

Annual Securities Report

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

The 18th fiscal year (from March 1, 2024 to February 28, 2025)

J. FRONT RETAILING Co., Ltd.

E03516

The information contained in this Annual Securities Report is the same as the information in the Japanese original of the Annual Securities Report for the 18th fiscal year that was disclosed on May 30, 2025. However, the English translation of the report has not been audited by the Accounting Auditor.

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Document title	Annual Securities Report
Clause of stipulation	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
Place of filing	Director-General of the Kanto Local Finance Bureau
Filing date	May 30, 2025
Fiscal year	The 18th fiscal year (from March 1, 2024 to February 28, 2025)
Company name	J.フロント リテイリング株式会社 (<i>J. FRONT RETAILING Kabushiki Kaisha</i>)
Company name in English	J. FRONT RETAILING Co., Ltd.
Job title and name of representative	ONO Keichi, President and Representative Executive Officer
Address of registered headquarters	10-1, Ginza 6-chome, Chuo-ku, Tokyo (Above is the address registered as the location of the head office of the Company. Actual business operations are conducted at the following “Nearest place of contact.”)
Telephone number	+81-3-6865-7620 (from overseas)
Name of contact person	NOGUCHI Hideki, Executive Officer, Senior General Manager of Group Accounting and Tax Affairs Division of Financial Strategy Unit
Nearest place of contact	2-70, Konan 1-chome, Minato-ku, Tokyo
Telephone number	+81-3-6865-7620 (from overseas)
Name of contact person	NOGUCHI Hideki, Executive Officer, Senior General Manager of Group Accounting and Tax Affairs Division of Financial Strategy Unit
Place for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo) Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya)

A. Company Information

I. Overview of the Company

1. Summary of business results

(1) Business results of the Group

Term	14th fiscal year	15th fiscal year	16th fiscal year	17th fiscal year	18th fiscal year
Fiscal year-end	February 2021	February 2022	February 2023	February 2024	February 2025
Revenue (Millions of yen)	319,079	331,484	359,679	407,006	441,877
Profit (loss) before tax (Millions of yen)	(28,672)	6,190	16,873	41,343	55,785
Profit (loss) attributable to owners of parent (Millions of yen)	(26,193)	4,321	14,237	29,913	41,424
Comprehensive income attributable to owners of parent (Millions of yen)	(27,296)	6,173	16,384	30,561	49,426
Equity attributable to owners of parent (Millions of yen)	352,171	350,368	359,385	381,898	409,646
Total assets (Millions of yen)	1,263,722	1,192,907	1,120,953	1,114,726	1,164,147
Equity attributable to owners of parent per share (Yen)	1,344.91	1,337.29	1,370.43	1,453.71	1,597.24
Basic earnings (loss) per share (Yen)	(100.03)	16.50	54.32	114.06	160.35
Diluted earnings (loss) per share (Yen)	(100.03)	16.50	54.30	114.06	160.15
Ratio of equity attributable to owners of parent to total assets (%)	27.9	29.4	32.1	34.3	35.2
Profit/equity attributable to owners of parent (ROE) (%)	(7.1)	1.2	4.0	8.1	10.5
Price earnings ratio (PER) (Times)	—	58.29	23.27	13.02	12.15
Net cash provided by (used in) operating activities (Millions of yen)	56,471	49,866	65,480	90,692	85,812
Net cash provided by (used in) investing activities (Millions of yen)	(20,870)	(5,289)	(13,371)	13,429	(28,308)
Net cash provided by (used in) financing activities (Millions of yen)	58,727	(80,392)	(105,694)	(72,746)	(74,001)
Cash and cash equivalents at end of period (Millions of yen)	128,925	93,278	39,874	71,342	54,975
Number of employees (Persons)	6,528	5,589	5,115	5,277	5,343
[Separately, average number of temporary employees]	[3,107]	[2,559]	[2,143]	[2,092]	[1,959]

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

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

(2) Business results of the reporting company

Term	14th fiscal year	15th fiscal year	16th fiscal year	17th fiscal year	18th fiscal year
Fiscal year-end	February 2021	February 2022	February 2023	February 2024	February 2025
Operating revenue (Millions of yen)	13,812	15,482	15,238	16,512	20,727
Ordinary profit (Millions of yen)	8,849	9,505	8,284	8,741	9,973
Profit (Millions of yen)	7,487	14,253	8,448	17,251	11,087
Share capital (Millions of yen)	31,974	31,974	31,974	31,974	31,974
Total number of issued shares (Shares)	270,565,764	270,565,764	270,565,764	270,565,764	270,565,764
Net assets (Millions of yen)	329,351	335,241	336,121	345,175	335,382
Total assets (Millions of yen)	675,917	641,307	574,302	639,463	601,478
Net assets per share (Yen)	1,258.07	1,280.48	1,282.90	1,316.73	1,309.09
Dividends per share (Yen)	27.00	29.00	31.00	36.00	52.00
[Interim dividends per share]	[9.00]	[14.00]	[15.00]	[16.00]	[22.00]
Basic earnings per share (Yen)	28.60	54.44	32.25	65.82	42.98
Diluted earnings per share (Yen)	28.60	54.44	32.24	65.82	42.93
Equity ratio (%)	48.7	52.3	58.5	54.0	55.8
Return on equity (ROE) (%)	2.28	4.29	2.52	5.06	3.26
Price earnings ratio (PER) (Times)	35.56	17.67	39.19	22.57	45.32
Dividend payout ratio (%)	94.41	53.27	96.12	54.69	120.99
Number of employees (Persons)	133	138	151	185	233
[Separately, average number of temporary employees]	[17]	[16]	[16]	[16]	[19]
Total shareholder return (%)	91.0	88.8	117.8	140.2	185.1
[Benchmark index: Dividend-included TOPIX] (%)	[126.4]	[130.7]	[141.8]	[195.1]	[200.2]
Highest share price (Yen)	1,175	1,218	1,286	1,634.50	2,212.50
Lowest share price (Yen)	600	882	867	1,182.00	1,226.00

Notes: 1. Amounts have been rounded down to the nearest one million yen.

2. The highest and lowest share prices are those quoted on the First Section of the Tokyo Stock Exchange before April 3, 2022. After April 4, 2022, the figures are those on the Tokyo Stock Exchange Prime Market.

2. Company history

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

Feb. 24, 2014	Liquidation of Central Park Building Co., Ltd. is completed.
Aug. 18, 2014	Liquidation of Parco Consulting (Suzhou) Co., Ltd. is completed.
Jan. 7, 2015	Daimaru Kogyo, Ltd. establishes Taiwan Daimaru Kogyo, Ltd.
Apr. 22, 2015	The Company acquires shares of Senshukai Co., Ltd.
May 7, 2015	The Company acquires additional shares of Senshukai Co., Ltd. and makes it an associate accounted for using the equity method.
Dec. 17, 2015	Daimaru Matsuzakaya Department Stores Co. Ltd. transfers all shares of Hakuseisha Co., Ltd. to AEON DELIGHT CO., LTD.
Sept. 1, 2016	Daimaru Matsuzakaya Department Stores Co. Ltd. merges with and absorbs Daimaru COM Development Inc. JFR Service Co. Ltd. merges with and absorbs JFR Office Support Co., Ltd. and JFR Consulting Co. Ltd.
Mar. 1, 2017	JFR Online Co. Ltd. transfers all its business operations to Feel Life Inc., a wholly owned subsidiary of Senshukai Co., Ltd.
Aug. 31, 2017	The Company transfers all shares of Forest Co., Ltd. to EDION Corporation.
Dec. 31, 2017	Liquidation of JFR PLAZA Inc. is completed.
Feb. 26, 2018	Senshukai Co., Ltd. is excluded from the scope of associates accounted for using the equity method due to the Company's agreement upon the purchase of treasury shares by Senshukai Co., Ltd.
Jul. 2, 2019	Liquidation of JFR Online Co. Ltd. is completed.
Dec. 9, 2019	Daimaru Matsuzakaya Department Store Co., Ltd. acquires a part of the preferred shares of Ginza 6-chome Kaihatsu Tokutei Mokuteki Kaisha (G6TMK) through Ginza 6-chome Shogyo Godo Kaisha, and the Company makes G6TMK an associate accounted for using the equity method.
Mar. 1, 2020	Daimaru Matsuzakaya Department Stores Co. Ltd. merges with and absorbs The Shimonoseki Daimaru, Inc.
Mar. 23, 2020	The Company makes PARCO Co., Ltd. a wholly owned subsidiary.
Feb. 26, 2021	The Company transfers all shares in J. Front Foods Co., Ltd. to Dancin' Diner co., ltd.
June 30, 2021	PARCO Co., Ltd. transfers all shares of NEUVE A Co., Ltd. to Libra Invesco Co., Ltd.
Sept. 1, 2021	Daimaru Matsuzakaya Department Stores Co. Ltd. merges with and absorbs Daimaru Matsuzakaya Sales Associates Co. Ltd.
Feb. 28, 2022	The Company removes Dimples' Co., Ltd. from the scope of consolidation upon transfer of 90% of its shares to WORLD HOLDINGS CO., LTD.
Apr. 4, 2022	Due to the revision of the market classification of the Tokyo Stock Exchange, the Company moves from the First Section of the Tokyo Stock Exchange to the Prime Market.
Oct. 27, 2022	The Company acquires all shares of JAPAN RETAIL ADVISORS Co., Ltd. from PARCO Co., Ltd. and changes its trade name to J. FRONT CITY DEVELOPMENT Co., Ltd.
Dec. 1, 2022	The Company acquires shares of XENOZ CO., Ltd. and makes it a consolidated subsidiary.
Jan. 5, 2023	PARCO Co., Ltd. acquires a part of the preferred shares of Shinsaibashi Kaihatsu Tokutei Mokuteki Kaisha (Shinsaibashi TMK), and the Company makes Shinsaibashi TMK an associate accounted for using the equity method.
Sept. 27, 2023	The Company excludes StylingLife Holdings Inc. from the scope of associates accounted for using the equity method by agreeing to the purchase of treasury shares by StylingLife Holdings Inc., which transferred those shares to SLH Partners Limited Liability Investment Partnership.
Nov. 14, 2023	Liquidation of Taiwan Daimaru Kogyo, Ltd. is completed.
Mar. 27, 2024	PARCO Co., Ltd. sells part of its shares in Apparel-web, Inc. and is excluded from the scope of associates accounted for using the equity method.

Jul. 31, 2024	Daimaru Matsuzakaya Department Stores Co. Ltd. acquires additional shares of Shinsaibashi Kyodo Center Building, K.K., making it a consolidated subsidiary from an associate accounted for using the equity method.
Nov. 1, 2024	JFR Service Co. Ltd. changes its trade name to J. Front One Partner Co., Ltd.
Jan. 31, 2025	J. FRONT CITY DEVELOPMENT Co., Ltd. made a joint investment in Shinsaibashi Mirai Tokutei Mokuteki Kaisha, thereby establishing it as an associate accounted for using the equity method.
Feb. 3, 2025	Liquidation of PT. Daimaru Kogyo Indonesia is completed.

3. Description of business

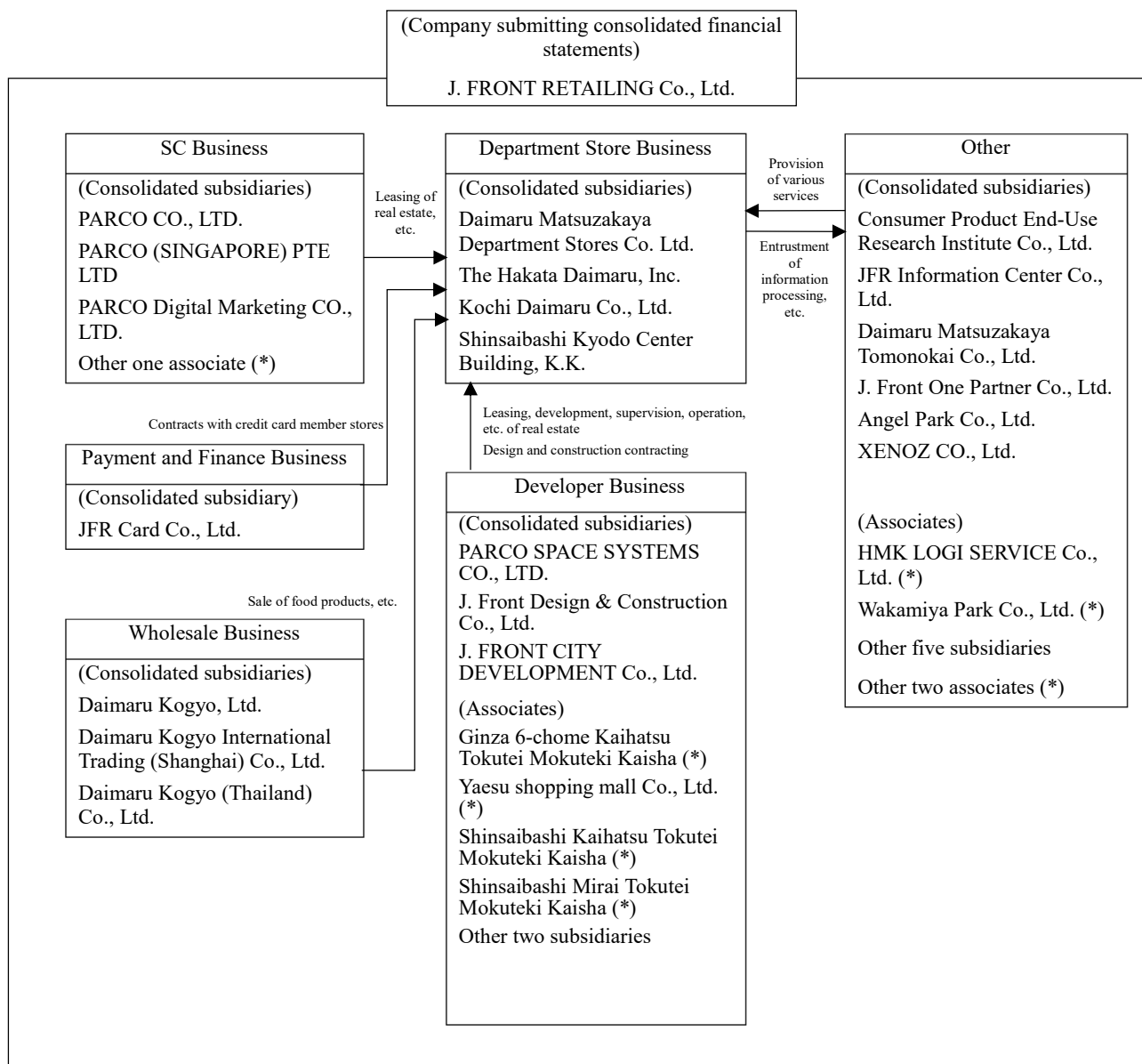
The corporate group, of which the Company is the holding company, consists of 37 companies (including the Company). Its principal business is the Department Store Business, and its other businesses include the Shopping Center (SC) Business, the Developer Business, the Payment and Finance Business, wholesaling,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

Additionally, the reportable segments have been changed from the current fiscal year. For details, please refer to “V. Financial Information, 1. Consolidated Financial Statements, etc., Notes to Consolidated Financial Statements, 6. Segment Information.”

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

Description of business, etc.	Names of major Group companies	Number of companies
Department Store Business	Daimaru Matsuzakaya Department Stores Co. Ltd., The Hakata Daimaru, Inc., Kochi Daimaru Co., Ltd., and Shinsaibashi Kyodo Center Building, K.K.	Consolidated subsidiaries: 4
SC Business	PARCO Co., Ltd., PARCO (SINGAPORE) PTE LTD, and PARCO Digital Marketing Co., Ltd.	Consolidated subsidiaries: 3 Associates: 1
Developer Business	PARCO SPACE SYSTEMS Co., Ltd., J. Front Design & Construction Co., Ltd., and J. FRONT CITY DEVELOPMENT Co., Ltd.	Consolidated subsidiaries: 4 Associates: 4
Payment and Finance Business	JFR Card Co., Ltd.	Consolidated subsidiaries: 1
Wholesale Business	Daimaru Kogyo, Ltd., Daimaru Kogyo International Trading (Shanghai) Co., Ltd., and Daimaru Kogyo (Thailand) Co., Ltd.	Consolidated subsidiaries: 3
Commissioned back-office service, parking and leasing	J. Front One Partner Co., Ltd. and Angel Park Co., Ltd.	Consolidated subsidiaries: 2 Associates: 1
Other	Consumer Product End-Use Research Institute Co., Ltd., JFR Information Center Co., Ltd., Daimaru Matsuzakaya Tomonokai Co., Ltd., and XENOS CO., Ltd.	Consolidated subsidiaries: 5 Associates: 3

Our business structure is shown below.



- Notes:
1. Companies marked with an asterisk (*) are equity method associates.
 2. In segment information, wholesaling, parking, leasing, etc. are shown together as "Other." The other businesses are categorized in accordance with the segments.
 3. PARCO Co., Ltd. was excluded from the scope of equity method application due to the sale of part of its shares in Apparel-web, Inc. on March 27, 2024.
 4. Daimaru Matsuzakaya Department Stores Co. Ltd. acquired additional shares of Shinsaibashi Kyodo Center Building, K.K. on July 31, 2024, making it a consolidated subsidiary from an associate accounted for using the equity method.
 5. JFR Service Co. Ltd. changed its trade name to J. Front One Partner Co., Ltd. on November 1, 2024.
 6. J. FRONT CITY DEVELOPMENT Co., Ltd. made a joint investment in Shinsaibashi Mirai Tokutei Mokuteki Kaisha and included it in the scope of equity method application on January 31, 2025.
 7. Liquidation of PT. Daimaru Kogyo Indonesia was completed on February 3, 2025.

4. Overview of subsidiaries and associates

Name	Address	Share capital (Millions of yen)	Major businesses	Ratio of voting rights holding (held) (%)	Relationship
(Consolidated subsidiaries)					
Daimaru Matsuzakaya Department Stores Co. Ltd. (Notes 3 and 4)	Koto-ku, Tokyo	10,000	Department Store Business	100.0	Interlocking of officers Lending of funds
The Hakata Daimaru, Inc.	Chuo-ku, Fukuoka	3,037	Department Store Business	69.9 [69.9]	
Kochi Daimaru Co., Ltd.	Kochi, Kochi	300	Department Store Business	100.0 [100.0]	Lending of funds
Shinsaibashi Kyodo Center Building, K.K.	Chuo-ku, Osaka	50	Department Store Business	89.2 [89.2]	
PARCO Co., Ltd. (Notes 3 and 4)	Toshima-ku, Tokyo	34,367	SC Business	100.0	Interlocking of officers Lending of funds
PARCO Digital Marketing CO., LTD.	Shibuya-ku, Tokyo	10	SC Business	100.0 [100.0]	
PARCO (SINGAPORE) PTE LTD	Singapore	Millions of Singapore dollars 4	SC Business	100.0 [100.0]	
PARCO SPACE SYSTEMS Co., Ltd.	Shibuya-ku, Tokyo	100	Developer Business	100.0	
J. Front Design & Construction Co., Ltd.	Chuo-ku, Osaka	100	Developer Business	100.0	Interlocking of officers
J. FRONT CITY DEVELOPMENT Co., Ltd.	Shibuya-ku, Tokyo	110	Developer Business	100.0	Interlocking of officers
JFR Card Co., Ltd.	Takatsuki, Osaka	100	Payment and Finance Business	100.0	Interlocking of officers Lending of funds
Daimaru Kogyo, Ltd.	Chuo-ku, Osaka	1,800	Other (Wholesale)	100.0	Interlocking of officers Lending of funds
Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	Shanghai, China	Millions of US dollars 2	Other (Wholesale)	100.0 [100.0]	
Daimaru Kogyo (Thailand) Co., Ltd.	Bangkok, Thailand	Millions of Thai baht 202	Other (Wholesale)	99.9 [99.9]	
Consumer Product End-Use Research Institute Co., Ltd.	Nishi-ku, Osaka	100	Other (Merchandise test and quality control)	100.0	Interlocking of officers
Angel Park Co., Ltd.	Naka-ku, Nagoya	400	Other (Parking)	50.2 [49.8]	Interlocking of officers
J. Front One Partner Co., Ltd.	Koto-ku, Tokyo	100	Other (Commissioned back-office service, leasing)	100.0	Interlocking of officers
JFR Information Center Co., Ltd.	Tennoji-ku, Osaka	10	Other (Information service)	100.0	Interlocking of officers
Daimaru Matsuzakaya Tomonokai Co., Ltd.	Chuo-ku, Osaka	100	Other (Specified prepaid transaction service)	100.0 [100.0]	
XENOZ CO., Ltd.	Shibuya-ku, Tokyo	100	Other (Management of e-sports team, etc.)	51.6	

Name	Address	Share capital (Millions of yen)	Major businesses	Ratio of voting rights holding (held) (%)	Relationship
(Equity method associates)					
Ginza 6-chome Kaihatsu Tokutei Mokuteki Kaisha	Chuo-ku, Tokyo	2,610	Developer Business (Services related to the acquisition of specified assets and their management and disposal, etc.)	50.0 [50.0]	
HMK LOGI SERVICE Co., Ltd.	Chuo-ku, Osaka	34	Other (Freight transportation)	32.4 [32.4]	
Wakamiya Park Co., Ltd.	Naka-ku, Nagoya	1,063	Other (Parking)	20.9 [20.9]	
Yaesu shopping mall Co., Ltd.	Chuo-ku, Tokyo	100	Developer Business (Real estate leasing and tenant leasing)	28.3 [28.3]	
SAN-A PARCO, Inc.	Ginowan, Okinawa	10	SC Business	49.0 [49.0]	
Shinsaibashi Kaihatsu Tokutei Mokuteki Kaisha	Chuo-ku, Tokyo	2,909	Developer Business (Real estate development and investment)	38.9 [38.9]	
Shinsaibashi Mirai Tokutei Mokuteki Kaisha	Chiyoda-ku, Tokyo	12,688	Developer Business (Real estate development and investment)	39.1 [39.1]	

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

(Millions of yen)

	Daimaru Matsuzakaya Department Stores Co. Ltd.	PARCO Co., Ltd.
(i) Revenue	243,165	63,484
(ii) Profit before tax	29,349	10,356
(iii) Profit	20,384	8,174
(iv) Total equity	171,043	75,903
(v) Total assets	482,421	286,495

5. Information about employees

(1) Consolidated companies

As of February 28, 2025

Segment name	Number of employees (Persons)	
Department Store Business	2,943	[1,259]
SC Business	565	[92]
Developer Business	870	[393]
Payment and Finance Business	249	[21]
Other	483	[175]
Corporate (shared)	233	[19]
Total	5,343	[1,959]

- Notes:
1. The number of employees indicates the number of working employees.
 2. Figures in brackets in the “Number of employees” column (not included in number of employees) represent dedicated employees and fixed-term employees.

(2) Reporting company

As of February 28, 2025

Number of employees (Persons)	Average age (Years old)	Average length of service (Years)	Average annual salary (Yen)
233 [19]	47.4	16.0	8,156,493

Segment name	Number of employees (Persons)	
Corporate (shared)	233	[19]
Total	233	[19]

- Notes:
1. The number of employees indicates the number of working employees, including those seconded from Daimaru Matsuzakaya Department Stores Co. Ltd. and other Group companies.
 2. Average annual salary includes bonuses and surplus wages.
 3. Figures in brackets in the “Number of employees” column (not included in number of employees) represent dedicated employees and fixed-term employees.
 4. Average length of service for employees seconded from the Group is calculated by aggregating the number of years of service at each company.
 5. The number of employees increased by 48 compared to the previous fiscal year. This was mainly due to secondment from subsidiaries associated with organizational restructuring, as well as an increase in hiring.

(3) Status of labor union

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

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

(4) Ratio of women in management positions, ratio of men taking childcare leave, and gender wage gap

(i) Reporting company

(%)

Current fiscal year				
Ratio of women in management positions (Note 1)	Ratio of men taking childcare leave (Note 2)	Gender wage gap (Notes 1 and 3)		
		All employees	Regular employees	Part-time and fixed-term employees
27.9	—	78.2	80.0	69.9

- Notes:
1. Calculated based on the provisions of the Act on the Promotion of Women’s Active Engagement in Professional Life (Act No. 64 of 2015).
 2. The ratio of men taking childcare leave is shown as “—” due to there being no applicable employees.

3. Regarding the gender wage gap, although there is no wage disparity under the wage system, a gap arises due to factors such as the low ratio of women in management positions and the high number of female employees working shorter hours due to childcare and other personal reasons.

(ii) Consolidated subsidiaries

(%)

Current fiscal year					
Name	Ratio of women in management positions (Note 1)	Ratio of men taking childcare leave (Note 2)	Gender wage gap (Notes 1 and 3)		
			All employees	Regular employees	Part-time and fixed-term employees
Daimaru Matsuzakaya Department Stores Co. Ltd.	31.5	225.0	61.0	73.1	71.3
The Hakata Daimaru, Inc.	33.3	100.0	74.3	78.6	71.5
PARCO Co., Ltd.	27.0	109.1	79.5	76.2	103.4
PARCO SPACE SYSTEMS CO., LTD.	10.8	100.0	66.1	79.5	79.3
J. Front Design & Construction Co., Ltd.	13.2	50.0	77.4	75.2	89.5
JFR Card Co., Ltd.	—	100.0	—	—	—
Daimaru Kogyo, Ltd.	—	100.0	—	—	—
JFR Information Center Co., Ltd.	—	—	—	—	—
J. Front One Partner Co., Ltd.	—	—	—	—	—

- Notes:
1. Calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
 2. The childcare leave acquisition rate and childcare-related leave acquisition rate are calculated based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991) and Article 71-4, Item 2 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991).
If there were no applicable male employees, the ratio of men taking childcare leave is shown as "—."
 3. Regarding the gender wage gap, although there is no wage disparity under the wage system, a gap arises due to factors such as the low ratio of women in management positions and the high number of female employees working shorter hours due to childcare and other personal reasons.

II. Overview of Business

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

Forward-looking statements in this Annual Securities Report are based on the Company's management decisions and forecasts made according to information available as of the filing date of this document (May 30, 2025).

(1) Management policy

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

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

(2) Management target

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

Subsequently, as the Group achieved the final year profit target for this Medium-term Business Plan in the FY2024 financial results, the key performance indicator targets for FY2026, the final year of the plan, have been revised upward.

1. Key performance indicator targets

We will aim for consolidated business profit of ¥56,000 million (initial target: ¥52,000 million) and consolidated ROIC of at least 6.0% (initial target: at least 5.0%) as the financial targets, and for reductions in greenhouse gas emissions of 70% (initial target: 58%) as a non-financial target.

<Key performance indicator targets>

	FY2026 new targets	(FY2026 initial targets)	FY2024 results
Consolidated business profit (IFRS)	¥56,000 million	¥52,000 million	¥53,400 million
Consolidated ROE	8.0% or more	8.0% or more	10.5%
Consolidated ROIC	6.0% or more	5.0% or more	6.2%
Greenhouse gas emissions*1	(70.0)%	(58.0)%	(64.5)%
Ratio of women in management positions*2	31.0%	31.0%	26.2%

*1 Scope 1 and 2 emissions (compared with FY2017); result for FY2024 is a rough estimate.

*2 Ratio of women in management positions: 27.3% as of March 1, 2025

2. Financial policy

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

Under the current Medium-term Business Plan, we will generate operating cash flow of ¥220,000 million or more (including depreciation of right-of-use assets) over three years, ¥195,000 million of which will be injected into capital and growth strategy investments.

As for investments, with our sights on 2030, we will concentrate on upfront investments and growth strategy investments in the Developer Business directed toward achieving Group synergies, in addition to the core retail business. Regarding shareholder returns, we are working to optimize the amount of

equity through dividends at a consolidated payout ratio of 40% or more and by flexibly and responsively repurchasing treasury shares.

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

Performance in the first year of the Medium-term Business Plan (FY2024–FY2026), which commenced under a new structure aligned with sustainability management, benefited not only from the promotion of the growth strategy with a focus on 2030 but also on the successful implementation of measures designed to capture the tailwind of such external environmental factors as growth in the number of foreign tourists visiting Japan, and led to the business profit target initially set for the final year of the Medium-term Business Plan (FY2026) being achieved early.

Meanwhile, as for the outlook for the business environment going forward, we recognize that we need to keep a close eye on changes in the global situation and the risk of downward pressure on domestic spending and inbound consumption due mainly to the outlook for domestic and overseas economies, including interest rate and exchange rate fluctuations, as well as prolonged rising prices.

In order to increase the likelihood of growth over the medium to long term and achieve our Vision for 2030 of transforming ourselves into a Value Co-creation Retailer, it is essential that we expand our business base by accelerating our growth strategy, and build a solid management foundation to steadily promote these strategies.

In FY2025, the second year of the Medium-term Business Plan, we have revised up the key performance indicator targets in the Medium-term Business Plan, and we will work to expand our business base by promoting our growth strategy even more actively, such as by growing our customer base in Japan and overseas, deepening the retail business, and evolving Group synergies, which includes the maximization of value in our seven priority areas.

In addition, this Medium-term Business Plan is positioned as a “period of change” towards achieving our Vision for 2030. As part of its efforts to build a solid management foundation that increases the likelihood of sustainable growth in a highly uncertain business environment, the Group members will work together as one to steadily promote such initiatives for corporate transformation as actively investing in the business and human resources, and intensifying efforts to reorganize the business.

<Strengthening our key strategies based on the Medium-term Business Plan>

1) Deepening the retail business

In the mainstay Department Store Business and SC Business, we will strengthen initiatives to expand the customer base in Japan and overseas, improve the appeal of customer contact points, and expand content for the premium and aspirational consumer group. In particular, we will respond to affluent foreigners by leveraging our platform for overseas customers (inbound CRM), and address the domestic market for affluent individuals by conducting our gaisho (out-of-store sales) activities over a wider geographic area, thus prioritizing the expansion of our customer base.

(i) Expand the customer base overseas

- As well as using the inbound CRM that began full-fledged operation at the end of FY2024 to achieve centralized management of information pertaining to overseas customers visiting Japan, the Department Store Business will enhance the dissemination of information in accordance with customer needs, and encourage them to revisit our stores.

- Through partnerships with companies in Japan and overseas whose customers consist of primarily affluent foreigners, we will strengthen measures for directing customers to the Group stores. Furthermore, by building a system of attending customers that transcends the barriers between department stores and PARCO operating in the same area, the Group members will work together to strengthen our ability to respond to affluent foreigners, with the objective of expanding the customer base.

(ii) Strengthen our response to the affluent market segment

- In preparation for the expansion of the customer base, we will enhance communications with customers through the use of digital technology and by conducting our gaisho activities over a wider geographic area, as well as taking steps to enhance content through the development of new products and services in partnership with external companies. With a focus on the sustainable growth of the gaisho business, we will also work to bolster our human resources and reinforce organizational structures.

(iii) Expand content for the premium and aspirational consumer group

- We will steadily promote major renovations centered on flagship stores such as Shibuya PARCO, Nagoya PARCO, and Sendai PARCO, while continuing to develop IP-based content such as the Japan modes, character zones, and anime that have been highly rated by both domestic and overseas customers.

2) Evolving Group synergies

We will tackle the maximization of area value, expansion of the Group customer base, ownership and development of in-house contents, and the reorganization and strengthening of the interior design business. Particularly for the maximization of area value, we are working to strengthen relationships within the Group and with communities, such as by drawing up and promoting measures to create a bustling town in the Sakae area of Nagoya. In the Shinsaibashi area of Osaka, we are engaging in area development plans focused on the future, such as by participating in new development projects. In the Tenjin area of Fukuoka, we are working on redevelopment plans that will utilize one of the best locations in Kyushu.

(i) Maximize the area value

A. Nagoya Sakae area

- In addition to major renovations of the Matsuzakaya Nagoya store and Nagoya PARCO, we are waiting for the opening of The Landmark Nagoya Sakae that is scheduled for 2026, all of which will lead to steady progress in the appeal of the Group's commercial facilities in that area.
- Going forward, we will steadily promote measures for the creation of a bustling town such as local activities involving surrounding facilities, companies, and creators. To that end, in March 2025, we created a new dedicated organization whose role extends across the Group.

B. Osaka Shinsaibashi area

- Based on the vision for the future of Midosuji Avenue being promoted by the city of Osaka (spatial reorganization into a people-centered street boasting global recognition), the Osaka Shinsaibashi area is expected to become even more bustling, and we plan to participate in new commercial complexes scheduled to open in 2026 to follow those of Daimaru Shinsaibashi store and Shinsaibashi PARCO.
- As well as beginning to consider a future vision for the Daimaru Shinsaibashi South Building, which is owned by Shinsaibashi Kyodo Center Building, K.K., which we made a subsidiary in FY2024, we are participating in the redevelopment project for the Shinsaibashi Building. In this way we are reinforcing and executing our strategy of maximizing value of the area by further extending the district's retail industry.

(ii) Expand the Group customer base

- We will move steadily forward with the consolidation of in-house card issuance operations within the Group. Following the new GINZA SIX and PARCO cards in FY2024, we began issuing the new Hakata Daimaru card in March 2025. Taking advantage of these opportunities, the Group will work together as one on the expansion of the customer base, which includes the acquisition of new card members.
- Moreover, we are conducting intensive investigations into the realization of services and customer collaboration that transcends businesses and stores, such as centralization of points within the Group, and the expansion of customer services that are tailored to the characteristics of different areas.

(iii) Own and develop in-house contents and business development

- In preparation for new growth in the retail business, we will own and develop in-house contents with a view to future business development, not only of our own stores but also overseas, including those in the digital domain. We will also promote the development of new businesses by combining the organizational capabilities of the department stores and PARCO, including their discernment, procurement capabilities, and networks.
- To accelerate and promote these initiatives, we will strengthen M&A and collaboration with other companies, and growth strategy investments through the Company's business succession and CVC funds.

(iv) Reorganize and strengthen the interior design business

- Following the integration of the building management business in FY2024, we are planning to merge the current J. Front Design & Construction Co., Ltd. and PARCO SPACE SYSTEMS Co., Ltd. in March 2026, in preparation for reorganizing and strengthening the interior design business.
- Using this opportunity, we will strive to expand the business base by creating high-quality spatial value in the Group stores within the seven priority areas and in facilities outside the Group, as well as by recruiting and developing specialized professionals.

3) Strengthening the Group's management foundation

We are working together as a Group to strengthen the management foundation to achieve our Vision for 2030 and enhance the effectiveness of our strategies. In particular, we will actively invest in human resources, who are our partners in value co-creation, and speed up our efforts to draw up and execute our human resources strategy.

(i) Human resources strategy

- Based on the newly formulated Human Resources Management Policy, we aim to achieve the sustainable growth of people and organizations by strengthening and reallocating human resources in a way that is integrated with the management strategy. We will take a particularly active approach to enhancing the ability to create value and to develop subordinates, strengthening recruitment of specialized personnel, and promoting the participation of women.
- By energizing human interactions within the Group, we will seek to increase opportunities for the participation of diverse human resources, and to blend the human networks and knowledge of our employees. In order to promote measures aimed at manifesting such synergies, we will build a common Group human resources platform.

(ii) Systems strategy

- Based on our newly formulated Group System Philosophy, we will promote a shift to common systems within the Group and the use of a data platform.
- We aim to sophisticate the management and administration as well as streamlining operations through the full-fledged deployment of a common Group accounting system.
- We will promote IT governance through such measures as enhancing system investments and asset management, and strengthening risk management, including our ability to handle information security.

(iii) Financial strategy

- With the aim of medium- to long-term improvements in capital profitability, we will strengthen promotion of ROIC management through such initiatives as taking a thorough approach to managing investments based on growth potential and profitability, and encouraging this to take root within the Company through cooperation with operating companies.
- As well as seeking to generate free cash flow, we will move forward with active investments focused on the future. We will make every effort to secure long-term stable funding based on trends in the financial and capital markets, and apply appropriate control to interest-bearing liabilities, etc. to secure financial soundness.

(iv) Corporate governance

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

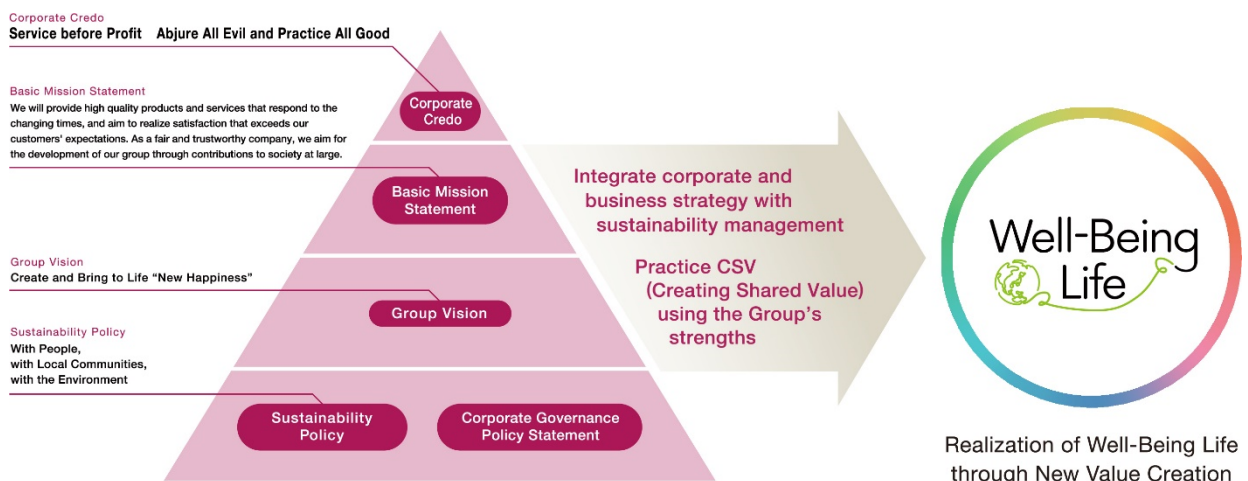
2. Approach and initiatives for sustainability

(1) JFR Group's sustainability management goals

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

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

<Overview of sustainability management>



(i) Governance

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

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

- Board of Directors skill matrix

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

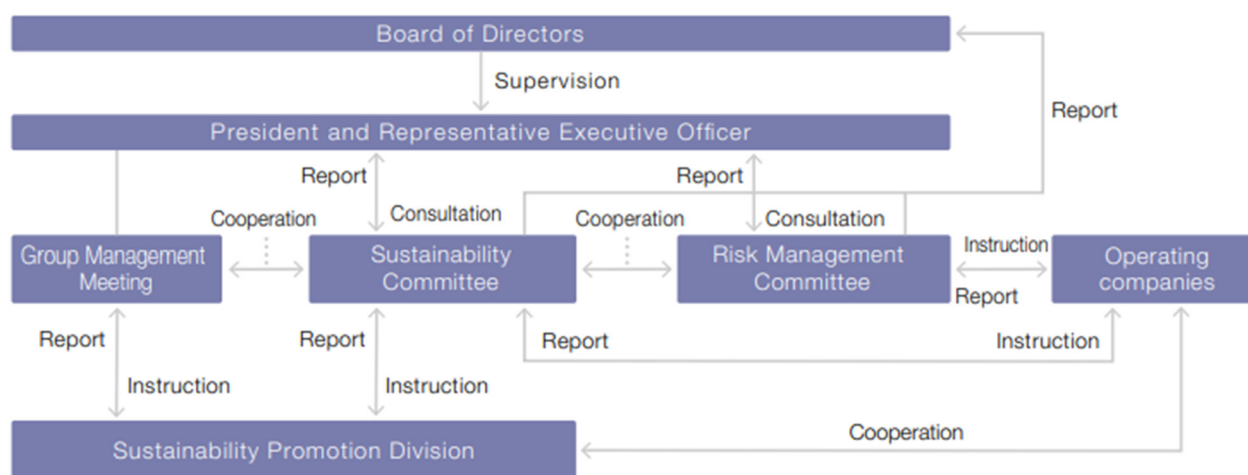
- * For information about the skill matrix, please see the link below.
Notice of Convocation for the 18th fiscal year.
https://www.j-front-retailing.com/ir/stock/pdf/250428_Notice_of_Convocation.pdf

- Incorporating non-financial indicators into the officer remuneration system

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

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

<JFR Group’s sustainability management system>



Sustainability Committee

Established	March 2019
Positioning	Advisory body to the President and Representative Executive Officer
Chairperson	President and Representative Executive Officer
Members	JFR Executive Officers, Presidents of all operating companies
Secretariat	Sustainability Promotion Division (Management Strategy Unit)
Frequency	Twice a year (Spring/Fall) in principle

<Main agenda items of the Sustainability Committee>

2023	April	• Lecture by an external instructor on “Business and human rights” • Status of initiatives to promote diversity and inclusion at operating companies • Report on results of employee awareness survey • Group-wide KPI progress report for FY2022 and FY2023 sustainability action plan
	September	• Lecture by an external instructor on “Overview and importance of biodiversity” • Overview of second supplier assessment • Group-wide KPI progress report for 1H FY2023
2024	April	• Lecture by an external instructor on “The Relationship Between Long-Term Corporate Value Enhancement and Non-Financial Activities” • Group-wide KPI progress report for FY2023 • FY2024-2026 Mid-Term Sustainability Plan
	September	• Employee engagement with materiality • Group-wide KPI progress report for 1H FY2024

(ii) Risk management

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

The Company has established a Risk Management Committee (held three times per year) to manage various risks, including sustainability-related risks, in an integrated company-wide manner, based on the recognition that risk management is an extremely important for business operations. The deliberations of this committee are reported to the Group Management Meeting and shared with the Sustainability Committee.

Furthermore, the contents of the deliberations held by the Risk Management Committee and the Sustainability Committee, as well as matters approved by the Group Management Meeting, are reported to the Board of Directors (held monthly) in a timely manner. Under the supervision of the Board of Directors, these matters are reflected in the Group’s strategies and appropriate measures are taken.

* For information on risks of extremely high importance to our risk management system and Group Management, please see “II. Overview of Business, 3. Business risks.”
For more information on environmental-related risks, please see “(2) Addressing climate-related issues (TCFD disclosure) (ii) Risk management.”

(iii) Strategy

(a) Identification of materiality

In our clarification of the relationship between environmental and social issues and the business activities of the Group, the materiality (important issues) we have identified are “sustainable growth of the company and society” and the realization of a “sustainable society.” Since 2018, we have reviewed them each time we formulate a medium-term business plan.

In formulating the current medium-term business plan, which began in FY2024, we identified five themes based on a review of the JFR Group’s key risks and changes in the business environment. We are dedicated to integrating our approach to materiality into our business strategies and promoting it as a way of not only addressing these challenges but also driving corporate growth.

Through our efforts to address materiality, we aim to transform ourselves into a “Value Co-creation Retailer Group” that continues to deliver three types of co-created value centered on the retail business:

“Co-creation of Excitement,” “Co-prosperity with Communities,” and “Co-existence with the environment.”

* For further information on the JFR Group’s key risks, see “II. Overview of Business, 3. Business risks.”

[5 Materiality Issues]

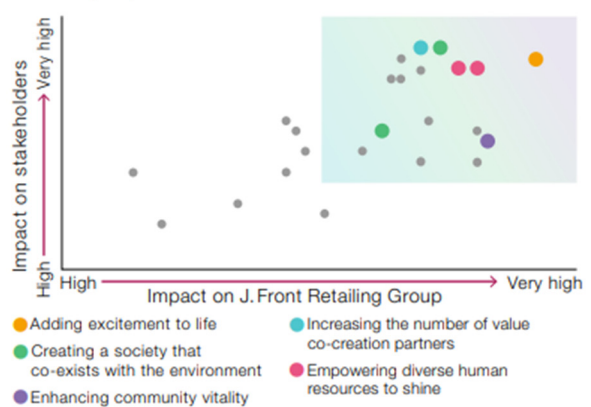
- Adding excitement to life
- Enhancing community vitality
- Creating a society that co-exists with the environment
- Increasing the number of co-creation partners
- Empowering diverse human resources to shine



Changes in the business environment surrounding the Company

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

Materiality Map



Changes in Materiality

2018 – 2020	2021 – 2023	2024 – 2026
Laying the Foundation for Sustainability Management	Challenging to Integrate Sustainability and Strategy = Sowing the Seeds for Realizing CSV	Integration of Sustainability and Business Strategy = Realizing CSV
Contribution to a low-carbon society	Realization of customers' healthy/safe/secure life Realization of a decarbonized society Promotion of circular economy	Adding excitement to life Creating a society that co-exists with the environment
Coexistence with local communities	Coexistence with local communities	Enhancing community vitality
Management of the entire supply chain	Management of the entire supply chain	Increasing the number of value co-creation partners
Promotion of diversity	Promotion of diversity & inclusion	Empowering diverse human resources to shine
Realization of work-life balance	Realization of work-life integration	
Selected 5 materialities	Added 2 materialities and updated 3 materialities	Reorganized into 5 themes
• Questionnaire survey of stakeholders (4,250 people) • Interview with management • JFR Group major risks • Prepared materiality map • Discussion by the Management Meeting and Board of Directors	• Changes in the external environment surrounding environmental issues • Changes in society and people's attitudes due to impact of COVID-19 pandemic • JFR Group major risks • Reviewed from the perspective of upgrading efforts in light of social changes • Communications with stakeholders • Discussed by the Management Meeting and the Board of Directors	• Reorganization toward realization of the 2030 Future Vision (Co-creation of Excitement, Co-prosperity with Communities, Co-existence with the Environment) • JFR Group major risks • Review toward integrating sustainability and business strategy • Revision of wording to promote employee action • Communication with stakeholders • Discussed by the Management Meeting and the Board of Directors

(b) Materiality Commitment

We believe that solving social issues is a shared goal for many individuals and organizations. Co-creation—collaborating rather than competing—is essential for making a meaningful impact on society. Thus far, our initiatives on materiality have concentrated on what we can achieve within our own business activities. Moving forward, we will align these efforts with our business strategy and work with our employees to engage more customers, business partners, and other stakeholders. By doing so, we believe we can achieve not only social sustainability but also create business opportunities and foster sustainable growth for the company.

