exposed to credit risk, the risk of suffering financial loss from failure of counterparty of financial assets held.

(i) Trade and other receivables

Notes and accounts receivable – trade, which are trade receivables, are exposed to customer credit risk. To handle this risk, all Group companies carry out due date management and balance management by customer and seek early identification and mitigation of collectability concerns.

(ii) Short-term investments

Cash and cash equivalents and short-term investments which are included in other financial assets are highly stable and liquid financial instruments such as commercial papers of highly rated corporations, bond investment trust, money trust.

(iii) Loans receivable

Loans receivables are exposed to the credit risk of borrowers. In order to control such risk, the Group thoroughly follows internal deliberations and approval processes regarding borrowers' credit status for a new loan and requires guarantee deposits and collateral as necessary, while accessing borrowers' credit status on a regular basis.

(iv) Derivative transactions

Execution and management of derivative transactions are carried out in accordance with internal rules that stipulate its objectives, limit amount, scope of transactions, organizational structure and other matters. The use of derivatives is solely for the purpose of avoiding risks based on actual demand, not for speculation purpose, and limited to contracts with highly creditworthy financial institutions in order to reduce credit risk.

3) Liquidity risk management

Liquidity risk refers to the risk that the Group is unable to fulfill its repayment obligations of financial liabilities which is due.

Although trade payables, borrowings and the like are exposed to liquidity risk, the Group manages this risk with methods such as preparing monthly cash flow management plans at all companies, and secures sufficient liquidity on hand through commitment line contracts and overdraft contracts with its main financing banks.

2. Matters concerning fair values of financial instruments

Carrying amount, fair values as of February 28, 2021, and their differences are as follows.

(Millions of yen)

	Carrying amount (*)	Fair value (*)	Difference
Assets			
(1) Cash and cash equivalents	128,925	128,925	–
(2) Trade and other receivables	113,414	113,414	–
(3) Derivatives	27	27	–
(4) Other financial assets	92,683	95,785	3,101
Liabilities			
(5) Trade and other payables	[121,937]	[121,937]	–
(6) Other financial liabilities	[69,449]	[69,400]	(48)
(7) Borrowings	[220,110]	[220,018]	(91)
(8) Commercial papers	[70,001]	[70,001]	–
(9) Bonds	[69,819]	[69,387]	(431)

(*) The items recorded in liabilities on the consolidated balance sheet are shown in square brackets [ ].

(Note) Method for measuring fair values

(1) Cash and cash equivalents, (2) trade and other receivables, (4) other financial assets (current), (5) trade and other payables, (6) other financial liabilities (current), and (8) commercial papers

The carrying amount is used as the fair value of these assets, given that the fair value is almost the same as the carrying amount, as they are mostly settled in a short time.

(4) Other financial assets (non-current), (6) other financial liabilities (non-current)

The fair value of listed stocks is measured based on market prices at the last date of a fiscal year. The fair value of unlisted stocks is measured by discounted future cash flows, valuation model based on revenue 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 the current market interest rates or the like.

(7) Borrowings, (9) bonds

For bonds, fair value is estimated using the reference trading statistics of Japan Securities Dealers Association and others. The fair value of borrowings is mainly measured by present value obtained by discounting future cash flows at interest rates that would be charged for a new similar borrowing.

(3) Derivatives (assets)

For derivatives, as financial assets measured at fair value through profit or loss, fair value is measured based on prices presented by financial institutions.

Notes on investment property

1. Matters concerning status of investment property

Some of the Company's subsidiaries own rental buildings, etc. in Tokyo and other regions.

2. Matters concerning fair values of investment property

(Millions of yen)

Consolidated statement of financial position amount	Fair value at the end of the current fiscal year
188,879	266,687

(Note 1) The consolidated statement of financial position amount is the acquisition cost less accumulated depreciation.

(Note 2) For major properties, fair value at the end of the current fiscal year is an amount based on the real estate appraisal standards of an external real estate appraiser, etc. For other properties, fair value is an amount estimated by employing the land price index with necessary adjustments applied at the Company.

Notes on per share information

1. Equity attributable to owners of parent per share: ¥1,344.91
2. Basic loss per share ¥(100.03)

(Note) The calculation of per share information excludes the number of Company's shares owned by the officer remuneration BIP trust from the number of shares at the end of the period and the average number of shares during the period because such shares are treated as the Company's treasury shares.

Additional information

(Spread of COVID-19)

The Group's operating results have been negatively affected by suspension of store operations, etc. following the global spread of COVID-19. Although the second state of emergency has been lifted, it is difficult at this point in time to predict the timing of the end of the spread of infection and a recovery in consumption, and uncertainty over future impact remains.

In light of these circumstances, the Group performs accounting estimates related to the impairment of assets, and judgments on recoverability of deferred tax assets, etc. based on the assumption of recovery from the impact of COVID-19 around 2023.

Notes to Non-consolidated Financial Statements

Notes on matters concerning important accounting policies

1. Basis and method of valuation of assets

(1) Basis and method of valuation of securities

Shares of subsidiaries and associates	Stated at cost using the moving-average method
Available-for-sale securities	
Securities with available fair market values	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)
Securities without available fair market values	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)

2. Depreciation method of non-current assets

Property, plant and equipment (excluding leased assets)	Straight-line method
Intangible assets (excluding leased assets)	Straight-line method Internal use software is amortized using the straight-line method over the internally expected useful life (5 years).
Leased assets	
Leased assets in finance leases that do not transfer ownership	Straight-line method with zero residual value assuming the lease periods as useful lives

3. Accounting method for deferred assets

Bond issuance cost	Amortized using the straight-line method over the period until redemption

4. Accounting policy for provisions

Allowance for doubtful accounts	To prepare for losses from bad debt, an estimated uncollectible amount is provided.
Provision for bonuses	To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.
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.
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.