Our commitments in the five materiality themes are as follows.

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

(iv) Metrics and targets

The following are our metrics and targets for sustainability and FY2024 results.

Materiality	Metrics		Results	Target	
			FY2024	2026	2030
Adding excitement to life	Number of Group member customer		Growth rate 15.7% (vs. FY2023)	Growth rate 25% (vs. 2023)	*1
	Customer survey (Excitement/emotional engagement)		Baseline survey conducted 2030 targets set	—	75%*2
Enhancing community vitality	Customer traffic		5.4% increase (vs. FY2023)	10% increase (vs. 2023)	*1
	Customer survey (Contribution to the community)		Baseline survey conducted 2030 targets set	—	80%*2
Creating a society that co-exists with the environment	Reduction of GHG Scope 1 & 2 emissions		65.4% decrease (vs. 2017)	70% decrease (vs. 2017)	73% decrease (vs. 2017)
	Reduction of GHG Scope 3		23.2% decrease (vs. 2017)	—	40% decrease (vs. 2017)
	Percent of energy used in business activities from renewable electricity		67.2%	72%	75%
	Food recycling rate		88.1%	80%	85%
	Percentage of newly developed properties with environmental certification		None	—	100%
	Customer survey (Customer commitment to the environment)		Baseline survey conducted 2030 targets set	—	55%*2
Increasing the number of value co-creation partners	Number of stakeholder co-creations		351	over 400	over 500
	Human rights assessment results		Dialogue based on 2023 results (112 companies) Web seminar held	35% (B rating or higher)	45% (B rating or higher)
Empowering diverse human resources to shine	Employee engagement	Employee satisfaction	68.9%	70%	Set based on achievement status in FY2026
		Work recommendation level	59.9%	60%	
	Ratio of women in management positions		26.2%	31%	40%
	Gender wage gap	All employees	66.5%	Narrowing of difference*3	Set based on achievement status in FY2026
		Regular employees	75.0%		
		Non-regular employees	75.5%		
	Paternity leave usage rate		132.5%	95%	

*1. We will identify metrics and targets closely linked to our business strategy to achieve materiality in our medium-term business plan.

*2. The medium-term targets for 2030 were established based on a basic survey conducted in June 2024. We will conduct another survey in 2025 to verify the appropriateness of these targets.

*3. The gender pay gap for FY2023 is as follows:
65.3% for all workers, 74.4% for regular employees, and 72.7% for non-regular employees.

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

- JFR Approach to achieving Net Zero in 2050

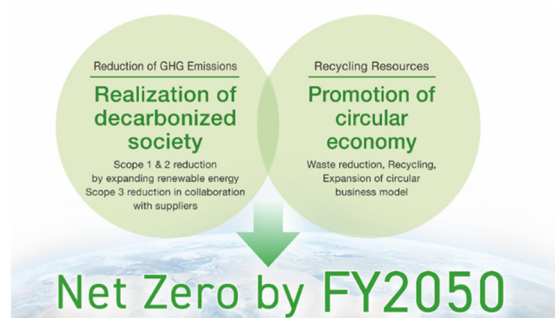
Recently, climate change has progressed to an extremely serious level, endangering not only future generations but all people, including all of us alive today.

We regard addressing climate change as a key issue in our sustainability management. Recognizing that the risks and opportunities associated with climate change will have a significant impact on the Group's business strategies, the Company is taking measures to achieve net zero^{*1} greenhouse gas emissions across our entire value chain by 2050.

- Targets

The Company recognizes that setting ambitious medium- and long-term reduction targets and developing a roadmap to achieve them are required for promoting climate change action throughout the Group. Based on this, we obtained certification through the Science Based Targets (SBT)^{*2} initiative in 2019 for our Scope 1, 2, and 3 greenhouse gas emissions reduction targets. In 2021, we reacquired SBT certification with a “1.5 degree C target,” raising our 2030 Scope 1 and 2 GHG emission reduction targets from 40% to 60% (vs. base year 2017). In February 2023, we obtained SBT certification for net zero emissions of Scope 1,2, and 3 by 2050.

Target year	Targets with SBT certification
FY2050	● Scope 1, 2, and 3 GHG emissions reach Net Zero
FY2030	● 60% reduction of Scope 1 & 2 GHG emissions (vs. FY2017) ● Target 40% reduction of Scope 3 GHG emissions (vs. FY2017)



As of the end of February 2025, we had already achieved our 2030 target of a 60% reduction in Scope 1 and 2 emissions ahead of schedule, with an actual reduction of 65.4%. As a result, we have raised our target and set a new goal of a 73% reduction by 2030. We will continue to advance our efforts moving forward.

- *1. A thorough reduction of GHG emissions, with the remaining emissions being reduced to practically zero after subtracting the amount removed through forest absorption, CCS (CO₂ capture and storage), etc.
- *2. The Science Based Targets initiative was jointly established in 2014 by CDP, the UN Global Compact, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF) to enable companies to set ambitious emission reduction targets in line with the latest climate science.

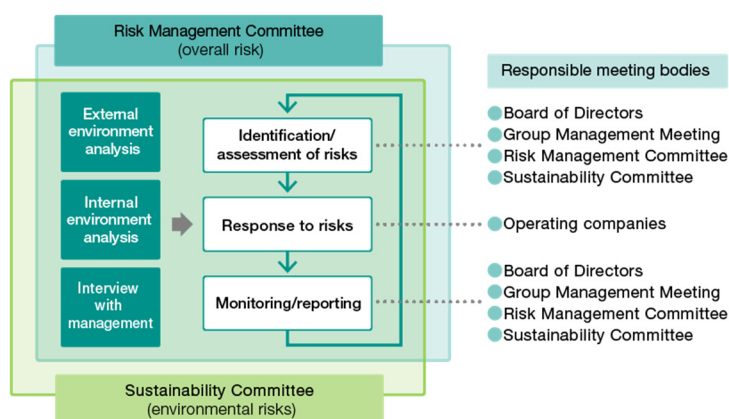
(i) Governance

Please see “JFR Group’s sustainability management goals, (i) Governance”

(ii) Risk Management

Our Group conducts detailed discussions on climate-related risks and opportunities within the Sustainability Committee and shares the results with each operating company. Each operating company incorporates climate change initiatives into their action plans and confirm the progress through discussions in meetings chaired by their president. The progress of these initiatives is monitored by the Group Management Meeting, Risk Management Committee, and Sustainability Committee, with final reports submitted to the Board of Directors.

<JFR Group management process for risks and opportunities>

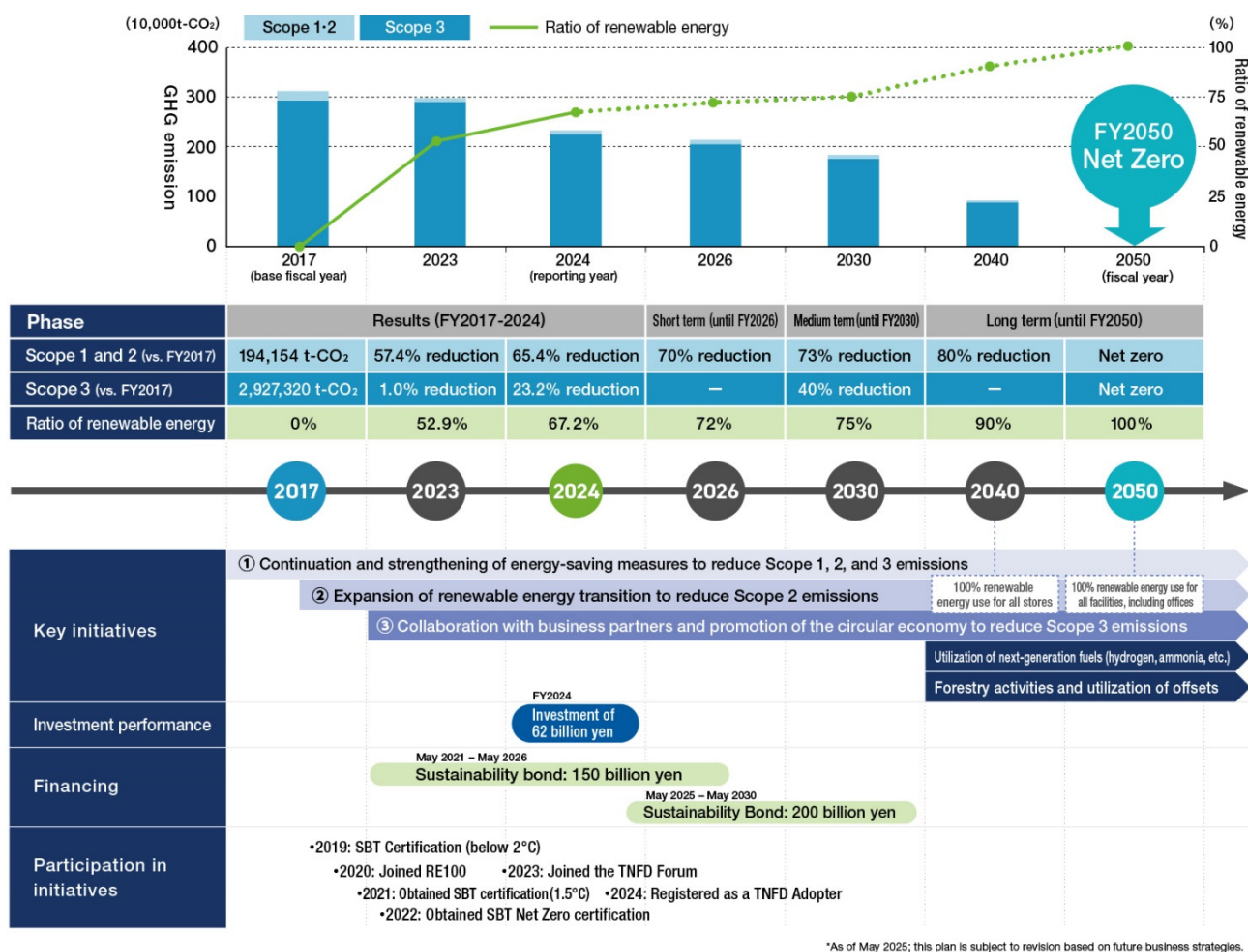


*For information on the process of identifying and assessing risks, including climate-related risks, and the status of integration into the company-wide risk management system, please see “II. Overview of Business, 3. Business Risks.”

(iii) Strategy

- JFR Group’s 2050 Net Zero Transition Plan

Based on our recognition that achieving net zero by 2050 requires a medium- to long-term perspective, the Company has formulated a transition plan for the period up to 2050. Based on our examination of climate-related risks and opportunities, as well as the potential financial impact of these risks and opportunities, we will implement appropriate measures to address risks and actively respond to shifting customer needs to capture new growth opportunities. We will promote concrete initiatives from short-, medium-, and long-term perspectives. By clearly stating our transition plan, including investment and funding plans, as well as the results of our initiatives for the current fiscal year, we will clarify the relationships between these elements and further enhance the effectiveness of this plan.



FY2024 initiatives			Investment amount
① Energy conservation	Expansion of switching to LED for in-store lighting	• Number of LED units installed: Approx. 13,200 units (Cumulative total: 202,900 units, 82.5% of total)	121 million yen
	Electrifying the corporate fleet	• Number of EVs purchased: 7 units (Cumulative total: 184 units, 49.6% of total)	106 million yen
	Introduction of energy-saving, highly efficient equipment	• Renovation of elevators and escalators	2,174 million yen
② Expansion of renewable energy	Expanding the shift of stores and offices to renewable energy	• Amount of renewable energy purchased: 197,734 MWh	3,819 million yen
③-1 Promotion of circular economy	Expansion of circular business such as sharing and up-cycling	• Clothing circulation project "roop" selected for the Ministry of the Environment's FY2024 Deco-Katsu Program • Launch of reuse business (March 2025)	
③-2 Waste reduction	Reducing the amount of waste disposal and improvement of recycling rate	• Food recycling rate: 88.3% for FY2024 • Recycling of waste cooking oil into domestically produced SAF: Implemented in 9 stores (as of the end of FY2024) (approx. 74.4% of the total waste oil generated by Daimaru Matsuzakaya Department Stores)	
③-3 Scope 3 reduction	Conducting dialogues and seminars with suppliers to obtain GHG emission data	• Number of visits to suppliers: 121 • Agreement on primary data collection: cumulative total 72 companies • Start of calculations using FY2024 primary data	

(a) Details of short-, medium-, and long-term risks and opportunities

The Company considers it important to examine climate-related risks and opportunities at the appropriate milestone occasions because of the potential impact on its business activities over the long term.

Accordingly, the Company has positioned the implementation period of the Medium-term Business Plan up to FY2026 as the short term; the period up to FY2030, which is the short-term target year set by SBT (Science Based Targets)*, as the medium term; and the period to FY2050, which is the SBTi net zero target year, as the long term.

The Company has formulated the group strategy for climate-related risks and opportunities by backcasting from FY2050, the target year for realizing net zero, and is working to implement the strategy.

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

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

(b) Nature and extent of impact of risks/opportunities on business, strategy, and financial plans

In the scenario analysis, we referenced multiple existing scenarios published by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), then considered the two world scenarios shown in the table below.

Based on these two scenarios, the Group, which is mainly engaged in the retail and developer businesses, has identified climate-related risks and opportunities according to the TCFD recommendations for each activity in its value chain process. Additionally, we defined the transition risks (policy regulations, technology, market, reputation) and physical (acute, chronic) arising from climate change, as well as the opportunities (resource efficiency, energy sources, products and services, markets, and resilience) arising for responding appropriate to them.

<Explanation of scenarios used in the 2025 scenario analysis>

Estimated temperature rise	Existing scenario referenced		Assumed scenario	Target business
Below 1.5°C/2°C scenario	Transition	“Net Zero Emissions by 2050 Scenario (NZE)” (IEA, 2024)	A world in which climate-related policies and regulations are strengthened, assuming that the Paris Agreement’s goal of “keeping the global average temperature rise well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C” will be achieved. • Introduction of a carbon tax • Expansion of renewable energy • Increased interest in environmentally friendly products	Retail business, Developer business
	Physical	“Representative Concentration Pathways (RCP2.6)” (IPCC, 2014)		
4°C scenario	Transition	“Stated Policy Scenario (STEPS)” (IEA, 2024)	No new climate-related policies or regulations are introduced, GHG emissions continue at the current rate, and climate change progresses (average temperature rise of 2.6°C to 4.8°C). • Increase in severe natural disasters • Rise of sea level • Loss of biodiversity	
	Physical	“Representative Concentration Pathways (RCP8.5)” (IPCC, 2014)		

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

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

For risks and opportunities where it is difficult to obtain the data necessary for a quantitative evaluation of the financial impact, we conduct qualitative assessments and present the results using a three-level scale indicated by the slope of arrows.

<Climate-related risks, opportunities, and financial impacts that are particularly important to the JFR Group, and the financial impact in FY2030>

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

Type of climate-related risk and opportunity		Time of emergence			Climate-related risks and opportunities of particular importance to the JFR Group	Financial impact		Measures
		Short term	Medium	Long term		Below 1.5°C/2°C scenario	4°C scenario	
Risks	Transition risk	•	•		• Increased costs associated with introduction of carbon tax, etc.	Approx. ¥1,100 million ^{*5}	Approx. ¥1,000 million ^{*1}	• Reduction of GHG emissions through aggressive energy conservation measures in stores and expansion of renewable energy switching to achieve the 2050 net-zero target
		•	•	•	• Increased costs associated with the development of properties with high environmental performance and the installation of related equipment			• Financing through Green Bonds, etc. • Installation of cost-effective equipment
		•	•	•	• Increased investment for introduction of high-efficiency energy-saving equipment			• Introduction of internal carbon pricing • Considerations of cost-effective and well-planned investment
		•	•		• Higher procurement costs for renewable energy due to increased demand for electricity derived from renewable energy	Approx. ¥800 million ^{*2}	Approx. ¥400 million ^{*2}	• Introduction of internal carbon pricing • Reduction of renewable energy procurement risk and mid- to long-term costs through diversification of renewable energy procurement methods • Improvement of energy self-sufficiency through installation of renewable energy equipment in the company's facilities, etc.
	Physical risk	•	•		• Decrease in revenue due to store closures caused by natural disasters	Approx. ¥5,200 million ^{*3}	Approx. ¥10,300 million ^{*3}	• Increased resilience of stores and business sites through BCP preparation • Improvement of disaster prevention performance of stores

Type of climate-related risk and opportunity		Time of emergence			Climate-related risks and opportunities of particular importance to the JFR Group	Financial impact		Measures
		Short term	Medium	Long term		Below 1.5°C/2°C scenario	4°C scenario	
Opportunities	Energy sources	●	●	●	• Decrease in revenue due to store closures caused by natural disasters	Approx. ¥500 million *4		• Timely upgrade to high-efficiency (energy-saving) equipment
	Products and services	●	●		• Expansion of revenue through decarbonization of the entire value chain and acquisition of business opportunities by offering environmentally friendly products and services in collaboration with business partners, including new value co-creation partners	↑	→	• Expand handling of environmentally friendly products and services • Recycling waste cooking oil as made-in-Japan SAF • Collaboration with suppliers on efforts to reduce food waste through AI demand forecasting systems, etc. • Decarbonization-oriented dialogue and briefings with suppliers, for example encouraging them to calculate GHG emissions and set reduction targets and provide primary data related to emissions
	Markets	●	●	●	• Expansion of new growth opportunities through new entry into the circular businesses • Expansion of profits through acquisition of new customers by proposing sustainable lifestyles	↑	→	• Expansion of circular businesses such as sharing, upcycling, and reuse, including the fashion subscription service “AnotherADdress”
		●	●	●	• Expansion of new growth opportunities through new entry into the circular business • Expansion of profits through acquisition of new customers by proposing sustainable lifestyles • Expansion of profits due to increased opportunities to acquire new tenants through conversion to stores with high environmental value	Approx. ¥1,100 million *5	—	• Acquisition of environmental certifications for newly developed properties (ZEB, CASBEE, etc.) • Promotion of energy conservation in stores toward realization of RE100

Basis for calculation of quantitative financial impact expected in FY2030

- *1. Calculated by multiplying the JFR Group’s Scope 1 and 2 GHG emissions in FY2030 by the carbon tax price per ton of CO₂
- *2. Calculated by multiplying the JFR Group’s electricity usage in FY2030 by the additional price of renewable energy-sourced electricity per kWh compared to ordinary electricity charges.
- *3. Calculated by multiplying the amount of sales losses due to suspension of store operations during past natural disasters by the future frequency of floods
- *4. Estimated by multiplying energy procurement costs by the amount of energy saved by the JFR
- *5. Estimated by multiplying the JFR Group’s real estate revenue and profits in FY2030 by the degree of impact of new contract conclusion fees for buildings with environmental certification

<Main parameters>

Parameters	Source
Carbon tax price 2030 (1.5°C: \$140/t-CO ₂ , 4°C: \$133/t-CO ₂) 2050 (1.5°C: \$250/t-CO ₂ , 4°C: \$142/t-CO ₂)	“Net-Zero Emissions by 2050 Scenario (NZE)” (IEA, 2024) “Stated Policy Scenario (STEPS)” (IEA, 2024)
High electricity prices from renewable energy	“Japan’s Energy 2020” (Ministry of Economy, Trade and Industry / Agency for Natural Resources and Energy, 2021)
Frequency of future flood occurrence	“Representative Concentration Pathways (RCP8.5)” (IPCC, 2014)

Summary of resilience

Based on the above scenarios, we have analyzed the impact of climate change and examined our countermeasures, confirming that the measures that the Group has already implemented and planned are effective and flexible enough to reduce risks and contribute to the realization of opportunities under any of the scenarios. We will continue to work to enhance the resilience of our management.

Regarding increased costs due to the introduction of carbon taxes and the impact of natural disasters on revenues, we will systematically and steadily implement measures to mitigate the associated financial risks. Additionally, we will leverage our unique strengths in sharing, upcycling, and reuse businesses to promote circular economy initiatives that contribute to the growth of our group and the realization of a decarbonized society.

By promoting initiatives that address both the risks and opportunities associated with climate-related issues, the Company will enhance management resilience.

(iv) Metrics and targets

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

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

Also, to clarify the responsibility of executive officers regarding the issue of climate change, Scope 1 and 2 GHG emission reduction targets were set as one of the non-financial indicators for determining performance-lined compensation in officer remuneration.

* For information about our officer remuneration system, please click the link below.
<https://www.j-front-retailing.com/english/company/governance/governance05.html>

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

The Company has been calculating its total emissions since fiscal 2017. For FY2024, we project Scope 1 and 2 emissions to be approx. 67,000 t-CO₂ (65.4% reduction vs. FY2017) and Scope 3 emissions to be approximately 2,250,000 t-CO₂ (23.2% reduction vs. FY2017). Additionally, the renewable energy ratio is expected to reach 67.2%. Furthermore, we expect to obtain third-party assurance for FY2024 Scope 1, 2, and 3 emissions and renewable electricity consumption.

<JFR Group's Scope 1, 2, and 3 GHG emission results and outlook>

(Unit: t-CO₂)

	FY2017	FY2023	FY2024	
	Results* ¹	Results* ¹	Forecast	Compared with FY2017 (compared with base fiscal year)
Scope 1 emissions	16,052	14,021	14,430	-10.1%
Scope 2 emissions (market-based)	178,102	68,736	52,696	-70.4%
(location-based)	184,047	142,935	136,701	-25.7%
Total Scope 1 and 2 emissions* ²	194,154	82,757	67,126	-65.4%
Scope 3 emissions* ³	2,927,320	2,898,436	2,247,059	-23.2%
Total Scope 1, 2 and 3 emissions* ²	3,121,474	2,981,193	2,314,185	-25.9%
Ratio of renewable energy (%)	—	52.9	67.2	—

*1. Obtained third-party assurance from LRQA Limited.

*2. Scope 2 emissions used in the total are calculated with market-based data.

*3. Basic Guidelines on Calculating for Greenhouse Gas Emissions Throughout the Supply Chain, Version 2.7 (March 2025, Ministry of the Environment, Ministry of Economy, Trade and Industry),” and “Emissions Unit Database for Calculating Greenhouse Gas Emissions of Organizations Throughout the Supply Chain, Version 3.5 (March 2025),” and IDEAv3.3 (for calculating greenhouse gas emissions in the supply chain)

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

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

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

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

- Early achievement of 2030 targets and establishment of new goals

As of the end of February 2025, we had already achieved our 2026 and 2030 targets (60% reduction in Scope 1 and 2 emissions, a 60% renewable energy ratio). Accordingly, we have set more ambitious targets for 2030.

Additionally, to ensure steady progress toward net zero emissions by 2050, we have established a new medium-term target for 2040.

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

Metrics	Target year	Details of targets
GHG emissions	2050	Net zero emissions of Scope 1, 2, and 3 GHG emissions* ¹
	2030	73% reduction of Scope 1 and 2 GHG emissions (vs. FY2017)* ² 40% reduction of Scope 3 GHG emissions (vs. FY2017)* ³
Ratio of renewable energy in electric power used in business activities	2050	100%* ⁴
	2040	90%
	2030	75%

- *1. Obtained SBT certification in FY2022 for Net Zero targets
- *2. Obtained SBT certification in FY2021 for the “1.5°C target” (60% reduction vs. FY2017 before the target was revised)
- *3. Obtained SBT certification in FY2021 for “1.5°C target”
- *4. Joined RE100 in 2020

- Use of internal carbon pricing (ICP)

In February 2024, we established Internal Carbon Pricing (ICP) for visualizing CO₂ emissions as a cost by converting them into monetary values. The goal is to foster awareness inside the Company of the need for decarbonization and promote decision-making aligned with decarbonization investments. (Internal carbon price: 10,000 yen/t-CO₂).

In FY2024, we utilized ICP to compare and evaluate renewable energy procurement costs when reviewing the 2026 and 2030 renewable energy targets.

Looking ahead, we will also consider incorporating ICP into real estate investment criteria, with the aim of creating business opportunities and promoting decarbonization management across the entire group.

- Supply chain engagement for Scope 3 emission reductions

Given that more than 87% of our Scope 3 emissions fall under Category 1 (purchased products and services), reducing these emissions through our own efforts alone is extremely difficult. Therefore, emission reductions require collaboration across the entire value chain.

To date, our main operating company, Daimaru Matsuzakaya Department Stores, has been engaging in dialogue with business partners based on their individual circumstances, covering matters such as calculating emissions, setting reduction targets, and requesting the provision of primary data related to emissions (Scope 1, 2, and upstream Scope 3). (As of the end of FY2024, we have engaged in dialogue with a total of 121 companies and reached agreements with 72 companies on the provision of primary data.)

To further enhance the efficiency and speed of our efforts, we transitioned to a new environmental data calculation system in March 2025. By leveraging this system and strengthening our collaboration with suppliers, we aim to further reduce Scope 3 emissions.

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

In recent years, companies have been required to understand how their business activities impact nature, prevent biodiversity loss, and contribute to biodiversity recovery. As a retailer primarily focused on department stores and shopping centers, the JFR Group interacts with a diverse range of stakeholders, including suppliers, customers, and local communities. We will leverage these connections to promote nature-positive¹ initiatives through our business, such as procuring environmentally friendly products, proposing lifestyles that are harmonious with nature, and developing retail locations with advanced environmental performance. By doing so, we aim to contribute to the preservation of biodiversity and the passing on of our irreplaceable global environment to future generations in collaboration with our stakeholders.

*1. Nature positive (nature restoration) is a concept that aims to “put nature on a path to recovery by halting and reversing biodiversity loss.” It was adopted in the 2022 “Kunming-Montreal Global Biodiversity Framework” and includes targets for 2030 and 2050.

(i) Governance

Please see “(1) JFR Group’s sustainability management goals, (i) Governance.”

(ii) Risk management

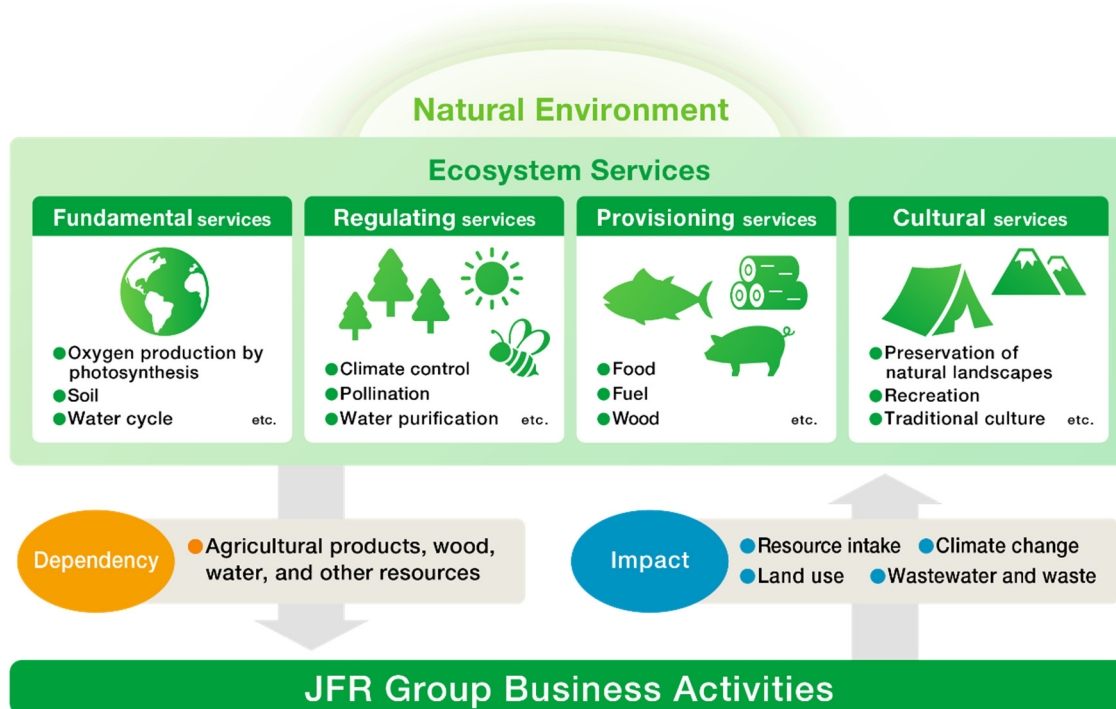
Please see “(2) Addressing climate-related issues (TCFD disclosures), (ii) Risk management”

(iii) Strategy

(a) Dependencies and impacts on nature

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

<Relationship between business activities and ecosystem services>



(b) Evaluating nature-related issues based on the LEAP^{*2} approach

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

In FY2023, Daimaru Matsuzakaya Department Stores Co., Ltd.—the Group’s main operating company—used the LEAP approach to identify and assess nature-related issues (dependencies/impacts, risks/opportunities) at its 15 department stores throughout Japan.

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

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

We created a heat map based on “ENCORE” (a TNFD recommended tool for identifying nature-related dependencies and impacts) to understand the overall dependence and impact of the department store business on nature, as well as the degree of such dependence and impact. We then confirmed the degree of dependence and impact on natural capital in direct operations (store operations and store development) and upstream in the value chain (procurement).

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

We used several tools, including the Risk Filter Suite (a WWF³ tool for analyzing risk in ecosystems and water) and Aqueduct (a WRI⁴ water risk analysis tool), to assess the state of ecosystems surrounding our stores. Additionally, we conducted a materiality evaluation using our own standards such as ownership of land and buildings, and scale of sales. As a result, we identified the Daimaru Shinsaibashi store as of particularly importance for biodiversity preservation.

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

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

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

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

*3. WWF (World Wide Fund for Nature): An environmental conservation organization active in more than 100 countries, that works to restore the vanishing richness of biodiversity and to prevent global warming.

*4. WRI (World Resources Institute): An independent organization that conducts policy research and provides technical assistance on global environmental and development issues

<Assessing risks and opportunities, preparing countermeasures>

Item			Description of risk/opportunity	Impact	Description of activities
Risk	Physical	Acute	Decrease in profits due to store closures caused by increasingly frequent extreme weather events and natural disasters	Major	- Increased resilience of stores and business sites through BCP preparation - Improvement of disaster prevention performance of stores
		Chronic	Increase in energy costs associated with global warming	Moderate	Timely replacement of existing equipment with high-efficiency energy-saving equipment
			- Instability of profits due to decrease in the availability of agricultural and marine products caused by crop failures, poor quality, and lower yields - Decrease in store traffic and changes in popular products due to global warming and changes in rainfall patterns	Moderate	Discussion and strategy development for procurement risks of important ingredients
	Transition	Policy and regulations	Increase in costs due to stronger regulations on GHG emissions	Moderate	Reduction of GHG emissions through aggressive energy conservation measures in stores and expansion of our switching to renewable energy
		Market	Difficulties in store development (including exterior and interior work, renovations, and reconstruction) and an increase in construction-related costs due to shortages of construction material	Minor	Expanded use of wood from forest thinning in Japan
			Decrease in profits due to inability to meet rising consumer demand for sustainable products	Major	- Expanded handling of certified products and other environmentally friendly products - Transition to FSC-certified and other environmentally friendly packaging materials - Promotion of smart wrapping and simplified packaging
		Reputation	Loss of reputation due to insufficient procurement of products manufactured using sustainable methods	Moderate	- Expanded handling of certified products - Smart delivery (reduce the number of deliveries)
			Reputation damage due to an increase in waste or improper disposal of waste	Moderate	- Introduction of AI demand forecasting service to reduce food waste - Compost community activities by employees to reduce food waste - Proper response to the Plastic Resource Circulation Act

Item		Description of risk/opportunity	Impact	Description of activities
Opportunity	Resource efficiency	Decrease in costs associated with more efficient water use	Minor	- Use of rainwater, gray water - Use of water-saving equipment
	Products and services	Increase in property value of buildings due to real estate development based on sustainable material procurement and reduced energy consumption	Major	Promotion of procurement rules and acquisition of certifications (e.g. CASBEE, ZEB), and broadly promote accomplishments
		Increase in profits associated with increase in handling of certified products/products manufactured using sustainable methods	Major	- Expanded handling of certified products - Raising awareness and educating customers about certified products
	Market	Store operations are sustained/maintained through mitigation of violent storms, typhoons, etc.	Major	Environmental improvement to enjoy ecosystem services (e.g. creating rules after ascertaining location, vegetation, climatology)
		Increase in customer traffic through real estate development and store operations (land use) focused on biodiversity and landscape	Moderate	Rooftop greening, rooftop urban beekeeping
		Growth of profits through acquisition of new customers by promoting a sustainable lifestyle that emphasizes resource circulation	Moderate	Expansion of circular businesses such as sharing, upcycling, and reuse, including the fashion subscription service "AnotherAddress"
	Capital flow and fundraising	Increase in financing capability due to higher environmental value of buildings	Major	- Acquisition of environmental certifications for newly developed properties - Financing through Green Bonds, etc.
	Reputation	Improvement in reputation by providing rooftop gardens and other relaxation spaces	Moderate	Rooftop greening, rooftop urban beekeeping
		Improvement in reputation by promoting recycling-oriented business	Moderate	Establishment of partnerships with other companies to recycle waste plastic and food waste (e.g. POOL Project, Made-in-Japan SAF Project)
	Ecosystem preservation, restoration, and regeneration	Decrease in compliance costs by improving traceability of products (especially risk commodities)	Minor	Strengthening engagement with suppliers, for example through assessments
	Sustainable use of natural resources	Improvement of store brand value associated with decrease in paper product usage and increase in alternative material usage	Minor	- Switchover to FSC-certified and other environmentally friendly packaging materials - Going paperless

(iv) Metrics and targets

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

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

Metrics	Target year	Description of targets
GHG emissions	Please see "(2) Addressing climate-related issues (TCFD disclosures), (iv) Metrics and targets."	
Ratio of renewable energy		
Food recycling rate	2030	85%

Rate of acquisition of environmental certifications for newly developed properties	2030	100%
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Key initiatives for FY2024

- Registration as a TNFD Adopter

We registered as a TNFD Adopter in October 2024. Based on the TNFD’s disclosure framework, we will identify the relationship between our group’s operations and natural capital (dependencies and impacts) as well as associated risks and opportunities. We will then actively disclose information from the four perspectives recommended by the TNFD: “Governance,” “Strategy,” “Risk and Impact Management,” and “Metrics and Targets.”

- Launch of Reuse Business (Buyback)

In March 2025, we established a joint venture company, “JFR & KOMEHYO PARTNERS Co., Ltd.,” with KOMEHYO Co., Ltd., and launched our reuse business. Starting in summer 2025, we plan to roll out buyback specialty stores named “MEGRUS” at Daimaru, Matsuzakaya, and Parco locations. By enabling people to pass down valuable items and use them with care over time, we aim to contribute to the realization of a sustainable society.

- Visualizing environmental contribution through the utilization of carbon footprints

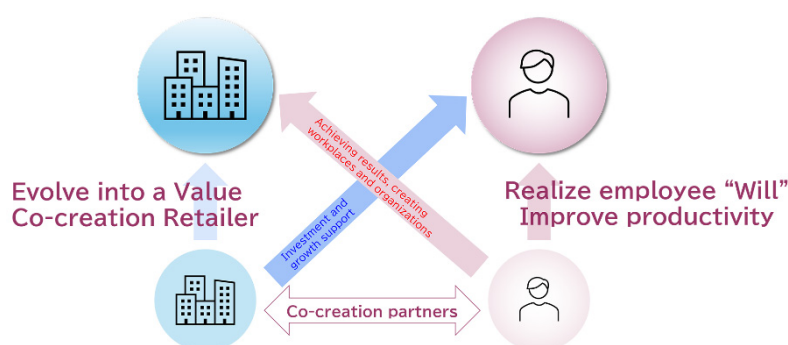
“AnotherADdress,” Daimaru Matsuzakaya Department Store’s fashion subscription service, has partnered with BiSUS Co., Ltd. to quantify the greenhouse gas emissions associated with renting a single item of clothing once. Through the use of AnotherADdress, customers can naturally accumulate action points while enjoying fashion. The “AAD SUSTAINABILITY ACTION” program has been launched to allow customers to see their environmental contribution at each stage.

- * For details, please see the website below.
<https://www.anotheraddress.jp/sustainability>

(4) Approach to human capital

Our company is committed to evolve into a “Value Co-creation Retailer Group” by 2030, centered on our retail business and continuously providing three co-creation values—Co-creation of Excitement, Co-prosperity with Communities, and Co-existence with the Environment. The power to create this future and realize our vision lies in every single employee of the Group. We consider our employees as our most important value co-creation partner and strive to support each person’s Will (will, desire, and intrinsic motivation) while fostering mutual support and contribution between the company and its employees, thereby achieving growth together.

<Concept of Value Co-creation by the Company and Employees>



(a) Overview of Human Resources Strategy

In our current medium-term business plan, which we have positioned as a period of transformation, we will actively invest in human resources to shift to a new growth model and lay the foundation for future growth.

Specifically, we will move away from our past success—where profit growth was achieved through company-wide streamlining measures—and instead focus on leveraging the comprehensive strengths of the JFR Group’s diverse businesses. To achieve this, we will shift our human resources strategy from “human resources management” to “human resources development,” from “operation-oriented” to “market-oriented,” and from “company-specific optimization” to “group-wide optimization.”

To become a “Value Co-creation Retailer,” we will establish a “HR Management Policy” as the basic approach for human resources across the group, and shift to a human resource portfolio that aligns with management strategy. Furthermore, we will implement effective measures across the HR domain and aim to improve employee engagement and productivity per employee as key outcomes of our human resources strategy.

(b) Human resources management policy

To foster the behavior and mindset changes necessary for value co-creation, the Company has established a group-wide human resource management policy called “Power to Involve Others, Mindset to Enjoy Challenges.” This policy will guide our efforts in recruitment, development, placement, and evaluation of human resources who demonstrate self-motivation, transcend and link organizations, and enjoy their work.

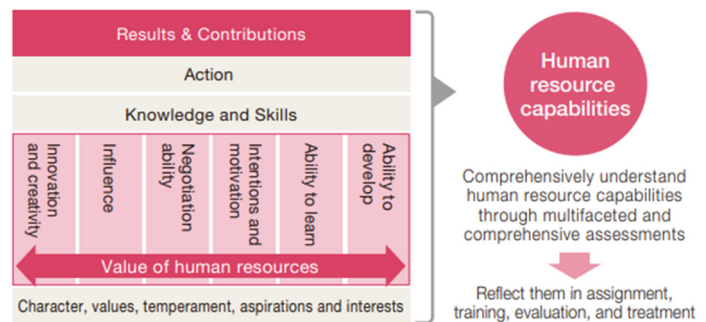
(c) Personnel management based on the philosophy of human resource capabilities

Since FY2019, the Company has been implementing a human resources system based on our unique approach of “human resource capabilities,” which aims to visualize the intangible strengths (human capital value, personality, values, temperament, and interests) inherent in our employees. As we pursue this human capital-based human resources management, we will foster value co-creation across the entire company by evaluating

and surveying employee performance and behavior, which can be observed through their work performance, mindset, and outcomes, all based on their knowledge and skills.

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

<Definition of human resource capabilities>



(i) Governance

Policies and specific measures related to human resource strategy are reviewed and approved in the Group Management Meeting, which is the highest decision-making body for business operations.

In response, the Board of Directors receives reports on the content approved by the Group Management Meeting and discusses and supervises matters such as goal setting, response policies, and implementation plans.

(ii) Risk management

In the future, if competition for human resources intensifies due to worker shortages caused by a declining working population and the increased mobility of human resources, we may face challenges in retaining talent and attracting top candidates. This situation could not only affect our business performance but also hinder our evolution into the “Value Co-Creation Retailer” that we aspire to become by 2030.

Our human resource strategy focuses on developing change leaders, supporting self-directed learning among employees, and promoting diversity, equity and inclusion. By doing so, we aim to create a work environment where all employees can experience growth and job satisfaction. We are committed to fostering a comfortable work environment while providing support to every employee, ensuring they can work with vitality in good physical and mental well-being.

(iii) Strategy

To enhance the collective Group strength, the Company will maximize the potential of every employee and leverage their strengths in accordance with our human resource management policy. Concurrently, we will transform our human resources portfolio by strengthening and reallocating human resources in alignment with our management strategy. Our goal is to become a “Value Co-creation Retailer.”

(a) Strengthening our capabilities to co-create value

In today’s uncertain business environment, we believe that the entire company must enhance its “value co-creation capabilities” to achieve significant growth and progress.

We define “value co-creation capabilities” as not only the ability to deliver results based on skills and knowledge —our primary evaluation criterion thus far—but also mindsets and behaviors that enable

collaboration with diverse stakeholders and co-create new value. We will continue to develop more specific requirements for abilities, competencies, evaluation methods, and other related frameworks in alignment with our human resource management policy called “Power to Involve Others, Mindset to Enjoy Challenges.”

For example, we will expand initiatives such as external training-type secondments through CVC/funds, the development of digital core talent, and the corporate culture project “RED.” By promoting the creation of value co-creation cases during this transition period, we will establish a foundation for future growth.

(b) Management transformation

The Company will change mindsets and enhance evaluation and feedback skills while continuing traditional hierarchical training. We will also review the necessary scope of management for effective leadership and implement necessary corrections.

(c) Group personnel exchanges

Leveraging the unique characteristics of our diverse group companies, which includes department stores, shopping centers, real estate development, and payment and finance services, we actively promote internal transfers, including group-wide recruitment. Going forward, we will implement systems and guidelines to promote transfers among group companies with diverse business models and corporate cultures. To facilitate this, we will establish systems and rules that promote the integration of human networks and know-how and maximize group-wide optimization and synergy.

(d) Improvement of internal environment

- Diversity, equity and inclusion

We believe that incorporating a diverse range of individual strengths and turning them into organizational strengths will lead to sustainable growth. To this end, we will create an environment where all employees, from young talent to mid-career and senior employees, can thrive by using their unique strengths. In particular, as women make up a majority of our Group employees, it is essential to further promote their participation. Thanks to our proactive hiring efforts, based on our efforts to improve the workplace environment and reform working styles, the percentage of female managers increased from 22.5% in FY2023 to 26.2% in FY2024. In FY2025, we will conduct an “employee survey” targeting all employees to gather their opinions on work values and career aspirations. The goal is to foster a company-wide change in awareness. Based on the results, we will explore and implement initiatives such as internal and external networking events, mentoring programs, and unconscious bias training.

- Securing human resources and focus on strengthening areas

To become a “Value Co-creation Retailer Group,” it is essential to secure and expand our human resources capable of creating the three co-creation values. To this end, the Company will strengthen its human resources system and broaden recruitment channels to enhance recruitment capabilities. Additionally, we will prioritize the allocation of human resources to strategic areas, including high-productivity businesses and new businesses.

Specifically, we will target not only new graduates and young talent but also focus on the recruitment and allocation of individuals with advanced expertise in real estate, banking, and accounting. We are particularly interested in hiring retail professionals who understand customer needs and can create new content and services, as well as digital talent who can spearhead our digital transformation.

At the same time, we will work on initiatives to improve the workplace environment and strengthen onboarding processes for the retention of our human resources.

- Promotion of physical and mental health

Physical and mental health are prerequisites for employees to stay energetic and tackle challenges. We foster employee creativity and productivity by conducting periodic surveys, sharing the findings with management, departments, and employees, and carefully implementing the PDCA cycle to plan and execute actions that lead to improvements.

- Strengthening the human resources system

The human resources department is now more crucial than ever in maximizing the potential of every employee. We are enhancing the expertise of the human resources department and promoting operational efficiency to help them respond quickly and appropriately to real-world tasks such as hiring, placement, training, and evaluation. Additionally, we are also striving to create a system that allows the human resources department to act as a business partner to management and business unit managers.

(iv) Metrics and targets

Metrics		FY2024 results	FY2026 targets
Ratio of women in management positions		26.2%	31%
Gender wage gap	All employees	66.5%	Reduce the gap by strengthening initiatives such as career development programs and training for women and management positions to prevent career loss
	Regular employees	75.0%	
	Non-regular employees	75.5%	
Paternity leave usage rate		132.5%	95%
Engagement survey Employee satisfaction		68.9%	70%
Engagement survey Work recommendation		59.9%	60%

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

*2. Group totals, unless otherwise indicated.

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

*4. Metrics and targets as of May 2025; subject to addition or revision to align with future human resource strategy.

(5) Human rights

In recent years, there has been growing concern over human rights issues such as forced labor and discrimination occurring within global supply chains. Companies are increasingly expected to conduct business activities that respect human rights. In line with the United Nations' 'Guiding Principles on Business and Human Rights,' our company places respect for human rights at the foundation of all our business activities. We are committed to continuously engaging in human rights due diligence and aim to realize business practices that respect human rights in collaboration with our employees and business partners.

(i) Governance

(a) Human Rights Policy

In 2019 we established the "JFR Principles of Action" and the "JFR Principles of Action for Suppliers" as guidelines for fulfilling our social responsibilities together with our employees and business partners, and have incorporated a "Human Rights Policy" into these guidelines. The Human Rights Policy outlines the principles guiding our efforts to respect human rights in all business activities, with the aim of building a responsible supply chain. It applies to all officers and employees, and we actively promote its understanding and compliance among our business partners as well.



- * For information about our Human Rights Policy, please click on the link below.
https://www.j-front-retailing.com/english/sustainability/pdf/diversity04/Human_rights_policy_e.pdf

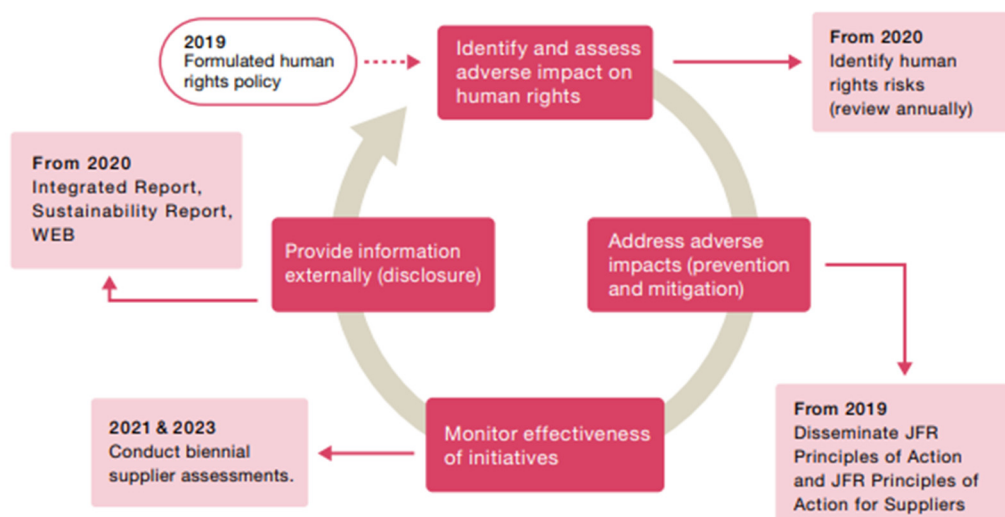
(b) Promotion system

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

(c) Human rights due diligence

We conduct ongoing human rights due diligence based on our Human Rights Policy. Since 2020, we have been identifying and assessing adverse human rights impacts within our supply chain and taking measures to prevent or mitigate those impacts. Additionally, since 2021, we have been conducting assessments of our business partners and engaging in dialogue with them as necessary.

<Overview of human rights due diligence>



(ii) Risk management

(a) Identification and assessment of risks

Regarding human rights risks (potential adverse impacts on human rights) faced by stakeholders who may be negatively affected by our business activities, we have comprehensively identified key risks by first mapping the entire value chain of our operations and examining the specific nature of each business activity. These risks were then evaluated based on their severity (scale, scope, and difficulty of remediation) and likelihood of occurrence. We strive to ensure a more substantive identification and assessment of human rights risks by conducting repeated reviews with the participation of relevant departments within our operating companies as well as external experts, including legal professionals.

<Significant human rights risks>

Value chain	Upstream (Procurement)	Midstream (JFR Group business activities)	Downstream (Use of goods and services)
Stakeholder	Employees of supplier companies, store operators, cooperating companies of business partners	Employees of the JFR Group (including parttime workers in stores and temporary workers dispatched by suppliers)	Customers and local residents
Details	Manufacturing, wholesales, provision of services, construction	Commercial facilities, store operations (including remodeling, advertising, facility management, sales promotion, etc.), sales (including e-commerce), planning and construction	Use of goods and services
Significant human rights risks related to the Group's business	• Forced labor • Child labor • Foreign labor conditions • Long working hours • Low wages • Right to access remedies • Discrimination (gender, LGBTQ, etc.)	• Harassment • Long working hours • Discrimination (gender, LGBTQ, etc.)	• Violation of customer privacy (personal information and right of publicity) • Expressions of discrimination through advertisements • Health and safety

(iii) Strategy

(a) Approach

In pursuit of our group vision of “Create and Bring to Life ‘New Happiness,’” we are committed to sustainability management that addresses environmental and social issues through our business activities. By 2030, we aim to become a “Value Co-creation Retailer” that continues to provide three types of co-creation value—Co-creation of Excitement, Co-prosperity with Communities, Co-existence with the Environment—with a focus on our retail business.

To achieve this vision, we believe that fulfilling our social responsibilities across the supply chain, including respect for human rights, in collaboration with various stakeholders (such as business partners, employees, and local communities) is essential for realizing a sustainable society and the sustainable growth of our company. Therefore, we have identified “Increasing the number of value co-creation partners” as an important issue. As for respect for human rights, we will continue to engage in human rights due diligence and work toward enhancing its effectiveness.

Materiality	Commitment
Increasing the number of value co-creation partners	We will share our thoughts and ideas on sustainability with others and establish a partner foundation for the values of “Co-creation of Excitement,” “Co-prosperity with Communities,” and “Co-existence with the Environment” along with fulfilling our social responsibilities, such as human rights due diligence, toward realization of a sustainable society.

(b) Specific initiatives

i) Efforts to prevent and mitigate human rights risks

- Promotion of the JFR Principles of Action for Suppliers

In 2019, we established the JFR Principles of Action for Suppliers, which includes our human rights policy, and are working to ensure that our business partners, including our suppliers, understand and comply with this code.

* For information on the JFR Principles of Action for Suppliers, please click on the link below.
<https://www.j-front-retailing.com/english/sustainability/supply-chain/supply-chain02.html>

- Education on human rights

In 2020, the Company adopted a Declaration on the Elimination of Harassment and is striving to eliminate and prevent harassment, which it considers as one of the human rights risks. We conduct an annual harassment survey of all employees, including part-time and temporary workers, and implement human rights training for managers based on the results. Additionally, to deepen each employee’s knowledge of respect for human rights respect and make it a personal issue in their lives, we have been implementing e-learning programs for all group employees since 2023.

- Harassment Consultation Desk

To eradicate and prevent harassment, we have established a Harassment Prevention Committee and a Harassment Consultation Desk at each group company, and we are working to respond quickly to any problems that arise and prevent them from reoccurring.

- Whistleblowing System (JFR Group compliance hotline)

The Company’s Whistleblowing System allows all directors, officers, employees, and anyone working for the JFR Group (including part-time employees and temporary staff from suppliers) to directly notify the Compliance Committee of compliance-related issues, including human rights violations and corrupt practices within the company, and request corrective action.

In addition to internal reporting, we have also established an external reporting system (with the assistance of our legal advisors). In accordance with the Whistleblower Protection Act, the Group's internal regulations stipulate protecting the confidentiality of whistleblowers and prohibit any prejudicial treatment of whistleblowers.

ii) Implementation of human rights assessment

Since 2021, the Company has been conducting supplier assessments to check the status of our business partners in areas where initiatives are required throughout the supply chain (in principle, assessments are conducted every other year). The second assessment in 2023 was conducted with an emphasis on respect for human rights.

Summary

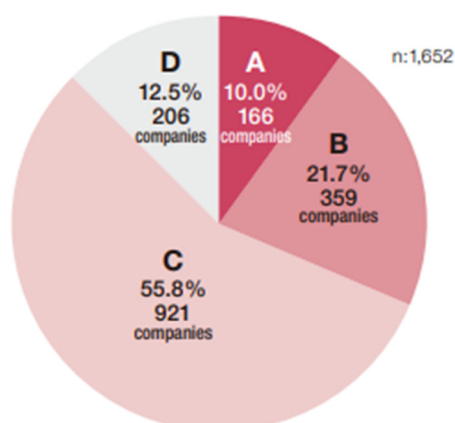
Implementing company : 10 operating companies including Daimaru Matsuzakaya Department Store, PARCO, J. Front City Development

Target : Primary suppliers (1st tier) 3,281 *Narrowed down from multiple perspectives such as human rights risk, sales size, etc..

Period : 10/2023 to 12/2023

Questions : Five themes*, mainly questions related to human rights. Total of 27 questions.

- ※ ① Status of human rights policy and human rights due diligence efforts
- ② Status of understanding of human rights issues in business operations
- ③ Status of efforts to address human rights issues
- ④ Issues to be addressed in the implementation of the above initiatives
- ⑤ Status of penetration of the JFR Principles of Action for Suppliers



No. of companies surveyed	No. of companies responding	Response rate
3,281	1,652	50.4%

Evaluation	Score	How to interpret
A	41-50 points	Efforts are being made in line with the Guiding Principles on Business and Human Rights
B	31-40 points	
C	16-30 points	A certain level of effort is being made
D	0-15 points	Candidate for dialogue

* For information on the assessment, please see the following: Sustainability Report 2024, p.40.
https://www.j-front-retailing.com/ir/library/pdf/sustainability/2024/J_FRONT_2024_E.pdf

(iv) Metrics and targets

(a) The metric and targets for human rights initiatives are as follows.

Metric	Target	
	2026	2030
Human rights assessment results (% of B ratings or higher)	35%	45%

* Actual results for FY2023: 31.7%

(b) Main initiatives for FY2024

- Conducting dialogues with suppliers

Based on the assessment results for FY2023, we conducted dialogues (including direct dialogues and email exchanges) with a total of 112 companies across the Group to foster a shared understanding of the importance of business and human rights initiatives in our business activities.

- Implementation of web seminars for suppliers

In the 2023 assessment, many comments were received stating, “We do not understand the basic framework for business and human rights” and “We would like support in terms of information and knowledge on what to do specifically.” In response, in January 2025, we conducted our first-ever web seminar led by external experts to promote understanding of the importance of respecting human rights and basic knowledge (63 companies participated).

- E-learning for employees

We conducted e-learning on business and human rights for all employees in the group (implemented in December 2024, participation rate: 83.6%).

- Conducting third-party reviews

The Company has undergone an objective review by external experts on our human rights due diligence initiatives, the scope and content of the 2023 assessment, and our response following the assessment.

- * For details, see the following report: Sustainability Report, P-42
https://www.j-front-retailing.com/ir/library/pdf/sustainability/2024/J_FRONT_2024_E.pdf

- Basic Policy on Customer Harassment

Daimaru Matsuzakaya Department Stores established a Customer Harassment Response Policy in December 2024. Prior to this, training had been conducted at each store based on the internal *Customer Harassment Response Guide* (established in 2022). These efforts were made to build a system to protect employees, including part-time staff and dispatched workers from business partners, from customer harassment, as well as to raise awareness of specific response measures. These efforts have now been formalized as an official policy.

- * For more details, please click the link below.
<https://www.daimaru-matsuzakaya.com/customer-harassment.html>

3. Business risks

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

Forward-looking statements in this Annual Securities Report represent the judgment of the Group as of the filing date of this document (May 30, 2025).

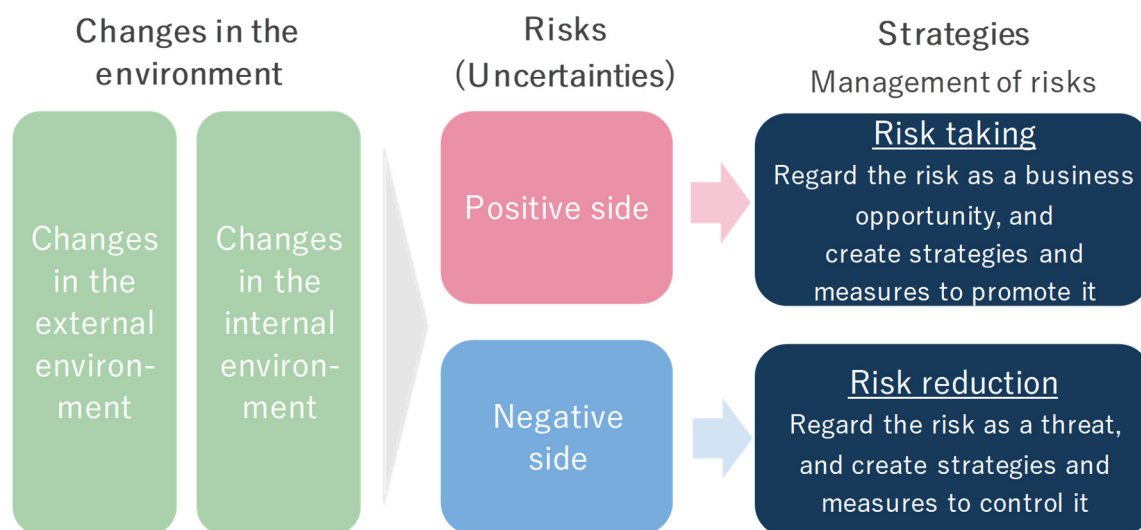
(1) Approach and system for risk management

- Risk management

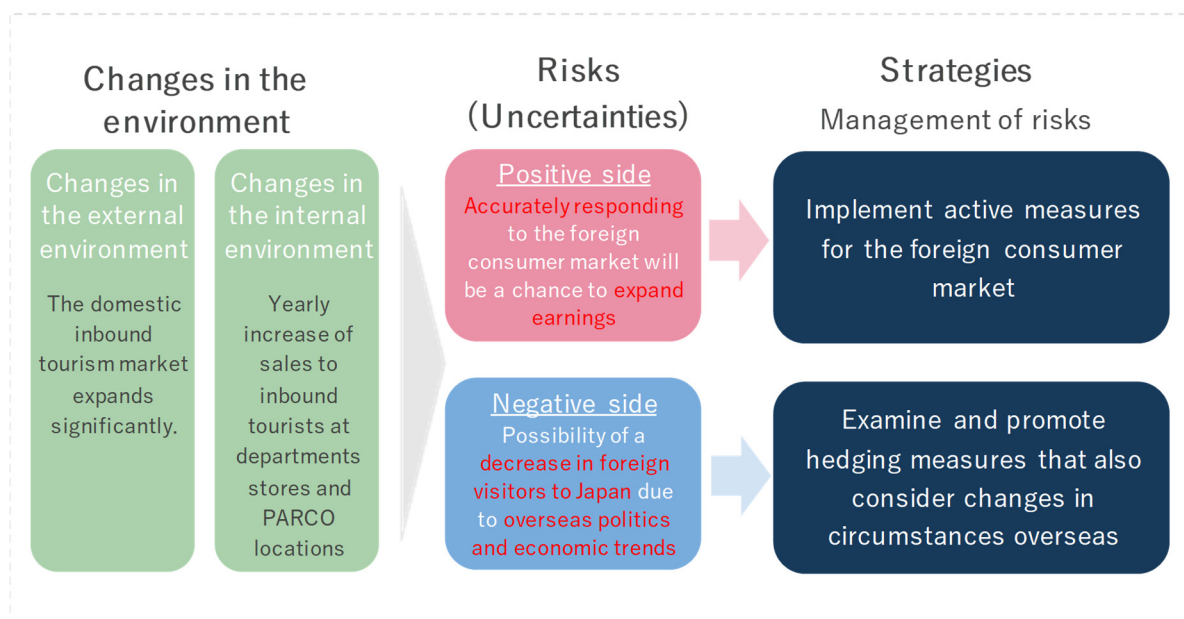
The Group defines risk as “uncertainties that have both potentially positive and negative sides that could have an impact on the achievement of targets by a company’s management.” The Company has positioned risk management as “activity that increases corporate value by managing risks by reasonable and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

For risks that are highly significant to us, we consider “strategies and measures that regard the risk as a business opportunity to be taken” and “strategies and measures that regard the risk as a threat to be controlled,” positioning risk as the starting point of strategy and advancing our response accordingly.

Image of path from environmental changes to risk recognition to strategy formulation



<Example: Risk of rise in foreign consumer presence>



- Risk management system

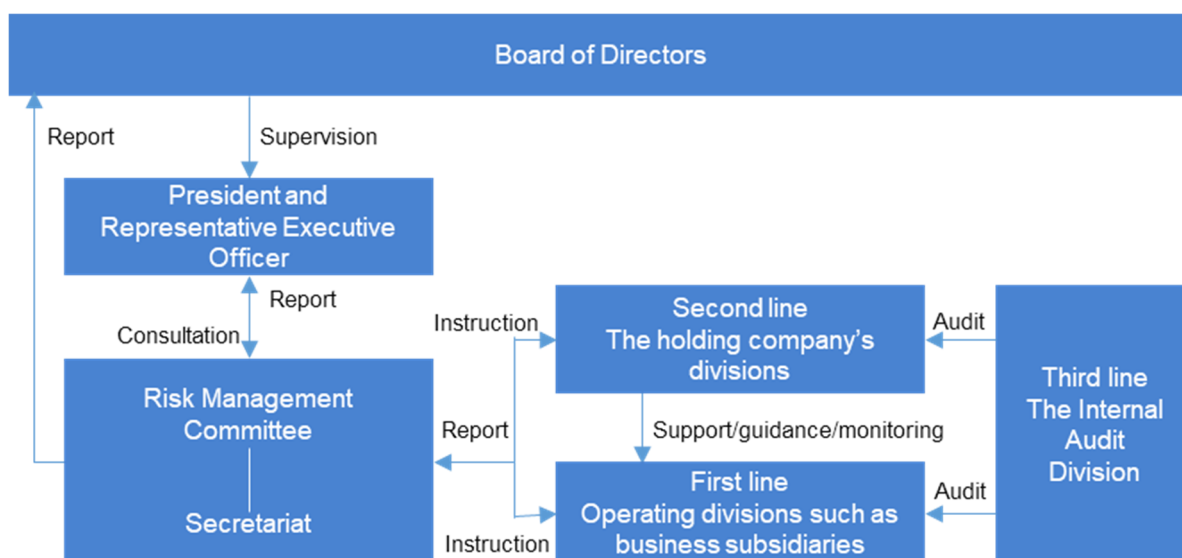
The Company has established the Risk Management Committee, which is chaired by the President and Representative Executive Officer and comprises Executive Officers of the Company and the presidents of major operating companies, as an advisory body to the President and Representative Executive Officer. The committee discusses important matters, including risk identification and evaluation, and the determination of risks to be reflected in strategies, and utilizes risk management for management decision-making. The committee also reports details of its deliberations to the Board of Directors in a timely manner.

The committee has established a secretariat headed by an officer in charge of risk management. The secretariat shares important decisions of the committee with operating subsidiaries and promotes enterprise risk management (ERM). Moreover, by positioning risk as the starting point of strategy and linking it to strategy, we are striving to make risk management contribute to corporate value.

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

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

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



(2) Processes and risk identification method

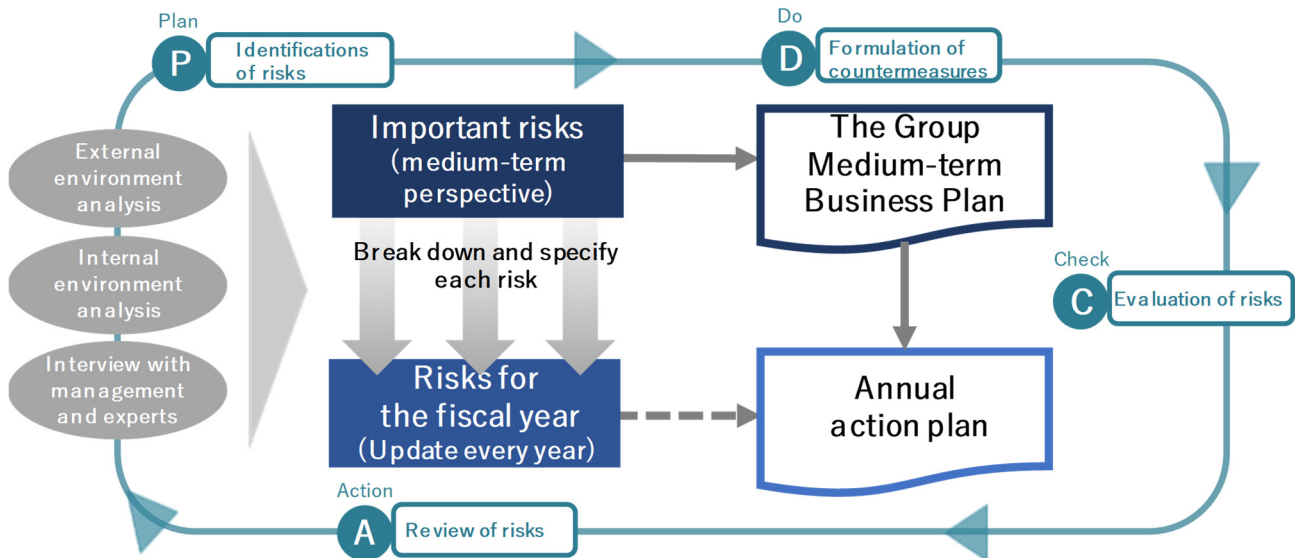
The Group promotes risk management through the following processes. Specifically, we are striving to ensure that risks of high importance to the Group are not overlooked under the external and internal environmental analysis and are based on the recognition of Directors, the management team, external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

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

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

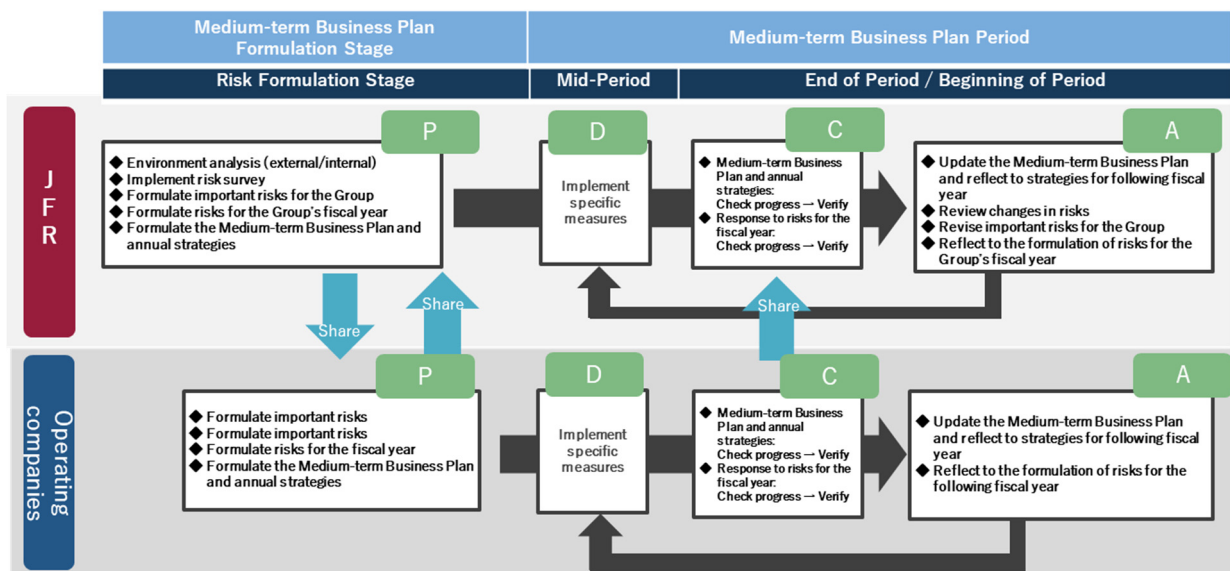
For “important risks for the Group” and “risks for the Group’s fiscal year,” change in the environment surrounding risks and the progress of measures are monitored, and the Risk Management Committee discusses the matters and then reports their contents to the Board of Directors.

Risk identification method and PDCA



At the Company, after formulating “important risks for the Group” and “risks for the Group’s fiscal year,” these are shared with operating companies. In addition, each operating company extracts risks unique to the individual company with reference to the risks for the Group, and formulates “important risks” and “risks for the fiscal year” for each operating company.

JFR and each operating company formulate response measures annually and monitor progress semiannually. Risks themselves are also reevaluated, leading to the revision of important risks and the formulation of risks for the following fiscal year.



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

“Changes in the industrial structure of existing businesses,” “intensification of competition for human resources,” “acceleration of technology innovations,” and “increasing importance of environmental issues” have an extremely substantial impact on the Group’s management; we position these as priority risks to be addressed in the Medium-term Business Plan.

Initially, 12 important risks for the Group were identified for the period of this Medium-term Business Plan (FY2024–FY2026), but after six months into the plan, monitoring, and reassessment in light of environmental changes led to the addition of the “increasing importance of respecting human rights,” which had been an “risk for the Group’s fiscal year,” to the “important risks for the Group.” We are now responding to 13 risks.

Overview of “important risks for the Group”

Asterisks (*) denote priority risks with an extremely substantial impact.

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

(3) Risks

(i) Strategic risks

Changes in industrial structure of existing business	
Impact: Very severe	Outlook for the future:  (escalate greatly)
Risk recognition	The industrial and profit structures that form the basis of our business operations are changing; for example, competition in the industry is intensifying, e-commerce and other competitors and forms of business are entering the scene, relations with suppliers are changing, consumer markets are shrinking and changes in consumer behavior are progressing, and fixed costs are increasing and more variable. The industry of the Department Store Business—the Group’s main business—is declining over the long term, making it difficult to maintain or increase profits by doing nothing more than continuing to apply existing business models. Building new business models and rearranging business portfolios in response to these structural changes present opportunities to increase profits. However, failure to respond properly could compromise our performance and present accounting and tax risks (e.g. necessitate impairment of fixed assets).
Measures	The Group positions the current Medium-term Business Plan as a period of transformation toward long-term growth. While aiming to grow profits through the evolution of our core retail business, we are also strengthening advanced investments in the Developer Business and strategic growth investments with an eye toward 2030. For strategic growth investments, we are promoting the transformation of existing businesses (such as expanding into overseas and digital business domains and developing and owning content and services) and also pushing portfolio realignment through M&As aligned with our vision, as well as promoting open innovation in collaboration with our investees through business succession funds and CVCs. <Reference> Examples of specific efforts made to date Renovation of the Nagoya store for meeting next-generation market needs: https://www.j-front-retailing.com/_data_json/news/_upload/79077e86e38e6b07e80154733ad41499ffda626c.pdf (in Japanese) Establishment of the business succession fund “Pride Fund”: https://www.j-front-retailing.com/_data_json/news/_upload/08fd225bc61344364d26a814fadedf8008d1f00f4.pdf (in Japanese)

Intensification of competition for human resources		
Impact: Very severe		Outlook for the future:  (escalate greatly)
Risk recognition	The decline of the working population is causing labor shortages and more transience of human resources that have increased the ferocity of competition for human resources. Continuously securing human resources is a requirement for sustainable management, and to reform our business portfolio, we require a dynamic human resources portfolio linked thereto. To continuously secure the required quality and quantity of human resources, we must make proper investments, provide proper training, acquire (hire) new human resources, and improve mobility within the Company through recurrent education and reskilling for existing human resources.	
Measures	The Group has newly established a common Group Human Resources Management Policy to promote a new Group-wide human resources strategy integrated with management strategy. Based on this, we will actively work to enhance value creation capabilities and the ability to develop subordinates, strengthen recruitment of specialized personnel, and promote the active participation of women. By energizing human interactions within the Group, we seek to increase opportunities for the participation of diverse human resources, and to blend the human networks and knowledge of our employees. <Examples of specific efforts made to date> Experts hired: 207 (2024), 218 (2023), 161 (2022) Ratio of women in management positions: 26.2% (2024), 22.5% (2023), 22.2% (2022) * For details about our approach to human capital, please see “2. Approach and initiatives for sustainability, (4) Approach to human capital.”	
Acceleration of technology innovations		
Impact: Very severe		Outlook for the future:  (escalate greatly)
Risk recognition	Of all the technology innovations with a substantial impact on business, generative AI has a particularly broad scope of application and is changing the very nature of operations. Additionally, new digital technologies and services are changing consumers’ lifestyles, values, and communication, offering potential for growth into prominent markets and impacting existing business models. Using technology to establish new business models allows us to adapt to changing consumer behavior and contributes to increased profits; however, failure to respond properly could delay business reforms and result in lost business opportunities, lower operational efficiency, and other problems.	
Measures	In spring 2024, the Group introduced a proprietary generative AI chat in an effort to streamline and improve the effectiveness of operations. We are also exploring business models that create new experience value by fusing the real and digital worlds; for example, we have begun selling avatars and holding XR/VR-based events at our department stores and PARCO locations. The Group has also newly established the Group System Philosophy, and are working to build a system environment that can efficiently incorporate new technologies by transitioning to a system architecture aligned with the philosophy. <Examples of specific efforts made to date> Trial operation of an unmanned store at the Daimaru Tokyo store: https://www.j-front-retailing.com/_data_json/news/_upload/20250129poc.pdf (in Japanese) Investment in the NFT ticket trading platform, “TicketMe”: https://www.j-front-retailing.com/_data_json/news/_upload/fe1f42803e9d5b116d9b753e7d6f3d3813013423.pdf (in Japanese)	

Increasing importance of environmental issues		
Impact: Very severe		Outlook for the future:  (escalate)
Risk	Global warming, marine pollution, loss of biodiversity, and other global environmental problems are becoming increasingly severe, and we recognize that they impact corporate business activities over the long term. Corporations must not only respond to these problems, but also create solutions-based businesses and take other steps to fulfill active roles and contribute to creating a sustainable environment and society.	
Measures	In order to achieve 2050 Net Zero, the Company is implementing the two initiatives of reducing GHG emissions, and promoting the circular economy. We are promoting resource recycling through thorough efforts to conserve energy and an accelerated shift to renewable energy in order to reduce GHG emissions, as well as by strengthening the 3Rs (Reduce, Reuse, Recycle) and expanding circular businesses. Since 2019, the Company has been gradually shifting stores to renewable energy. The pace has exceeded our initial plan, prompting us to revise our 2030 target from 60% to 75% and to set a new 2040 target of 90%. <Examples of specific efforts made to date> Established joint venture JFR & KOMEHYO PARTNERS Co., Ltd. with Komehyo Co., Ltd. to launch reuse business: https://www.j-front-retailing.com/_data_json/news/_upload/8caa4fcda9c80745a8e7c99d636eb8e38f4dbcc.pdf (in Japanese) Participation in the “Fry to Fly Project” aiming to manufacture made-in-Japan SAF from waste food oil: https://www.daimaru-matsuzakaya.com/assets/news/fry_to_fly_project_2.pdf (in Japanese) “ECOFF,” an initiative to collect, recycle, and reuse used clothing, etc.: https://dmdepart.jp/ecoff/about/ (in Japanese) “AnotherADdress” fashion subscription business: https://www.anotheraddress.jp/ (in Japanese) * For details about our response to environmental issues, please see “2. Approach and initiatives for sustainability, (2) Addressing climate-related issues (TCFD disclosures)” and “2. Approach and initiatives for sustainability, (3) Addressing nature-related issues (TNFD disclosures).”	

Increasing importance of respecting human rights		
Impact: Very severe		Outlook for the future:  (escalate)
Risk recognition	As legal frameworks for human rights due diligence advance, especially in Europe, Japanese companies are also expected to recognize the risks of human rights violations for all stakeholders involved in the business—employees, business partners, consumers, and local residents—and to actively promote respect for human rights. Preventing, mitigating, and addressing human rights risks such as forced labor, child labor, harassment, long working hours, unpaid wages, and poor working conditions contributes to reducing business risk. Failing to respond could lead to reputational damage or boycotts, potentially resulting in loss of corporate value. By actively promoting respect for human rights, companies can create business opportunities, gain stakeholder support, and enhance corporate value.	
Measures	In accordance with the Guiding Principles on Business and Human Rights set out by the United Nations, respect for human rights is the foundation of all business activities of the Company, which continuously conducts human rights due diligence* based on its Human Rights Policy. *Multiple initiatives to identify, prevent, and mitigate negative impacts on human rights in the value chain, evaluate the effectiveness of such initiatives, and disclose information on how that has been addressed <Specific efforts made to date> • Periodic reviews of human rights risks • Formulated the JFR Principles of Action and JFR Principles of Action for Suppliers including Human Rights Policy, and promoted understanding among employees and suppliers • Conducted assessments and dialogue to check suppliers' efforts to respect human rights • Continued efforts to deepen employee understanding and knowledge of business and human rights * For details about our response to human rights, please see “2. Approach and initiatives for sustainability, (5) Human rights”	

Declining birthrate, population aging, and increasing income inequality		
Impact: Severe		Outlook for the future:  (escalate)
Risk recognition	Depopulation is causing the consumer population of Japan to decline, and over the medium and long term, the core of consumption will shift from younger Boomers to Millennials and Gen Zers (collectively, the “Generation MZ”), a group with widely different values and behavior patterns from other generations. Additionally, as life expectancy increases, the active senior market should expand, necessitating business operations tailored to seniors who prefer different lifestyles from those we have come to expect for elderly people. Income inequality is also increasing worldwide, and polarization is progressing in Japan as well, necessitating speed and strategy for properly accommodating target customers.	
Measures	In today’s world, as consumption continues to diversify and demand for uniform products and services declines, the Group will provide new value to the premium and aspirational consumer group—regardless of demographics—who are willing to pay a premium for added value that aligns with their own preferences and values (especially notable among the Generation MZ, the affluent market segment, and inbound tourists). Accordingly, in addition to deepening our excellent customer base—one of the Company’s strengths—we will expand connections with non-Japanese customers, the Generation MZ, and other new customers who will drive consumption in Japan. To maximize regional value and expand our customer base by demonstrating Group synergies mainly in the seven key areas* in which we have business foundations, we will promote the Developer Business and expand the foundation of the Payment and Finance Business, centered on the Department Store Business and the SC Business. * Sapporo, Tokyo, Nagoya, Kyoto, Osaka, Kobe, and Fukuoka <Specific efforts made to date> Integration of the Group’s cards (Daimaru Matsuzakaya, GINZA SIX, PARCO, etc.) to expand customer base Acquisition of XENOS CO., Ltd., which operates the e-sports team “SCARZ,” and holding of joint events at stores: https://www.scarz.net/news/24041901/ (in Japanese)	

Diversification of consumers' values and behavior		
Impact: Severe		Outlook for the future:  (escalate)
Risk recognition	Changes in consumers' values are becoming more apparent amid the ongoing shift of the main consuming generation. Consumption is diversifying, trending from owning to using, from convenience-based to emotional narrative-based, toward experiences that can only be had in the present moment, and from competition to co-creation. Additionally, people are seeking sustainable economic activity. Consumer behavior processes are also diversifying, and we have seen the emergence of consumers who wish to do all their consuming and enjoy all their services online. The recent change in commodity and energy prices has also impacted customers' appetite for consumption. If we can respond properly to these changes in consumers' behavior and needs, we can improve our brand power and seize opportunities to increase profits.	
Measures	To respond to the aforementioned market changes and accommodate the next generation of customers, we will continue to strengthen luxury brands with robust support from Japanese and non-Japanese customers in addition to modeling lifestyles; investing in renovations for beauty, health, and other areas; and strengthening the competitiveness of stores in all regions. Plans include major renovations for luxury and other new fashion and lifestyle modeling at the Matsuzakaya Nagoya store, the major renovations at PARCO stores in Shibuya and Shinsaibashi, introducing entertainment and pop culture zones at the Nagoya store, and more. Moreover, PARCO Co., Ltd. signed a basic agreement on a strategic alliance with Hyundai Department Store in South Korea. In addition to developing Korean fashion, content, and culture, we are also considering expanding Tokyo culture and Japanese content into South Korea in the future. As a business contributing to the circular economy, we established JFR & KOMEHYO PARTNERS Co., Ltd. with Komehyo Co., Ltd. to enter the reuse business. <Examples of specific efforts made to date> Strategic collaboration between PARCO and South Korea's Hyundai Department Store: https://www.parco.co.jp/pdf/jp/store/storage/cname_20240412143244.pdf (in Japanese) PARCO Game development fully underway: https://www.parco.co.jp/pdf/jp/store/storage/cname_20240925163912.pdf (in Japanese)	

Increased presence of non-Japanese consumers		
Impact: Severe		Outlook for the future:  (escalate)
Risk recognition	In contrast to Japan's ongoing low growth, emerging economies in Asia and elsewhere continue to experience high growth. Mature cities in Asia have many major commercial facilities already, while in growing cities, national-level growth is fueling a growing number of urban development, complex development projects, and more. Other signs point to the growing importance of Asia as a driver of consumption, including an increasing affluent market segment and a rapidly expanding middle class in terms of both population and income. The Japanese government has also set ambitious inbound tourism targets for 2030, and the non-Japanese consumer market is expected to continue expanding. Therefore, non-Japanese consumers are a major target for the Group, and turning our focus to properly accommodating this market presents great opportunities. However, we should also continue to devote energy to serving Japanese customers in case inbound tourism drops off dramatically due to political strife or other circumstances.	
Measures	Capturing the non-Japanese consumer market is a vital challenge for future growth. To reach and retain premium overseas customers, we will fully utilize inbound CRM (Customer Relationship Management) to centrally manage information on inbound customers, enhance information dissemination tailored to customer needs, and encourage repeat visits. We will also strengthen Group-wide collaboration through partnerships with domestic and overseas companies serving the affluent non-Japanese market, initiatives to direct customers to stores, and integrated concierge services across department stores and PARCO in the same area. <Examples of specific efforts made to date> Business alliance with WealthPark to strengthen our approach to the affluent non-Japanese market: https://www.j-front-retailing.com/_data_json/news/_upload/7bf3b433bca8fb939f2f086f494d305128d9d56a.pdf (in Japanese)	

Increasing inequality between cities		
Impact: Severe		Outlook for the future:  (escalate)
Risk recognition	Amid ongoing depopulation, birthrate decline, and population aging in Japan, people are continuing to move into Tokyo, Osaka, Nagoya, and other major cities, expanding job opportunities and markets in those cities, but also increasing inequality when compared to the working populations and economies of other cities. Urban areas require disaster risk reduction and mitigation, business continuity planning, and other infrastructure improvements to enhance safety with respect to natural disasters and aging infrastructure; at the same time, they also require comfortable, environmentally friendly housing and cultural coexistence. If the JFR Group can collaborate with local governments, NPOs, and other organizations in cities and participate in building communities and resolving their issues, it will be possible both for communities to advance and for the Group to expand its profits.	
Measures	The Group split off the Developer Business in the spring of 2023 and established J. FRONT CITY DEVELOPMENT Co., Ltd. to advance a dedicated developer business structure. Furthermore, to strengthen and reorganize the interior design and building management businesses, we plan to merge J. Front Design & Construction and PARCO SPACE SYSTEMS by March 2026. We have also established a specialized organization to promote regional co-creation in areas such as Hakata Tenjin and Nagoya Sakae. Past and future initiatives through business reorganization and specialized organizations are as follows: - Establishment of new company J. FRONT PRIME SPACE Co., Ltd. to strengthen interior design and building management businesses: https://www.j-front-retailing.com/_data_json/news/_upload/20250212JFRONTPRIMESPACE.pdf (in Japanese) - The Landmark Nagoya Sakae scheduled to open summer 2026: https://www.parco.co.jp/news/detail/?id=2573 (in Japanese) - Shinsaibashi Project (tentative name) scheduled for completion in 2026: https://www.j-front-retailing.com/_data_json/news/_upload/20220510shinsaibashi_p.pdf (in Japanese) - Participation in new community development project centered on Midosuji Avenue: https://www.j-front-retailing.com/_data_json/news/_upload/20250131shinsaibashibiru_FF.pdf (in Japanese)	

(ii) Financial risks

Instability of economic trends	
Impact: Severe	Outlook for the future:  (escalate)
Risk recognition	The Japanese economy is impacted by the global economy and policies, particularly those of the United States. Uncertainty regarding both domestic and international conditions—such as the economy, exchange rates, interest rates, and stock prices—remains high. In particular, interest rates may significantly impact the Developer Business handled by J. FRONT CITY DEVELOPMENT, while exchange rates may also affect inbound consumption. When considering and implementing measures in these highly uncertain economic circumstances, the JFR Group must formulate multiple scenarios and respond flexibly. If we respond properly, we can expand opportunities for profit and reduce risks. Failure to respond properly may cost us opportunities for profit, increase the cost of fund procurement, and have other negative impacts. Additionally, failure to procure funding for new investments, refinancing existing interest-bearing debts, operations, and the like could delay business portfolio reforms and result in contracted business activities.
Measures	Considering the characteristics of our business, we have traditionally raised a high percentage of our long-term funding at fixed interest rates and have introduced a system that prevents a sudden increase in interest expenses due to rising interest rates or other substantial short-term effects. On the other hand, with respect to large-scale investments accompanying the promotion of growth strategies, we recognize the possibility that interest expenses may increase due to funding needs. In the new funding phase, we will work on measures to minimize financing costs by appropriately selecting funding measures. Additionally, in terms of strategy, we are constantly monitoring fluctuations and their impacts, and will revise the Medium-term Business Plan and reflect our findings in policy for the following fiscal year as necessary.

(iii) Hazard risks

Natural disasters and epidemics	
Impact: Very severe	Outlook for the future:  (remain important)
Risk recognition	The risk of huge earthquakes, such as the Nankai Trough earthquake or an earthquake directly under the Tokyo metropolitan area, is increasing. Natural disasters caused by extreme weather events, such as giant typhoons and torrential rains, are increasing in both frequency and scale of damage. Although COVID-19 has subsided, there remains the possibility of new epidemics and similar pandemics occurring in the future. If such risks materialize and cause serious disruptions to business operations, such as human casualties, suspension of business activities, disruption of supply chains, or costs associated with facility renovations, the Group could be affected. We must envision what will happen when such risks emerge and implement proper measures and drills in advance.
Measures	In response to natural disasters and other risks that threaten the continuity of our business, we are developing systems for sustaining operations in terms of securing the necessary operations (e.g. funding, payment operations) and infrastructure (e.g. systems) based on business continuity plans, and strengthening the system by conducting periodic drills. Based on an analysis of COVID-19 response, in the event that a new infectious disease occurs in the future, the Company will respond based on its “New Infectious Disease Response Manual,” which stipulates items related to ensuring the safety of human life and preparing systems during normal times, with the aim of minimizing the impact on business.
Emergence of geopolitical and geo-economic risk	
Impact: Severe	Outlook for the future:  (escalate)
Risk recognition	Geopolitical risks other than the conflict in Ukraine are emerging. These risks have an increasing effect of trapping resources, food, cutting-edge technology, and other benefits within national borders, and are impacting commodity prices, supply chains, and consumer trends. To ensure safety and security for our overseas employees and minimize potential damage as uncertainty mounts throughout the world, it is essential for us to monitor global trends and use our findings to formulate plans and conduct drills to prepare. We must envision what could happen and be prepared before it does so that we can take the proper actions at the right times when risks emerge.
Measures	We will establish an overseas risk management system in line with the risk environments and circumstances at our employees’ overseas postings and business trip destinations. Specifically, we will continue to strengthen response capabilities based on the Manual for Overseas Safety Measures, which defines action guidelines in the event of overseas emergencies. We will also revise the business continuity plans of our operating companies with locations and employees stationed outside Japan (e.g. Daimaru Matsuzakaya, Daimaru Kogyo, PARCO). In terms of strategy, we will constantly monitor factors of instability and their impact on our business, and reflect our findings in overseas policy for the following fiscal year as necessary and change measures accordingly

Increase in information security threats	
Impact: Severe	Outlook for the future:  (escalate)
Risk recognition	While remote work has been established and operations using cloud computing and mobile devices are expanding, cyberattacks, unauthorized access, and other methods are rapidly diversifying and becoming more sophisticated, making the cyber risks surrounding the Group even more serious. In addition, the Group holds a large amount of customer and personal information, making it essential to introduce more robust systems and system security measures for storing and handling information. If risks, such as external leakage of critical information or large-scale service outages, were to materialize due to external attacks, human error, or inadequate management by contractors, the Group could lose credibility, or its performance and financial position could be affected, depending on the scale of the damage. We must improve and enhance our information security management while ensuring that our employees have the correct knowledge and act appropriately.
Measures	The Group is working on information security by combining technical measures (such as systems), physical measures, and human measures (such as operational rules and employee training) as follows: • Continue to upgrade and improve the Group's common system infrastructure, conduct the safe operation of our information systems, and establish highly robust security • Promote the development of Group's common system infrastructure, including the construction of secure networks and the expansion of new authentication platforms (multi-factor authentication) • Promote advancement of security operations, such as enhancement of the monitoring system using new solutions and external monitoring services, the expansion of the scope of vulnerability management, and the improvement of the response quality to prevent information leaks, etc. • Promote efforts to minimize risk by revising the Group security guidelines and strengthening the security incident response system • Improve employees' security awareness and literacy by conducting incident response training for IT personnel and ongoing information security e-learning and targeted attack e-mail training for all employees in order to ensure that they have the right knowledge and can act appropriately • Establish a specialized organization within JFR (JFR-CSIRT) for security and appoint information security officers at operating companies to strengthen the organizational framework for information security

List of important risks for the JFR Group

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

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

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

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



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

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

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

(1) Financial position and operating results

(i) Operating results for the current fiscal year

(Millions of yen, %)	Fiscal year ended February 28, 2025	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Gross sales	1,268,322	116,350	10.1	18,322
Revenue	441,877	34,871	8.6	4,877
Gross profit	212,596	17,080	8.7	1,096
Selling, general and administrative expenses	159,106	7,921	5.2	(394)
Business profit	53,490	9,160	20.7	1,490
Other operating income	11,831	8,158	222.1	2,331
Other operating expenses	7,122	2,167	43.7	(2,378)
Operating profit	58,199	15,151	35.2	6,199
Profit attributable to owners of parent	41,424	11,511	38.5	4,924

During the fiscal year under review, despite weakness in some areas such as housing investment the Japanese economy experienced a moderate recovery overall, thanks to robust capital investment that unfolded against a backdrop of improvements in corporate profitability, and to growth in consumption by visitors to Japan from overseas.

Regarding personal spending, although the employment environment and income conditions continued to improve the outlook remained uncertain, with rising prices and other factors resulting in progress in consumer sentiment coming to a standstill.

In this operating environment, and under the new management system, the Company set its sights on 2030 with the start of the new Medium-term Business Plan (FY2024–FY2026).

The Company is promoting corporate activities that are aligned with “sustainability management” aimed at tackling environmental and social issues and finding solutions for them through business in order to realize the Group Vision of “Create and Bring to Life ‘New Happiness.’” In the spring of last year, the Company redrew its Vision for 2030 based on its strengths and on changes in the business environment that it considers important, aiming to transform itself into a “Value Co-creation Retailer” that continues to provide “three co-creation values” with the retail business at its core.

The period of this Medium-term Business Plan is positioned as a “period of change” during which we will make solid progress toward realizing our Vision for 2030 and achieving medium- to long-term growth. We will focus on our key strategies of deepening our retail business, such as our Department Store and SC Businesses, evolving our Group synergies to achieve exponential growth, and strengthening the Group’s management foundation to increase the effectiveness of these strategies.

Under “deepening the retail business,” in efforts to enhance the appeal of consumer contact points and further increase our competitive advantage, as well as to prepare for deeper cultivation of existing customers and the winning of next-generation customers, mainly in the Department Store Business, we began renovating the Matsuzakaya Nagoya store where we conducted a gradual reopening, floor by floor, starting in November 2024. We have also decided to promote a large-scale renovation of the Daimaru Umeda store, for the first time since the opening of the store, through collaboration with other companies.

In the SC Business, we renovated Nagoya PARCO based on the theme of being the foremost store in the Tokai area in terms of integrating fashion and entertainment, and introduced leading fashion brands as well as expanding our offering of pop culture shops. We also worked to broaden anime and subculture in which PARCO excels, expanding content for the premium and aspirational consumer group by developing the business through the licensing of popular manga.