5. Hedge accounting method

Hedge accounting method	Exceptional treatment is applied to interest rate swaps that satisfy the requirements for exceptional treatment.

Hedging instruments and hedged items	
Hedging instruments	Interest rate swaps
Hedged items	Borrowings and interest expenses on borrowings
Hedging policy	Based on the risk management policy, hedging is undertaken to hedge interest rate fluctuation risk.
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.
6. Accounting treatment for consumption taxes	Consumption tax and local consumption tax are accounted for under the tax exclusion method. Of consumption tax on assets that are not qualified for tax deductions, deferred consumption taxes stipulated under tax law are recorded in long-term prepaid expenses and amortized on a straight-line basis during a five-year period.

Notes on non-consolidated balance sheet

1. Short-term monetary liabilities to subsidiaries and associates
   ¥1,230 million
2. Accumulated depreciation of property, plant and equipment
   ¥61 million

Notes on non-consolidated statement of income

1. Transaction with subsidiaries and associates

Operating transaction	
Operating revenue	¥13,812 million
General and administrative expense	¥591 million
Non-operating transactions	
Interest income	¥675 million
Dividend income	¥158 million
Interest expenses	¥0 million

Notes on non-consolidated statement of changes in equity

1. Class and total number of shares issued as of the end of the current fiscal year
   Common shares 270,565,764 shares
2. Class and number of treasury shares as of the end of the current fiscal year
   Common shares 8,775,280 shares

Notes on tax effect accounting

1. Deferred tax assets and deferred tax liabilities by major category of cause

Deferred tax assets	
Provision for bonuses	¥32 million
Accrued insurance expenses	¥5 million
Accrued enterprise tax	¥41 million
Accrued expenses	¥42 million
Loss on valuation of shares of subsidiaries and associates	¥61 million
Allowance for doubtful accounts for subsidiaries and associates	¥257 million
Provision for officer remuneration BIP trust	¥32 million
Unused tax losses	¥2,250 million
Loss on impairment of non-current assets	¥105 million
Valuation difference on available-for-sale securities	¥9 million
Other	¥14 million
Sub total deferred tax assets	¥2,848 million
Valuation allowance	¥(2,848) million
Total deferred tax assets	–
Deferred tax liabilities	
Asset retirement obligations	¥(3) million
Total deferred tax liabilities	¥(3) million
Net deferred tax liabilities	¥(3) million

Notes on transactions with related parties

Subsidiaries, etc.

(Millions of yen)

Type	Company name	Ownership ratio of voting rights	Relationship	Nature of transactions	Transaction amount (Note 4)	Account item	Balance at the end of the fiscal year
Subsidiary	Daimaru Matsuzakaya Department Stores Co. Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Receipt of consulting fee income (Note 1)	3,529	–	–
				Lending of funds	–	Short-term loans receivable	175
				Collection of funds	10,700	Long-term loans receivable	25,000
				Receipt of interests (Note 2)	245	–	–
Subsidiary	PARCO Co., Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending of funds	–	Long-term loans receivable	105,500
				Receipt of interests (Note 2)	256	–	–
Subsidiary	JFR Service Co. Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending and collection of funds (Note 3)	27,106	Short-term loans receivable	15,729
				Receipt of interests (Note 2)	81	–	–
Subsidiary	JFR Card Co., Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending of funds	–	Short-term loans receivable	10,000
				Collection of funds	15,000	Long-term loans receivable	20,000
				Receipt of interests (Note 2)	88	–	–
Subsidiary	JFR Kodomo Mirai Co., Ltd.	Holding Directly 100%	Business advisory	Lending of funds	200	Short-term loans receivable	340
						Long-term loans receivable	500
				Receipt of interests (Note 2)	3	–	–
Subsidiary	Angel Park Co., Ltd.	Holding Directly 0.38% Indirectly 49.88%	Business advisory	Deposits of funds	1,000	Deposits	1,000
				Payment of interests (Note 2)	0	–	–
Subsidiary	J. Front Foods Co., Ltd. (Note 5)	No exercise of voting rights	–	Underwriting of capital increase	540	Shares of subsidiaries and associates	–
Subsidiary	JFR Information Center Co., Ltd.	Holding Directly 100%	Business advisory	Requests for computation services (Note 6)	500	Operational costs	–

Transaction conditions and policy for deciding transaction conditions

(Note 1) Consulting fee income is determined by contract terms.

(Note 2) Interest rates on funds lent and funds deposited are determined reasonably with reference to market interest rates.

(Note 3) As transactions for lending and collection of funds are carried out repetitively, the amount shown in the transaction amount column is the average balance during the period.

(Note 4) Transaction amounts do not include consumption taxes.

(Note 5) The Company sold all shares of this company on February 26, 2021. Accordingly, the figure stated for the transaction amount is the amount for transactions during the period when the Company was a related party.

(Note 6) The Company will reasonably determine with reference to market prices whether to request this company mainly in relation to computation services.

Notes on per share information

1. Net assets per share: ¥1,258.07
2. Basic earnings per share: ¥28.60