In terms of initiatives to expand our customer base, as well as working to increase the number of app members we took steps to revamp the app by enhancing its media functions. In order to enhance our response to overseas customers, in the Department Store Business, we have built a new communications platform aimed at visitors to Japan from overseas, and also worked in partnership with companies both inside and outside Japan for the mutual exchange of customers.

In “evolving Group synergies,” with the goal of maximizing synergies chiefly in our seven priority areas, we worked mainly on store renewals in the Nagoya Sakae district as well as moving forward in the Developer Business with development plans for The Landmark Nagoya Sakae, which is scheduled to open in 2026. In addition to making progress with the development of the Shinsaibashi Project (tentative name) in the Shinsaibashi area, which is scheduled to begin operations in 2026, we made Shinsaibashi Kyodo Center Building, K.K., which owns the Daimaru Shinsaibashi South Building, a subsidiary. We also took the decision to invest in a special purpose company to acquire the Shinsaibashi Building, which was previously the head office of the Kansai Urban Banking Corporation. In the Fukuoka Tenjin area, we worked to promote plans for redevelopment in partnership with other companies.

Based on our policy of reorganizing and strengthening the interior design business and building management business, in September 2024 we integrated the Group internal building management service into PARCO SPACE SYSTEMS Co., Ltd.

In the Payment and Finance Business, we continued to consolidate in-house card issuance operations in preparation for expansion in the Group customer base, commencing the issue of the new GINZA SIX Card in April 2024 and the new PARCO Card in February 2025.

In addition, we concluded an agreement with Komehyo Co., Ltd. in November 2024 to establish a joint venture company aimed at increasing the number of customer touchpoints and providing new value by entering the reuse market, which is expected to grow in the future. Also, for the purpose of seeking solutions to the business succession challenges of local communities, contributing to regional economies, and discovering appealing regional content, we set up a business succession fund together with external partners and executed the first investment deal through this scheme.

In “strengthening the Group’s management foundation” and in terms of our human resources strategy, in order to realize our transformation into a Value Co-creation Retailer and to promote a human resources strategy that is integrated with the management strategy, we formulated a common Group Human Resources Management Policy, and worked to strengthen systems for accelerating the human resources strategy.

As for systems strategy, in addition to deploying a common accounting system for the entire Group to raise the level of management and administration sophistication and enhance operational efficiency, we also worked on such initiatives as integrating groupware to encourage a more active approach to internal and external communications. We also formulated a new Group System Philosophy.

Moreover, we implemented some changes to our corporate governance so that, in addition to the chairpersons of the existing three statutory committees, we changed the chairperson of the Board of Directors to an independent Outside Director. These resulted in a further strengthening of the supervisory function.

In terms of financial strategy, as well as moving forward with initiatives in partnership with the operating companies aimed at encouraging ROIC management to take root within the Company, with the aim of enhancing return on capital over the medium to long term, optimizing equity, and improving shareholder returns, we maintained a consolidated dividend payout ratio of 40% or more (excluding gain on step acquisitions), and conducted purchases of treasury shares totaling ¥10.0 billion.

As a result of various measures including those mentioned above in the fiscal year under review, the Company set record highs at all levels of consolidated profit for the first time since business integration, and achieved the profit targets for the final year of the Medium-term Business Plan (FY2026).

Specifically, revenue was ¥441,877 million, up 8.6% year on year. Business profit was ¥53,490 million, up 20.7% year on year as a result of the increase in revenue, which together with efforts to reduce expenses outweighed strategic expenditures. Operating profit was ¥58,199 million (up 35.2% year on year), mostly due to the recording of gain on step acquisitions, although impairment losses were recorded at some branches of our

department stores. Profit before tax was ¥55,785 million (up 34.9% year on year), and profit attributable to owners of parent was ¥41,424 million (up 38.5% year on year), demonstrating a large increase in profit.

Results by segment are as follows:

Due to the review of the business management classification, PARCO Digital Marketing Co., Ltd. was removed from the Developer Business and included in the SC Business on March 1, 2024. In addition, due to reorganization within the Group as of September 1, 2024, a part of the management business of J. Front One Partner Co., Ltd. (formerly JFR Service Co. Ltd.) was transferred to PARCO SPACE SYSTEMS Co., Ltd. and another company. Accordingly, they have been retroactively adjusted as if the transfer had been effective from the beginning of the previous fiscal year (March 1, 2023).

Business results by segment

<Department Store Business>

(Millions of yen, %)	Fiscal year ended February 28, 2025	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Revenue	263,643	24,543	10.3	(2,357)
Business profit	33,982	7,874	30.2	(1,618)
Operating profit	29,677	6,247	26.7	(3,623)

Net sales increased significantly due mainly to the impact of renovations aimed at enhancing content for the premium and aspirational consumer group, and growth in sales to overseas visitors to Japan.

By store, sales to inbound tourists were brisk at the Daimaru Shinsaibashi and Kyoto stores, while the performance of major stores was strong, including the Daimaru Kobe and Sapporo stores, which carried out strategic renovations, and the Daimaru Tokyo store, which is located at a terminal site. These factors drove the overall performance.

We have been promoting a major renovation at the Matsuzakaya Nagoya store in accordance with our key strategy, and reopened it gradually starting in November of last year. This renovation aims to enhance experiential value unique to a physical store, and to win next-generation customers. In addition to expanding luxury brand offerings, we enhanced content that captures next-generation market needs, such as fashion, art, alcoholic beverages, beauty, and wellness. We made a joint announcement with other companies regarding major renovation plans for the South Gate Building, where the Daimaru Umeda store is located.

Moreover, we revamped the Daimaru Matsuzakaya App to enhance its media functions in order to build strong relationships with customers.

As a result of various measures, including those mentioned above, revenue was ¥263,643 million, up 10.3% year on year. Business profit was ¥33,982 million, up 30.2% year on year, demonstrating a large increase in profit.

<SC Business>

(Millions of yen, %)	Fiscal year ended February 28, 2025	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Revenue	64,418	5,687	9.7	418
Business profit	12,745	4,323	51.3	1,445
Operating profit	12,850	3,387	35.8	3,050

In order to deepen the retail business, we strived to increase the distinctive brand value of PARCO and the value of visiting our stores through strategic renovations, setting our sights on extending support from Generation MZ and overseas customers.

We renovated Nagoya PARCO based on the theme of providing the Tokai area's most sophisticated fashion and diverse entertainment, while at Sendai PARCO we strengthened fashion and entertainment, and at Hiroshima PARCO we conducted strategic renovation with the aim of attracting one-of-a-kind shops in the area.

We also worked to enhance the dissemination of information to foreign tourists visiting Japan and to strengthen relationships, such as by partnering with overseas companies, mainly in Asia. At Shibuya PARCO and Shinsaibashi PARCO, a significant increase in transaction volumes with inbound tourists became a driver for performance.

In the culture business, theatres recovered and in music Shibuya CLUB QUATTRO turned in a strong performance. At our collaboration cafes we had success in business development through the licensing of popular manga.

Moreover, in April, we signed a basic agreement on a strategic alliance with Hyundai, a major department store chain in South Korea, and we also staged popup events at Shibuya PARCO in order to win new customers, primarily in the MZ generations.

As a result of various measures, including those mentioned above, revenue was ¥64,418 million, up 9.7% year on year. Business profit was ¥12,745 million, up 51.3% year on year, demonstrating a large increase in profit.

<Developer Business>

(Millions of yen, %)	Fiscal year ended February 28, 2025	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Revenue	90,658	9,340	11.5	13,158
Business profit	8,360	575	7.4	2,260
Operating profit	8,189	515	6.7	2,389

Factors such as recording a gain on the sale of properties held by J. FRONT CITY DEVELOPMENT Co., Ltd., and an increase in orders for the hotel interior finishing and construction at J. Front Design & Construction Co., Ltd. led to higher revenue and profit.

In terms of key strategies, in the development of the seven key areas, we steadily promoted The Landmark Nagoya Sakae and the Shinsaibashi Project (tentative name), both scheduled for completion and opening in FY2026. We also took the decision to invest in a special purpose company to acquire the Shinsaibashi Building. In the Tenjin 2-chome South Block Station-front East West Street Area Project (tentative name), we are moving forward with plans across the Group, based on the finalization of city planning by the district planning and urban redevelopment project.

In addition, to reorganize and strengthen the building management business of the Group, in September, the building management business of J. Front One Partner Co., Ltd. (formerly JFR Service Co. Ltd.) was transferred to PARCO SPACE SYSTEMS Co., Ltd.

As a result of various measures, including those mentioned above, revenue was ¥90,658 million, up 11.5% year on year. Business profit was ¥8,360 million, up 7.4% year on year.

<Payment and Finance Business>

(Millions of yen, %)	Fiscal year ended February 28, 2025	Year-on-year changes		Against October forecasts
		Change in amount	Change in percentage	Change in amount
Revenue	13,135	20	0.1	(299)
Business profit	1,637	(1,140)	(41.0)	(258)
Operating profit	1,460	(1,123)	(43.5)	(229)

As part of efforts to implement key strategies, we worked to expand the number of card members and promote usage through collaboration with the Department Store Business. To pave the way for the expansion of our base of new customers, we also started issuing the GINZA SIX Card and the new PARCO Card as an initiative to consolidate the Group's cards. In the affiliated store business, we developed external affiliates centered on the key areas, and worked on the expansion of acquiring operations at the Group's commercial facilities.

Also, to reinforce the effort to combat the unauthorized use of credit cards plaguing the industry, we introduced such measures as multi-factor authentication and one-time passwords for our online services.

As a result of various measures including those mentioned above, revenue was ¥13,135 million, up 0.1% year on year, due mostly to higher transaction volumes that drove increases in affiliated store fees, and outweighed increases in point costs. Selling, general, and administrative expenses increased due to investments for the consolidation of the Group's cards and in personnel expenses, resulting in a decrease in business profit to ¥1,637 million, down 41.0% year on year.

(ii) Financial position

(Millions of yen, %)	As of February 29, 2024	As of February 28, 2025	Change in amount
Current assets	246,501	241,045	(5,456)
Non-current assets	868,225	923,101	54,876
Total assets	1,114,726	1,164,147	49,421
Current liabilities	331,261	341,341	10,080
Non-current liabilities	389,232	399,570	10,338
Total liabilities	720,494	740,911	20,417
Equity attributable to owners of parent	381,898	409,646	27,748
Ratio of equity attributable to owners of parent to total assets	34.3	35.2	0.9
Total equity	394,232	423,235	29,003

Total assets as of February 28, 2025 were ¥1,164,147 million, up ¥49,421 million compared with February 29, 2024. Total liabilities were ¥740,911 million, an increase of ¥20,417 million compared with February 29, 2024. Interest-bearing liabilities (including lease liabilities) were ¥363,578 million, down ¥820 million compared with February 29, 2024.

Total equity was ¥423,235 million, an increase of ¥29,003 million compared with February 29, 2024.

(iii) Cash flows

(Millions of yen)	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025	Change in amount
Net cash flows from (used in) operating activities	90,692	85,812	(4,880)
Net cash flows from (used in) investing activities	13,429	(28,308)	(41,737)
Free cash flows	104,122	57,503	(46,619)
Net cash flows from (used in) financing activities	(72,746)	(74,001)	(1,255)
Net increase (decrease) in cash and cash equivalents	31,375	(16,498)	(47,873)
Cash and cash equivalents at end of period	71,342	54,975	(16,367)

The balance of cash and cash equivalents as of February 28, 2025 amounted to ¥54,975 million, down ¥16,367 million compared with February 29, 2024 (¥71,342 million).

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

Net cash provided by operating activities was ¥85,812 million. In comparison with the previous fiscal year, cash provided decreased by ¥4,880 million due to an increase in working capital, etc., despite an increase in profit before tax.

Net cash used in investing activities was ¥28,308 million. In comparison with the previous fiscal year, cash used increased by ¥41,737 million, due to such factors as the renovation of the Matsuzakaya Nagoya store and the acquisition of the shares of Shinsaibashi Kyodo Center Building, K.K.

Net cash used in financing activities was ¥74,001 million. In comparison with the previous fiscal year, cash used increased by ¥1,255 million, largely due to purchases of treasury shares.

(iv) Production, orders received and sales

1) Production

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

Segment name	Production (Millions of yen)	Year-on-year comparison (%)
Developer Business	527	86.4

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

2) Orders received

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

Segment name	Orders received (Millions of yen)	Year-on-year comparison (%)
Developer Business	49,307	78.4

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

3) Sales

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

Segment name	Breakdown	Sales (Millions of yen)	Year-on-year comparison (%)
Department Store Business	Daimaru Matsuzakaya Department Stores	243,068	110.5
	The Hakata Daimaru	17,088	108.8
	Other	3,487	103.6
	Total	263,643	110.3
SC Business	PARCO	63,482	109.7
	Other	936	108.6
	Total	64,418	109.7
Developer Business	J. FRONT CITY DEVELOPMENT	13,341	68.8
	J. Front Design & Construction	50,645	141.1
	PARCO SPACE SYSTEMS	26,670	102.4
	Total	90,658	111.5
Payment and Finance Business	JFR Card	13,135	100.1
Other	Wholesale	39,858	110.8
	Other	10,858	95.6
	Total	50,716	107.1
Adjustments		(40,694)	124.8
Total		441,877	108.6

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

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

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

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

(i) Significant accounting policies and estimates

The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards. The preparation of the consolidated financial statements requires selection and application of accounting policies by the management and accounting estimates that

affect the reported amounts and disclosures of assets, liabilities, revenues and expenses. Although the management makes reasonable judgments for these estimates based on past results and current circumstances, actual results may differ from these estimates due to uncertainties unique to the estimation.

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

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

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

1) Operating results, etc.

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

a) Revenue

Revenue increased by ¥34,871 million from the previous fiscal year to ¥441,877 million.

b) Operating profit

Operating profit increased by ¥15,151 million from the previous fiscal year to ¥58,199 million.

c) Profit before tax

Profit before tax increased by ¥14,442 million from the previous fiscal year to ¥55,785 million.

d) Profit attributable to owners of parent

Profit attributable to owners of parent increased by ¥11,511 million from the previous fiscal year to ¥41,424 million.

e) Financial position

Total assets as of February 28, 2025 were ¥1,164,147 million, up ¥49,421 million compared with February 29, 2024. Total liabilities were ¥740,911 million, an increase of ¥20,417 million compared with February 29, 2024. Interest-bearing liabilities (including lease liabilities) were ¥363,578 million, down ¥820 million compared with February 29, 2024. Total equity was ¥423,235 million, an increase of ¥29,003 million compared with February 29, 2024. As a result, operating profit/total assets (ROA) was 5.1%, profit/shareholders' equity (ROE) was 10.5%, and the ratio of equity attributable to owners of parent to total assets was 35.2%.

f) Cash flows

Net cash provided by operating activities was ¥85,812 million. Net cash used in investing activities was ¥28,308 million, and net cash used in financing activities was ¥74,001 million.

As a result, the balance of cash and cash equivalents as of February 28, 2025, was ¥54,975 million, down ¥16,367 million compared with February 29, 2024.

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

g) Liquidity and capital resources

(Basic capital policy)

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

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

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

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

(Status of procurement)

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

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

Based on the above policy, the Company raised ¥8,500 million in long-term borrowings from financial institutions during the current fiscal year. Meanwhile, with the repayment of ¥12,400 million in long-term borrowings and the redemption of ¥20,000 million of unsecured straight bonds, our balance of interest-bearing liabilities (excluding lease liabilities) decreased by ¥23,800 million compared to February 29, 2024 to ¥190,000 million.

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

(Financial policy)

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

(Dividend policy)

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

2) Achievement status of management goals

In fiscal 2024, the first year of the FY2024-FY2026 Medium-term Business Plan, we worked to deepen our retail business, such as the Department Store Business and the SC Business, to evolve our Group synergies with the aim of achieving exponential growth, and to strengthen our Group's management foundation to increase the effectiveness of these strategies. As a result of these efforts, we set a new profit record by recording the highest consolidated profit at each level of profit since our business integration in 2007, and we reached our profit targets for the final year (FY2026) of the Medium-term Business Plan, as stated in "II. Overview of Business, 1. Management policy, management environment, issues to be addressed, etc."

5. Critical contracts for operation

<Consolidated subsidiaries>

Agreements relating to leases

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

6. Research and development activities

There are no significant matters to report.

III. Information About Facilities

1. Overview of capital expenditures, etc.

In the current fiscal year, total capital expenditures of ¥23,855 million were made, mainly in the Department Store Business and SC Business.

The breakdown by segment is as follows:

Segment name	Capital expenditures (Millions of yen)
Department Store Business	15,457
SC Business	3,947
Developer Business	1,904
Payment and Finance Business	588
Other	1,597
Adjustments	360
Total	23,855

- Notes: 1. Guarantee deposits for store openings, etc. are included in the amounts above.
2. Newly acquired inventories and right-of-use assets are included in the amounts above.

Major capital expenditures included investments in renovating sales floors at the Matsuzaka Nagoya store in the Department Store Business. There were also acquisitions of assets for store renovation and facility upgrades at Nagoya PARCO, Sendai PARCO, and other stores in the SC Business, and investment in store renovation and facility upgrades in the Developer Business.

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

2. Major facilities

Major facilities of the Group are as follows:

(1) Reporting company

As of February 28, 2025

Office name (Location)	Segment name	Facilities	Carrying amounts (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Land [Area in m ²]	Right-of-use assets	Other	Total	
J. FRONT RETAILING Co., Ltd. (Minato-ku, Tokyo)	Corporate (Shared)	Office, etc.	286	— [—]	309	—	595	233 [19]

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

(2) Domestic subsidiaries

As of February 28, 2025

Company name	Office name (Location)	Segment name	Facilities	Carrying amounts (Millions of yen)					Number of employees (Persons)
				Buildings and structures	Land [Thousands of m ²]	Right-of-use assets	Other	Total	
Daimaru Matsuzakaya Department Stores Co. Ltd.	Daimaru Osaka Shinsaibashi store (Chuo-ku, Osaka)	Department Store Business	Store, etc.	24,537	7,919 [11]	6,219	620	39,296	194 [78]
	Daimaru Osaka Umeda store (Kita-ku, Osaka)	Department Store Business	Store, etc.	270	— [—]	52,472	61	52,803	122 [92]
	Daimaru Tokyo store (Chiyoda-ku, Tokyo)	Department Store Business	Store, etc.	2,840	— [—]	12,345	103	15,289	115 [57]
	Daimaru Kyoto store (Shimogyo-ku, Kyoto)	Department Store Business	Store, etc.	9,654	8,759 [10]	2,408	76	20,899	191 [130]
	Daimaru Kobe store (Chuo-ku, Kobe)	Department Store Business	Store, etc.	8,082	1,693 [11]	9,975	133	19,884	223 [182]
	Daimaru Suma store (Suma-ku, Kobe)	Department Store Business	Store, etc.	912	— [—]	503	2	1,418	13 [2]
	Daimaru Ashiya store (Ashiya, Hyogo)	Department Store Business	Store, etc.	13	— [—]	932	2	948	8 [9]
	Daimaru Sapporo store (Chuo-ku, Sapporo)	Department Store Business	Store, etc.	7,116	12,696 [8]	112	64	19,989	139 [143]
	Daimaru Shimonoseki store (Shimonoseki, Yamaguchi)	Department Store Business	Store, etc.	—	1,302 [11]	2	—	1,304	46 [28]
	Matsuzakaya Nagoya store (Naka-ku, Nagoya)	Department Store Business	Store, etc.	17,727	65,919 [19]	7,200	329	91,176	449 [137]
	Matsuzakaya Ueno store (Taito-ku, Tokyo)	Department Store Business	Store, etc.	3,292	27,718 [7]	523	23	31,557	154 [41]
	Matsuzakaya Shizuoka store (Aoi-ku, Shizuoka)	Department Store Business	Store, etc.	1,850	6,380 [7]	32	78	8,341	56 [41]
	Matsuzakaya Takatsuki store (Takatsuki, Osaka)	Department Store Business	Store, etc.	1,039	3,738 [5]	1	34	4,813	11 [—]
	GINZA SIX (Chuo-ku, Tokyo)	Department Store Business	Store, etc.	12,465	82,660 [4]	428	200	95,755	3 [—]
	Head office/Others (Koto-ku, Tokyo, and other locations)	Department Store Business	Office, etc.	2,304	4,044 [37]	724	127	7,201	958 [187]
	Total	—	—	92,106	222,834 [135]	93,880	1,859	410,681	2,682 [1,127]

Company name	Office name (Location)	Segment name	Facilities	Carrying amounts (Millions of yen)					Number of employees (Persons)
				Buildings and structures	Land [Thousands of m ²]	Right-of-use assets	Other	Total	
The Hakata Daimaru, Inc.	Daimaru Fukuoka Tenjin store, etc. (Chuo-ku, Fukuoka, and other locations)	Department Store Business	Store, etc.	4,861	7,101 [8]	5,060	390	17,414	210 [114]
Kochi Daimaru Co., Ltd.	Kochi Daimaru store (Kochi, Kochi)	Department Store Business	Store, etc.	819	414 [3]	339	70	1,643	51 [18]
PARCO Co., Ltd.	Sapporo PARCO (Sapporo, Hokkaido)	SC Business	Store, etc.	1,406	5,011 [2]	766	64	7,249	20 [6]
	Sendai PARCO (Sendai, Miyagi)	SC Business	Store, etc.	7,913	4,261 [2]	5,606	126	17,908	20 [1]
	Urawa PARCO (Saitama, Saitama)	SC Business	Store, etc.	7,097	10,300 [7]	613	58	18,069	18 [2]
	Ikebukuro PARCO (Toshima-ku, Tokyo)	SC Business	Store, etc.	4,258	7,120 [1]	12,398	84	23,861	24 [5]
	Shibuya PARCO (Shibuya-ku, Tokyo)	SC Business	Store, etc.	15,910	34,948 [3]	1,448	592	52,899	25 [2]
	PARCO_ya Ueno (Taito-ku, Tokyo)	SC Business	Store, etc.	861	— [—]	5,260	23	6,145	8 [3]
	Kinshicho PARCO (Sumida-ku, Tokyo)	SC Business	Store, etc.	1,583	— [—]	8,447	65	10,096	— [—]
	Kichijoji PARCO (Musashino, Tokyo)	SC Business	Store, etc.	1,499	— [—]	3,170	22	4,692	10 [3]
	Chofu PARCO (Chofu, Tokyo)	SC Business	Store, etc.	3,253	8,029 [4]	997	121	12,402	13 [2]
	Hibarigaoka PARCO (Nishi-Tokyo, Tokyo)	SC Business	Store, etc.	350	— [—]	1,113	8	1,472	— [—]
	Shizuoka PARCO (Shizuoka, Shizuoka)	SC Business	Store, etc.	670	— [—]	423	9	1,104	9 [1]
	Nagoya PARCO (Nagoya, Aichi)	SC Business	Store, etc.	5,560	6,261 [2]	7,590	91	19,504	33 [8]
	Shinsaibashi PARCO (Osaka, Osaka)	SC Business	Store, etc.	12,000	21,309 [4]	276	201	33,788	19 [2]
	Hiroshima PARCO (Hiroshima, Hiroshima)	SC Business	Store, etc.	2,724	5,580 [2]	1,964	115	10,385	17 [4]
	Fukuoka PARCO (Fukuoka, Fukuoka)	SC Business	Store, etc.	3,583	23,633 [3]	1,558	13	28,788	16 [1]
	Head office/Others (Shibuya-ku, Tokyo, and other locations)	SC Business	Office, etc.	1,265	2,200 [3]	271	243	3,981	250 [47]
	Total	—	—	69,940	128,655 [40]	51,909	1,843	252,349	482 [87]
J. FRONT CITY DEVELOPMENT Co., Ltd.	Ueno Frontier Tower (Taito-ku, Tokyo)	Developer Business	Multi-tenant building	10,027	15,812 [2]	259	17	26,117	— [—]
	Other (Shibuya-ku, Tokyo, and other locations)	Developer Business	Commercial buildings, rental properties, etc.	9,938	38,301 [25]	13,422	69	61,731	71 [4]
	Total	—	—	19,966	54,114 [28]	13,682	86	87,849	71 [4]

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

3. Planned additions, retirements, etc. of facilities

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

(1) Additions, etc. of significant facilities

Company name	Office name (Location)	Segment name	Facilities	Planned investment amount		Funds procurement method	Start	Scheduled completion
				Total (Millions of yen)	Amount already paid (Millions of yen)			
Daimaru Matsuzakaya Department Stores Co. Ltd.	Matsuzakaya Nagoya store, etc. (Naka-ku, Nagoya, and other locations)	Department Store Business	Sales floor renovation, etc.	12,214	367	Funds on hand and borrowings	March 2025	February 2026
J. FRONT CITY DEVELOPMENT Co., Ltd.	The Landmark Nagoya Sakae (Naka-ku, Nagoya)	Developer Business	Multi-tenant building	12,993	4,354	Funds on hand and borrowings	October 2018	2026
J. FRONT CITY DEVELOPMENT Co., Ltd.	Shinsaibashi Plaza (Chuo-ku, Osaka)	Developer Business	Multi-tenant building	1,442	1,131	Funds on hand and borrowings	December 2022	April 2026

(2) Retirements, etc. of significant facilities

There are no significant matters to report.

IV. Information About Reporting Company

1. Company's shares, etc.

(1) Total number of shares

(i) Authorized shares

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

(ii) Number of issued shares

Class	Number of issued shares as of fiscal year end (Shares) (As of February 28, 2025)	Number of issued shares as of filing date (Shares) (As of May 30, 2025)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Details
Ordinary shares	270,565,764	270,565,764	Prime Market of the Tokyo Stock Exchange Premier Market of the Nagoya Stock Exchange	The number of shares per share unit 100 shares
Total	270,565,764	270,565,764	—	—

(2) Share acquisition rights

(i) Employee share option plans

No items to report

(ii) Rights plans

No items to report

(iii) Share acquisition rights for other uses

No items to report

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

No items to report

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

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

Note: Third-party allotment

Price of issue: ¥1,614

Amount to be included in capital: ¥807

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

(5) Shareholding by shareholder category

As of February 28, 2025

Category	Shareholding status (Number of shares per share unit: 100 shares)								Shares less than one unit (Shares)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors, etc.		Individuals and others	Total	
					Companies, etc.	Individuals			
Number of shareholders (Persons)	—	51	34	1,018	351	233	167,986	169,673	—
Number of shares held (Units)	—	882,421	174,884	151,889	621,043	474	869,280	2,699,991	566,664
Shareholding ratio (%)	—	32.68	6.48	5.63	23.00	0.02	32.19	100.00	—

- Notes:
1. The 12,323,301 treasury shares include 123,233 share units under “Individuals and others” and 1 share under “Shares less than one unit.” In addition, the 12,323,301 treasury shares are the shares listed on the shareholder register, and this is the same as the actual number of treasury shares owned as of the end of the fiscal year.
 2. The number of units under “Other corporations” includes 94 share units registered in the name of Japan Securities Depository Center, Incorporated.

(6) Status of major shareholders

As of February 28, 2025

Name / Company name	Address	Number of shares held (Thousands of shares)	Shareholding ratio (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity AIR, 1-8-1 Akasaka, Minato-ku, Tokyo	37,036	14.34
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	19,927	7.72
STATE STREET BANK AND TRUST COMPANY 505018 (Standing proxy: Mizuho Bank, Ltd.)	One Congress Street, Suite 1, Boston, Massachusetts Shinagawa Intercity Tower A, 2-15-1 Konan, Minato-ku, Tokyo	11,706	4.53
Nippon Life Insurance Company	1-6-6 Marunouchi, Chiyoda-ku, Tokyo	9,828	3.81
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 2-7-3 Marunouchi, Chiyoda-ku, Tokyo	6,439	2.49
J. Front Retailing Kyoei Supplier Shareholding Association	Shinagawa Season Terrace, 1-2-70 Konan, Minato-ku, Tokyo	6,212	2.41
SMBC Nikko Securities Inc.	3-3-1 Marunouchi, Chiyoda-ku, Tokyo	4,934	1.91
Custody Bank of Japan, Ltd. (Trust Account 4)	1-8-12 Harumi, Chuo-ku, Tokyo	3,830	1.48
The Dai-ichi Life Insurance Company, Limited	1-13-1 Yurakucho, Chiyoda-ku, Tokyo	3,439	1.33
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	1-9-2 Otemachi, Chiyoda-ku, Tokyo	3,311	1.28
Total	—	106,664	41.30

- Notes:
1. J. Front Retailing Kyoei Supplier Shareholding Association is a shareholder association comprised of business partners of the Group.
 2. In addition to the above, there are 12,323,000 treasury shares (the percentage of the number of treasury shares owned to the total number of issued shares is 4.55%), and the shareholding ratio is calculated after excluding those treasury shares.
Treasury shares do not include shares held by the officer remuneration BIP trust.

(7) Voting rights

(i) Issued shares

As of February 28, 2025

Category	Number of shares (Shares)	Number of voting rights (Rights)	Details
Shares without voting rights	—	—	—
Shares with restricted voting rights (Treasury shares, etc.)	—	—	—
Shares with restricted voting rights (Other)	—	—	—
Shares with full voting rights (Treasury shares, etc.)	(Treasury shares) Ordinary shares 12,323,300	—	—
Shares with full voting rights (Other)	Ordinary shares 257,675,800	2,576,758	—
Shares less than one unit	Ordinary shares 566,664	—	—
Total number of issued shares	270,565,764	—	—
Total number of voting rights	—	2,576,758	—

- Notes: 1. Figures under “Shares with full voting rights (Other)” include 2,046,600 shares of the Company held by the officer remuneration BIP trust (20,466 voting rights) and 9,400 shares registered in the name of Japan Securities Depository Center, Incorporated (94 voting rights).
2. The number of “Shares less than one unit” includes 1 treasury share held by the Company and 7 treasury shares held by the officer remuneration BIP trust.

(ii) Treasury shares, etc.

As of February 28, 2025

Name of shareholder	Address of shareholder	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Shareholding ratio (%)
(Treasury shares) J. FRONT RETAILING Co., Ltd.	10-1, Ginza 6-chome, Chuo-ku, Tokyo	12,323,300	—	12,323,300	4.55
Total	—	12,323,300	—	12,323,300	4.55

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

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

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

At the Remuneration Committee meeting held in April 2024, the Company resolved to continue its stock-based remuneration system utilizing share distribution trusts (hereinafter, the “System”) for officers of the Company and major subsidiaries within the Group.

As part of the continuation of the System, the trust periods for the following two existing share distribution trusts will be extended by three years, and additional monetary contributions will be made to continue using them as share distribution trusts under the System.

- (i) The beneficiaries of Trust I shall be the Executive Officers of the Company; the Directors and Corporate/Executive Officers of Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd.; and the Representative Directors of J. FRONT CITY DEVELOPMENT Co., Ltd., JFR Card Co., Ltd., and J. Front Design & Construction Co., Ltd. Under this scheme, shares of the Company will be granted as performance-linked stock-based remuneration with the aim of achieving sustainable growth of the Group and enhancing its corporate value over the medium to long term (hereinafter “Trust I”).
- (ii) The beneficiaries of Trust II shall be the Non-executive Directors of the Company (comprising independent Outside Directors and internal Non-executive Directors; hereinafter collectively the “Non-executive Directors”). Shares of the Company will be granted through a non-performance-linked method with the aim of involving these Directors, from their position as stakeholder

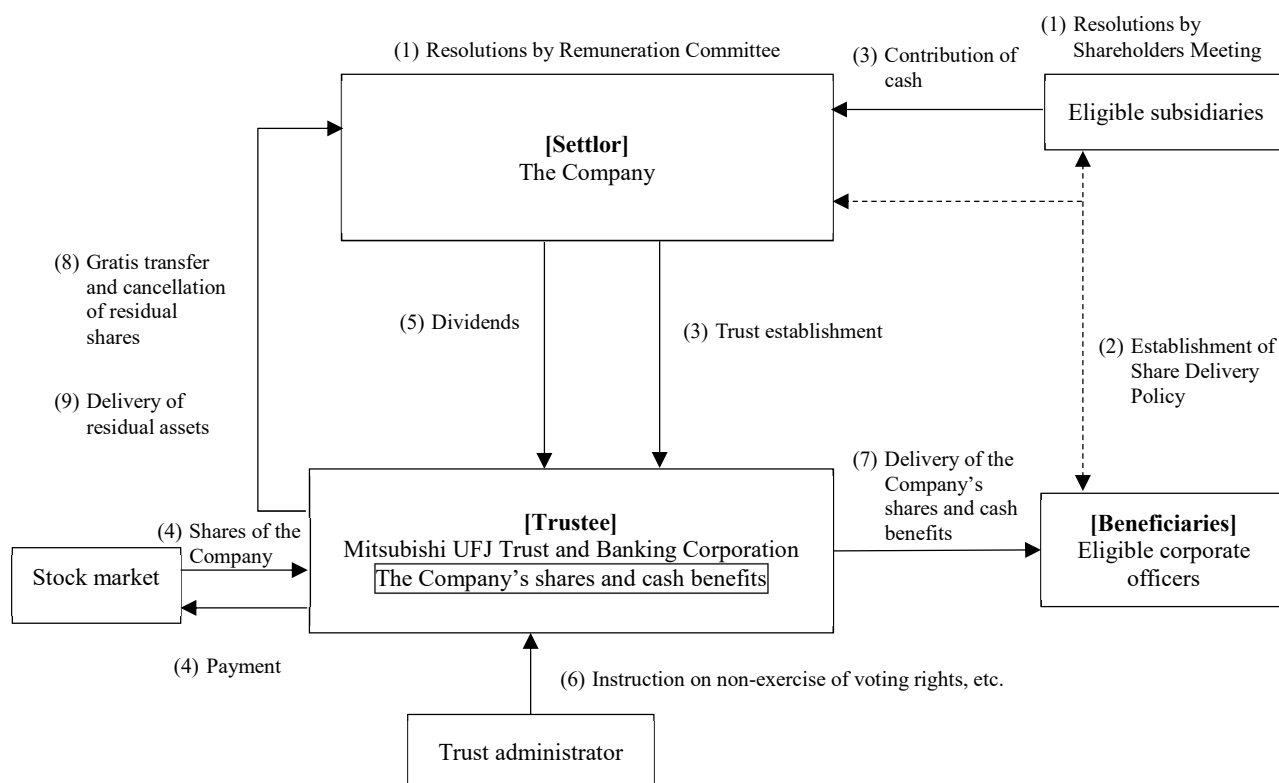
representatives separate from execution, in medium- to long-term management, thereby strengthening both the offensive and defensive aspects of governance (hereinafter “Trust II”).

Trust III, which had targeted Directors and Executive Officers of Parco Co., Ltd., was terminated on August 31, 2024. This is because these individuals are now managed under Trust I.

2) Overview of the trust agreement

	(Reference) “Trust I”	“Trust II”
(i) Trust category:	Monetary trust other than a specific individually operated monetary trust (third-party benefit trust)	
(ii) Trust objective:	To provide incentive to Executive Officers of the Company, Directors and Corporate/Executive Officers of Daimaru Matsuzakaya Department Stores Co. Ltd. and Parco Co., Ltd., and the Representative Directors of J. FRONT CITY DEVELOPMENT Co., Ltd., JFR Card Co., Ltd., and J. Front Design & Construction Co., Ltd.	To have Non-executive Directors of the Company engage in management as representatives of stakeholders from a medium- to long-term perspective and from a standpoint that is different from that of Executive Officers
(iii) Settlor:	The Company	
(iv) Trustee:	Mitsubishi UFJ Trust and Banking Corporation (Joint Trustee: The Master Trust Bank of Japan, Ltd.)	
(v) Beneficiaries:	Executive Officers of the Company, Directors and Corporate/Executive Officers of Daimaru Matsuzakaya Department Stores Co. Ltd. and Parco Co., Ltd., and the Representative Directors of J. FRONT CITY DEVELOPMENT Co., Ltd., JFR Card Co., Ltd., and J. Front Design & Construction Co., Ltd. who meet the beneficiary requirements	Non-executive Directors of the Company who meet the beneficiary requirements
(vi) Trust administrator:	Third party with no relationship of interest with the Company (certified public accountant)	
(vii) Date of trust agreement:	July 14, 2017 (changed on April 18, 2024)	
(viii) Trust period:	July 14, 2017, to August 31, 2024 (Extension until August 31, 2027, due to amendment of trust agreement on April 18, 2024)	
(ix) Execution of voting rights:	None	

3) The structure of share distribution trust



2. Acquisition and disposal of treasury shares

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

(1) Acquisitions by resolution of Shareholders Meeting

No items to report

(2) Acquisition by resolution of Board of Directors meeting

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

Category	Number of shares (Shares)	Total value (Yen)
Status of resolution at Board of Directors meeting (April 15, 2024) (Purchase period: From May 1, 2024 to July 31, 2024)	8,000,000	10,000,000,000
Treasury shares acquired prior to the current fiscal year	—	—
Treasury shares acquired during the current fiscal year	6,040,500	9,999,891,982
Total number and value of remaining resolution shares	—	—
Percentage of unexercised shares as of the end of the current fiscal year (%)	—	—
Treasury shares acquired during the period from March 1, 2025, to the filing date of this Annual Securities Report	—	—
Percentage of unexercised shares as of the filing date (%)	24.49	—

Category	Number of shares (Shares)	Total value (Yen)
Status of resolution at Board of Directors meeting (April 14, 2025) (Purchase period: From April 15, 2025 to August 29, 2025)	11,500,000	15,000,000,000
Treasury shares acquired prior to the current fiscal year	—	—
Treasury shares acquired during the current fiscal year	—	—
Total number and value of remaining resolution shares	—	—
Percentage of unexercised shares as of the end of the current fiscal year (%)	—	—
Treasury shares acquired during the period from March 1, 2025, to the filing date of this Annual Securities Report	4,172,500	7,280,925,443
Percentage of unexercised shares as of the filing date (%)	63.72	51.46

Note: The figure for treasury shares acquired during the period from March 1, 2025, to the filing date of this Annual Securities Report does not include the number of shares acquired during the period from May 1, 2025, until the filing date of this Annual Securities Report.

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

Category	Number of shares (Shares)	Total value (Yen)
Treasury shares acquired during the current fiscal year	5,619	9,646,581
Treasury shares acquired during the period from March 1, 2025, to the filing date of this Annual Securities Report	734	1,338,870

Note: The figure for treasury shares acquired during the period from March 1, 2025, to the filing date of this Annual Securities Report does not include the number of shares arising from purchases of shares less than one unit from shareholders upon request during the period from May 1, 2025, until the filing date of this Annual Securities Report.

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

Category	Fiscal year ended February 28, 2025		From March 1, 2024, until the filing date of this Annual Securities Report	
	Number of shares (Shares)	Total disposal value (Yen)	Number of shares (Shares)	Total disposal value (Yen)
Acquired treasury shares offered for subscription	—	—	—	—
Acquired treasury shares that were disposed of	—	—	—	—
Acquired treasury shares transferred for merger, share exchange, share delivery and company split	—	—	—	—
Other (Decrease due to sales of shares less than one unit to shareholders upon request)	—	—	—	—
Treasury shares held	12,323,301	—	16,496,535	—

Note: The “Treasury shares held” includes the number of shares from purchases of shares less than one unit. The figure does not include the number of shares from purchases of shares less than one unit from May 1, 2025, until the filing date of this Annual Securities Report.

3. Dividend policy

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

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

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

The Company has paid an annual dividend of ¥52 per share for the current fiscal year, comprising an interim dividend of ¥22 per share and a year-end dividend of ¥30 per share.

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

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

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
October 8, 2024 Resolution of the Board of Directors	5,681	22.00
April 24, 2025 Resolution of the Board of Directors	7,747	30.00

4. Status of corporate governance, etc.

(1) Overview of corporate governance

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

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

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

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

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

The Company has four supervisory units (Management Strategy Unit, Financial Strategy Unit, Human Resources Strategy Unit, CRE Strategy Unit) and two promotion divisions (DX Promotion Division and Business Promotion Division) as management bodies of the Company to clarify each unit’s roles, responsibilities and authorities, thereby reinforcing the supervisory function and improving the internal control systems of the entire Group.

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

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

In addition, the Company aims to promote sophistication of strategy by having the Board of Directors actively include the insights of external persons in order to hold rigorous discourse on important strategic issues relating to the Group’s management.

- The Company will enable decisions of business execution to be delegated to Executive Officers, clarify authority and responsibilities, and carry out speedy management decision-making.
- The Company will improve the transparency and objectivity of management by adopting the structure of a company with three committees (nomination, audit, and remuneration committees). The majority of the members of each of these committees are independent Outside Directors.
- The Company will build a governance structure that is easy to understand from global perspectives, such as those of overseas investors.

1) Organization of the Company

A. Board of Directors

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

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

The Board of Directors of the Company is to be composed of an appropriate number of Directors, but not more than 11, as stipulated in the Articles of Incorporation. The number of Directors is currently ten (10) (including seven (7) independent Outside Directors), and the term of office is one year. From the standpoint of separating supervision and execution and ensuring the effectiveness of discussions in the Board of Directors meetings, a majority of its membership comprises independent Outside Directors.

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

Members of the Board of Directors are as follows.

Outside Director	KOIDE Hiroko (Chairperson of the Board of Directors)
Outside Director	YAGO Natunosuke
Outside Director	HAKODA Junya
Outside Director	SEKI Tadayuki
Outside Director	OMURA Emi
Outside Director	YAMADA Yoshihito
Outside Director	SAITO Kazuhiro
Director	YOSHIMOTO Tatsuya
Director	HAMADA Kazuko
Director	ONO Keiichi

Note: Outside Director UCHIDA Akira and Director WAKABAYASHI Hayato retired at the conclusion of the 18th Annual Shareholders Meeting held on May 29, 2025, upon the expiration of their terms of office.

In FY2024 (from March 2024 to February 2025), the Board of Directors held 15 meetings. The attendance rate of Directors was 100%. (The average duration of each meeting was 2 hours and 12 minutes.)

Main Agenda Items for FY2024 (from March 2024 to February 2025)

- Growth strategy for interior design business and BM/FM business
- Business updates and future measures for operating subsidiaries
- Evaluation from the capital market and challenges following the first quarter financial results
- JFR Group's human resources strategy toward FY2030
- Progress on the Medium-term Business Plan
- Report on the evaluation of effectiveness of the Board of Directors, etc.

Skill Matrix of the Board of Directors

The Company's Board of Directors, with up to 11 members as stipulated in the Articles of Incorporation and a one-year term of office, is structured to ensure the separation of supervisory and executive functions and effective discussions at board meetings. A majority of the board members are independent Outside Directors, with no potential conflicts of interest with shareholders. The Company ensures diversity, including gender diversity, while maintaining a balanced mix of the knowledge, experience, and abilities required of the board as a whole. The combination of skills possessed by Directors is disclosed in the form of a skill matrix.

Name	Expected skills of Director								
	Corporate management	Finance & accounting	Marketing	Human resource & organization development	Legal affairs & compliance	IT & digital	E: Environment	S: Society	G: Governance
KOIDE Hiroko	○		○	○					○
YAGO Natsunosuke	○						○		○
HAKODA Junya	○	○							○
SEKI Tadayuki		○			○			○	○
OMURA Emi					○	○		○	○
YAMADA Yoshihito	○		○	○					○
SAITO Kazuhiro	○	○	○				○		○
YOSHIMOTO Tatsuya	○		○				○		○
HAMADA Kazuko				○				○	○
ONO Keiichi	○		○				○		○

- Corporate management: Management experience as well as knowledge and experience related to corporate management, such as strategy planning towards enhancement of corporate value, and method for identifying issues for formulating the medium-term business plan.
- Finance & accounting: A wide range of knowledge and experience related to finance and accounting, such as enhancement of corporate value through establishment of a solid financial base and financial strategy planning that factors in the cost of capital.
- Marketing: Knowledge and experience in activities that bring about customer satisfaction and continuous enhancement of corporate value through identifying customers' problems and creating products and services to solve them, communicating effectively, and providing added value.
- Human resource & organization development: Knowledge and experience in human capital management that brings out individuality and abilities of diverse employees and induces new value creation.

- v Legal affairs & compliance: Advanced and specialized knowledge of corporate legal affairs and knowledge and experience in promoting compliance management, as lawful and appropriate corporate management forms the foundation for sustainable enhancement of corporate value.
- vi IT & digital: Knowledge and experience for overseeing ICT support and new business development from the customer's perspective and with a good grasp of the latest IT trends, with aim to promote digital transformation of existing businesses.
- vii Environment: Knowledge and experience in appropriately overseeing business activities conscious of solving environmental issues and JFR Group's "environmental coexistence" efforts, such as environmental plans including setting of the medium- to long-term targets.
- viii Society: Knowledge and experience in appropriately overseeing JFR Group's efforts towards "co-prosperity with communities" and realization of a sustainable society.
- ix Governance: Knowledge and experience in corporate governance for improving the effectiveness of the oversight function of the Board of Directors, in order to establish an appropriate governance system as the foundation for sustainable enhancement of corporate value.

Evaluation of Effectiveness of the Board of Directors

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

Evaluation Items

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

Evaluation Method

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

Note: Individual interviews

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

Evaluation Results and Initiatives to Address Issues

The Company conducted its tenth evaluation of the effectiveness of the Board of Directors between September and October 2024. Based on the results of the prior questionnaires given to all Directors, a third-party organization conducted individual interviews, and those details were discussed at a meeting of the Board of Directors held in November.

As a result of the evaluation of effectiveness, it was confirmed that the issues raised in the previous fiscal year, which were "thorough preparation and analysis in preparation for discussions of growth strategy" and "improvements in communication between oversight and business execution," had been resolved to a reasonable extent. On the other hand, the evaluation for FY2024 led to the raising of further issues to enhance the effectiveness of the Board of Directors, which were "revising standards for agenda items and putting items on the agenda," "improvements in the operation of the Board of Directors," and "strengthening of the audit function."

In response to this, approaches for resolving these issues were again discussed at a meeting of the Board of Directors held in December, which led to a concrete plan of action that has also been reflected in the annual agenda for the Board of Directors in FY2025.

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

B. Three Committees

(Nomination Committee)

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

The Nomination Committee determines the contents of proposals on the nomination and dismissal of Directors submitted to shareholders' meetings and reports to the Board of Directors upon consultations from the Board of Directors regarding the nomination and dismissal of Representative Executive Officers, Executive Officers, Chairperson of Board of Directors, as well as the chairpersons and members of individual statutory committees and other matters.

Members:

Outside Director	YAGO Natsunosuke (Chairperson of Nomination Committee)
Outside Director	KOIDE Hiroko
Outside Director	YAMADA Yoshihito
Director	YOSHIMOTO Tatsuya

In FY2024 (from March 2024 to February 2025), 14 Nomination Committee meetings were held. The attendance rate of members was 100%. (The average duration of each meeting was 1 hour and 7 minutes.)

Main Agenda Items for FY2024 (from March 2024 to February 2025)

- Succession plan (5 times)
- Director structure, independent Outside Director structure (10 times)
- Confirmation of the skill matrix
- Selection of candidates for Director (2 times)
- Candidates for Executive Officers and Representative Executive Officers to be proposed to the Board of Directors (8 times)
- Candidates for Chairperson of the Board of Directors and committee chairpersons and members to be proposed to the Board of Directors (2 times)

(Audit Committee)

The Audit Committee is composed of four (4) independent Outside Directors and one (1) full-time internal Director who does not execute business but familiar with internal operations, aimed at maintaining and enhancing audit quality. The Chairperson is chosen from among independent Outside Directors from the standpoint of ensuring transparency and objectivity.

The Audit Committee effectively audits whether the execution of duties by Executive Officers and Directors is in compliance with laws, regulations, and the Articles of Incorporation of the Company and whether they are performing their duties efficiently in accordance with the Company's basic philosophy and the Group Vision. The committee also audits the development and operation of internal control systems and prepares audit reports.

Members:

Outside Director	HAKODA Junya (Chairperson of Audit Committee)
Outside Director	SEKI Tadayuki
Outside Director	OMURA Emi
Outside Director	SAITO Kazuhiro
Director	HAMADA Kazuko

In FY2024 (from March 2024 to February 2025), 24 Audit Committee meetings were held. The attendance rate of members was 100%. (The average duration of each meeting was 1 hour and 5 minutes.)

Main Agenda Items for FY2024 (from March 2024 to February 2025)

- Reports from the Internal Audit Division (10 times)
- Reports from the Compliance Committee (4 times)
- Audit reports from corporate auditors of Group companies (April and October)
- Reports on the operating company phase management (2 times)
- Evaluation of Accounting Auditor (3 times)

In addition, the Audit Committee monitors and verifies the execution of duties by the Accounting Auditor to ensure the reliability of financial information, and determines the content of proposals regarding the appointment and dismissal of the Accounting Auditor to be submitted to the Shareholders Meeting.

Main Coordination Between the Audit Committee and the Accounting Auditor

- Quarterly review reports by the Accounting Auditor (July and October), and interim audit progress reports (January)
- Audit report for FY2023 by the Accounting Auditor (April)
- Feedback related to the evaluation of Accounting Auditor (May)
- Report on the audit and interim review plan for the 18th fiscal year (June)
- Management letter report for FY2023 (May and June)

Notes: 1. Throughout the fiscal year, whenever there were revisions to the audit plan, reports were received at the time of each report.
2. We also confirmed the appropriateness and consistency of information disclosures related to KAM (Key Audit Matters).

(Remuneration Committee)

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

The Remuneration Committee determines the policy on deciding the contents of individual remuneration for Directors and Executive Officers of the Company and eligible officers of major subsidiaries of the Group and determines the contents themselves of individual remuneration for Directors and Executive Officers of the Company.

Members:

Outside Director	YAGO Natsunosuke (Chairperson of Remuneration Committee)
Outside Director	KOIDE Hiroko
Outside Director	YAMADA Yoshihito
Director	YOSHIMOTO Tatsuya

In FY2024 (from March 2024 to February 2025), ten Remuneration Committee meetings were held. The attendance rate of members was 100%. (The average duration of each meeting was 43 minutes.)

Main Agenda Items for FY2024 (from March 2024 to February 2025)

- Review of officer remuneration system
- Revision of the officer remuneration policy (2 times)
- Verification of officer remuneration levels and composition using external data
- Officers evaluation results, bonuses for officers (4 times)

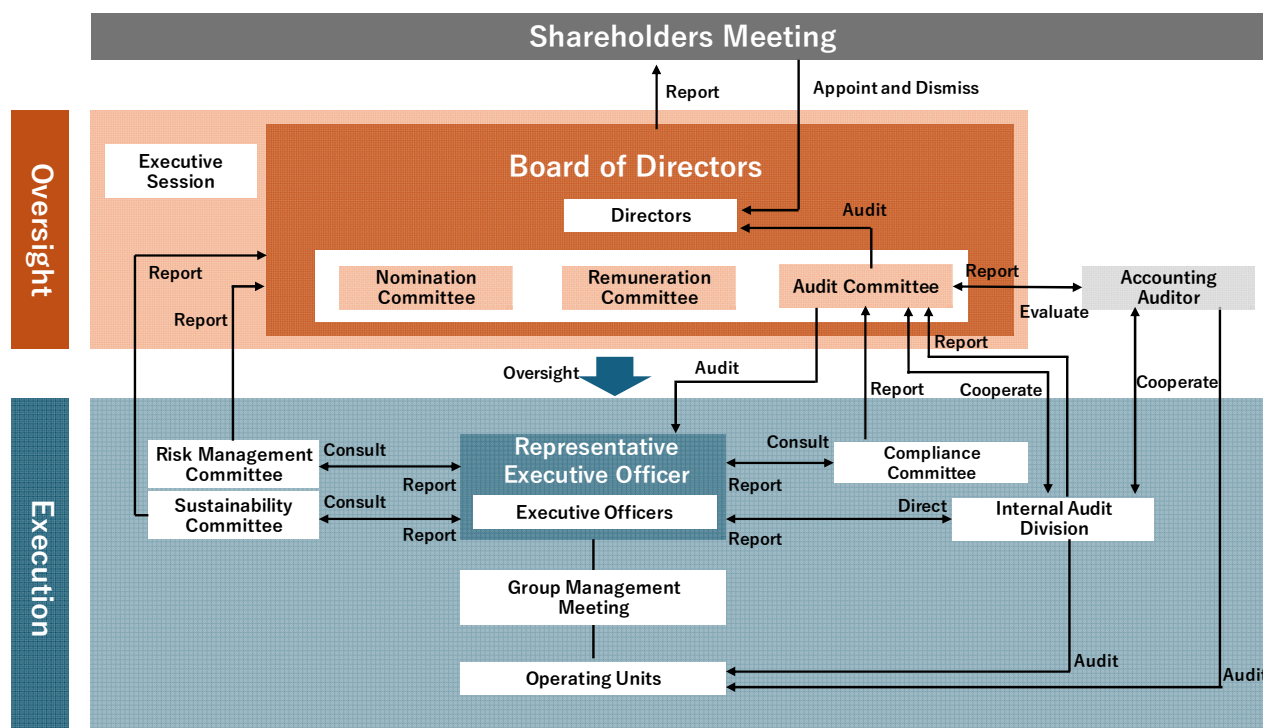
- Performance-linked factors and awarded points for stock-based remuneration for officers (2 times)
- Extension of trust period due to continuation of stock-based remuneration plan for officers, additional contribution to the share distribution trust, and revision of Stock Benefit Rules (6 times)
- Individual officer remuneration amounts (3 times)

As of the end of February 2025, the status of meetings of the Board of Directors and the three statutory committees for FY2024 (from March 2024 to February 2025), as well as the attendance status of each Director, are as follows.

	Board of Directors	Nomination Committee	Audit Committee	Remuneration Committee
KOIDE Hiroko*	◎100% (15/15)	100% (14/14)	—	100% (10/10)
YAGO Natsunosuke*	100% (15/15)	◎100% (14/14)	—	100% (10/10)
HAKODA Junya*	100% (15/15)	—	◎100% (24/24)	—
UCHIDA Akira*	100% (15/15)	100% (14/14)	—	◎100% (10/10)
SEKI Tadayuki*	100% (15/15)	—	100% (24/24)	—
OMURA Emi*	100% (12/12)	—	100% (17/17)	—
YOSHIMOTO Tatsuya	100% (15/15)	100% (10/10)	—	100% (6/6)
HAMADA Kazuko	100% (15/15)	—	100% (24/24)	—
ONO Keiichi	100% (12/12)	—	—	—
WAKABAYASHI Hayato	100% (15/15)	—	—	—

- Notes:
- 1 The figures in () indicate the number of meetings attended / number of meetings held during tenure.
 - 2 ◎ indicates Chairperson of the Board or of a committee.
 - 3 * indicates independent Outside Director.
 - 4 OMURA Emi and ONO Keiichi are listed based on meetings of the Board and committees held after their appointment as Directors (May 2024).
 - 5 YOSHIMOTO Tatsuya is listed based on meetings of the Nomination and Remuneration Committees held after his appointment to those committees (May 2024).

2) Corporate governance structure



(ii) Status of internal control system

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

Basic Policy to Build Internal Control System

A. Group management system

Regarding the group management system, the Board of Directors shall perform an oversight function by monitoring the Executive Officers’ and Directors’ execution of business. The Board of Directors shall deliberate and resolve on matters prescribed by the Companies Act or the Articles of Incorporation, as well as matters related to the Group Vision, Sustainability Policy, Group Medium-term Business Plan, Group Annual Management Plan, and new business development and M&A. The items subject to resolution are specified in advance in the rules of the Board of Directors. In order to speed up business decisions and execution, the task of determining matters involving business execution other than the above shall be delegated to execution, with the exception of matters which have a material impact on the Group management.

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

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

B. Risk management system

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

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

C. Legal compliance system

Regarding the legal compliance system, the Company shall establish the Compliance Committee chaired by the President and Representative Executive Officer, with members comprising Senior Executive General Managers of supervising units, Senior General Managers of promotion divisions, individuals appointed by the chairperson to represent each business segment, and corporate lawyers. The Compliance Committee continuously oversees development of the foundations of the compliance system and the status of implementation through enhanced collaboration with departments in charge of the compliance of each operating subsidiary and promotes compliance with laws and regulations, corporate ethics, and other such standards. It also draws up a policy for addressing matters involving serious compliance-related violations. The committee also reports details of its deliberations to the Audit Committee in a timely manner.

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

D. Internal audit structure

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

E. Structure of the Audit Committee

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

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

F. System for storage and management of information

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

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

(iii) Overview of limited liability agreement

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

(iv) Number of Directors

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

(v) Requirements for a resolution to elect Directors

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

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

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

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

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

(viii) Basic policy regarding control of the Company

1) Contents of basic policy

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

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

Nevertheless, a Large-Scale Purchase that involves a serious risk of causing damage to the corporate value of the Group may be envisaged. This may include a Large-Scale Purchase that, in view of its

purpose and other factors, would demonstrably harm the Group's corporate value; one with the potential to involve substantial coercion of shareholders to sell shares of the Company; or one that would not provide sufficient time and information for the Company's Board of Directors and shareholders to consider factors such as the details of the large-scale purchaser's proposal or for the Company's Board of Directors to make an alternative proposal.

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

2) Frameworks contributing to realization of basic policy

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

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

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

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

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

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

Accordingly, if this occurs, the Company will establish an independent committee composed of Outside Directors and experts with viewpoints that are independent from the Company's management personnel and Internal Directors. If the Company judges that the said Large-Scale Purchaser is inappropriate in light of the aforementioned basic policy after considering advice and opinions from the committee, the Company will act to secure the Group's corporate value and, by extension, the common interests of shareholders by taking necessary and appropriate measures.

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

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

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

(2) Information about officers

(i) List of officers

Officers include 17 males and 5 females. (Percentage of female officers: 22.73%)

(1) Directors

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director Chairperson of Board of Directors	KOIDE Hiroko	August 10, 1957	September 1986 Joined J. Walter Thompson Japan K.K. (present Wunderman Thompson Tokyo G.K.) May 1993 Joined Nippon Lever K.K. (present Unilever Japan K.K.) April 2001 Director April 2006 General Manager of Marketing Management Division of Masterfoods Ltd. (present Mars Japan Limited) April 2008 Chief Operating Officer November 2010 President and Representative Director of Parfums Christian Dior Japon K.K. January 2013 Outside Director of Kirin Co., Ltd. April 2013 Senior Vice President of Global Marketing of Newell Rubbermaid Inc. (U.S.) (present Newell Brands Inc.) June 2016 Outside Director of Mitsubishi Electric Corporation April 2018 Director of Vicela Japan Co., Ltd. June 2019 Outside Director of Honda Motor Co., Ltd Outside Director of J-OIL MILLS, Inc. May 2021 Outside Director of J. FRONT RETAILING Co., Ltd. (present) May 2024 Chairperson of Board of Directors (present) June 2024 External Member of the Board of TAISEI CORPORATION (present)	(Note 2)	3

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director	YAGO Natsunosuke	May 16, 1951	April 1977 Joined EBARA CORPORATION June 2002 Executive Officer April 2004 Senior Executive Officer, Group Executive of Precision Machinery Group of EBARA CORPORATION, Representative Director and Chairman of Ebara Precision Machinery Europe GmbH, Representative Director and Chairman of Ebara Technologies Inc., and Chairman of Ebara Precision Machinery Shanghai Inc. June 2004 Director of EBARA CORPORATION April 2005 Director of EBARA CORPORATION and Chairman of Ebara Precision Machinery Taiwan Inc. June 2005 Director, President of Precision Machinery Company, and General Manager of Fujisawa Operation of EBARA CORPORATION April 2006 Director and Managing Executive Officer President of Precision Machinery Company April 2007 President and Representative Director May 2007 President and Representative Director and General Manager of Internal Control Promotion Department July 2009 President and Representative Director and General Manager of Internal Control Department April 2013 Chairman & Director October 2017 Representative Director of The Ebara Hatakeyama Memorial Foundation (present) March 2019 Retired from the office of Chairman & Director of EBARA CORPORATION June 2019 Outside Director of SUBARU CORPORATION May 2020 Outside Director of J. FRONT RETAILING Co., Ltd. (present) May 2021 Director of PARCO Co., Ltd.	(Note 2)	9

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	HAKODA Junya	July 10, 1951	April 1974	Joined Mitsubishi Rayon Co., Ltd. (present Mitsubishi Chemical Corporation)	(Note 2)	3
			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 Aarata Audit Corporation/Partner of PricewaterhouseCoopers (present PricewaterhouseCoopers Japan LLC)		
			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		
			June 2015	Outside Corporate Auditor of Yamaha Corporation		
				Outside Director of AEON Financial Service Co., Ltd.		
			June 2017	Outside Director and Chairperson of the Audit Committee of Yamaha Corporation		
			September 2019	Member of the Ethics Committee of the Japanese Institute of Certified Public Accountants		
			May 2021	Outside Director of J. FRONT RETAILING Co., Ltd. (present)		
			August 2021	Chairperson of the Committee on Training and Research for Outside Officers, Japanese Institute of Certified Public Accountants		

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

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	OMURA Emi	September 2, 1976	October 2002	Registered as attorney at law Joined Iwasaki & Motoyama	(Note 2)	0
			March 2007	Registered as attorney at law of New York State, U.S.A.		
			July 2008	Partner of Athena Law Office		
			September 2010	Associate Expert, International Labour Standards Department, International Labour Organization in Geneva, Switzerland		
			September 2013	Partner of Athena Law Office		
			January 2014	Director, Office of International Affairs, Japan Federation of Bar Associations		
			September 2014	Outside Director of Digital Garage, Inc.		
			June 2019	Counsel of Kamiyacho International Law Office		
			April 2021	Counsel of CLS HIBIYA TOKYO LAW OFFICE		
			November 2021	Outside Director, Audit and Supervisory Committee Member of Valence Holdings Inc. (present)		
			January 2022	Partner of CLS HIBIYA TOKYO LAW OFFICE (present)		
			December 2022	External Director (Audit & Supervisory Committee Member) of FOOD & LIFE COMPANIES LTD. (present)		
			June 2023	Auditor of Japan Association for Women's Education (present)		
			May 2024	Outside Director of J. FRONT RETAILING Co., Ltd. (present)		
Director	YAMADA Yoshihito	November 30, 1961	April 1984	Joined Tateishi Electric Corporation (present OMRON Corporation)	(Note 2)	—
			June 2008	Executive Officer of OMRON Corporation and President and CEO of OMRON HEALTHCARE Co., Ltd.		
			March 2010	Senior General Manager, Corporate Strategic Planning H.Q. of OMRON Corporation		
			June 2010	Managing Executive Officer		
			June 2011	Representative Director and President		
			June 2013	Representative Director, President & CEO		
			June 2023	Chairman of the Board (present) Outside Director of NEC Corporation (present)		
			May 2025	Outside Director of J. FRONT RETAILING Co., Ltd. (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	SAITO Kazuhiro	October 31, 1956	April 1979 Joined Suntory Limited January 1999 Senior General Manager, Beverage & Food Division September 2005 Deputy Division Chief Operating Officer, Beverage & Food Division April 2009 Executive Officer of Suntory Holdings Limited and Managing Director of Suntory Beverage & Food Limited January 2011 Executive Vice President and Chief Operating Officer, Chinese Beverage & Food Division of Suntory (China) Holding Co., Ltd. and Chair and President of Suntory (Shanghai) Food Trading Co., Ltd. April 2014 President and Chief Operating Officer, Chinese Beer & Huangjiu Division of Suntory (China) Holding Co., Ltd. April 2015 Managing Executive Officer and in charge of Corporate Planning Division, Chief Operating Officer, Finance & Accounting Division of Suntory Beverage & Food Limited April 2016 Full-time Advisor of Suntory Beverage & Food Limited and Chief Executive Officer of Suntory Beverage & Food Asia Pte. Ltd. April 2019 Representative Director, President & Chief Executive Officer of Suntory Beverage & Food Limited April 2022 Chair of ad-comm Co., Ltd. May 2025 Outside Director of J. FRONT RETAILING Co., Ltd. (present)		(Note 2)	—

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director	YOSHIMOTO Tatsuya	April 13, 1956	April 1979 Joined The Daimaru, Inc. March 2000 Senior Manager of Preparatory Office for Opening Sapporo Store of Planning Office for Sapporo Store, Head Office January 2008 General Manager of Tokyo Store May 2008 Corporate Officer, General Manager of Tokyo Store January 2010 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. March 2010 Corporate Officer of Daimaru Matsuzakaya Department Stores Co. Ltd. Senior General Manager of Management Planning Division May 2012 Director and Corporate Officer April 2013 President of Daimaru Matsuzakaya Department Stores Co. Ltd. and President of Daimaru Matsuzakaya Sales Associates Co. Ltd. May 2013 Director of J. FRONT RETAILING Co., Ltd. (present) May 2017 Representative Managing Executive Officer May 2020 President and Representative Executive Officer March 2023 President and Representative Executive Officer and Senior Executive General Manager of CRE Strategy Unit March 2024 Executive Officer of J. FRONT RETAILING Co., Ltd.	(Note 2)	158

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Director	HAMADA Kazuko	September 6, 1962	April 1985 Joined PARCO Co., Ltd. September 2000 General Manager of Marketing Department of Sales Management Division March 2002 Deputy General Manager of Kichijoji PARCO March 2005 General Manager of Kichijoji PARCO March 2007 General Manager of Shintokorozawa PARCO March 2010 Executive Officer (Personnel) March 2013 Executive Officer (Administration and Personnel) March 2015 Executive Officer (Group Audit Office) May 2020 Auditor May 2021 Director of J. FRONT RETAILING Co., Ltd. (present)	(Note 2)	2

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Director	ONO Keiichi	August 2, 1975	April 1998 April 2007 September 2010 November 2012 November 2013 September 2015 September 2016 March 2018 October 2020 March 2022 May 2022 March 2024 May 2024	Joined The Daimaru, Inc. Planning Office for New Umeda Store, Department Store Business Division, Head Office In charge of Sales Promotion and Advertising of Business Promotion Division of Daimaru Umeda Store, Daimaru Matsuzakaya Department Stores Co. Ltd. Store Planning Department, Head Office of PARCO Co., Ltd. In charge of Inbound Business of Sales Planning Unit of Sales & Marketing Headquarters, Head Office of Daimaru Matsuzakaya Department Stores Co. Ltd. General Manager of Inbound Business, Merchandising and Channel Development Division, Head Office General Manager of Business Promotion Division of Daimaru Kyoto store Executive Officer of J. FRONT RETAILING Co., Ltd. and President and Representative Director of Dimples' Co., Ltd. Senior General Manager of Structural Reform Promotion Division, Financial Strategy Unit of J. FRONT RETAILING Co., Ltd. Managing Executive Officer Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management Director of PARCO Co., Ltd. President and Representative Executive Officer and Senior Executive General Manager of CRE Strategy Unit of J. FRONT RETAILING Co., Ltd. (present) Director (present)	(Note 2)	25
Total						208

- Notes: 1. Directors KOIDE Hiroko, YAGO Natsunosuke, HAKODA Junya, SEKI Tadayuki, OMURA Emi, YAMADA Yoshihito, and SAITO Kazuhiro are Outside Directors.
2. The term of office will be from the conclusion of the Annual Shareholders Meeting for the fiscal year ended February 28, 2025, to the conclusion of the Annual Shareholders Meeting for the fiscal year ending February 28, 2026.

(2) Executive officers

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
President and Representative Executive Officer Senior Executive General Manager of CRE Strategy Unit	ONO Keiichi	August 2, 1975	(Note 1)		(Note 2)	25
Managing Executive Officer Senior Executive General Manager of Management Strategy Unit	HAYASHI Kenichi	September 1, 1960	April 1983 Joined The Daimaru, Inc. February 2007 General Manager of Men's Wear & Accessory Division of Daimaru Kyoto store March 2009 General Manager of Men's Wear & Accessory Division, General Manager of Home Culture Products Division, and General Manager of Art, Kimono & Jewelry Division of Daimaru Kyoto store March 2011 General Manager of Men's Wear & Accessory Division, General Manager of Home Culture Products Division, and General Manager of Art, Kimono & Jewelry Division of Daimaru Kobe store of Daimaru Matsuzakaya Department Stores Co. Ltd. March 2013 General Manager of Sales Department of Matsuzakaya Shizuoka store September 2015 General Manager of Merchandising and Channel Development Division (in charge of Event Planning and Management), Merchandising Strategy Promotion Office, Sales & Marketing Headquarters January 2016 Representative Director and President of JFR Online Co., Ltd. March 2017 Director and General Manager of Sales Management Department of The Hakata Daimaru, Inc. May 2018 Senior General Manager of Merchandising Planning and New Business Development Office, Sales & Marketing Headquarters, General Manager of Merchandising Planning Department of Daimaru Matsuzakaya Department Stores Co. Ltd. August 2018 President & CEO of Daimaru Kogyo, Ltd.		(Note 2)	13

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
			January 2021 Corporate Officer, Executive Store Manager in charge of Administration of Daimaru Sapporo store of Daimaru Matsuzakaya Department Stores Co. Ltd. March 2024 Managing Executive Officer, Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management of J. FRONT RETAILING Co., Ltd. March 2025 Director of PARCO Co., Ltd. Managing Executive Officer, Senior Executive General Manager of Management Strategy Unit, Senior General Manager of Fukuoka Tenjin Area Development Promotion Division, and in charge of Risk Management of J. FRONT RETAILING Co., Ltd., and Director of PARCO Co., Ltd. (present)		
Managing Executive Officer Senior Executive General Manager of Human Resources Strategy Unit	SHIBATA Takeshi	June 26, 1968	April 1991 Joined Sony Corporation October 2010 General Manager in charge of Group Human Resources Department November 2011 Senior Executive General Manager of Human Resources Planning Department, Human Resources Division April 2016 Senior General Manager of Group Human Resources Department of Sony Corporation (present Sony Group Corporation) April 2019 Director and Senior Vice President (in charge of Human Resources and General Affairs) of Sony Interactive Entertainment Inc. November 2024 Joined J. FRONT RETAILING Co., Ltd., Dedicated Senior General Manager of Human Resources Strategy Unit March 2025 Managing Executive Officer, Senior Executive General Manager of Human Resources Strategy Unit (present)	(Note 2)	—

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Executive Officer	INAGAMI Hajime	January 27, 1972	April 1994 January 2018 September 2018 March 2023 March 2025	Joined Matsuzakaya Co., Ltd. Senior General Manager of IR and Group Public Relations Promotion Division of Management Strategy Unit of J. FRONT RETAILING Co., Ltd., and General Manager of Public Relations Department, Administration Headquarters of Daimaru Matsuzakaya Department Stores Co. Ltd. Senior General Manager of IR Promotion Division of Financial Strategy Unit of J. FRONT RETAILING Co., Ltd. Senior General Manager of Corporate Communications Division Executive Officer and Senior General Manager of Board of Directors Office and Senior General Manager of Corporate Communications Division (present)	(Note 2)	—
Executive Officer Senior Executive General Manager of Financial Strategy Unit	NAGAMINE Takamasa	July 3, 1975	April 1998 October 2021 June 2022 October 2023 October 2024 March 2025 May 2025	Joined SUMITOMO CORPORATION Vice President of Financial Department of Sumitomo Corporation of Americas Vice President & Treasurer Joined Raysum Co., Ltd., Executive General Manager of President Office Joined J. FRONT RETAILING Co., Ltd., Dedicated Senior General Manager of Financing and Finance Policy Division of Financial Strategy Unit Executive Officer, Senior Executive General Manager of Financial Strategy Unit (present) Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)	(Note 2)	—

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
Executive Officer Senior Executive General Manager of DX Promotion Division	NOMURA Taiichi	December 25, 1963	April 1987 Joined ALL NIPPON AIRWAYS CO., LTD. April 2011 Senior General Manager of Innovation Management Department of Peach Aviation Limited April 2015 Director of Ad Value Creation Lab April 2016 Director in charge of ANA HOLDINGS Digital Design Lab of ALL NIPPON AIRWAYS CO., LTD. April 2017 Director of Innovation Promotion Department, Business Process Reform Office (concurrent position) April 2022 Chief Digital Designer of Group Digital Unit of J. FRONT RETAILING Co., Ltd. March 2024 Executive Officer and Senior General Manager of Group System Promotion Division of Digital Strategy Unit March 2025 Executive Officer and Senior Executive General Manager of DX Promotion Division (present)	(Note 2)	2

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Executive Officer Senior Executive General Manager of Business Promotion Division	UMEBAYASHI Akira	May 4, 1972	April 1995 May 2009 September 2016 March 2017 September 2017 May 2018 March 2020 October 2020 September 2021	Joined The Daimaru, Inc. Assistant to Business Promotion Department, Administration Headquarters (Assigned Exclusively to Union) (Responsible for the Tokyo Store) Staff of Group Personnel Department, Administration Unit of J. FRONT RETAILING Co., Ltd. Staff of Group Personnel Department, Administration Unit and Staff of the Board of Directors Secretariat Senior General Manager of Group Personnel Department, Administration Unit (in charge of Group Personnel Policy) and Staff of the Board of Directors Secretariat Senior General Manager of Group Human Resources Policy Division, Human Resources Strategy Unit and Staff of the Board of Directors Secretariat Senior General Manager of Group Human Resources Policy Division, Human Resources Strategy Unit and Staff of Nomination Committee Secretariat and Remuneration Committee Secretariat Senior General Manager of Group Human Resources Policy Division, Human Resources Strategy Unit, Staff of Nomination Committee Secretariat and Remuneration Committee Secretariat, and Staff of Structural Reform Promotion Division, Financial Strategy Unit Senior General Manager of Group Human Resources Policy Division and Group Human Resources Development Division, Human Resources Strategy Unit, Staff of Nomination Committee Secretariat and Remuneration Committee Secretariat, and Staff of Structural Reform Promotion Division, Financial Strategy Unit	(Note 2)	10

Title and position	Name	Date of birth	Career summary	Term of office	Number of shares held (Thousands of shares)
			March 2022 Executive Officer and Senior General Manager of Group Human Resources Policy Division, Group Human Resources Development Division, and Group Welfare Division of Human Resources Strategy Unit, and Staff of Nomination Committee Secretariat and Remuneration Committee Secretariat March 2023 Executive Officer and Senior General Manager of Group Human Resources Development Division and Group Welfare Division of Human Resources Strategy Unit March 2024 Executive Officer and Senior General Manager of Board of Directors Office March 2025 Executive Officer, Senior Executive General Manager of Business Promotion Division in charge of Compliance, Senior General Manager of Group Human Resources Policy Division of Human Resources Strategy Unit (present)		
Executive Officer	YOSHIDA Maki	December 22, 1975	April 1998 Joined Oriental Land Co., Ltd. April 2016 Director of Merchandise Products Development Department, Merchandise Division October 2018 Director of Corporate Strategy Planning Department June 2021 Director of Sustainability Promotion Department, Corporate Strategy Planning Division April 2023 Joined J. FRONT RETAILING Co., Ltd., Dedicated Senior General Manager of Management Planning Division of Management Strategy Unit (in charge of Management Planning) September 2023 Senior General Manager of Management Planning Division of Management Strategy Unit (in charge of Management Planning) March 2025 Executive Officer, Senior General Manager of Group Management Planning Division of Management Strategy Unit (present)	(Note 2)	—

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Executive Officer	MORITA Kosuke	February 14, 1978	April 2000 March 2019 September 2020 March 2022 March 2023 March 2024 March 2025	Joined PARCO Co., Ltd. General Manager of Collaboration Business Planning Department General Manager of Wellness Business Department General Manager of Content Development Department Executive Officer (in charge of Content Development Department, Collaboration Business Planning Department, and Digital Promotion Department) Executive Officer and Senior General Manager of Business Planning Division of Management Strategy Unit of J. FRONT RETAILING Co., Ltd. Executive Officer, Senior General Manager of Group Business Planning Division of Management Strategy Unit (present)	(Note 2)	5
Executive Officer	SAITO Takeshi	September 2, 1969	March 1992 May 2014 September 2016 September 2019 March 2024 March 2025	Joined Matsuzakaya Co., Ltd. General Manager of Cost Structure Reform Promotion Division (in charge of logistics), Administration Headquarters of Daimaru Matsuzakaya Department Stores Co. Ltd. General Manager of Cost Structure Reform Promotion Division (in charge of cost strategy promotion), Administration Headquarters General Manager of Business Promotion Division (in charge of Matsuzakaya Nagoya store), Administration Headquarters Corporate Officer, Executive Store Manager in charge of Administration of Matsuzakaya Nagoya store Executive Officer in charge of Administration related to regional co-prosperity in the Nagoya area under the Management Strategy Unit of J. FRONT RETAILING Co., Ltd. (present) Corporate Officer, Executive Store Manager in charge of Administration of Matsuzakaya Nagoya store of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)	(Note 2)	—

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Executive Officer	URAKI Hiroshi	December 19, 1969	April 1992 June 2020	Joined The Daimaru, Inc. Senior General Manager of Financing and Finance Policy Division of Financial Strategy Unit and Manager (in charge of Financing) of J. FRONT RETAILING Co., Ltd.	(Note 2)	—
			March 2021	Senior General Manager of Financing and Finance Policy Division of Financial Strategy Unit		
			March 2025	Executive Officer, Senior General Manager of Group Financing and Finance Policy Division of Financial Strategy Unit (present)		
Executive Officer	NOGUCHI Hideki	May 15, 1965	April 1990 March 2007	Joined PARCO Co., Ltd. General Manager in charge of Accounting & Finance Department, Financial Administration Unit	(Note 2)	16
			March 2010	Executive Officer (Accounting Department and Finance/IR Department)		
			May 2020	Executive Officer (Accounting Department, Business Management Department, and Administration and Legal Department)		
			May 2021	Executive Officer (Accounting & Finance Department, Business Administration Department, Business Management Department, and Administration and Legal Department)		
			March 2022	Executive Officer, Senior General Manager of Group Accounting and Tax Affairs Division of Financial Strategy Unit of J. FRONT RETAILING Co., Ltd. (present)		

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (Thousands of shares)
Executive Officer	IMAZU Takako	August 7, 1971	April 1995	Joined The Daimaru, Inc.	(Note 2)	4
			March 2019	Senior General Manager of Group Human Resources Development Division, Daimaru Sapporo store of Daimaru Matsuzakaya Department Stores Co. Ltd.		
			December 2022	Corporate Unit Executive Officer of J. FRONT CITY DEVELOPMENT Co., Ltd.		
			March 2024	Executive Officer and Senior General Manager of Group Human Resources Development Division and Group Welfare Division of Human Resources Strategy Unit of J. FRONT RETAILING Co., Ltd.		
			March 2025	Executive Officer, Senior General Manager of Group Human Resources Development Division of Human Resources Strategy Unit (present)		
Total						78

- Notes:
1. Described in “(1) Directors” in “(i) List of officers” in “(2) Information about officers.”
 2. The term of office of an Executive Officer shall expire at the end of the first meeting of the Board of Directors held after the end of the Annual Shareholders Meeting that relates to the latest business year that ends within one (1) year after his/her election to office.

(ii) Outside officers

The Company has seven Outside Directors.

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

1) Relationship with the Company and appointment of Outside Directors

Name	Important concurrent positions (As of May 30, 2025)	Relationship with the Company and appointment
KOIDE Hiroko	Member of the Board (External Member) of TAISEI CORPORATION	KOIDE Hiroko has extensive knowledge based on her rich experience in the fields of global management and marketing, having served as an officer at foreign companies for many years, and having been engaged in corporate management as the head of marketing at the head office of a U.S. company, as well as a wealth of knowledge gained as an Outside Director at several listed companies. She contributes to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight with respect to a wide range of matters including the Board of Directors discussions in a company with three committees (nomination, audit, and remuneration committees), incorporation of competitive analysis into strategies, effective communication of top messages, and strategic design of organizations. In May 2024, she assumed the position of Chairperson of Board of Directors. In this role, she focuses on strengthening and improving the Board of Directors operations by setting medium-to long-term and more strategic annual agendas, enhancing the quality of meeting materials, and boosting the effectiveness and efficiency of discussions. As a member of the Nomination Committee, she participates in deliberations to ensure objectivity, transparency, and continuity in the overall design of the succession plan for Representative Executive Officers as well as discussions on the succession plan for Outside Directors, aiming to maintain and enhance the Board of Directors supervisory functions from a medium- to long-term perspective. As a member of the Remuneration Committee, she engages in activities such as examination of remuneration levels and composition under the officer remuneration system revised in line with the medium-term business plan, and reviews of remuneration levels following the organizational reform. Through these efforts, by providing necessary advice at suitable times, she contributes to strengthening strategy personnel functions that are closely aligned with business strategies. In light of her track record, abundant experience and high level of insight, the Company expects her to contribute greatly to management of the Group and has accordingly appointed her as an Outside Director. The Company has no interest in or relationship with her.

Name	Important concurrent positions (As of May 30, 2025)	Relationship with the Company and appointment
YAGO Natsunosuke		YAGO Natsunosuke has been involved in top-level corporate management for many years, and has a wealth of experience in compliance management and strengthening financial bases. He also possesses a high level of expertise in internal control and corporate governance gained through his experience in transitioning to a company with three committees (nomination, audit, and remuneration committees). He contributes to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight on approaches to the Board of Directors discussions and organizational audits within the Company, the granularity and accuracy of future plans for new businesses and asset acquisitions, initiatives to enhance human capital, and approaches to personnel system reforms. As the Chairperson of the Nomination Committee, he leads and promotes deliberations to ensure objectivity, transparency, and continuity in the overall design of the succession plan for Representative Executive Officers, as well as discussions on the succession plan for Outside Directors aiming to maintain and enhance the Board of Directors supervisory functions from a medium- to long-term perspective. As a member of the Remuneration Committee, he examines the remuneration levels and composition under the officer remuneration system revised in line with the medium-term business plan, reviews remuneration levels following the organizational reform, and provides necessary advice at suitable times. Through these efforts, he contributes to strengthening strategy personnel functions that are closely aligned with business strategies. In light of his track record, his wealth of experience and considerable insights, the Company expects him to contribute greatly to the management of the Group as an Outside Director. As such, he has been nominated as an Outside Director. The Company has no interest in or relationship with him.
HAKODA Junya		HAKODA Junya has been involved in accounting audits, management consulting, and internal audits of auditing firms, etc. for many years at PricewaterhouseCoopers, and has also served as an eminent professor teaching internal audit theory in the Graduate School of Keio University, and therefore has a wealth of 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). He contributes to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight regarding a wide range of matters including risk management for new businesses, status of monitoring by executives on investment projects including minority stakes, and approaches to organizational audits within the Company. Moreover, as the Chairperson of the Audit Committee, he has endeavored to strengthen the audit function by fulfilling his roles of auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees), while exchanging opinions and engaging in discussions from the perspective of legality and appropriateness, etc. related to items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee, which he is expected to promote. He is also simultaneously working to enhance the governance of the Group as a whole. In light of his track record, wealth of experience and considerable insights, the Company expects him to contribute greatly to management of the Group as an Outside Director. As such, he has been nominated as an Outside Director. The Company has no interest in or relationship with him.

Name	Important concurrent positions (As of May 30, 2025)	Relationship with the Company and appointment
SEKI Tadayuki	Outside Statutory Auditor of Asahi Mutual Life Insurance Company	SEKI Tadayuki has many years of experience in international business management and risk management at a general trading company, and has extensive knowledge and experience in finance and accounting as CFO, as well as broad knowledge as an outside director and outside statutory auditor of multiple companies. He contributes to improving the effectiveness of the Board of Directors by actively and assertively providing advice and oversight on a wide range of matters including proposal standards to the Board of Directors, risk management for new investment projects, approaches to performance forecasting, stakeholder communication, and leading practices for enhancing audit functions. He serves as a lead director of the executive session established by the Company as an opportunity for Outside Directors to openly and freely exchange opinions and share information. As a member of the Audit Committee, he is working to strengthen audit functions by fulfilling expectations of him in terms of exchanging and discussing opinions from the perspective of legality, appropriateness, etc. on items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee, while auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees). He is also simultaneously working to enhance the governance of the Group as a whole. In light of his track record, wealth of experience and considerable insights, the Company expects him to contribute greatly to management of the Group as an Outside Director. As such, he has been nominated as an Outside Director. The Company has no interest in or relationship with him.
OMURA Emi	Partner of CLS HIBIYA TOKYO LAW OFFICE; Outside Director, Audit and Supervisory Committee Member of Valence Holdings Inc.; External Director (Audit & Supervisory Committee Member) of FOOD & LIFE COMPANIES LTD.	In addition to her global experience in handling abundant cases in international organizations and specialized insights in labor law as an attorney, OMURA Emi has extensive experience as an outside director (audit & supervisory committee member) at other listed companies (B to C business). In particular, she is well versed in the practical aspects of sustainability and ESG legal fields such as human rights due diligence, as an expert, she has provided advice on various issues that companies face, including diversity management. Within the Group, she contributes to enhancing the effectiveness of the Board of Directors by actively and assertively providing advice and oversight regarding a wide range of matters including consideration of business plans aimed at the socially conscious younger generation familiar with the SDGs, integration of employee feedback into the Company's distinctive human capital management, and risk identification in new businesses from diverse perspectives. As a member of the Audit Committee, she is working to strengthen audit functions by fulfilling expectations of her in terms of exchanging and discussing opinions from the perspective of legality, appropriateness, etc. on items submitted to the Board of Directors and items judged to require monitoring by the Audit Committee, while auditing the execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees). She is also simultaneously working to enhance the governance of the Group as a whole. In light of her track record, wealth of experience and considerable insights, the Company expects her to contribute greatly to the Group as an Outside Director. As such, she has been nominated as an Outside Director. The Company has no interest in or relationship with her.

Name	Important concurrent positions (As of May 30, 2025)	Relationship with the Company and appointment
YAMADA Yoshihito	Chairman of the Board of OMRON Corporation; Outside Director of NEC Corporation	YAMADA Yoshihito has demonstrated strong leadership as Representative Director, President & CEO of OMRON Corporation for many years. Since 2023, he has served as Chairman of the Board, focusing on overseeing the management of the company. He possesses extensive experience and deep insights into corporate management and appropriate operations of the Board of Directors from a medium- to long-term perspective. In addition to serving as a member of the CEO Selection Advisory Committee and the Corporate Governance Committee at the company, he holds a position as an outside director for a listed company. He possesses advanced knowledge in corporate governance and sustainability. We anticipate his proactive advice will enhance the transparency and fairness of the Group's corporate management, including succession planning. In light of his track record, extensive experience and deep insights, the Company expects that he will apply them to the appropriate supervision of management in the Group. As such, he has been nominated as a new Outside Director. The Company has no interest in or relationship with him.
SAITO Kazuhiro		SAITO Kazuhiro brings extensive management experience from his time working overseas at the Suntory Group. He also possesses wealth of experience and considerable insights in marketing, corporate planning, finance, and accounting at a beverage and food company. Over the past four years since 2019, he has served as President & Chief Executive Officer of the beverage and food company, demonstrating strong leadership in group management. He has extensive experience and deep insights into group management from a medium- to long-term perspective. Combined with his rich experience and advanced knowledge in marketing, finance, and accounting, we anticipate his proactive advice will strengthen our governance on both offensive and defensive fronts. In light of his track record, extensive experience and deep insights, the Company expects that he will apply them to the appropriate supervision of management in the Group. As such, he has been nominated as a new Outside Director. The Company has no interest in or relationship with him.

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

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

(3) Status of audit

(i) Status of audit by Audit Committee

1) Organization, members and procedures of Audit Committee

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

Chairperson of the Audit Committee, HAKODA Junya, has a wealth of experience as a Certified Public Accountant and substantial expertise in corporate accounting. Audit Committee Member SEKI Tadayuki has served as CFO at Itochu Corporation and possesses considerable insight in finance and accounting. Audit Committee member OMURA Emi has global experience in handling abundant cases in international organizations and specialized insights in labor law as an attorney. In addition, newly appointed Audit Committee Member SAITO Kazuhiro has extensive overseas management experience within the Suntory Group, and also has experience as Chief Operating Officer of Finance & Accounting Division and in charge of Corporate Planning, possessing considerable knowledge in finance and accounting. The Audit Committee Secretariat (three members) has been established to support the Audit Committee in its auditing duties.

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

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

2) Activities of Audit Committee

Audit Policy and Key Audit Matters

The Audit Committee effectively audits with a fair and unbiased attitude whether the execution of duties by Executive Officers and Directors is in compliance with laws, regulations, and the Articles of Incorporation of the Company and whether they are performing their duties efficiently in accordance with the Company's basic philosophy and the Group Vision as the basic audit policy. The committee also supports the sound management of the Group by providing necessary observations and recommendations. In the current fiscal year, under the new management structure, the Company is in a situation where steady implementation of the Medium-term Business Plan aimed at the Group's sustainable growth, as well as further enhancement of the effectiveness of the governance system to support it, are required. Based on this background, the Audit Committee identified the following four areas as Key Audit Matters (KAM) and conducted audits from the perspective of governance, risk, and compliance.

Key Audit Matters	Main Audit Perspectives
Initiatives to enhance the effectiveness of the governance system	• Operation and discussion of the Board of Directors since an Outside Director became the Chairperson. • Initiatives for subsidiary management and Group governance by the holding company. • Further enhancement of discussions between the Board and Executives, as well as internal deliberation processes and organizational collaboration among the Executives.
Steady implementation of the new Medium-term Business Plan and efforts toward medium- to long-term growth	• Monitoring and verification of the validity of strategy execution and the response to apparent and potential risks regarding the status of implementation of the three initiatives outlined in the Medium-term Business Plan ((1) Deepening the retail business, (2) Evolving Group synergies, and (3) Strengthening the Group's management foundation), and efforts to achieve medium- to long-term growth by 2030. • Steady implementation of the plan in the fiscal year positioned as a "period of change."
Initiatives to maintain and enhance the internal control system and risk/compliance system	• Awareness-raising activities on compliance among management and employees under the leadership of top management, and discussions in various committee bodies. • Initiatives promoting activities that go beyond mere legal compliance to foster voluntary and autonomous conduct by employees.
Enhancement of the audit system	• Sharing and discussion of audit-related issues of each company through regular and ad-hoc meetings with Audit & Supervisory Board Members of subsidiaries. • Development of systems for the training and succession of audit personnel.

Overview of Audit Activities

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

Category	Name	Attendance at the meetings of the Audit Committee
Chairperson of Audit Committee (outside)	HAKODA Junya	24/24
Audit Committee Member (full-time)	HAMADA Kazuko	24/24
Audit Committee Member (outside)	SATO Rieko (Note 1)	7/7
Audit Committee Member (outside)	SEKI Tadayuki	24/24
Audit Committee Member (outside)	KATAYAMA Eiichi (Note 2)	6/7
Audit Committee Member (outside)	OMURA Emi (Note 3)	17/17
Audit Committee Member (outside)	SAITO Kazuhiro (Note 4)	—

Note 1: Retired on May 23, 2024.

Note 2: Retired on May 23, 2024.

Note 3: Assumed office on May 23, 2024.

Note 4: Assumed office on May 29, 2025.

To improve the effectiveness of audits and discussions at the Audit Committee, Audit Committee meetings are held separately from the Audit Committee, and they were held 19 times during the current fiscal year. The average duration of a combined Audit Committee and Audit Committee meeting is approximately two hours. The main activities of the Audit Committee and Audit Committee meetings are as follows.

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

Major activities of the Audit Committee

Matters to be resolved

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

Matters to be discussed

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

Matters to be reported

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

Major activities of the Audit Committee meetings

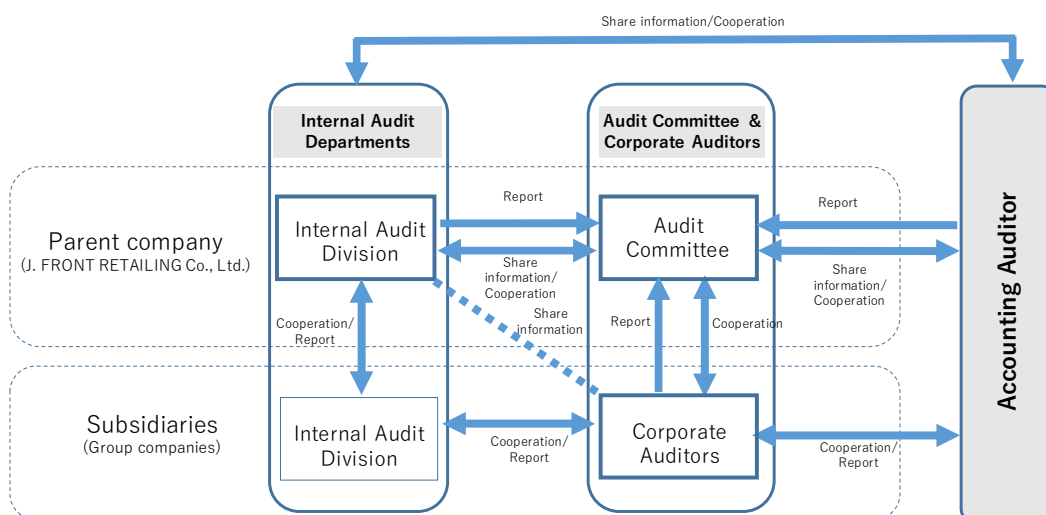
- Conduct audits of the execution of duties by the Representative Executive Officer and exchange opinions
- Audit the execution of duties of Directors and Executive Officers and interview them
- Prior consultation on matters to be resolved at the Audit Committee
- Reports from the full-time Corporate Auditors
- Discussion about Audit & Supervisory Board Member system (personnel requirements, assignments, remuneration, etc.)

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

3) Enhancement of organizational audits

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

Organizational audit structure chart



(ii) Status of internal audit

1) Organization, members, and procedures of internal audit

The Company has established an independent Internal Audit Division (11 members) under the President and Representative Executive Officer. The Internal Audit Division verifies and evaluates the legality and effectiveness of systems of corporate governance, risk management and compliance management in addition to performing audits on business operations of the Company and the Group companies.

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

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

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

(iii) Status of accounting audit

1) Name of audit firm

Ernst & Young ShinNihon LLC

2) Consecutive audit period

73 years

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

3) Certified public accountants who executed the audit duties

OJIMA Koji (Consecutive audit period: 2 years)

ONUMA Kenji (Consecutive audit period: 2 years)

TONE Tetsuro (Consecutive audit period: 1 year)

4) Breakdown of support staff for audit operations

Support staff for financial audit operations consists of 30 certified public accountants and 60 others.

5) Policies and reasons for selecting audit firm

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

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

6) Assessment of audit firm by Audit Committee

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

(iv) Details of audit fee, etc.

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

Category	Previous fiscal year		Current fiscal year	
	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit certification services (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	139	—	136	—
Consolidated subsidiaries	247	—	236	—
Total	387	—	373	—

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

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

Note: In the previous fiscal year, the content of non-audit services for the Company was accounting system-related support services, etc.

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

3) Policy on determining audit fee

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

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

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

(4) Remuneration, etc. for officers

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

In April 2017, the Company announced the formulation of an officer remuneration policy, and it then revised the Officer Remuneration System in May 2021, to match the Medium-term Business Plan. The Officer Remuneration System and the Officer Remuneration Policy were subsequently amended in FY2024, to coincide with the start of the new Medium-term Business Plan. The Company has also designed the officer remuneration to function as incentive for achieving and promoting sustainability management.

<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 policy has been established for the Directors and Executive Officers of the Group's major subsidiaries Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd., as well as for the Representative Directors of J. FRONT CITY DEVELOPMENT Co., Ltd., JFR Card Co., Ltd., and J. Front Design & Construction Co., Ltd. (hereinafter, "eligible officers of major subsidiaries of the Group").

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

<How to determine remuneration levels>

To respond quickly to changes in the external environment and the market environment, the Company uses objective remuneration survey data, etc. from a third-party organization, then determines an appropriate level of competitive remuneration for Executive Officers and Directors based on annual comparisons to a group of peers of a similar size selected on the basis of industry, market capitalization, and revenue. The same treatment is applied to the eligible officers of major subsidiaries of the Group.

<Composition of remuneration>

Executive Officer

Remuneration for Executive Officers shall comprise “basic remuneration” (monetary remuneration) in accordance with job size, “bonuses” (monetary remuneration) based on individual evaluations conducted each business year, and “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 for bonuses and performance shares were selected, as shown in the table below, with an awareness that they function as sound incentives for the achievement of KPIs and sustainable growth in the final year of the Medium-term Business Plan.

Type of remuneration	Payment basis			Payment method	Composition of remuneration (%)			
					President	Officers other than President ^{*10}		
Basic remuneration (fixed)	Determination by job size			Monthly payment in cash	33.3	38.5	45.4	
Bonuses (variable)	Basic amount by job size × rate of change ^{*1} ^{*1.} The rate of change is based on a calculation of scores using the quantitative and qualitative evaluations below.			Annual payment in cash	33.3	30.8	27.3	
	Details		Evaluation weights (%)					
	Quantitative evaluation ^{*2} <50%>	Fiscal year's financial evaluation	Consolidated business profit ^{*3}					40
			Consolidated ROIC ^{*4}					10
	Qualitative evaluation ^{*2} <50%>	Fiscal year's non-financial evaluation	Level of achievement of action plan for achieving individual missions ^{*5}					30
			Level of achievement of action plan for achieving non-financial targets in line with materiality issues ^{*6}					20
Performance-linked stock-based remuneration (variable)	[Short term: 40%] Basic amount by job size × performance achievement factor ^{*7} ^{*7.} Calculated based on the following measures of achievement			Annual payment in stocks ^{*9}	33.3	30.8	27.3	
	Details		Evaluation weights (%)					
	Consolidated business profit		100					
	[Medium to long term: 60%] Basic amount by job size × performance achievement factor ^{*8} ^{*8.} Calculated based on the following measures of achievement			At the expiration of the term of each Medium-term Business Plan in stocks ^{*9}				
	Details		Evaluation weights (%)					
	Financial indicators <60%>	ROE	40					
		Consolidated ROIC	20					
	Share price metrics <20%>	r-TSR (compared to TOPIX growth rate inclusive of dividends)	20					
	Non-financial indicators <20%>	GHG reductions (Scope 1 & 2 emissions)	10					
		Ratio of women in management positions	10					

*2. For eligible officers of major subsidiaries of the Group, quantitative valuation accounts for 70%, and qualitative evaluation for 30%.

*3. For eligible officers of major subsidiaries of the Group, business profit for that subsidiary is weighted at 60% of the evaluation.

*4. For eligible officers of major subsidiaries of the Group, ROIC of that subsidiary is used.

- *5. For eligible officers of major subsidiaries of the Group, weighted at 20% of the evaluation.
- *6. For eligible officers of major subsidiaries of the Group, weighted at 10% of the evaluation.
- *9. In principle, the equivalent of 50% of the Company's shares to be issued is converted and paid as cash to provide funds for payment of tax.
- *10. For the composition of remuneration for officers other than President, one of the compositions is applied in accordance with the responsibilities.

(Basic remuneration)

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

(Bonuses)

Bonuses are paid as performance-linked remuneration to facilitate the achievement of goals set for each fiscal year as milestones for the Medium-term Business Plan, and evaluation for the bonuses is carried out using the fiscal year's financial indicators serving as quantitative evaluations and the fiscal year's non-financial indicators, which include qualitative evaluations. For annual financial indicators, the degree of achievement of target values for consolidated financial indicators for each fiscal year as set in the Medium-term Business Plan resolved by the Board of Directors is evaluated (for eligible officers of major subsidiaries of the Group, the target values of those subsidiaries are used). For annual non-financial indicators, the degree of achievement of action plans to fulfill individual missions of each officer and action plans to achieve the Company's materiality is evaluated. The weighting between annual financial indicators and annual non-financial indicators is 50:50 (for eligible officers of major subsidiaries of the Group, 70:30), and among the annual non-financial indicators, 2/5 (20% of the total weighting, 1/3 for officers of target subsidiaries) is evaluated based on action plans to achieve the Company's materiality. In annual financial indicators, consolidated business profit and consolidated ROIC are adopted, and the degree of achievement of targets set for each fiscal year in the Medium-term Business Plan is evaluated (for eligible officers of major subsidiaries of the Group, the degree of achievement of each company's business profit and ROIC targets is evaluated).

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

Performance-linked stock-based remuneration is issues of the Company's shares linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan. This remuneration is designed to help the Group achieve sustainable growth and increase corporate value over the medium to long term. When the shares are issued, in principle the equivalent of 50% of the Company's shares to be issued is converted and paid as cash to provide funds for payment of tax. Under this system, 40% of the entire amount of performance-linked stock-based remuneration will be issued each year in order to promote management from the shareholders' perspective, with the remaining 60% to be issued in a single issuance at the end of the Medium-term Business Plan. The portion granted annually is evaluated solely based on the degree of achievement of the consolidated business profit target set for each fiscal year in the Medium-term Business Plan. The portion granted upon completion of the Medium-term Business Plan is evaluated 60% based on financial indicators, 20% based on share price metrics, and 20% based on non-financial indicators. Financial indicators are evaluated using numerical targets (IFRS basis) for ROE (weighting of 40%) and consolidated ROIC (weighting of 20%) as stated in the Medium-term Business Plan published following a resolution by the Board of Directors. For share price metrics, evaluation is based on r-TSR (compared to TOPIX growth rate inclusive of dividends). The system bases the evaluation for non-financial targets on a weighting of 10% for reduction of greenhouse gas emissions (Scope 1 and 2) and 10% for the ratio of women in management positions, both of which are related to the Company's material issues. The fluctuation range for remuneration in accordance with the performance achievement rate is between 0% and 200%.

[Performance-linked stock-based remuneration targets]

KPI		Target	Weight
Finance	Consolidated business profit	¥56,000 million (FY2026)	100%

KPI		Target	Weight
Finance	(1) ROE	8.0% or more (FY2026)	40%
	(2) Consolidated ROIC	6.0% or more (FY2026)	20%
Share price	(3) r-TSR (compared to TOPIX growth rate inclusive of dividends)	TOPIX growth rate inclusive of dividends	20%
Non-financial	(4) GHG reductions (Scope 1 & 2 emissions)	70.0% reduction (compared with FY2017)	10%
	(5) Ratio of women in management positions	31.0% (FY2026)	10%

(Targets and results of indicators for performance-linked remuneration in the current fiscal year (from March 2024 to February 2025))

			(Millions of yen)	
Type of remuneration			Target	Results
Bonuses	Financial perspective	Consolidated business profit	44,500	53,490
		Consolidated ROIC	5.1%	6.2%
Performance-linked stock-based remuneration	Short term	Consolidated business profit	44,500	53,490
	Medium to long term	ROE	—	—
		Consolidated ROIC	—	—
		GHG reductions	—	—
		Ratio of women in management positions	—	—

<Director>

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

4) Remuneration determination process

To ensure the appropriateness of the level and amount of remuneration and the transparency of decision-making processes, decisions on the specific amount of remuneration to be paid are made by deliberation and resolution of the Remuneration Committee, whose four members comprise three independent Outside Directors and one internal Director who does not execute business, and which is headed by an independent Outside Director. Since the members of the Company's Remuneration Committee and its Nomination Committee are the same, they can use a common evaluation sheet for both committees to coordinate together in activities related to the areas of nomination and remuneration of management, including eligible officers of major subsidiaries of the Group. The Remuneration Committee determines the policy on deciding the contents of individual remuneration for eligible officers of major subsidiaries of the Group, and the contents of individual remuneration for Directors and Executive Officers of the Company. The committee also deliberates on and resolves internal regulations and other rules for remuneration of the Company's Directors and Executive Officers. The individual remuneration details for the eligible officers of major subsidiaries of the Group are deliberated on by the nomination and remuneration committees (among the Group's major subsidiaries, those committees are established at Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd. and whose members include independent Outside Directors of the Company), which are established at the discretion of each company, and are decided by each company's Board of Directors after being resolved by each

company's Annual Shareholders Meeting if such approval is required. It is planned that the Remuneration Committee shall meet at least four times a year. Revisions of the officer remuneration system will be undertaken based on Medium-term Business Plan periods. If unforeseen events or changes in the external environment occur that were not anticipated at the time of formulating the Medium-term Business Plan, the remuneration level, as well as evaluation methods for bonuses and performance shares (performance-linked stock-based remuneration), will be reviewed based on the decision of the Remuneration Committee. In the current fiscal year, the Remuneration Committee held ten meetings.

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

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

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

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

6) Stock acquisition and holding

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

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

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

Category of officer	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen)				Number of recipient Directors (and other officers) (Persons)
		Basic remuneration	Performance-linked bonuses	Performance-linked stock-based remuneration	Non-performance-linked stock-based remuneration	
Director	206	162	—	—	43	11
[of which, Outside Director]	[116]	[97]	[—]	[—]	[19]	[8]
Executive Officer	716	235	230	251	—	13
Total	923	398	230	251	43	24

Notes: 1. Other than the above, the total amount of remuneration, etc. received by Outside Directors from subsidiaries of the Company in the current fiscal year is ¥7 million.

2. In the above table, the remuneration, etc. for Directors of ¥206 million includes ¥23 million (including non-performance-linked stock-based remuneration) paid to three Directors who held the post between March 1 and May 23, 2024.
3. The remunerations, etc. paid to Directors who concurrently serve as Executive Officers as compensation for the performance of duties during the term of the Executive Officers is shown in the Executive Officer row.
4. 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' job size and level of achievement of the Medium-term Business Plan, etc.). The stock-based remuneration in the above chart is the total recorded as expenses for the period under review. It is divided into performance-linked stock-based remuneration corresponding to the degree of achievement of single fiscal year results and the degree of achievement of the Medium-term Business Plan targets, as well as non-performance-linked stock-based remuneration for Directors who do not execute business.
5. Figures in the "performance-linked bonuses" and "performance-linked stock-based remuneration" columns represent amounts recognized as provisions (standard amounts) before adjustment for the results of performance evaluation for the fiscal year ended February 28, 2025. The actual amounts to be paid and amounts to be paid on an individual basis will be determined by a meeting of the Remuneration Committee scheduled in or after April 2025.

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

Name	Total amount of consolidated remuneration, etc. (Millions of yen)	Category of officer	Category of company	Total amount of remuneration, etc. by type (Millions of yen)			
				Basic remuneration	Performance-linked bonuses	Performance-linked stock-based remuneration	Non-performance-linked stock-based remuneration
KOIDE Hiroko	23	Director (Note 1)	Reporting company	20	—	—	3
YAGO Natsunosuke	16	Director (Note 1)	Reporting company	13	—	—	3
HAKODA Junya	21	Director (Note 1)	Reporting company	18	—	—	3
UCHIDA Akira	20	Director (Note 1)	Reporting company	17	—	—	3
SEKI Tadayuki	20	Director (Note 1)	Reporting company	17	—	—	3
OMURA Emi	11	Director (Note 1)	Reporting company	9	—	—	2
YOSHIMOTO Tatsuya	82	Director	Reporting company	44	—	26	12
HAMADA Kazuko	30	Director	Reporting company	21	—	—	9
ONO Keiichi	143	Executive Officer	Reporting company	42	50	51	—
WAKABAYASHI Hayato	76	Executive Officer	Reporting company	28	25	23	—
HAYASHI Kenichi	67	Executive Officer	Reporting company	25	20	22	—
SHIBATA Takeshi	—	Executive Officer	Reporting company	—	—	—	—
NAGAMINE Takamasa	—	Executive Officer	Reporting company	—	—	—	—
MATSUDA Hirokazu	63	Executive Officer	Reporting company	22	20	21	—
INAGAMI Hajime	—	Executive Officer	Reporting company	—	—	—	—
UMEBAYASHI Akira	46	Executive Officer	Reporting company	16	16	14	—
NOMURA Taiichi	44	Executive Officer	Reporting company	16	15	13	—
YOSHIDA Maki	—	Executive Officer	Reporting company	—	—	—	—
MORITA Kosuke	44	Executive Officer	Reporting company	16	14	14	—
SAITO Takeshi	—	Executive Officer	Reporting company	—	—	—	—
URAKI Hiroshi	—	Executive Officer	Reporting company	—	—	—	—
NOGUCHI Hideki	47	Executive Officer	Reporting company	16	16	15	—
IMAZU Takako	44	Executive Officer	Reporting company	16	15	13	—

Notes: 1. Independent Outside Director

2. Lists only those who were officers as of the Shareholders Meeting of May 29, 2025.

3. Directors who concurrently serve as officers are listed in the “Executive Officer” column.

4. In the case of Executive Officers who serve concurrently at operating companies, remuneration paid by each company is included.

(5) Ownership of shares

(i) Classification criteria and approaches for investment shares

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

(Investment shares held for the purpose of pure investment)

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

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

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

(ii) Ownership of shares in the Group

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

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

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

(Holding policy)

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

As of February 28, 2025, the Group holds 144 cross-shareholdings (of which ten are listed shares).

(Method for validation of rationale)

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

- Qualitative perspective

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

- Quantitative perspective

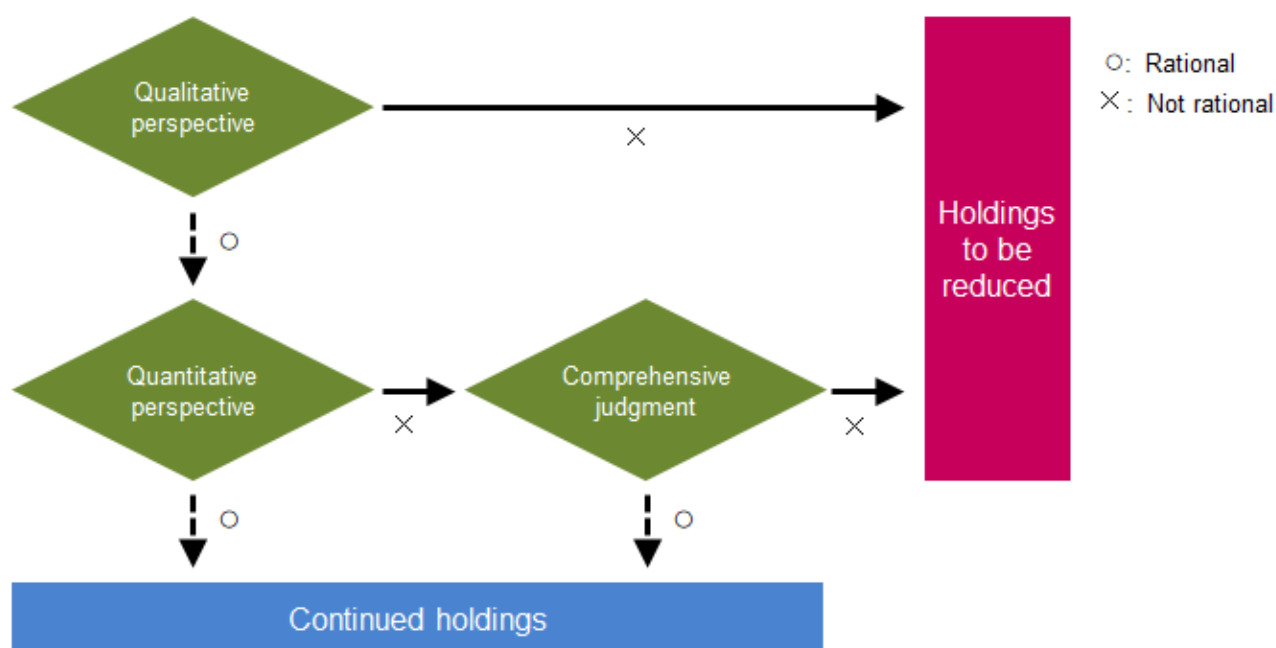
The perspective relating to whether profitability by holding shares, including related trading profits and dividends, exceeds capital costs, etc.

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

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

□ Process for validation of rationale

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



□ Schedule for validation of rationale, negotiation and reduction

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

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

(Execution of voting rights)

The Group determines whether to exercise its voting rights pertaining to cross-shareholdings considering both whether such exercise will contribute to the sustainable growth and the medium- to long-term enhancement of corporate value of the company whose shares are held and whether such exercise will contribute to the sustainable growth and the medium- to long-term enhancement of corporate value of the Group. Particularly, in regard to proposals that we consider to be of high priority with respect to strengthening corporate governance, such as proposals relating to the corporate governance system (selection of officers), proposals relating to shareholder return (appropriation of surplus), and proposals that have an impact on shareholder value (introduction of takeover defense measures), we will establish policies upon which to base judgment of our exercise of voting rights, and acting as the Group as a whole, we will respond to

them in line with such policies. We will engage in dialogue with companies whose shares we hold if necessary.

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

(Shares not listed)

	Previous fiscal year	Increase*	Decrease	Year-end valuation	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)	134	5	(5)	—	134	(Increased shares) Start-up companies with innovative technologies and business models, etc. (Purpose) Creation of new businesses through business alliances and transformation of existing businesses
Consolidated statement of financial position amount (Millions of yen)	17,532	410	(17)	9,416	27,341	

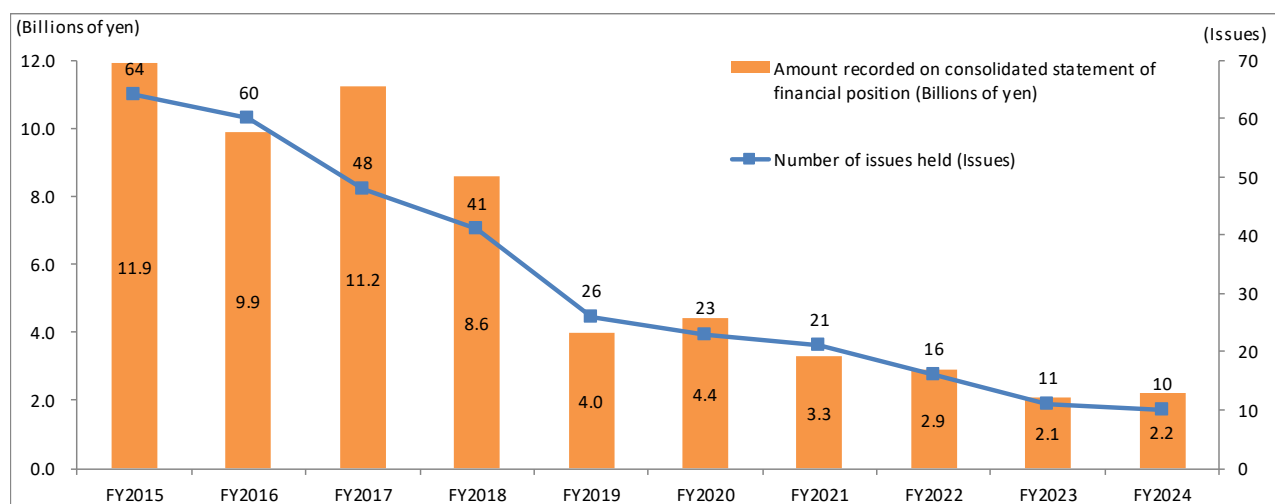
* Of the four issues, the acquisition was made by JFR MIRAI CREATORS Fund, a corporate venture capital fund.

(Shares other than those not listed)

	Previous fiscal year	Increase	Decrease	Increase or decrease in market value	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)	11	—	(1)	—	10	(Increased shares) Regular contributions to stock ownership plans (Purpose) Maintaining business relationships
Consolidated statement of financial position amount (Millions of yen)	2,181	3	(108)	183	2,259	

The ratio of the amount recorded in the consolidated statement of financial position of cross-shareholdings to the equity attributable to owners of parent is 7.22%.

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



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

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

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

A. Number of issues and carrying amount

(Shares not listed)

	Previous fiscal year	Increase	Decrease	Year-end valuation	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)	8	—	—	—	8	—
Carrying amount (Millions of yen)	2,044	—	—	(5)	2,039	

(Shares other than those not listed)

	Previous fiscal year	Increase	Decrease	Increase or decrease in market value	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)	1	—	—	—	1	—
Carrying amount (Millions of yen)	22	—	—	(2)	20	

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

(Specified investment shares)

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

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

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding and overview of business alliance, etc.	Quantitative effects of shareholding and comprehensive judgment	Reason for increase in number of shares	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)				
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)				
Misonoza Theatrical Corporation	12,000	12,000	(Purpose of holding) • Contribution to community development • Promotion of arts and culture	(Quantitative standard) • Not met (Comprehensive judgment) • Made judgment to continue to hold taking into consideration the fact that this company is indispensable for developing art and culture in the area in which stores of Daimaru Matsuzakaya Department Stores exist.	—	None
	20	22				

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

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

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

A. Number of issues and carrying amount

(Shares not listed)

	Previous fiscal year	Increase	Decrease	Year-end valuation	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)	90	–	(3)	–	87	–
Carrying amount (Millions of yen)	2,212	–	(6)	(153)	2,053	

(Shares other than those not listed)

	Previous fiscal year	Increase	Decrease	Increase or decrease in market value	Current fiscal year	Reason for increase in number of shares
Number of issues (security titles)	6	–	(1)	–	5	–
Carrying amount (Millions of yen)	1,785	–	(108)	162	1,839	

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

(Specified investment shares)

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

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

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding and overview of business alliance, etc.	Quantitative effects of shareholding and comprehensive judgment	Reason for increase in number of shares	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)				
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)				
Toho Gas Co., Ltd.	222,893	222,893	(Segment) • Department store (Purpose of holding and overview of transaction)	(Quantitative standard) • Not met (Comprehensive judgment)	–	Yes
	915	669	• Maintaining good relationships • Stable merchandise sales	• Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru Matsuzakaya Department Stores exist and the recognition that it has continuously contributed to a stable level of profit.		

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding and overview of business alliance, etc.	Quantitative effects of shareholding and comprehensive judgment	Reason for increase in number of shares	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)				
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)				
CHUBU-NIPPON BROADCASTING CO., LTD.	568,205	568,205	(Segment) Department store (Purpose of holding and overview of transaction)	(Quantitative standard) Not met (Comprehensive judgment)	—	Yes
	371	402	- Maintaining good relationships - Advertisement including public relations activities	Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru Matsuzakaya Department Stores exist and the recognition that it has continuously contributed to a stable level of profit.		
Misonoza Theatrical Corporation	200,000	200,000	(Segment) Department store (Purpose of holding)	(Quantitative standard) Not met (Comprehensive judgment)	—	None
	344	378	- Contribution to community development - Promotion of arts and culture	Made judgment to continue to hold taking into consideration the fact that this company is indispensable for developing art and culture in the area in which stores of Daimaru Matsuzakaya Department Stores exist.		
ANA HOLDINGS INC.	41,100	41,100	(Segment) Department store (Purpose of holding and overview of transaction)	(Quantitative standard) Not met (Comprehensive judgment)	—	None
	117	134	- Maintaining good relationships - Stable merchandise sales	Made judgment to continue to hold taking into consideration the recognition that it has continuously contributed to a stable level of profit		
OKAYA & CO., LTD.	13,200	6,600	(Segment) Department store (Purpose of holding and overview of transaction)	(Quantitative standard) Not met (Comprehensive judgment)	Stock split	None
	92	93	- Maintaining good relationships - Stable merchandise sales	Made judgment to continue to hold taking into consideration the fact that this is a core company in the area in which stores of Daimaru Matsuzakaya Department Stores exist and the recognition that it has continuously contributed to a stable level of profit.		

Issue name	Current fiscal year	Previous fiscal year	Purpose of holding and overview of business alliance, etc.	Quantitative effects of shareholding and comprehensive judgment	Reason for increase in number of shares	Holding of the Company's shares
	Number of shares (Shares)	Number of shares (Shares)				
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)				
Meiko Trans Co., Ltd.*	—	70,903	—	—	—	None
	—	108				

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

V. Financial Information

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

- (1) Pursuant to the provisions of Article 312 of the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as the “Ordinance on Consolidated Financial Statements”), the consolidated financial statements of the Company have been prepared in compliance with International Financial Reporting Standards (“IFRS”).
- (2) The non-consolidated financial statements of the Company have been prepared in accordance with the “Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements” (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the “Ordinance on Financial Statements”).

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

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

2. Note on independent audit

The consolidated financial statements for the fiscal year (from March 1, 2024 to February 28, 2025) and the non-consolidated financial statements for the fiscal year (from March 1, 2024 to February 28, 2025) were audited by Ernst & Young ShinNihon LLC in accordance with Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

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

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

- (1) To develop a system for ensuring correct understanding of accounting standards, etc. and appropriate responses to any changes in accounting standards, etc., the Company has joined the Financial Accounting Standards Foundation and attends seminars, etc. held by the foundation and others.
- (2) For the adoption of IFRS, the Company keeps up with the latest accounting standards by obtaining press releases and standards published by the International Accounting Standards Board as needed. To prepare appropriate consolidated financial statements under IFRS, the Company has developed accounting policies of the Group in compliance with IFRS and performs accounting procedures based on these policies.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Statement of Financial Position

	Notes	As of February 29, 2024	As of February 28, 2025
		Millions of yen	Millions of yen
Assets			
Current assets			
Cash and cash equivalents	7	71,342	54,975
Trade and other receivables	8,30	143,321	156,663
Other financial assets	10,39	11,439	8,690
Inventories	9,11	15,193	12,662
Other current assets	13	5,203	6,421
Subtotal		246,501	239,414
Assets held for sale	12	–	1,631
Total current assets		246,501	241,045
Non-current assets			
Property, plant and equipment	14,18	458,623	469,417
Right-of-use assets	16,18	107,623	136,389
Goodwill	15,18	560	6,799
Investment property	17,18	181,985	177,176
Intangible assets	15,18	7,886	8,350
Investments accounted for using equity method	19,22	23,531	27,840
Other financial assets	10,11, 39	72,034	81,535
Deferred tax assets	21	3,636	3,190
Other non-current assets	13	12,343	12,402
Total non-current assets		868,225	923,101
Total assets		1,114,726	1,164,147

	Notes	As of February 29, 2024	As of February 28, 2025
		Millions of yen	Millions of yen
Liabilities and equity			
Liabilities			
Current liabilities			
Bonds and borrowings	22,23	57,330	53,330
Trade and other payables	24	151,230	162,810
Lease liabilities	16,22	27,222	25,294
Other financial liabilities	23,39	28,362	28,262
Income tax payables		7,183	11,576
Provisions	26	2,487	785
Other current liabilities	27,30	57,445	59,280
Total current liabilities		331,261	341,341
Non-current liabilities			
Bonds and borrowings	22,23	156,618	136,728
Lease liabilities	16,22	123,228	148,225
Other financial liabilities	23,39	34,798	33,368
Retirement benefit liability	25	15,980	15,369
Provisions	26	6,746	5,905
Deferred tax liabilities	21	51,439	59,519
Other non-current liabilities	27	419	453
Total non-current liabilities		389,232	399,570
Total liabilities		720,494	740,911
Equity			
Share capital	28	31,974	31,974
Capital surplus	28	189,172	188,081
Treasury shares	28	(14,231)	(23,940)
Other components of equity	28	7,383	14,219
Retained earnings	28	167,600	199,311
Total equity attributable to owners of parent		381,898	409,646
Non-controlling interests		12,333	13,588
Total equity		394,232	423,235
Total liabilities and equity		1,114,726	1,164,147

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

Consolidated Statement of Income

	Notes	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
		Millions of yen	Millions of yen
Revenue	30	407,006	441,877
Cost of sales	32	(211,490)	(229,281)
Gross profit		195,516	212,596
Selling, general and administrative expenses	33	(151,185)	(159,106)
Other operating income	31	3,673	11,831
Other operating expenses	34	(4,955)	(7,122)
Operating profit		43,048	58,199
Finance income	35	1,609	781
Finance costs	35	(4,847)	(4,270)
Share of profit (loss) of investments accounted for using equity method	19	1,532	1,074
Profit before tax		41,343	55,785
Income tax expense	21	(11,096)	(14,273)
Profit		30,247	41,512
Profit attributable to:			
Owners of parent		29,913	41,424
Non-controlling interests		333	87
Profit		30,247	41,512
Earnings per share			
Basic earnings per share (Yen)	37	114.06	160.35
Diluted earnings per share (Yen)	37	114.06	160.15

Consolidated Statement of Comprehensive Income

	Notes	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
		Millions of yen	Millions of yen
Profit		30,247	41,512
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income	36,39	(1,638)	6,717
Remeasurements of defined benefit plans	36	2,276	1,135
Share of other comprehensive income of entities accounted for using equity method	36	(75)	0
Total items that will not be reclassified to profit or loss		562	7,852
Items that may be reclassified to profit or loss			
Cash flow hedges	36	20	(46)
Exchange differences on translation of foreign operations	36	103	213
Share of other comprehensive income of entities accounted for using equity method	36	1	(2)
Total items that may be reclassified to profit or loss		126	164
Other comprehensive income, net of tax		688	8,017
Comprehensive income		30,935	49,529
Comprehensive income attributable to:			
Owners of parent		30,561	49,426
Non-controlling interests		373	102
Comprehensive income		30,935	49,529

3) Consolidated Statement of Changes in Equity

		Equity attributable to owners of parent					
	Notes	Share capital	Capital surplus	Treasury shares	Other components of equity		
					Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income
		Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance at March 1, 2023		31,974	189,068	(14,466)	209	(2)	10,448
Profit		—	—	—	—	—	—
Other comprehensive income		—	—	—	105	20	(1,647)
Total comprehensive income		—	—	—	105	20	(1,647)
Purchase of treasury shares	28	—	—	(7)	—	—	—
Disposal of treasury shares	28	—	(0)	0	—	—	—
Dividends	29	—	—	—	—	—	—
Share-based payment transactions		—	104	240	—	—	—
Change due to capital increase of consolidated subsidiaries		—	—	—	—	—	—
Changes in ownership interests in subsidiaries		—	0	—	—	—	—
Transfer from other components of equity to retained earnings		—	—	—	—	—	(1,749)
Total transactions with owners		—	103	234	—	—	(1,749)
Balance at February 29, 2024		31,974	189,172	(14,231)	314	17	7,050
Profit		—	—	—	—	—	—
Other comprehensive income		—	—	—	211	(46)	6,716
Total comprehensive income		—	—	—	211	(46)	6,716
Purchase of treasury shares	28	—	(117)	(11,458)	—	—	—
Dividends	29	—	—	—	—	—	—
Share-based payment transactions		—	(973)	1,749	—	—	—
Change due to capital increase of consolidated subsidiaries		—	—	—	—	—	—
Obtaining of control of subsidiaries		—	—	—	—	—	—
Transfer from other components of equity to retained earnings		—	—	—	—	—	(45)
Total transactions with owners		—	(1,090)	(9,708)	—	—	(45)
Balance at February 28, 2025		31,974	188,081	(23,940)	525	(29)	13,722

		Equity attributable to owners of parent				Non-controlling interests	Total
Notes	Other components of equity		Retained earnings	Total			
	Remeasurements of defined benefit plans	Total					
	Millions of yen	Millions of yen					
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	
Balance at March 1, 2023		–	10,654	142,153	359,385	12,025	371,410
Profit		–	–	29,913	29,913	333	30,247
Other comprehensive income		2,169	648	–	648	40	688
Total comprehensive income		2,169	648	29,913	30,561	373	30,935
Purchase of treasury shares	28	–	–	–	(7)	–	(7)
Disposal of treasury shares	28	–	–	–	0	–	0
Dividends	29	–	–	(8,386)	(8,386)	(64)	(8,450)
Share-based payment transactions		–	–	–	344	–	344
Change due to capital increase of consolidated subsidiaries		–	–	–	–	6	6
Changes in ownership interests in subsidiaries		–	–	–	0	(7)	(6)
Transfer from other components of equity to retained earnings		(2,169)	(3,919)	3,919	–	–	–
Total transactions with owners		(2,169)	(3,919)	(4,466)	(8,048)	(65)	(8,113)
Balance at February 29, 2024		–	7,383	167,600	381,898	12,333	394,232
Profit		–	–	41,424	41,424	87	41,512
Other comprehensive income		1,120	8,002	–	8,002	15	8,017
Total comprehensive income		1,120	8,002	41,424	49,426	102	49,529
Purchase of treasury shares	28	–	–	–	(11,575)	–	(11,575)
Dividends	29	–	–	(10,879)	(10,879)	(64)	(10,943)
Share-based payment transactions		–	–	–	776	–	776
Change due to capital increase of consolidated subsidiaries		–	–	–	–	5	5
Obtaining of control of subsidiaries		–	–	–	–	1,210	1,210
Transfer from other components of equity to retained earnings		(1,120)	(1,166)	1,166	–	–	–
Total transactions with owners		(1,120)	(1,166)	(9,712)	(21,678)	1,151	(20,526)
Balance at February 28, 2025		–	14,219	199,311	409,646	13,588	423,235

4) Consolidated Statement of Cash Flows

	Notes	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
		Millions of yen	Millions of yen
Cash flows from (used in) operating activities			
Profit before tax		41,343	55,785
Depreciation and amortization expense		46,492	45,593
Impairment loss	18	2,310	2,689
Finance income		(1,609)	(781)
Finance costs		4,847	4,270
Share of loss (profit) of investments accounted for using equity method		(1,532)	(1,074)
Loss (gain) on sales of non-current assets		(757)	(140)
Loss on disposals of non-current assets		1,302	2,699
Gain on step acquisitions	44	–	(8,525)
Decrease (increase) in inventories		3,748	2,530
Decrease (increase) in trade and other receivables		(13,010)	(16,567)
Increase (decrease) in trade and other payables		18,001	11,157
Increase (decrease) in retirement benefit liabilities		(773)	(616)
Decrease (increase) in retirement benefit assets		(2,306)	(787)
Other, net		(812)	181
Subtotal		97,245	96,415
Interest received		150	186
Dividends received		899	129
Interest paid		(4,803)	(4,223)
Income taxes paid	22	(4,679)	(10,390)
Income taxes refund		1,880	3,695
Net cash flows from (used in) operating activities		90,692	85,812
Cash flows from (used in) investing activities			
Purchase of property, plant and equipment		(7,030)	(14,412)
Proceeds from sales of property, plant and equipment, and intangible assets		241	182
Purchase of investment property		(1,594)	(1,216)
Proceeds from sales of investment property		4,014	–
Purchase of intangible assets		(2,863)	(2,574)
Purchase of investment securities		(1,885)	(6,641)
Proceeds from sales of investment securities	22	22,179	1,699
Proceeds from refund of guarantee deposits		2,422	3,645
Purchase of shares of subsidiaries resulting in change in scope of consolidation	44	–	(6,220)
Other, net		(2,054)	(2,771)
Net cash flows from (used in) investing activities		13,429	(28,308)

	Notes	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
		Millions of yen	Millions of yen
Cash flows from (used in) financing activities			
Net increase (decrease) in current borrowings	22	(9,100)	–
Proceeds from non-current borrowings	22	3,400	8,500
Repayments of non-current borrowings	22	(29,530)	(12,430)
Redemption of bonds	22,23	–	(20,000)
Repayments of lease liabilities	16,22	(29,088)	(27,590)
Purchase of treasury shares		(8)	(11,575)
Dividends paid		(8,362)	(10,847)
Dividends paid to non-controlling interests		(64)	(64)
Other, net		6	5
Net cash flows from (used in) financing activities		(72,746)	(74,001)
Net increase (decrease) in cash and cash equivalents		31,375	(16,498)
Cash and cash equivalents at beginning of period		39,874	71,342
Effect of exchange rate changes on cash and cash equivalents		92	130
Cash and cash equivalents at end of period		71,342	54,975

Notes to Consolidated Financial Statements

1. Reporting Entity

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

The Company’s consolidated financial statements for the fiscal year ended February 28, 2025 comprise the Company and its subsidiaries’ interests in the Group’s associates.

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

2. Basis of Preparation

(1) Compliance with IFRS

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

Pursuant to the provisions of Article 312 of the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976), the consolidated financial statements of the Group have been prepared in compliance with IFRS since the Company qualifies as a “Specified Company Complying with Designated International Accounting Standards” prescribed in Article 1-2 of the Ordinance.

(2) Basis of measurement

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

(3) Functional currency and presentation currency

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

3. Significant Accounting Policies

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

(1) Basis of consolidation

1) Subsidiaries

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

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

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

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

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

2) Associates

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

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

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

3) Joint control

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

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

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

(2) Business combinations

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

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

(3) Foreign currency translation

1) Foreign currency transactions

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

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

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

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

2) Financial statements of foreign subsidiaries and associates

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

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

(4) Financial instruments

1) Non-derivative financial assets

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

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

(i) Financial assets measured at amortized cost

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

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

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

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

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

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

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

(iv) Impairment of financial assets

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

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

(v) Derecognition of financial assets

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

2) Non-derivative financial liabilities

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

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

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

(5) Cash and cash equivalents

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

(6) Inventories

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

(7) Assets held for sale

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

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

(8) Property, plant and equipment

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

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

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

- | | |
|----------------------------|---------------|
| • Buildings and structures | 2 to 60 years |
| • Machinery and vehicles | 2 to 17 years |
| • Furniture and fixtures | 2 to 20 years |

(9) Goodwill

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

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

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

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

(10) Intangible assets

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

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

- | | |
|------------|---------------|
| • Software | 5 to 10 years |
|------------|---------------|

(11) Right-of-use assets

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

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

(12) Lease liabilities

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

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

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

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

(13) Investment property

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

(14) Impairment of non-financial assets

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

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

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

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

(15) Employee benefits

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

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

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

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

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

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

(16) Share-based payment

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

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

(17) Provisions

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

Asset retirement obligations

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

Provision for loss on business liquidation

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

(18) Revenue

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

1) Revenue recognition by business segment

i) Department Store Business

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

ii) SC Business

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

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

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

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

iii) Developer Business

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

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

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

iv) Payment and Finance Business

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

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

v) Other

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

2) Gross and net presentation of revenue

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

(19) Income tax

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

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

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

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

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

4. Significant Accounting Estimates and Judgments

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

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

In terms of the business environment, while the Japanese economy as a whole continues to show a moderate recovery trend, and domestic consumption remains steady, uncertainties still persist due to changes in the global situation, domestic and overseas economic slowdowns caused by interest rate and exchange rate fluctuations, and concerns over a decline in domestic and inbound consumption due to rising prices. Given these circumstances, the Group has made reasonable estimates based on the assumption that domestic personal consumption in FY2025 will remain solid, particularly in the affluent market, and that inbound tourism demand will continue to grow in line with an increasing number of foreign visitors to Japan. These estimates incorporate the expected effects of strategies and measures in each business and reflect the situation as of the end of the reporting period. If uncertainty further increases, the Group may revise the carrying amounts of assets and liabilities in future accounting periods.

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

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

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

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

The recoverable amount is the larger of its value in use and fair value less cost of disposal. In estimating value in use, we consider future cash flows generated from the use of the asset, future cash flows from its ultimate disposal, and apply a discount rate.

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

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

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

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

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

For the estimation of fair value less cost of disposal, we calculate based on real estate appraisal values, deducting the estimated disposal costs.

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

(Millions of yen)

	Department Store Business	SC Business
Impairment losses	1,878	765
Property, plant and equipment	245,364	196,550
Right-of-use assets	93,748	51,690
Goodwill	6,275	523
Investment property	108,313	3,200
Intangible assets	3,296	1,085

(2) Post-employment benefits

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

Of the assumptions provided above, the discount rate and anticipated rate of salary increase, which are particularly important, are provided in "25. Employee Benefits."

(3) Determination and revision of lease periods

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

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

5. New Standards Not Yet Applied

As of the approval date of the consolidated financial statements, the main accounting standards and interpretation guidelines published but not yet early adopted by the Group are as follows.

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

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

6. Segment Information

(1) Overview of reportable segments

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

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

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

Due to the review of the business management classification, PARCO Digital Marketing Co., Ltd. was removed from the Developer Business and included in the SC Business on March 1, 2024. In addition, due to reorganization within the Group as of September 1, 2024, a part of the management business of J. Front One Partner Co., Ltd. (formerly JFR Service Co. Ltd.), which had been included in “Other,” was transferred to PARCO SPACE SYSTEMS Co., Ltd. that is included in the “Developer Business” and another company. Accordingly, they have been retroactively adjusted as if the transfer had been effective from the beginning of the previous fiscal year (March 1, 2023).

(2) Segment revenue and business results

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

Fiscal year ended February 29, 2024

	Reportable segment					Other	Total	Adjustments	Consolidated
	Department Store Business	SC Business	Developer Business	Payment and Finance Business	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
External revenue	238,747	57,551	67,165	6,148	369,613	37,393	407,006	–	407,006
Inter-segment revenue	352	1,179	14,152	6,967	22,652	9,948	32,600	(32,600)	–
Total	239,100	58,731	81,318	13,115	392,265	47,341	439,607	(32,600)	407,006
Segment profit	23,430	9,463	7,674	2,583	43,152	1,248	44,400	(1,351)	43,048
Finance income									1,609
Finance costs									(4,847)
Share of profit (loss) of investments accounted for using equity method									1,532
Profit before tax									41,343
Segment assets	546,826	298,146	143,823	84,268	1,073,064	78,095	1,151,160	(36,433)	1,114,726
Other items									
Depreciation and amortization expense	29,472	12,972	4,238	177	46,860	860	47,721	(1,228)	46,492
Impairment loss	1,654	29	179	–	1,864	11	1,875	435	2,310
Investments accounted for using equity method	22,481	51	841	–	23,374	156	23,530	1	23,531
Capital expenditures	6,322	8,464	2,078	52	16,918	575	17,493	(5,405)	12,087

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

Fiscal year ended February 28, 2025

	Reportable segment					Other	Total	Adjustments	Consolidated
	Department Store Business	SC Business	Developer Business	Payment and Finance Business	Total				
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
External revenue	263,242	63,251	69,144	5,370	401,009	40,859	441,868	9	441,877
Inter-segment revenue	401	1,167	21,513	7,765	30,846	9,857	40,704	(40,704)	–
Total	263,643	64,418	90,658	13,135	431,855	50,716	482,572	(40,694)	441,877
Segment profit	29,677	12,850	8,189	1,460	52,177	797	52,975	5,224	58,199
Finance income									781
Finance costs									(4,270)
Share of profit (loss) of investments accounted for using equity method									1,074
Profit before tax									55,785
Segment assets	617,068	285,933	144,196	85,954	1,133,153	82,075	1,215,229	(51,082)	1,164,147
Other items									
Depreciation and amortization expense	28,803	12,172	4,284	202	45,463	833	46,297	(703)	45,593
Impairment loss	1,878	765	–	–	2,643	102	2,746	(56)	2,689
Investments accounted for using equity method	21,607	15	5,888	–	27,511	157	27,668	171	27,840
Capital expenditures	14,698	3,878	1,877	588	21,043	1,577	22,621	360	22,981

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

(3) Information by geographical area

Revenue from external customers

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

Non-current assets

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

7. Cash and Cash Equivalents

The breakdown of cash and cash equivalents is as follows:

	As of February 29, 2024	As of February 28, 2025
	Millions of yen	Millions of yen
Cash	3,228	3,310
Deposits (including time deposits with deposit terms of three months or less)	68,114	51,665
Total	71,342	54,975

8. Trade and Other Receivables

The breakdown of trade and other receivables is as follows.

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

	As of February 29, 2024	As of February 28, 2025
	Millions of yen	Millions of yen
Notes receivable - trade	2,564	3,093
Accounts receivable - trade	79,565	97,702
Accounts receivable - other	49,879	41,269
Contract assets	6,821	10,433
Other	4,491	4,165
Total	143,321	156,663

9. Inventories

The breakdown of inventories is as follows:

	As of February 29, 2024	As of February 28, 2025
	Millions of yen	Millions of yen
Merchandise and finished goods	12,664	11,943
Work in process	147	251
Real estate for sale in process	2,010	—
Supplies	371	466
Total	15,193	12,662

The amount of inventories that were recognized as expenses was ¥192,734 million in the fiscal year ended February 29, 2024 and ¥194,982 million in the fiscal year ended February 28, 2025.

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

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
	Millions of yen	Millions of yen
Amounts of write-down	85	118

10. Other Financial Assets

The breakdown of other financial assets is as follows:

	As of February 29, 2024	As of February 28, 2025
	Millions of yen	Millions of yen
Financial assets measured at amortized cost		
Time deposits with deposit terms of more than three months	4,981	5,073
Lease and guarantee deposits	52,079	49,359
Loans receivable	1,604	1,961
Other	4,821	3,991
Financial instruments measured at fair value through profit or loss		
Derivative financial assets	25	—
Shares	464	950
Other	127	118
Financial assets measured at fair value through other comprehensive income		
Shares and investments in capital	19,368	28,770
Total	83,473	90,225
Total current assets	11,439	8,690
Total non-current assets	72,034	81,535

11. Assets Pledged as Collateral

Assets pledged as collateral are as follows:

	As of February 29, 2024	As of February 28, 2025
		(Millions of yen)
Other financial assets	220	243
Inventories	148	153
Total	369	397

12. Assets Held for Sale

Assets held for sale are as follows:

	As of February 29, 2024	As of February 28, 2025
		(Millions of yen)
Property, plant and equipment	—	1,631
Total	—	1,631

In the current fiscal year, assets held for sale relate to the Department Store Business and SC Business. These assets were reclassified as assets held for sale based on decisions to sell land and buildings, etc. The sale of these assets is expected to be completed during the next fiscal year.

13. Other Assets

The breakdown of other assets is as follows:

	As of February 29, 2024	As of February 28, 2025
	Millions of yen	Millions of yen
Prepaid expense	3,290	2,824
Advance payments - trade	867	917
Suspense payments	299	580
Retirement benefit assets	8,451	9,238
Other	4,636	5,262
Total	17,546	18,824
Other current assets	5,203	6,421
Other non-current assets	12,343	12,402

14. Property, Plant and Equipment

(1) Schedule of changes

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

Acquisition costs

	Land	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2023	287,246	506,108	4,193	16,908	192	814,649
Acquisitions	9	5,953	85	411	389	6,850
Sales or disposals	—	(3,184)	(189)	(116)	—	(3,489)
Transfer among line items	—	136	5	(4)	(275)	(138)
Other	—	(123)	(6)	(1)	—	(131)
Balance as of February 29, 2024	287,255	508,889	4,089	17,198	306	817,739
Acquisitions	74	12,906	108	1,563	425	15,077
Sales or disposals	(217)	(10,144)	(84)	(661)	—	(11,107)
Transfer to assets held for sale	(1,139)	(11,250)	(16)	(238)	—	(12,645)
Transfer among line items	(287)	229	—	3	(327)	(380)
Acquisition due to business combinations	16,008	514	—	0	—	16,522
Other	(13)	—	—	—	—	(13)
Balance as of February 28, 2025	301,680	501,146	4,096	17,864	405	825,192

Accumulated depreciation and impairment

	Land	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2023	(549)	(328,653)	(3,154)	(12,888)	—	(345,247)
Depreciation	—	(14,670)	(202)	(1,039)	—	(15,911)
Impairment loss	(58)	(1,258)	(0)	(88)	—	(1,404)
Sales or disposals	—	3,016	188	116	—	3,322
Transfer among line items	—	—	—	0	—	0
Other	—	116	6	1	—	124
Balance as of February 29, 2024	(608)	(341,449)	(3,161)	(13,897)	—	(359,116)
Depreciation	—	(14,488)	(186)	(1,050)	—	(15,725)
Impairment loss	(248)	(1,619)	—	(15)	—	(1,883)
Sales or disposals	216	9,028	80	610	—	9,936
Transfer to assets held for sale	261	10,499	16	236	—	11,014
Transfer among line items	—	—	—	0	—	0
Balance as of February 28, 2025	(377)	(338,029)	(3,251)	(14,116)	—	(355,774)

Carrying amount

	Land	Buildings and structures	Machinery and vehicles	Furniture and fixtures	Construction in progress	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2023	286,696	177,454	1,038	4,019	192	469,401
Balance as of February 29, 2024	286,647	167,440	927	3,300	306	458,623
Balance as of February 28, 2025	301,302	163,116	845	3,748	405	469,417

- Notes:
1. The amount of depreciation expense for property, plant and equipment is included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of income.
 2. Please refer to “31. Other Operating Income” for the gain on sales of non-current assets for the fiscal years ended February 29, 2024 and February 28, 2025, and “34. Other Operating Expenses” for the loss on disposals of non-current assets for the fiscal years ended February 29, 2024 and February 28, 2025.

(2) Commitments

Please refer to “42. Commitments” for commitments related to purchase of property, plant and equipment.

15. Goodwill and Intangible Assets

(1) Schedule of changes

Changes in acquisition costs, accumulated amortization and impairment and carrying amounts of goodwill and intangible assets are as follows:

Acquisition costs

	Goodwill	Intangible assets		
		Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2023	995	16,148	488	16,636
Acquisitions	—	2,807	6	2,814
Sales or disposals	—	(1,336)	(3)	(1,340)
Transfer among line items	—	(181)	3	(178)
Balance as of February 29, 2024	995	17,437	495	17,932
Acquisitions	6,275	2,916	12	2,929
Sales or disposals	—	(2,036)	(1)	(2,037)
Transfer among line items	—	(62)	1	(60)
Balance as of February 28, 2025	7,271	18,255	508	18,764

- Note: The acquisition of goodwill in the fiscal year ended February 28, 2025 was due to a business combination (acquisition of shares of Shinsaibashi Kyodo Center Building, K.K.).

Accumulated amortization and impairment

	Goodwill	Intangible assets		
		Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2023	–	(8,412)	(427)	(8,839)
Amortization expense	–	(2,454)	(2)	(2,457)
Impairment loss	(435)	(22)	(10)	(33)
Sales or disposals	–	1,282	3	1,285
Transfer among line items	–	(1)	–	(1)
Balance as of February 29, 2024	(435)	(9,608)	(437)	(10,045)
Amortization expense	–	(2,362)	(2)	(2,364)
Impairment loss	(36)	(1)	–	(1)
Sales or disposals	–	1,997	0	1,998
Transfer among line items	–	(1)	1	0
Balance as of February 28, 2025	(472)	(9,976)	(437)	(10,414)

Note: The impairment loss of goodwill in the fiscal years ended February 29, 2024 and February 28, 2025 was due to a decline in profitability of XENOZ CO., Ltd.

Carrying amount

	Goodwill	Intangible assets		
		Software	Other	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2023	995	7,736	60	7,797
Balance as of February 29, 2024	560	7,828	58	7,886
Balance as of February 28, 2025	6,799	8,279	70	8,350

Note: The amount of amortization expense for intangible assets is included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of income.

Impairment losses of goodwill are recorded in “other operating expenses” in the consolidated statement of income.

(2) Impairment of goodwill

Goodwill arising in business combinations is allocated to cash-generating units or group of units that benefit from the business combination on the acquisition date. The breakdown of the carrying amount of goodwill by segment is as follows:

(Millions of yen)

Reportable segment	Cash-generating units or unit groups	As of February 29, 2024	As of February 28, 2025
Department Store Business	Daimaru Shinsaibashi store	–	6,275
SC Business	PARCO Co., Ltd.	523	523
Other	XENOZ CO., Ltd.	36	0
Total		560	6,799

The Group tests goodwill for impairment each fiscal year, or whenever there is an indication of impairment.

The recoverable amount is usually determined by the value in use. The Group estimates the discounted present value of future cash flows generated from use of the asset and the discounted present value of future cash flows generated from ultimate disposal of the asset. These estimates are based on management's best estimates, but may differ from actual results due to effects of changes in uncertain future economic conditions.

The discount rates before tax used to calculate value in use for the cash-generating units to which significant goodwill was allocated are as follows:

	As of February 29, 2024	As of February 28, 2025
Daimaru Shinsaibashi store	–	6.8%

There is a risk that impairment may arise if major assumptions used for impairment test are changed. However, in the Department Store Business and SC Business segments, the value in use sufficiently exceeds the carrying amount of the cash-generating unit or the group of cash-generating units, and the Group considers value in use unlikely to fall below the carrying amount even if major assumptions used for impairment tests change within a reasonably foreseeable range.

In the "Other" segment, due to a decline in the profitability of XENOZ CO., Ltd., the recoverable amount, measured using value in use based on future cash flows, was determined to be zero. As a result, the entire carrying amount of goodwill was recognized as an impairment loss.

(3) Commitments

Please refer to "42. Commitments" for commitments related to purchase of intangible assets.

16. Leases

(1) As lessee

The Group enters into lease contracts for real estate, various facilities, etc. in the Department Store Business mainly for the purpose of ensuring flexibility relating to asset replacement, reducing the administrative burden relating to asset management, and efficiently operating funds. In cases where such a contract transfers the right to control the use of an identified asset for a period of time in exchange for consideration, the contract is deemed to be a lease or to contain a lease, and the right-of-use assets and lease liabilities are recognized on the date of the commencement of the lease. However, for short-term leases and leases for which the underlying asset is of low value, the Group may recognize the lease payments related to the lease as an expense using the straight-line method over the lease term.

In some lease contracts among those aforementioned agreements, an option for the lessee to extend the lease period is attached.

The Group exercises the option to extend a lease if it judges it necessary to exercise that option after comprehensively considering the profitability of the underlying asset of the agreement, changes to the environment of the neighborhood market and the exercise conditions of the option. However, in cases where there is no reasonable certainty that the option will be exercised on the start date of the lease, the corresponding extension period is not included in the lease period and the lease payment for that period is not included in the measurement of lease liabilities.

Both the options to extend and terminate leases are reviewed each period for the likelihood of exercise, and the lease term is reviewed if there are significant events or material change in circumstances.

The total amount of agreements that contain contingent rents or residual value guarantee, or the total amount of leases that have not yet started regardless of whether the agreement has been concluded are immaterial.

The breakdown of right-of-use assets is as follows:

(Millions of yen)

	Type of underlying assets				Total
	Buildings and structures	Machinery, tools and fixtures	Land	Intangible assets, other	
As of February 29, 2024	85,455	858	20,196	1,112	107,623
As of February 28, 2025	115,474	821	19,080	1,013	136,389

For information about the increase of right-of-use assets, please refer to “22. Cash Flow Information.”

Profit or loss and cash outflow related to right-of-use assets

1) Costs related to leases

(Millions of yen)

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Depreciation expense of right-of-use assets		
Items with buildings and structures as the underlying assets	20,938	20,726
Items with machinery, tools and fixtures as the underlying asset	569	454
Items with land as the underlying asset	1,236	1,249
Items with intangible assets, other as the underlying asset	181	150
Total depreciation expense of right-of-use assets	22,925	22,580
Impairment loss of right-of-use assets		
Items with buildings and structures as the underlying assets	150	29
Items with machinery, tools and fixtures as the underlying asset	—	—
Items with land as the underlying asset	96	54
Items with intangible assets, other as the underlying asset	8	0
Total impairment loss of right-of-use assets	255	84
Interest expenses related to lease liabilities	3,297	2,995
Costs related to current lease obligations	307	481
Costs related to leases of low-value assets	1,176	687
Contingent rents not included in the measurement of lease liabilities	75	140

- Notes:
1. Depreciation and impairment losses exclude right-of-use assets that fall under the definition of investment property.
 2. The amount of depreciation expense is included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of income.
 3. Impairment losses are recorded in “other operating expenses” in the consolidated statement of income.

2) Income from subleasing

(Millions of yen)

Income from subleasing	12,670	12,996
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3) Cash outflow related to leases

(Millions of yen)

Cash outflow related to leases	33,920	32,005
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Lease liabilities

A maturity analysis for lease liabilities is as follows.

(Millions of yen)

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Contractual undiscounted cash flows		
Due within one year	29,983	29,575
Due after one year through two years	27,326	26,173
Due after two years through three years	22,079	18,962
Due after three years through four years	13,709	15,316
Due after four years through five years	9,724	13,724
Due after five years	70,704	105,458
Balance of lease liabilities before discount	173,526	209,210
Current	27,222	25,294
Non-current	123,228	148,225

(2) As lessor

The Group mainly leases investment property and tenant space inside commercial facilities using finance lease or operating lease transactions.

These lease assets are exposed to the risk of being damaged due to the use by the lessee that is above and beyond regular use, or as a result of intentional acts or gross negligence. To avoid and mitigate such risks, the Group requires in accordance with lease contracts that lessees provide a lease or guarantee deposit of a certain amount, and if the asset is actually damaged, the lease or guarantee deposit is used to fund the costs required for repair.

1) Finance leases (As lessor)

The information has been omitted due to its immateriality.

2) Operating leases (As lessor)

Revenue related to operating leases is as follows:

(Millions of yen)

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Lease revenue (other than contingent rents)	33,340	25,513
Lease revenue (contingent rents)	29,354	36,008

The maturity analysis for lease payments relating to operating leases is as follows:

(Millions of yen)

	As of February 29, 2024	As of February 28, 2025
Due within one year	19,143	18,526
Due after one year through two years	17,354	16,294
Due after two years through three years	15,816	15,424
Due after three years through four years	14,995	14,279
Due after four years through five years	13,529	12,727
Due after five years	87,157	78,840
Total	167,996	156,093

Changes in the carrying amount, acquisition cost, and accumulated depreciation and impairment of underlying assets of operating leases recorded under property, plant and equipment in the consolidated statement of financial position are as follows:

Carrying amount

	(Millions of yen)	
	Land	Buildings and structures
Balance as of March 1, 2023	149,220	91,915
Acquisitions	9	1,605
Sales or disposals	—	(113)
Depreciation expense	—	(6,851)
Impairment loss	—	(14)
Other	—	60
Balance as of February 29, 2024	149,229	86,601
Acquisitions	—	2,143
Sales or disposals	(25)	(223)
Transfer to assets held for sale	(531)	(639)
Depreciation	—	(6,599)
Other	—	(0)
Balance as of February 28, 2025	148,672	81,281

Acquisition costs

	(Millions of yen)	
	Land	Buildings and structures
Balance as of March 1, 2023	149,698	207,537
Balance as of February 29, 2024	149,708	207,767
Balance as of February 28, 2025	148,672	196,296

Accumulated depreciation and impairment

	(Millions of yen)	
	Land	Buildings and structures
Balance as of March 1, 2023	478	115,622
Balance as of February 29, 2024	478	121,166
Balance as of February 28, 2025	—	115,015

17. Investment Property

(1) Schedule of changes

Changes in acquisition costs, accumulated depreciation and impairment and carrying amounts of investment property and fair values as of the end of each fiscal year are as follows:

Acquisition costs

	Self-owned assets	Right-of-use assets	Total
	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2023	181,672	39,977	221,649
Acquisitions	1,727	—	1,727
Sales or disposals	(3,113)	—	(3,113)
Transfer among line items (Note 1)	(1,986)	—	(1,986)
Other (Note 2)	—	3,381	3,381
Balance as of February 29, 2024	178,300	43,358	221,658
Acquisitions	1,255	452	1,708
Sales or disposals	(385)	—	(385)
Transfer among line items	287	28	315
Other (Note 2)	(77)	(814)	(891)
Balance as of February 28, 2025	179,380	43,025	222,405

- Notes: 1. The change in inventories mainly includes a transfer to inventories of ¥(2,010) million due to a change in the holding purpose from leasing to selling of some investment properties in the Developer Business.
2. This mainly includes changes due to changes in terms and conditions.

Accumulated depreciation and impairment

	Self-owned assets	Right-of-use assets	Total
	Millions of yen	Millions of yen	Millions of yen
Balance as of March 1, 2023	(18,381)	(16,019)	(34,401)
Depreciation	(1,988)	(3,178)	(5,167)
Impairment loss	(81)	(97)	(179)
Sales or disposals	45	–	45
Other	–	28	28
Balance as of February 29, 2024	(20,406)	(19,267)	(39,673)
Depreciation	(1,899)	(3,307)	(5,207)
Impairment loss	(223)	(459)	(683)
Sales or disposals	365	–	365
Transfer among line items	–	(28)	(28)
Other	–	(1)	(1)
Balance as of February 28, 2025	(22,164)	(23,064)	(45,229)

Carrying amounts and fair values

(Millions of yen)

	As of February 29, 2024		As of February 28, 2025	
	Carrying amount	Fair value	Carrying amount	Fair value
Investment property	181,985	289,151	177,176	298,490

Fair value of investment property is based on real-estate appraisal by an external real-estate appraiser with recent experience in appraisal for the region where the property is located and the type of the property to be valued who holds certified professional qualifications and others. The appraisal is based on market evidence reflecting the transaction price of similar assets in accordance with valuation standards of the country where the property is located.

(2) Income and expenses from investment property

(Millions of yen)

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Rental income	19,830	22,258
Direct operating expense	11,683	12,287

The amounts of rental income from investment property and accompanying direct operating expense are included in “revenue” and “cost of sales,” respectively, in the consolidated statement of income.

(3) Commitments

Please refer to “42. Commitments” for commitments related to purchase of investment property.

18. Impairment of Non-financial Assets

Non-financial assets are grouped based on the smallest cash-generating unit (principally stores) that generates cash inflows largely independent of those of other assets.

Impairment losses are recorded in “other operating expenses” in the consolidated statement of income.

The breakdown of the assets for which impairment losses were recognized by segment is as follows:

Fiscal year ended February 29, 2024

(Millions of yen)

Segment	Company name (Location)	Use	Type	Impairment loss
Department Store Business	Kochi Daimaru Co., Ltd. (Kochi, Kochi)	Store, etc.	Buildings and structures	410
			Furniture and fixtures	36
			Right-of-use assets	199
			Software	21
			Other	5
	Daimaru Matsuzakaya Department Stores Co. Ltd. (Shimonoseki, Yamaguchi)	Store, etc.	Buildings and structures	823
			Machinery and vehicles	0
			Furniture and fixtures	48
			Land	58
			Right-of-use assets	42
			Other	7
SC Business	PARCO Co., Ltd. (Matsumoto, Nagano)	Store, etc.	Buildings and structures	14
			Machinery and vehicles	0
			Furniture and fixtures	0
			Right-of-use assets	13
			Software	0
Developer Business	J. FRONT CITY DEVELOPMENT Co., Ltd. (Naka-ku, Hiroshima)	Store, etc.	Investment property	179
Other	Daimaru Kogyo, Ltd. (Chuo-ku, Fukuoka)	Store, etc.	Buildings and structures	9
			Furniture and fixtures	1
			Software	0
	XENOZ CO., Ltd. (Shibuya-ku, Tokyo)	Goodwill	Goodwill	435
			Total	2,310

- 1) With regard to the Department Store Business, because of decreased profitability of Daimaru Matsuzakaya Department Stores Co. Ltd.’s Daimaru Shimonoseki store, the carrying amount of buildings and structures and land, etc. were reduced to the recoverable amount and the reduction of ¥980 million was recognized as an impairment loss. The recoverable amount of the cash-generating unit is measured as the fair value less cost of disposal, based on real estate appraisal values. The fair value hierarchy level of this measurement is Level 3.

In addition, because of decreased profitability of Kochi Daimaru Co., Ltd., the carrying amount of buildings and structures, right-of-use assets etc. were reduced to the recoverable amount and the reduction of ¥674 million was recognized as an impairment loss. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by a pre-tax discount rate of 5.1%, which was based on the WACC at the time of measurement, taking into account the future profitability and other factors.

- 2) With regard to other, mainly because of decreased profitability of XENOZ CO., Ltd., the carrying amount of goodwill was reduced to the recoverable amount and the reduction of ¥435 million was recognized as an impairment loss. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by a pre-tax discount rate of 16.6%, which was based on the WACC at the time of measurement, taking into account the future profitability and other factors.

- 3) For the Developer Business, since it was decided to close Hiroshima ZERO GATE of J. FRONT CITY DEVELOPMENT Co., Ltd., the carrying amount of investment property was reduced to the recoverable amount and the reduction of ¥179 million was recognized as an impairment loss. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by a pre-tax discount rate of 4.0%, which was based on the WACC at the time of measurement, taking into account the future profitability and other factors.

There was no reversal of impairment losses recorded in the fiscal year ended February 29, 2024.

Fiscal year ended February 28, 2025

(Millions of yen)				
Segment	Company name (Location)	Use	Type	Impairment loss
Department Store Business	Daimaru Matsuzakaya Department Stores Co. Ltd. (Shizuoka, Shizuoka, etc.)	Store, etc.	Buildings and structures	1,601
			Furniture and fixtures	9
			Land	248
			Right-of-use assets	19
SC Business	PARCO Co., Ltd. (Kumamoto, Kumamoto, etc.)	Store, etc.	Buildings and structures	12
			Furniture and fixtures	0
			Right-of-use assets	65
			Software	0
			Investment property	683
Other	Daimaru Kogyo, Ltd. (Chuo-ku, Osaka)	Software	Software	1
	XENOZ CO., Ltd. (Shibuya-ku, Tokyo)	Goodwill, etc.	Buildings and structures	6
			Furniture and fixtures	5
			Goodwill	36
			Total	2,689

- 1) With regard to the Department Store Business, mainly because of decreased profitability of Daimaru Matsuzakaya Department Stores Co. Ltd.'s Matsuzakaya Shizuoka store, the carrying amounts of buildings and structures, and land were reduced to the recoverable amount and the reduction of ¥1,730 million was recognized as an impairment loss. The recoverable amount of ¥8,341 million for the relevant cash-generating unit is measured at fair value less cost of disposal, based on real estate appraisal values. The fair value hierarchy level of this measurement is Level 3.
- 2) With regard to the SC Business, mainly because of decreased profitability of PARCO Co., Ltd.'s HAB @ Kumamoto store, the carrying amount of investment property was reduced to the recoverable amount and the reduction of ¥683 million was recognized as an impairment loss. The recoverable amount of ¥383 million for the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by a pre-tax discount rate of 4.8%, which was based on the WACC at the time of measurement, taking into account the future profitability and other factors.

There was no reversal of impairment losses recorded in the fiscal year ended February 28, 2025.

19. Investments Accounted for Using Equity Method

Investments in associates and joint ventures

The carrying amount of investments in associates and joint ventures that are not individually material is as follows:

(Millions of yen)		
	As of February 29, 2024	As of February 28, 2025
Associates:	4,468	3,337
Joint ventures	19,063	24,502
Total	23,531	27,840

The Group's share of comprehensive income of associates and joint ventures that are not individually material is as follows:

	(Millions of yen)	
	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Associates:		
Share of profit	999	336
Share of other comprehensive income	(74)	(2)
Share of comprehensive income	925	333
Joint ventures:		
Share of profit	532	737
Share of other comprehensive income	—	—
Share of comprehensive income	532	737
Associates and joint ventures:		
Share of profit	1,532	1,074
Share of other comprehensive income	(74)	(2)
Share of comprehensive income	1,458	1,071

20. Joint Operations

(1) GINZA SIX

In the Group, Daimaru Matsuzakaya Department Stores Co. Ltd., a subsidiary, works on the joint operation of GINZA SIX, a commercial facility located at Ginza 6-chome 10, running the joint operation with partners, namely L Real Estate S.C.A SICAR and another company. With regard to revenue and expenses related to the operation of this commercial facility, including profit and loss based on tenant agreements, the amount corresponding to the ownership ratio of Daimaru Matsuzakaya Department Stores Co. Ltd. (68%), determined according to the ownership category of the commercial facility and other factors, was recognized.

(2) The Landmark Nagoya Sakae

J. FRONT CITY DEVELOPMENT Co., Ltd., a subsidiary of the Group is engaged in the construction of a new building "The Landmark Nagoya Sakae" in Nishiki 3-chome, Naka-ku, Nagoya City, through a joint operation with MITSUBISHI ESTATE CO., LTD., Japan Post Real Estate Co., Ltd., Meiji Yasuda Life Insurance Company, and Chunichi Shimbun Co., Ltd.

Of the project expenses related to the project, J. FRONT CITY DEVELOPMENT Co., Ltd. recognizes the full amount of the construction expenses for the exclusive use areas and some common use areas for the commercial use, and the amount equivalent to the percentage determined based on the exclusive use area ratio, etc. for the entire common use areas.

Construction of this project is scheduled to be completed in March 2026, and the entire facility is scheduled to open around the summer of 2026.

21. Income Tax

(1) Deferred tax assets and liabilities

The breakdown of and changes in deferred tax assets and liabilities by major cause are as follows:

Fiscal year ended February 29, 2024

(Millions of yen)

	Balance as of March 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	Balance as of February 29, 2024
Deferred tax assets				
Retirement benefit liability	5,125	(242)	(283)	4,599
Allowance for doubtful accounts	880	126	—	1,006
Non-current assets	3,198	1,394	—	4,593
Other financial assets	1	—	(1)	—
Asset retirement obligations	1,758	(38)	—	1,720
Tax loss carryforwards	5,210	(4,189)	—	1,020
Gain on adjustment of accounts payable	6,355	678	—	7,034
Long-term unearned revenue	93	(5)	—	87
Prepaid expense (Land leasehold right)	2,993	11	—	3,004
Lease liabilities	47,761	(2,107)	—	45,653
Other	14,808	(239)	—	14,568
Total	88,186	(4,612)	(285)	83,288
Deferred tax liabilities				
Non-current assets	72,120	805	—	72,925
Securities	6,179	(72)	(539)	5,566
Right-of-use assets	44,436	(1,743)	—	42,693
Other	10,679	(638)	(134)	9,906
Total	133,415	(1,648)	(674)	131,091
Net amount of deferred tax assets	(45,228)	(2,963)	389	(47,803)

Fiscal year ended February 28, 2025

(Millions of yen)

	Balance as of March 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	Acquisition due to business combinations	Balance as of February 28, 2025
Deferred tax assets					
Retirement benefit liability	4,599	(554)	(148)	—	3,895
Allowance for doubtful accounts	1,006	188	—	—	1,195
Non-current assets	4,593	1,011	—	—	5,604
Asset retirement obligations	1,720	(59)	—	—	1,661
Tax loss carryforwards	1,020	(660)	—	—	359
Gain on adjustment of accounts payable	7,034	159	—	—	7,194
Long-term unearned revenue	87	(5)	—	—	81
Prepaid expense (Land leasehold right)	3,004	11	—	—	3,015
Lease liabilities	45,653	6,819	—	—	52,472
Other	14,568	61	12	—	14,643
Total	83,288	6,971	(135)	—	90,124
Deferred tax liabilities					
Non-current assets	72,925	867	—	5,275	79,067
Securities	5,566	(1,061)	2,839	—	7,344
Right-of-use assets	42,693	7,111	—	—	49,804
Other	9,906	(100)	430	—	10,236
Total	131,091	6,816	3,269	5,275	146,453
Net amount of deferred tax assets	(47,803)	154	(3,405)	(5,275)	(56,328)

Deferred tax assets and liabilities in the consolidated statement of financial position are as follows:

(Millions of yen)

	As of February 29, 2024	As of February 28, 2025
Deferred tax assets	3,636	3,190
Deferred tax liabilities	51,439	59,519
Net amount	(47,803)	(56,328)

In recognizing deferred tax assets, the Group takes into account the possibility that tax loss carryforwards or deductible temporary differences can be utilized against future taxable profit. In the recoverability of deferred tax assets, the Group considers the scheduled reversal of deferred tax liabilities, projected future taxable profit and tax planning.

Based on the result of the above assessment of recoverability of deferred tax assets, some of the Group's subsidiaries have not recognized deferred tax assets for certain tax loss carryforwards and deductible temporary differences. Tax loss carryforwards and deductible temporary differences for which deferred tax assets have not been recognized are as follows:

Major balances of deferred tax assets of the Group are related to the group in which the Company is the parent corporation under the Japanese group relief system, and many of these deferred tax assets were recorded at Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd., which are domestic subsidiaries.

(Millions of yen)

	As of February 29, 2024	As of February 28, 2025
Tax loss carryforwards	5,174	7,183
Deductible temporary differences	42,057	48,203
Total	47,232	55,387

The deferral period of tax loss carryforwards for which deferred tax assets have not been recognized is as follows:

(Millions of yen)

	As of February 29, 2024	As of February 28, 2025
1st year	—	—
2nd year	—	—
3rd year	—	—
4th year	—	—
5th year and after	5,174	7,183
Total	5,174	7,183

The Company and some of its domestic subsidiaries apply the Japanese group relief system. The above figures do not include the amounts of deductible temporary differences and unused tax losses for which deferred tax assets have not been recognized, related to local taxes (inhabitant tax and business tax), which are not subject to the said system. As of February 28, 2025, the amount of deductible temporary differences related to local taxes (inhabitant tax and business tax) was ¥51,585 million (¥44,500 million as of February 29, 2024), and the amount of unused tax losses was ¥15,844 million (¥11,720 million as of February 29, 2024).

As of February 29, 2024 and February 28, 2025, the total amount of temporary differences for investments in subsidiaries that were not recognized as deferred tax liabilities were ¥158,671 million and ¥191,395 million, respectively.

(2) Income tax

The breakdown of income tax is as follows:

(Millions of yen)

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Current taxes:		
Current period	8,123	14,423
Prior periods	8	4
Total current taxes	8,132	14,428
Deferred taxes:		
Origination and reversal of temporary differences, etc.	3,417	(267)
Changes in unrecognized deferred tax assets	(453)	112
Total deferred taxes	2,963	(154)
Total	11,096	14,273

(3) Reconciliation between effective tax rates

Differences between the effective statutory tax rate and average effective tax rate are as follows:

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
	%	%
Effective statutory tax rate	30.6	30.6
Entertainment expense	0.6	0.5
Bonuses for directors (and other officers)	0.2	0.3
Dividend income	(8.4)	(1.1)
Share of profit (loss) of investments accounted for using equity method	(1.1)	(0.6)
Unrecognized deferred tax assets	0.4	0.3
Tax credits	(1.3)	(0.6)
Gain (loss) on sales of shares of subsidiaries and associates	6.0	—
Gain on step acquisitions	—	(4.7)
Other	0.0	0.9
Average effective tax rate	26.8	25.6

(Changes in presentation)

“Income taxes for prior periods,” which was presented separately in the fiscal year ended February 29, 2024, has been included in “Other” due to the decreased materiality. The notes for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, the “Income taxes for prior periods” of (1.3)% and “Other” of 1.3%, which were presented in the previous fiscal year, have been reclassified as “Other” of 0.0%.

(4) Changes in corporate tax rates, etc. after the balance sheet date

The “Act Partially Amending the Income Tax Act” (Act No. 13 of 2025) was promulgated on March 31, 2025, and the special defense corporate tax will be established from the fiscal years beginning on or after April 1, 2026.

Accordingly, the effective statutory tax rate used to calculate deferred tax assets and liabilities will be changed from 30.6% to 31.5% for temporary differences, etc. expected to be eliminated in the fiscal years beginning on or after March 1, 2027.

As a result of this change, when recalculated based on temporary differences, etc. as of the end of the current fiscal year, deferred tax assets (the amount less deferred tax liabilities) will decrease by ¥2,021 million, and income tax expense (debit) will increase by ¥1,778 million, and other components of equity will decrease by ¥242 million.

22. Cash Flow Information

(1) Changes in liabilities arising from financing activities

Changes in liabilities arising from financing activities are as follows:

Fiscal year ended February 29, 2024

	Balance as of March 1, 2023	Changes that affect cash flows	Changes that do not affect cash flows			Balance as of February 29, 2024
			New leases and changes in agreements	Changes in fair values	Other	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Current borrowings	34,000	(9,100)	—	—	—	24,900
Non-current borrowings	135,310	(26,130)	—	—	—	109,180
Bonds	79,813	—	—	—	54	79,868
Lease liabilities	164,825	(29,088)	14,713	—	—	150,450
Total	413,949	(64,318)	14,713	—	54	364,398

Fiscal year ended February 28, 2025

	Balance as of March 1, 2024	Changes that affect cash flows	Changes that do not affect cash flows			Balance as of February 28, 2025
			New leases and changes in agreements	Changes in fair values	Other	
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Current borrowings	24,900	—	—	—	—	24,900
Non-current borrowings	109,180	(3,930)	—	—	—	105,250
Bonds	79,868	(20,000)	—	—	40	59,908
Lease liabilities	150,450	(27,590)	50,660	—	—	173,520
Total	364,398	(51,520)	50,660	—	40	363,578

(2) Non-cash transactions

The increase in right-of-use assets related to lease transactions is as follows:

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
	Millions of yen	Millions of yen
Increase in right-of-use assets related to lease transactions	14,250	53,053

(3) Acquisition of shares of Shinsaibashi Kyodo Center Building, K.K.

For details about the breakdown of assets and liabilities at the time of stock acquisition and cash flows arising from acquisition, please refer to “44. Business Combinations.”

(4) Sale of shares of equity method associates

All shares of StylingLife Holdings Inc., an equity method associate, were sold in the fiscal year ended February 29, 2024. Proceeds from sales of these shares of ¥16,945 million are included in “Proceeds from

sales of investment securities” in cash flows from (used in) investing activities in the consolidated statement of cash flows.

(5) Income taxes paid

Cash flows from the sale of shares of StylingLife Holdings are recorded in “Proceeds from sales of investment securities” after deducting withholding tax on deemed dividends in the fiscal year ended February 29, 2024.

Total income taxes paid for the fiscal year ended February 29, 2024, including this withholding tax, amounted to ¥6,834 million.

23. Bonds and Borrowings

The breakdown of “bonds and borrowings” and “other financial liabilities” is as follows:

	As of February 29, 2024	As of February 28, 2025	Average interest rate (Note 1)	Repayment deadline
	Millions of yen	Millions of yen	%	
Short-term borrowings	37,330	53,330	0.50	—
Long-term borrowings	96,750	76,820	0.55	From March 2026 to March 2035
Bonds (Note 2)	79,868	59,908	(Note 2)	(Note 2)
Guarantee deposits received	36,165	35,411	—	—
Other	26,995	26,220	—	—
Total	277,109	251,690	—	—
Current liabilities	85,692	81,592	—	—
Non-current liabilities	191,417	170,097	—	—

- Notes: 1. The average interest rates are weighted-average interest rates based on the contract interest rates and the closing balances for each borrowing.
2. Summary of issuing conditions of bonds is as follows:

(Millions of yen)

Company name	Bond name	Date of issue	As of February 29, 2024	As of February 28, 2025	Interest rate (%)	Maturity date
J. FRONT RETAILING Co., Ltd.	6th series of unsecured bonds	August 4, 2017	20,000	20,000	0.43	August 4, 2027
J. FRONT RETAILING Co., Ltd.	7th series of unsecured bonds	May 22, 2019	20,000	—	0.20	May 22, 2024
J. FRONT RETAILING Co., Ltd.	8th series of unsecured bonds	May 22, 2019	10,000	10,000	0.37	May 22, 2029
J. FRONT RETAILING Co., Ltd.	9th series of unsecured bonds	May 26, 2021	15,000	15,000	0.17	May 26, 2026
J. FRONT RETAILING Co., Ltd.	10th series of unsecured bonds	May 26, 2021	15,000	15,000	0.47	May 26, 2028
Total			80,000	60,000	0.37	

Agreements on some of borrowings of the Group require the maintenance of specific financial ratios and net assets at a certain level.

The Group has complied with all the agreements on borrowings.

24. Trade and Other Payables

The breakdown of trade and other payables is as follows.

These are all classified as financial liabilities measured at amortized cost.

(Millions of yen)

	As of February 29, 2024	As of February 28, 2025
Notes payable - trade	2,695	2,169
Accounts payable - trade	94,492	107,182
Accounts payable - other	31,636	34,230
Deposits received	21,866	18,634
Other	539	593
Total	151,230	162,810

25. Employee Benefits

The Group has established defined benefit plans (such as a corporate pension fund plan and lump-sum retirement benefit plan) as employee retirement benefit plans, and certain consolidated subsidiaries have adopted defined contribution plans. In addition, the Group may pay extra retirement payments when employees retire before their normal retirement date. Certain consolidated subsidiaries have instituted a retirement benefit trust.

In regard to the corporate pension fund plan, the Group has obligations including paying contributions to the corporate pension fund under the Defined-Benefit Corporate Pension Act, etc. Directors of the fund have responsibilities including a duty of loyalty to faithfully execute operations related to managing and operating funds in the interests of the fund. In addition, it is stipulated that directors are forbidden from entering into any asset management contract aimed at serving the interests of a third party, and rules of conduct that include forbidding acts that create a conflict of interest are clarified.

The plan is mainly operated by a corporate pension fund that is independent from the Group. The board of representatives comprises the same number of representatives elected from among the employers (elected representatives) and representatives elected from among employees (mutually elected representatives), and the chairperson (president) of the board of representatives is elected from among the employers.

Decisions of the board of representatives are made by a majority of members in attendance, but in the case of a tie, the President, who is the Chairperson, has the authority to make a decision. However, it is stipulated that decisions related to particularly important matters shall be determined by a majority in excess of the above.

The board of representatives holds the authority to make decisions about all important matters, such as investment policies. Actual asset management is conducted by a managing trustee under an investment service agreement, and directions from the board of representatives regarding investment in individual securities, etc. are forbidden by laws and regulations.

The Company is required to pay contributions to the corporate pension fund and contributions are regularly reviewed within the range permitted by laws and regulations. While the Company is obligated to make contributions stipulated by the fund into the future, in addition to these contributions, it also funds a retirement benefit trust on a voluntary basis.

With regard to the lump-sum retirement benefit plan, the Company is obligated to pay benefits directly to the beneficiaries. There are no statutory requirements regarding funding.

(1) Defined benefit plans

The relationship between the present value of the defined benefit obligations and the fair value of the plan assets and the amounts recognized in the consolidated statement of financial position is as follows:

(Millions of yen)

	As of February 29, 2024	As of February 28, 2025
Present value of funded defined benefit obligations	22,249	20,388
Fair value of plan assets	(31,038)	(30,392)
Subtotal	(8,789)	(10,004)
Impact of maximum amount of assets	39	267
Present value of unfunded defined benefit obligations	16,279	15,867
Liabilities of defined benefit plans	7,529	6,130
Amounts in the consolidated statement of financial position		
Retirement benefit liability	15,980	15,369
Retirement benefit assets	8,451	9,238
Net defined benefit liability or asset in the consolidated statement of financial position	7,529	6,130

Changes in the present value of the defined benefit obligations are as follows:

(Millions of yen)

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Present value of defined benefit obligations at beginning of period	40,240	38,528
Service cost	1,321	1,333
Interest expense	396	376
Remeasurements		
Actuarial gains and losses arising from changes in demographic assumptions	(197)	(0)
Actuarial gains and losses arising from changes in financial assumptions	(932)	(1,841)
Benefits paid	(2,279)	(2,133)
Other	(20)	(7)
Present value of defined benefit obligations at end of period	38,528	36,256

Changes in the fair value of the plan assets are as follows:

(Millions of yen)

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Fair value of plan assets at beginning of period	29,631	31,038
Interest revenue	289	303
Remeasurements		
Return on plan assets	2,219	138
Contributions by employer	690	508
Benefits paid	(1,787)	(1,596)
Other	(4)	—
Fair value of plan assets at end of period	31,038	30,392

Changes in impact of maximum amount of assets are as follows:

(Millions of yen)

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Impact of maximum amount of assets at beginning of period	—	39
Remeasurements		
Change in impact of maximum amount of assets	39	227
Impact of maximum amount of assets at end of period	39	267

The fair value of each item of plan assets is as follows:

As of February 29, 2024

(Millions of yen)

Items of plan assets	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Total
Cash and cash equivalents	5,627	—	5,627
Domestic shares	3,880	357	4,238
Overseas shares	4,135	352	4,487
Jointly operated trusts (shares)	—	849	849
Domestic bonds	4,821	699	5,520
Overseas bonds	3,234	137	3,371
Jointly operated trusts (public and corporate bonds)	555	1,000	1,556
General accounts of life insurance companies	—	4,570	4,570
Other	—	816	816
Total	22,255	8,783	31,038

As of February 28, 2025

(Millions of yen)

Items of plan assets	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Total
Cash and cash equivalents	5,439	—	5,439
Domestic shares	5,104	338	5,443
Overseas shares	3,434	331	3,766
Jointly operated trusts (shares)	—	805	805
Domestic bonds	4,862	690	5,553
Overseas bonds	2,318	135	2,454
Jointly operated trusts (public and corporate bonds)	551	992	1,544
General accounts of life insurance companies	—	4,550	4,550
Other	—	834	834
Total	21,711	8,681	30,392

The Group's management of plan assets is aimed at ensuring the necessary income over the long-term to reliably make pension and lump-sum payments into the future. Its investment policy to achieve this is fundamentally to make diversified investments after analyzing characteristics of risks and returns for each asset and taking into account correlations between respective assets.

Specifically, the Group develops the policy asset mix that is the optimal combination now and in the future after taking into account the expected rate of return and risks on eligible investments, and the managing trustee manages assets accordingly.

In regard to plan assets, the status of asset management is managed primarily by regularly reviewing the financial position of the plans, formulating long-term management policies, and monitoring the status of asset allocation.

The Group's pension funding is determined after taking into consideration various factors such as the allowable limit of deductible expenses under tax laws, the funding status of plan assets and actuarial calculations. Contributions to plan assets are intended to cover benefits for services already rendered, in addition to benefits for services to be rendered in future.

In accordance with the provisions of the Defined-Benefit Corporate Pension Act, the rules of the corporate pension fund stipulate that the amount of contributions shall be recalculated every three to five years with a record date of the fiscal year end, in order to preserve a balanced budget into the future. During the recalculation, the basic rates related to contributions (expected interest rates, expected mortality rates, expected withdrawal rates, expected salary increase indexes, expected number of new participants, etc.) are reviewed, and the appropriateness of the contributions is reverified.

The Group plans to pay contributions of ¥509 million in the fiscal year ending February 28, 2026.

The weighted average duration of the defined benefit obligations as of February 29, 2024 was 8.43 years.

The weighted average duration of the defined benefit obligations as of February 28, 2025 was 7.65 years.

The main actuarial assumptions used to calculate the present value of the defined benefit obligations are as follows:

	As of February 29, 2024	As of February 28, 2025
	%	%
Discount rate	Mainly 1.0	Mainly 1.6
Anticipated rate of salary increase	Mainly 4.7	Mainly 4.7

The sensitivity analysis is conducted based on changes in assumptions that are reasonably possible, as of the end of the fiscal year.

The sensitivity analysis is based on the premise that all actuarial assumptions remain constant other than the actuarial assumption that is the focus of the analysis, but in reality there is a possibility that changes in other actuarial assumptions may affect the sensitivity analysis.

If there are no other changes to assumptions, the sensitivity of defined benefit obligations at the end of each fiscal year to changes in the discount rate is as follows. Furthermore, the Group does not expect any changes in the anticipated rate of salary increase.

(Millions of yen)

	As of February 29, 2024	As of February 28, 2025
Changes in discount rate		
0.5% increase	(1,532)	(1,303)
0.5% decrease	1,646	1,395

Amounts recognized as retirement benefit expense are as follows:

(Millions of yen)

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Service cost	1,321	1,333
Net interest	107	72
Other	167	168
Total	1,596	1,574

(2) Defined contribution plans

The amount recorded as expenses in relation to defined contribution plans is ¥4,080 million for the fiscal year ended February 29, 2024 and ¥4,663 million for the fiscal year ended February 28, 2025, and

included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of income. The above amounts include the amount of the employer’s contribution to welfare pension insurance premiums.

(3) Extra retirement payments

Extra retirement payments may be provided when an employee retires prior to the normal retirement date.

The amount recorded as expenses in relation to extra retirement payments was ¥20 million in the fiscal year ended February 29, 2024 and ¥25 million in the fiscal year ended February 28, 2025, and included in “other operating expenses” in the consolidated statement of income.

(4) Employee benefit expenses

The amount of employee benefit expenses was ¥54,706 million in the fiscal year ended February 29, 2024 and ¥60,389 million in the fiscal year ended February 28, 2025, and included in “cost of sales” and “selling, general and administrative expenses” in the consolidated statement of income.

26. Provisions

The breakdown and changes of provisions are as follows:

(Millions of yen)			
	Asset retirement obligations	Provision for loss on business liquidation	Total
Balance as of March 1, 2023	6,524	4,573	11,097
Increase during the period	45	—	45
Discounted interest expenses for the period	37	—	37
Decrease during the period (use)	(350)	(1,108)	(1,458)
Decrease during the period (reversal)	(224)	(303)	(527)
Other	39	—	39
Balance as of February 29, 2024	6,072	3,161	9,233
Increase during the period	145	684	830
Discounted interest expenses for the period	49	—	49
Decrease during the period (use)	(60)	(1,348)	(1,409)
Decrease during the period (reversal)	(289)	(1,725)	(2,014)
Other	1	—	1
As of February 28, 2025	5,918	772	6,691

The breakdown of provisions in the consolidated statement of financial position is as follows:

(Millions of yen)		
	As of February 29, 2024	As of February 28, 2025
Current liabilities	2,487	785
Non-current liabilities	6,746	5,905
Total	9,233	6,691

(1) Asset retirement obligations

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

agreement is terminated. These expenses are expected to be mainly paid after one year or longer has passed from the end of the fiscal year, and will be affected by future business plans, etc.

(2) Provision for loss on business liquidation

An amount of loss is recorded for the cost of store dismantlement, etc. that is expected to be borne in the future as a result of business liquidation, store closure and store rebuilding. These expenses are expected to be mainly paid after store closure or rebuilding (within four years from the end of the fiscal year), but will be affected by changes in the surrounding environment and other factors.

27. Other Liabilities

The breakdown of other liabilities is as follows:

	(Millions of yen)	
	As of February 29, 2024	As of February 28, 2025
Accrued bonuses	5,599	7,103
Accrued paid absences	2,672	2,719
Deferred income (Note)	357	336
Contract liabilities	38,784	39,320
Other accrued expense	7,514	6,742
Other	2,936	3,510
Total	57,865	59,733
Other current liabilities	57,445	59,280
Other non-current liabilities	419	453

Note: The breakdown of deferred income in the fiscal year ended February 29, 2024 was ¥357 million in government grants.

The breakdown of deferred income in the fiscal year ended February 28, 2025 is ¥336 million in government grants.

28. Equity and Other Equity Items

(1) Share capital and capital surplus

Changes in the number of authorized shares, number of issued shares, and the balances of share capital, etc. are as follows:

	Number of authorized shares (Shares)	Number of issued shares (Shares)	Share capital (Millions of yen)	Capital surplus (Millions of yen)
As of March 1, 2023	1,000,000,000	270,565,764	31,974	189,068
Changes during the period	—	—	—	103
As of February 29, 2024	1,000,000,000	270,565,764	31,974	189,172
Changes during the period	—	—	—	(1,090)
As of February 28, 2025	1,000,000,000	270,565,764	31,974	188,081

Note: All shares issued by the Company are ordinary shares with no restrictions and no par value. Issued shares are fully paid.

(2) Treasury shares

Changes in the number and balance of treasury shares are as follows:

	Number of shares (Shares)	Amount (Millions of yen)
As of March 1, 2023	8,564,836	(14,466)
Changes during the period	(144,207)	234
As of February 29, 2024	8,420,629	(14,231)
Changes during the period	5,949,279	(9,708)
As of February 28, 2025	14,369,908	(23,940)

Note: Treasury shares include shares of the Company owned by the officer remuneration BIP trust.

(3) Nature and purposes of capital surplus and retained earnings

1) Capital surplus

It is stipulated in the Companies Act of Japan (“Companies Act”), that at least 50% of the payment of certain issues of common shares shall be credited to share capital. The remainder of the payment shall be credited to legal capital surplus included in capital surplus. In addition, the Companies Act permits, upon approval of the shareholders meeting, the transfer of amounts from legal capital surplus to share capital.

2) Retained earnings

Under the Companies Act, 10% of the amount paid as dividends from surplus shall be reserved as legal capital surplus (an item of capital surplus) or legal retained earnings (an item of retained earnings), until the total amount of legal capital surplus and legal retained earnings reaches 25% of share capital. The legal retained earnings may be used to eliminate or reduce a deficit, or may be reversed by resolution of the shareholders meeting.

(4) Nature and purposes of other components of equity

Exchange differences on translation of foreign operations

Exchange differences on translation of foreign operations represent the translation differences that occurred when consolidating financial statements denominated in a foreign currency for companies including foreign subsidiaries.

Cash flow hedges

The Group uses derivatives to hedge the risk of fluctuations in future cash flows. Cash flow hedges represent the effective portion of changes in fair value of derivative transactions designated as cash flow hedges.

Financial assets measured through other comprehensive income

Financial assets measured at fair value through other comprehensive income represent the changes in fair value of financial assets measured at fair value through other comprehensive income.

Remeasurements of defined benefit plans

Remeasurements of defined benefit plans are the effect of difference between actuarial assumptions as at the beginning of the period and actual results in defined benefit plans and the effect of changes in actuarial assumptions. They are recognized in other comprehensive income when incurred and immediately transferred from other components of equity to retained earnings.

29. Dividends

(1) Dividends paid

Fiscal year ended February 29, 2024

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 11, 2023	Ordinary shares	4,228	16.00	February 28, 2023	May 2, 2023
Board of Directors meeting held on October 10, 2023	Ordinary shares	4,228	16.00	August 31, 2023	November 13, 2023

Note: Total amount of dividends resolved at the Board of Directors meeting held on April 11, 2023 includes ¥36 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Total amount of dividends resolved at the Board of Directors meeting held on October 10, 2023 includes ¥34 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Fiscal year ended February 28, 2025

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 15, 2024	Ordinary shares	5,285	20.00	February 29, 2024	May 7, 2024
Board of Directors meeting held on October 8, 2024	Ordinary shares	5,681	22.00	August 31, 2024	November 12, 2024

Note: Total amount of dividends resolved at the Board of Directors meeting held on April 15, 2024 includes ¥42 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Total amount of dividends resolved at the Board of Directors meeting held on October 8, 2024 includes ¥45 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

(2) Dividends whose effective date belongs to the following fiscal year

Fiscal year ended February 29, 2024

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 15, 2024	Ordinary shares	5,285	20.00	February 29, 2024	May 7, 2024

Note: Total amount of dividends resolved at the Board of Directors meeting held on April 15, 2024 includes ¥42 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

Fiscal year ended February 28, 2025

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 24, 2025	Ordinary shares	7,747	30.00	February 28, 2025	May 8, 2024

Note: Total amount of dividends resolved at the Board of Directors meeting held on April 24, 2025 includes ¥61 million of dividends paid on the Company's shares held by the officer remuneration BIP trust.

30. Revenue

(1) Disaggregation of revenue

In accordance with IFRS 8 Operating Segments, the Group reports information about its four segments, namely “Department Store Business,” “SC Business,” “Developer Business,” and “Payment and Finance Business.” These reportable segments are periodically examined by the Board of Directors for the purpose of deciding the allocation of management resources and assessing business results. Furthermore, the “Other” category is an operating segment not included as a reportable segment. It includes wholesaling, parking, leasing, etc.

The Group considers that the categories of these reportable segments can be used to meet the objective for the disaggregation disclosure requirement in paragraph 114 of IFRS 15. The following table shows the disaggregation of revenue in accordance with the above categories and includes the reconciliation representing how disaggregated revenue relates to each segment.

Revenue arising from these businesses is mainly recorded in accordance with contracts with customers, and the amount of revenue related to variable consideration, etc. is immaterial. In addition, the amount of promised consideration does not include any significant financing.

Due to the review of the business management classification, PARCO Digital Marketing Co., Ltd. was removed from the Developer Business and included in the SC Business on March 1, 2024. In addition, due to reorganization within the Group as of September 1, 2024, a part of the management business of J. Front One Partner Co., Ltd. (formerly JFR Service Co. Ltd.), which had been included in “Other,” was transferred to PARCO SPACE SYSTEMS Co., Ltd. that is included in the “Developer Business” and another company. Accordingly, they have been retroactively adjusted as if the transfer had been effective from the beginning of the previous fiscal year (March 1, 2023).

Segment		Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
		Millions of yen	Millions of yen
	Daimaru		
	Osaka Shinsaibashi store	32,768	41,301
	Osaka Umeda store	18,047	19,375
	Tokyo store	21,130	22,154
	Kyoto store	19,067	20,927
	Kobe store	27,236	28,993
	Sapporo store	20,575	23,337
	Matsuzakaya		
	Nagoya store	37,144	38,250
	Ueno store	8,439	8,958
	Other stores, etc.	54,689	60,344
	Elimination of inter-segment revenue	(352)	(401)
Department Store Business		238,747	263,242
	PARCO	57,872	63,484
	Other	858	934
	Elimination of inter-segment revenue	(1,179)	(1,167)
SC Business		57,551	63,251
	J. FRONT CITY DEVELOPMENT	19,478	13,414
	PARCO SPACE SYSTEMS	26,679	25,844
	J. Front Design & Construction	35,902	50,645
	Other	(741)	754
	Elimination of inter-segment revenue	(14,152)	(21,513)
Developer Business		67,165	69,144
	Payment and Finance Business	13,115	13,135
	Elimination of inter-segment revenue	(6,967)	(7,765)
Payment and Finance Business		6,148	5,370
	Other	47,341	50,716
	Elimination of inter-segment revenue	(9,948)	(9,857)
Other		37,393	40,859
Adjustments		—	9
Total		407,006	441,877

Revenue	Revenue from contracts with customers	341,462	377,851
	Revenue arising from other sources	65,543	64,026
		407,006	441,877

(Note 1) The “Department Store Business,” “SC Business,” and “Developer Business” categories include lease revenue based on IFRS 16, and the “Payment and Finance Business” category includes interest revenue based on IFRS 9. Lease revenue and interest revenue are included in “Revenue arising from other sources.” The “Other” category is a business segment not included in reportable segments. It includes wholesaling, parking, leasing, etc.

(Note 2) “Other” in each business category includes elimination of inter-segment revenue.

1) Department Store Business

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

2) SC Business

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

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

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

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

3) Developer Business

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

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

Revenue from sales of real estate is recognized at the time of delivery.

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

4) Payment and Finance Business

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

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

5) Other

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

(2) Balance of contracts

Balance of contracts of the Group is as follows:

Fiscal year ended February 29, 2024

	(Millions of yen)	
	As of March 1, 2023	As of February 29, 2024
Receivables from contracts with customers	94,129	98,071
Contract assets	6,832	6,821
Contract liabilities	39,988	38,784

Fiscal year ended February 28, 2025

	(Millions of yen)	
	As of March 1, 2024	As of February 28, 2025
Receivables from contracts with customers	98,071	102,726
Contract assets	6,821	10,433
Contract liabilities	38,784	39,320

Notes: 1. Receivables from contracts with customers

Receivables from contracts with customers primarily consist of receivables in association with the use of credit cards issued by the Group, and the amount includes the amount collected on behalf of third parties as agent transactions. The collection period of these receivables is mainly within one to two months.

2. Contract assets

Contract assets are related to rights to considerations arising when the Group is to receive payments from customers in line with a series of performances, and are recognized mainly in association with contracted work agreements. For the completed part of work, the Group recognizes contract assets in advance, and they are transferred to trade receivables at the time when the customer conducts acceptance inspection and the invoice is sent.

Contract assets are included in trade and other receivables in the consolidated statement of financial position.

3. Contract liabilities

Contract liabilities are related to consideration received prior to performance under contracts and transferred to revenue at the time when the Group performs obligations under contracts.

Contract liabilities are included in other current liabilities in the consolidated statement of financial position.

Of contract liabilities at the end of the previous period, the amount recognized in revenue in the fiscal year ended February 28, 2025 was ¥20,159 million.

The increase in contract assets in the fiscal year ended February 28, 2025 is mainly due to the increase in construction orders received.

Regarding performance obligations satisfied or partially satisfied in prior periods, no amount was recognized in revenue in the fiscal years ended February 29, 2024 and February 28, 2025.

(3) Transaction price allocated to the remaining performance obligations

With regard to transaction price allocated to the remaining performance obligations, the Group will recognize revenue in accordance with progress toward completion of construction work, the actual use of gift certificates and points, and performance of services from membership fees. The total amount of transaction price allocated to the remaining performance obligations and the timing when revenue is expected to be recognized are as follows:

	(Millions of yen)	
	As of February 29, 2024	As of February 28, 2025
Due within one year	37,499	36,590
Due after one year through two years	18,301	11,248
Due after two years	7,470	6,885
Total	63,271	54,724

31. Other Operating Income

The breakdown of other operating income is as follows:

	(Millions of yen)	
	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Gain on sale of shares of subsidiaries and associates (Note 1)	760	—
Gain on sales of non-current assets (Note 2)	757	144
Gain on step acquisitions (Note 3)	—	8,525
Reversal of provision for loss on store closings (Note 4)	325	1,950
Other subsidies	150	23
Other	1,679	1,187
Total	3,673	11,831

- Notes:
1. Gain on sale of shares of subsidiaries and associates is a gain on sales due to the transfer of 100% of the shares of StylingLife Holdings Inc.
 2. Gain on sales of non-current assets for the fiscal year ended February 29, 2024, is a gain on sales due to the sale of real estate holdings in the SC Business, wholesale business, Developer Business, etc. Gain on sales of non-current assets for the fiscal year ended February 28, 2025, is mainly a gain on sales due to the sale of real estate holdings in the SC Business.
 3. For the gain on step acquisitions, please refer to “44. Business Combinations.”
 4. The reversal of provision for loss on store closings in the fiscal year ended February 28, 2025 was due to the waiver of obligations to cover store restoration costs, resulting in a partial reversal of the provision.

32. Cost of Sales

The breakdown of cost of sales is as follows:

	(Millions of yen)	
	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Cost of goods sold	170,878	186,919
Personnel expense	7,145	8,399
Depreciation and amortization expense	21,439	20,632
Other	12,026	13,330
Total	211,490	229,281

33. Selling, General and Administrative Expenses

The breakdown of selling, general and administrative expenses is as follows:

	(Millions of yen)	
	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Personnel expense	50,067	54,840
Depreciation and amortization expense	25,053	24,961
Advertising expense	10,639	10,802
Operational costs	11,274	11,050
Other	54,150	57,451
Total	151,185	159,106

34. Other Operating Expenses

The breakdown of other operating expenses is as follows:

	(Millions of yen)	
	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Loss on disposals of non-current assets	1,302	2,699
Impairment loss (Note 1)	2,310	2,689
Other	1,342	1,732
Total	4,955	7,122

Note: For details, please refer to “18. Impairment of Non-financial Assets.”

35. Finance Income and Finance Costs

The breakdown of finance income is as follows:

	(Millions of yen)	
	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Interest income		
Financial assets measured at amortized cost	709	652
Dividend income		
Equity financial assets measured at fair value through other comprehensive income	194	129
Equity financial assets measured at fair value through profit or loss	704	—
Total	1,609	781

The breakdown of finance costs is as follows:

(Millions of yen)

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Interest expenses		
Financial liabilities measured at amortized cost	1,036	1,014
Interest expenses related to lease liabilities	3,297	2,995
Other	513	260
Total	4,847	4,270

36. Other Comprehensive Income

The amount arising during the period and reclassification adjustments to profit or loss for each item of other comprehensive income and tax effect are as follows:

	(Millions of yen)	
	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Financial assets measured at fair value through other comprehensive income		
Amount arising during the period	(2,176)	9,762
Tax effect	538	(3,045)
Financial assets measured at fair value through other comprehensive income	(1,638)	6,717
Remeasurements of defined benefit plans		
Amount arising during the period	3,309	1,751
Tax effect	(1,032)	(616)
Remeasurements of defined benefit plans	2,276	1,135
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the period	(115)	0
Tax effect	40	(0)
Share of other comprehensive income of entities accounted for using equity method	(75)	0
Total items that will not be reclassified to profit or loss	562	7,852
Items that may be reclassified to profit or loss		
Cash flow hedges		
Amount arising during the period	26	(67)
Reclassification adjustments	—	—
Before tax effect	26	(67)
Tax effect	(5)	20
Cash flow hedges	20	(46)
Exchange differences on translation of foreign operations		
Amount arising during the period	123	213
Reclassification adjustments	(19)	—
Before tax effect	103	213
Tax effect	—	—
Exchange differences on translation of foreign operations	103	213
Share of other comprehensive income of entities accounted for using equity method		
Amount arising during the period	1	(2)
Reclassification adjustments	—	—
Before tax effect	1	(2)
Tax effect	—	—
Share of other comprehensive income of entities accounted for using equity method	1	(2)
Total items that may be reclassified to profit or loss	126	164
Total other comprehensive income	688	8,017

37. Earnings Per Share

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Profit attributable to owners of parent (Millions of yen)	29,913	41,424
Adjustment to profit	—	—
Profit used to calculate diluted earnings per share (Millions of yen)	29,913	41,424
Average number of ordinary shares during the period (Shares)	262,260,084	258,336,126
Increase in the number of ordinary shares:		
Officer remuneration BIP trust (Shares)	—	320,864
Average number of diluted ordinary shares during the period (Shares)	262,260,084	258,656,990
Basic earnings per share (Yen)	114.06	160.35
Diluted earnings per share (Yen)	114.06	160.15

Note: The calculation of basic earnings per share and diluted earnings per share excludes the number of the Company's shares owned by the officer remuneration BIP trust from the average number of ordinary shares during the period because such shares are treated as the Company's treasury shares.

38. Share-Based Payment

(1) Share-based payment plan

1) Details of share-based payment plan

The Group has also adopted an officer remuneration BIP (Board Incentive Plan) trust (hereinafter the "BIP Trust") as a performance-linked share-based payment for representative directors of JFR Card Co., Ltd., J. FRONT CITY DEVELOPMENT Co., Ltd., and J. Front Design & Construction Co., Ltd., in addition to officers of the Company, Daimaru Matsuzakaya Department Stores Co. Ltd., and PARCO Co., Ltd. The BIP Trust, which is similar to performance share plans and restricted stock plans in the U.S. and Europe, is a system of granting the Company's shares to officers (in certain cases, the Company's shares are converted into cash within the trust and cash in the amount equivalent to their conversion value is paid) in accordance with the officers' rank and level of achievement of the Medium-term Business Plan, etc.

2) Number of points granted during the period and weighted average fair value of the points

In the assessment of fair value, a calculation is made based on the market price of shares adjusted after taking into account expected dividends. The number of points granted during the period and weighted average fair value of the points are as follows:

Fiscal year ended February 29, 2024

	BIP Trust		
	Short-term PS	Medium- to long-term PS	RS
Number of points granted during the period	149,174	242,370	40,968
Weighted average fair value (Yen)	957	922	922

Fiscal year ended February 28, 2025

	BIP Trust		
	Short-term PS	Medium- to long-term PS	RS
Number of points granted during the period	185,286	314,517	43,939
Weighted average fair value (Yen)	922	922	922

- Notes:
1. PS (Performance Share) is a share-based payment plan under which shares are granted when a predetermined performance target for a certain period is achieved. The Company's shares are granted to officers according to the level of annual achievement in performance each year for short-term PS and according to the level of achievement of the Medium-term Business Plan after the completion of the Medium-term Business Plan for medium- to long-term PS.
 2. RS (Restricted Stock) is a share-based payment plan under which shares that have restrictions on transfer for a certain period are granted at the time of retirement in accordance with rank.

(2) Share-based payment expense

The amounts recognized as share-based payment expense, which were included in the consolidated statement of income, were ¥359 million in the fiscal year ended February 29, 2024 and ¥776 million in the fiscal year ended February 28, 2025.

39. Financial Instruments

(1) Capital management

The Group works to increase productivity and managerial efficiency as a group and conducts capital management with the aim of achieving sustained improvement in corporate value.

One of the major indicators monitored in the Group's capital management is the D/E ratio, and management uses this for monitoring and confirmation. Furthermore, the Group is not subject to any material capital regulations.

D/E ratio is as follows:

(Millions of yen)		
	As of February 29, 2024	As of February 28, 2025
Interest-bearing debt	364,398	363,578
Equity attributable to owners of parent	381,898	409,646
D/E ratio (Times)	0.95	0.89

(2) Financial risk management policy

In the course of its business activities, the Group is exposed to financial risks (credit risk, liquidity risk, foreign currency risk, and interest rate risk), and engages in risk management to reduce these financial risks.

The Group uses derivative transactions to avoid foreign currency fluctuation risk or interest rate fluctuation risk and, in accordance with its policy, does not carry out any speculative transactions.

1) Credit risk management

Credit risk is the risk that a business partner will default on contractual obligations and cause the Group to incur a financial loss.

To address this risk, each Group company carries out due date management and balance management for each business partner and seeks early identification and mitigation of collectability concerns.

The Group's receivables are from a number of business partners in a wide range of industries and regions.

The Group does not have credit risks overly concentrated in a single counterparty or a group to which the counterparty belongs.

The maximum exposure to credit risk on financial assets is the carrying amount after impairment presented in consolidated financial statements. The Group does not hold any properties as collateral or other credit enhancements in regard to exposure to these credit risks.

The Group considers whether or not there has been a significant increase in credit risk from the date of initial recognition, and establishes an allowance for doubtful accounts. Specifically, when there is no significant increase in credit risk since initial recognition, expected credit losses for 12 months are measured as allowance for doubtful accounts.

On the other hand, when there is a significant increase in credit risk since initial recognition, lifetime expected credit losses are measured as allowance for doubtful accounts. Whether credit risk has significantly increased or not is determined based on changes in default risk. Regardless of the above,

for trade receivables, lease receivables, etc. without a significant financing component, allowance for doubtful accounts is measured at an amount equal to lifetime expected credit losses.

In the measurement of these expected credit losses, reasonable and supportable information that is available at the fiscal year end is used for past events, current situations and projection of future economic conditions such as credit loss experience in past years, status of delinquent receivables and financial conditions of creditors. Expected credit losses on financial assets for which credit risk has not increased significantly and trade receivables, etc. without a significant financing component are set altogether as a group and collectively assessed based on historical credit losses because they have largely homogeneous credit risk characteristics.

Expected credit losses on financial assets for which credit risk has increased significantly and credit-impaired financial assets are individually assessed, taking into account historical credit loss experience, future estimated collectible amount and others.

If a debtor does not make a payment within 90 days after the due date, the situation is considered as default.

When financial assets are assessed as fully or partially uncollectible and the Group determines, as a result of credit research, that it is appropriate to write off the assets, the Group directly writes off the carrying amount of the credit-impaired financial assets.

(i) Changes in allowance for doubtful accounts

The Group considers whether or not there has been a significant increase in credit risk from the date of initial recognition, and establishes an allowance for doubtful accounts.

Changes in allowance for doubtful accounts are as follows:

	(Millions of yen)			
	12-month expected credit losses	Lifetime expected credit losses (Assessed collectively)	Lifetime expected credit losses (Assessed individually)	Credit-impaired financial assets (Lifetime expected credit losses)
Balance as of March 1, 2023	109	30	2,648	918
Transfer to lifetime expected credit losses	(49)	—	82	(33)
Transfer to credit-impaired financial assets	(201)	—	(124)	326
Transfer to 12-month expected credit losses	0	—	(0)	(0)
Changes due to new arising and collection of financial assets	250	1	1,139	249
Financial assets that were derecognized during the period	—	(1)	—	—
Direct write-off	(0)	—	(76)	(330)
Changes in model/risk variables	—	—	—	—
Balance as of February 29, 2024	108	31	3,669	1,131
Transfer to lifetime expected credit losses	(51)	—	89	(37)
Transfer to credit-impaired financial assets	(217)	—	(198)	416
Transfer to 12-month expected credit losses	0	—	(0)	(0)
Changes due to new arising and collection of financial assets	294	10	186	263
Financial assets that were derecognized during the period	—	—	—	—
Direct write-off	(0)	—	(60)	(417)
Changes in model/risk variables	—	—	—	—
Balance as of February 28, 2025	134	41	3,685	1,355

- (ii) The carrying amounts of financial assets by risk type (before deducting allowance for doubtful accounts) are as follows:

	As of February 29, 2024	As of February 28, 2025
	Millions of yen	Millions of yen
Financial assets measured at amortized cost, etc. (12-month expected credit losses)	115,373	104,577
Trade and other receivables (Lifetime expected credit losses)	89,421	111,620
Financial assets whose credit risk has increased significantly since initial recognition (Lifetime expected credit losses)	5,741	4,659
Credit-impaired financial assets (Lifetime expected credit losses)	1,181	1,409

2) Liquidity risk management

Liquidity risk is the risk of failure to make payments on the due date when the Group is required to fulfill its payment obligations for financial liabilities due.

The Group manages liquidity risk with methods such as preparing monthly cash flow management plans at all companies, and securing sufficient liquidity on hand through commitment line contracts and overdraft contracts with its main financing banks.

The balance of financial liabilities (other than lease liabilities, etc.) by payment due date is as follows:

(Millions of yen)

As of February 29, 2024	Carrying amount	Contractual amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	151,230	151,230	151,230	—	—	—	—	—
Short-term borrowings	37,330	37,437	37,437	—	—	—	—	—
Long-term borrowings	96,750	98,488	380	28,810	20,595	22,185	648	25,868
Bonds	79,868	80,909	20,240	220	15,207	20,151	15,072	10,018
Other financial liabilities	63,161	63,216	28,362	1,346	473	345	414	32,274
Total	428,339	431,282	237,650	30,376	36,276	42,682	16,134	68,161

Note: Short-term borrowings include the current portion of long-term borrowings.

(Millions of yen)

As of February 28, 2025	Carrying amount	Contractual amount	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	162,810	162,810	162,810	—	—	—	—	—
Short-term borrowings	53,330	53,489	53,489	—	—	—	—	—
Long-term borrowings	76,820	78,687	380	20,700	22,290	753	9,751	24,811
Bonds	59,908	60,669	220	15,207	20,151	15,072	10,018	—
Other financial liabilities	61,590	61,707	28,221	1,153	1,182	414	755	29,980
Derivative financial liabilities								
Forward exchange	41	41	41	—	—	—	—	—
Total	414,501	417,405	245,163	37,060	43,624	16,240	20,525	54,791

- Notes: 1. Short-term borrowings include the current portion of long-term borrowings.
2. Receivables and liabilities resulting from derivative transactions are presented on a net basis.

If funds are temporarily insufficient for the payment of trade payables, etc., the Group procures funds with the following financing methods. Fund procurement methods and the status of procurement in each fiscal year were as follows:

(Millions of yen)

	As of February 29, 2024	As of February 28, 2025
Commitment line		
Used	—	—
Unused	100,000	100,000
Total	100,000	100,000
Overdraft limit		
Used	21,900	21,900
Unused	114,330	114,330
Total	136,230	136,230
Commercial paper issuance limit		
Used	—	—
Unused	100,000	100,000
Total	100,000	100,000

3) Foreign currency risk management

The Group conducts transactions denominated in foreign currencies and is exposed to the risk of fluctuations in exchange rates of foreign currencies against the Japanese yen, but this has immaterial effect on profit before tax.

4) Interest rate risk management

The Group is exposed to various interest rate fluctuation risks in the course of its business activities.

Particularly, fluctuations in interest rates greatly affect borrowing costs.

To mitigate such interest rate fluctuation risks, the Group monitors developments in the interest rate market.

(3) Fair value of financial instruments

1) Calculation method of fair value

(Cash and cash equivalents, trade and other receivables, other financial assets (current), trade and other payables, and other financial liabilities (current))

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

Derivatives are measured as financial assets or liabilities measured at fair value through profit or loss based on prices presented by the counterparty financial institutions.

(Other financial assets (non-current), and other financial liabilities (non-current))

The fair value of listed shares is measured based on market prices at the last date of a fiscal year. The fair value of unlisted shares is measured by discounted future cash flows, valuation model based on profit and net assets, comparable company analysis method or the like.

Other financial assets or other financial liabilities measured at amortized cost mainly consist of lease and guarantee deposits paid or lease and guarantee deposits received, and their fair value is measured at present value calculated by discounting future cash flows at rates such as the current market interest rate.

(Bonds and borrowings)

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

2) Financial instruments measured at amortized cost

The carrying amounts and fair values of financial instruments measured at amortized cost are as follows.

Financial instruments measured at fair value and financial instruments whose carrying amount closely approximates fair value are not included in the following tables.

	As of February 29, 2024		As of February 28, 2025	
	Carrying amount	Fair value	Carrying amount	Fair value
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Financial assets:				
Other financial assets (non-current)	52,073	52,473	51,695	51,288
Total	52,073	52,473	51,695	51,288
Financial liabilities:				
Borrowings	134,080	133,000	130,150	128,655
Bonds	79,868	79,257	59,908	58,662
Other financial liabilities (non-current)	34,798	34,798	33,368	33,368
Total	248,747	247,055	223,427	220,686

3) Fair value measurement

In regard to financial instruments measured at fair value, the fair value amounts measured are categorized into three levels, from Level 1 to Level 3, in accordance with the observability and materiality of inputs used in measurement.

Level 1: Market prices for identical assets or liabilities in active markets

Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using an observable price

Level 3: Fair value that is determined using a valuation technique including unobservable inputs

The fair value of financial instruments measured at fair value is as follows.

Any transfer between levels in the fair value hierarchy is recognized on each reporting date. In the fiscal years ended February 29, 2024 and February 28, 2025, there was no transfer between Level 1, Level 2, and Level 3.

As of February 29, 2024

Financial assets measured at fair value on a recurring basis

	Level 1 Millions of yen	Level 2 Millions of yen	Level 3 Millions of yen	Total Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Derivative financial assets	—	25	—	25
Other financial assets	—	127	464	592
Financial assets measured at fair value through other comprehensive income				
Other financial assets (non-current)	2,181	63	17,123	19,368
Total	<u>2,181</u>	<u>217</u>	<u>17,588</u>	<u>19,986</u>
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	—	—	—	—
Total	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

As of February 28, 2025

Financial assets measured at fair value on a recurring basis

	Level 1 Millions of yen	Level 2 Millions of yen	Level 3 Millions of yen	Total Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Derivative financial assets	—	—	—	—
Other financial assets	—	118	950	1,068
Financial assets measured at fair value through other comprehensive income				
Other financial assets (non-current)	2,259	63	26,447	28,770
Total	<u>2,259</u>	<u>182</u>	<u>27,397</u>	<u>29,839</u>
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	—	41	—	41
Total	<u>—</u>	<u>41</u>	<u>—</u>	<u>41</u>

- 4) Changes, from the beginning to the end of the period, in financial instruments whose fair value measurement is categorized within Level 3

Changes, from the beginning to the end of the period, in financial instruments whose fair value measurement is categorized within Level 3 are as follows:

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
	Millions of yen	Millions of yen
Balance at beginning of period	22,314	17,588
Total gains and losses	(2,825)	9,378
Profit or loss (Note 1)	(237)	—
Other comprehensive income (Note 2)	(2,587)	9,378
Purchase	1,482	485
Sale	(3,382)	(80)
Other	(0)	26
Balance at end of period	17,588	27,397

- Notes:
1. Gains or losses included in profit or loss relate to financial assets measured at fair value through profit or loss as of the reporting date. These gains or losses are recorded in “finance costs” in the consolidated statement of income.
 2. Gains or losses included in other comprehensive income relate to financial assets measured at fair value through other comprehensive income as of the reporting date. These gains or losses are included in “financial assets measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.

Financial instruments classified as Level 3 principally consist of unlisted shares. Fair value of unlisted shares is measured by the Group’s department in charge using the latest figures available for each quarter in accordance with the Group’s accounting policies and others, and reported together with the basis for changes in fair value to superiors and to management where necessary.

Illiquidity discount that is a significant unobservable input used for the measurement of fair value classified as Level 3 in the fair value hierarchy is 30% in the calculation.

A significant increase (decrease) in this input will cause a significant decrease (increase) in the fair value.

- (4) Fair value hierarchy for assets and liabilities that are not measured at fair value but of which fair value has been disclosed

Fair values of financial instruments measured at amortized cost are as follows.

Financial instruments measured at fair value and financial instruments whose carrying amount closely approximates fair value are not included in the following tables.

(Millions of yen)

As of February 29, 2024	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at amortized cost				
Other financial assets (non-current)	–	3,252	49,220	52,473
Total	–	3,252	49,220	52,473
Liabilities:				
Financial liabilities measured at amortized cost				
Borrowings	–	133,000	–	133,000
Bonds	–	79,257	–	79,257
Other financial liabilities (non-current)	–	–	34,798	34,798
Total	–	212,257	34,798	247,055

(Millions of yen)

As of February 28, 2025	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at amortized cost				
Other financial assets (non-current)	–	3,631	47,656	51,288
Total	–	3,631	47,656	51,288
Liabilities:				
Financial liabilities measured at amortized cost				
Borrowings	–	128,655	–	128,655
Bonds	–	58,662	–	58,662
Other financial liabilities (non-current)	–	–	33,368	33,368
Total	–	187,317	33,368	220,686

(5) Financial assets measured at fair value through other comprehensive income

The Group designates investments in equity instruments held in order to maintain and strengthen business relationships as financial assets measured at fair value through other comprehensive income in the light of the holding purpose.

1) Fair value of securities

In regard to investments in equity instruments designated as financial assets measured at fair value through other comprehensive income, the fair value of the main securities is as follows:

As of February 29, 2024

(Millions of yen)	
Securities	Amount
Asahi Properties Inc.	4,417
Nagoya Dome Company, Limited	1,097
Chunichi Shimbun Co., Ltd.	937
MBS MEDIA HOLDINGS, INC.	843
Nagashima Resort Co., Ltd.	776
Toho Gas Co., Ltd.	669
TOKAI TELEVISION BROADCASTING Co., Ltd.	563
Kyushu Kangyo Co., Ltd.	453
CHUBU-NIPPON BROADCASTING CO., LTD.	402
Misonoza Theatrical Corporation	400

As of February 28, 2025

(Millions of yen)	
Securities	Amount
Asahi Properties Inc.	12,551
Nagoya Dome Company, Limited	1,481
Nagashima Resort Co., Ltd.	1,237
Chunichi Shimbun Co., Ltd.	1,008
MBS MEDIA HOLDINGS, INC.	972
Toho Gas Co., Ltd.	915
Kyushu Kangyo Co., Ltd.	620
TOKAI TELEVISION BROADCASTING Co., Ltd.	544
Japan Installment Deposit Guarantee Co., Ltd.	515
Tower Records Japan Inc.	429

2) Dividend income

(Millions of yen)		
	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Investments derecognized during the period	67	1
Investments held at end of period	127	127
Total	194	129

- 3) Financial assets measured at fair value through other comprehensive income derecognized during the period

The Group sells financial assets measured at fair value through other comprehensive income for the purpose of periodic portfolio revisions, management of risk assets and others. The fair value on the date of sale thereof and cumulative gain or loss on the sale (before tax) are as follows:

(Millions of yen)

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Fair value on the date of sale	4,534	188
Cumulative gain (loss) on sale	3,056	64

- 4) Transfer to retained earnings

The Group transfers cumulative gain or loss caused by fluctuations in the fair value of financial assets measured at fair value through other comprehensive income to retained earnings when the asset is derecognized. In the fiscal years ended February 29, 2024 and February 28, 2025, cumulative gain or loss (after tax) in other comprehensive income transferred to retained earnings were ¥1,749 million and ¥45 million, respectively.

- (6) Derivatives and hedges

- 1) Cash flow hedges

Cash flow hedges are hedges to avoid the risk of fluctuations in future cash flows. The Company utilizes forward exchange contracts to hedge fluctuations in cash flows for forecast transactions. Changes in fair value of derivative transactions designated as cash flow hedges are recognized as other comprehensive income, included in other components of equity, and transferred to profit (loss) when the hedged item is recognized as profit (loss).

The details of hedging instruments designated as cash flow hedges are as follows:

As of February 29, 2024

	Contract value	With term exceeding one year	Carrying amount		Line item in the consolidated statement of financial position	Changes in fair value used to calculate the ineffective portion of the hedge
			Assets	Liabilities		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		Millions of yen
Foreign currency risk						
Forward exchange contracts	1,877	—	25	—	Other financial assets	—

As of February 28, 2025

	Contract value	With term exceeding one year	Carrying amount		Line item in the consolidated statement of financial position	Changes in fair value used to calculate the ineffective portion of the hedge
			Assets	Liabilities		
	Millions of yen	Millions of yen	Millions of yen	Millions of yen		Millions of yen
Foreign currency risk						
Forward exchange contracts	2,316	—	—	41	Other financial liabilities	—

- (7) Transfer of financial assets

The Group securitizes certain trade receivables through the transfer of shares. However, some of such securitized receivables impose an obligation to pay on the Group retrospectively if the debtor does not make a payment. Since these securitized receivables do not meet requirements for derecognition of financial assets, they are not derecognized.

As of February 29, 2024 and February 28, 2025, such transferred assets were recorded in “trade and other receivables” and the amount of money received arising at the time when the assets were transferred as

related liabilities was recorded in “bonds and borrowings,” at ¥3,000 million in the fiscal year ended February 29, 2024 and ¥3,000 million in the fiscal year ended February 28, 2025.

40. Significant Subsidiaries

The status of major subsidiaries as of the end of the current fiscal year is as stated in “I. Overview of the Company, 4. Overview of subsidiaries and associates.”

41. Related Parties

(1) Transactions with related parties

Fiscal year ended February 29, 2024

(Millions of yen)

Type	Name	Ownership ratio of voting rights	Relationship	Nature of transactions	Transaction amount (Note 2)	Item	Balance at the end of the fiscal year
Officers and close relatives	NAKAYAMA Takashi	—	Ex-Managing Executive Officer of the Company	Payment of appropriate amount of remuneration, etc. (Note 1)	14	—	—

- Notes:
1. The officer mentioned above resigned from his position on December 8, 2023, midway through his term of office for personal reasons. Upon his retirement, he was paid an appropriate amount, which was calculated based on his remuneration, etc. from the time of his resignation to the expiration of his term of office, in accordance with a resolution of the Board of Directors.
 2. Transaction amounts do not include consumption taxes.

Fiscal year ended February 28, 2025

Notes related to transactions with related parties (excluding those eliminated in the consolidated financial statements) have been omitted because there were no significant transactions, etc.

(2) Remuneration for key management personnel

Description of the remuneration for Directors and other key management personnel of the Group is as follows:

(Millions of yen)

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Officer remuneration	1,781	2,072
Retirement benefit	1	1
Share-based payment	359	776
Total	2,142	2,849

42. Commitments

Commitments related to expenditures after the reporting date are as follows:

(Millions of yen)

	As of February 29, 2024	As of February 28, 2025
Purchase of property, plant and equipment	1,280	595
Purchase of intangible assets	208	289
Purchase of investment property	7,067	6,109
Total	8,556	6,994

43. Contingent Liabilities

No significant contingent liabilities exist.

44. Business Combinations

Fiscal year ended February 28, 2025

(Acquisition of shares of Shinsaibashi Kyodo Center Building, K.K.)

1. Outline of business combination

(1) Name of acquired company and its business content

Name of acquired company Shinsaibashi Kyodo Center Building, K.K.

Business content Ownership and leasing of real estate

(2) Main reason for business combination

The building owned by Shinsaibashi Kyodo Center Building, K.K. (hereinafter “SCB”) has been in operation as the south wing of the Daimaru Shinsaibashi store since 1970 and, as the Company’s strategic base in the Shinsaibashi area, has most recently operated specialty brands, cosmetics sales floors mainly for inbound tourists, and a duty-free counter. In addition to the aforementioned south wing of the Daimaru Shinsaibashi store, the Company also operates the Main Building of the Daimaru Shinsaibashi store and Shinsaibashi PARCO in the Shinsaibashi area. Along with demonstrating the uniqueness and strengths of Daimaru and PARCO, the Company is actively developing product collaboration, joint sales promotions, area collaboration with nearby facilities of other companies, and personnel exchanges to further enhance the synergy between the department store and PARCO. The Shinsaibashi area is expected to further develop and become more attractive due to the increase in the number of local customers and inbound visitors, as well as Osaka’s initiative to convert a portion of the sidewalks along Midosuji Avenue into a pedestrian space, etc. Under these circumstances, making SCB a wholly owned subsidiary of the Company’s subsidiary Daimaru Matsuzakaya through this share acquisition will enable the Company to formulate a highly flexible business plan for its area strategy going forward, including the south wing of the Daimaru Shinsaibashi store. The Company will further strengthen its presence in the Shinsaibashi area by considering its future vision, including the south wing of the Daimaru Shinsaibashi store, and promoting plans that will contribute to retail expansion in the Shinsaibashi area and the creation of a livelier and more attractive town.

(3) Date of business combination

July 31, 2024

(4) Legal form of business combination

Acquisition of shares in consideration for cash by the Company’s consolidated subsidiary, Daimaru Matsuzakaya Department Stores Co. Ltd.

Acquisition of treasury shares by the acquired company

(5) Ratio of voting rights after acquisition

Ratio of voting rights before additional acquisition	50.0%
Ratio of voting rights increased by SCB's acquisition of treasury shares	4.0%
Ratio of voting rights additionally acquired on the date of business combination	35.2%
Ratio of voting rights after additional acquisition	89.2%

2. Acquisition-related expenses

Acquisition-related expenses of ¥10 million are included in "Selling, general and administrative expenses" in the consolidated statement of income.

3. Gain on step acquisitions

The Company remeasured its interest in the acquired company, which was an equity method associate, held immediately prior to the acquisition date at its acquisition-date fair value, resulting in an ¥8,525 million gain on step acquisitions that are included in "other operating income" in the consolidated statement of income.

4. Fair value of assets acquired and liabilities assumed as of the acquisition date

	(Millions of yen)
	Amount
Fair value of consideration paid	6,422
Fair value of equity interest held immediately before the acquisition date	9,850
Total	16,272
Fair value of assets acquired and liabilities assumed	
Property, plant and equipment	16,522
Of which, land	16,008
Other Assets	348
Deferred tax liabilities	5,275
Other Liabilities	389
Fair value of assets acquired and liabilities assumed (net amount)	11,206
Non-controlling interests (Note 1)	1,210
Goodwill (Note 2)	6,275
Total	16,272

- Notes:
1. Non-controlling interests are measured at the non-controlling interest's proportionate share of the fair value of the acquired company's identifiable net assets at the acquisition date.
 2. Goodwill mainly arises from a reasonable estimate of expected future excess earning power. No such goodwill is expected to be deductible for tax purposes.

5. Cash flows arising from acquisition

	(Millions of yen)
Item	Amount
Cash and cash equivalents transferred in acquisition	6,422
Cash and cash equivalents held by the acquiree at the time of acquisition	201
Purchase of shares of subsidiaries resulting in change in scope of consolidation	6,220

6. Impact on the Group

Information on profit and loss after the acquisition date related to this business combination as well as information on profit and loss if the business combination had taken place at the beginning of the fiscal year is omitted because the impact on the consolidated statement of income is immaterial. The pro forma information has not been audited.

45. Subsequent Events

(Purchase of treasury shares)

At the meeting of the Board of Directors held on April 14, 2025, a resolution was passed concerning matters related to the purchase of own shares in accordance with Paragraph 1, Article 459 of the Companies Act and Article 39 of the Company's Articles of Incorporation.

1. Reason for the purchase of own shares

Under the FY2024-FY2026 Medium-term Business Plan, the Company is committed to working on the "Realization of growth with profitability" and "Optimization of equity amount and enhancement of shareholder returns" in order to enhance medium- to long-term return on capital. This purchase will be carried out based on this policy.

2. Details of matters related to the purchase

(1) Class of shares to be purchased

Ordinary shares

(2) Total number of shares to be purchased

11,500,000 shares (upper limit)

(4.45% of total number of issued shares (excluding treasury shares))

(3) Total value of shares to be purchased

¥15,000 million (upper limit)

(4) Purchase period

From April 15, 2025 to August 29, 2025

(5) Purchase method

(i) Purchase through the Off-Auction Own Share Repurchase Transaction (ToSTNeT-3) of the Tokyo Stock Exchange

(ii) Market purchase on the Tokyo Stock Exchange

(Issuance of bonds)

Based on the resolution of the Board of Directors on February 25, 2025, the Company determined the issuance terms of the 11th and 12th bonds on May 22, 2025, and issued them on May 29, 2025.

The outline is as follows.

J. Front Retailing Co., Ltd. 11th series of unsecured bonds (with pari passu clause limited to the bonds)
(sustainability bonds)

1. Total issue amount	¥20,000 million
2. Issue price	¥100 per ¥100
3. Interest rate	1.482% per annum
4. Maturity date	May 29, 2030
5. Payment date (issue date)	May 29, 2025
6. Purpose	Of the estimated net proceeds, ¥19,912 million, ¥16,912 million will be loaned to a subsidiary of the Company. The subsidiary plans to allocate the funds toward the construction of The Landmark Nagoya Sakae, purchase of electricity derived from renewable energy, conversion of company vehicles to EVs, and lease payments for the former foreign settlement area in Kobe. The remaining ¥3,000 million is planned to be invested, via funds established jointly with partner companies (the JFR MIRAI CREATORS Fund and the Pride Fund), in start-ups and regional small and medium-sized enterprises facing business succession challenges.

J. Front Retailing Co., Ltd. 12th series of unsecured bonds (with pari passu clause limited to the bonds)

1. Total issue amount	¥10,000 million
2. Issue price	¥100 per ¥100
3. Interest rate	2.236% per annum
4. Maturity date	May 29, 2035
5. Payment date (issue date)	May 29, 2025
6. Purpose	The proceeds will be loaned to a subsidiary of the Company, which plans to allocate them toward investment in renovations of sales floors and stores.

46. Approval of Consolidated Financial Statements

These consolidated financial statements were approved by the President and Representative Executive Officer Keiichi Ono on May 30, 2025.

(2) Other

Quarterly financial information, etc. for the current fiscal year

(Cumulative)	First three months	First six months	First nine months	Current fiscal year
Revenue (Millions of yen)	101,469	209,368	315,982	441,877
Profit before tax (Millions of yen)	15,631	38,263	49,377	55,785
Profit attributable to owners of parent (Millions of yen)	11,316	29,094	37,041	41,424
Basic earnings per share (Yen)	43.11	111.86	143.04	160.35

(Quarterly)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	43.11	68.98	31.01	17.10

- Notes:
1. For the first quarter, a quarterly report was submitted pursuant to Article 24-4-7, Paragraph (1) of the former Financial Instruments and Exchange Act.
 2. For the third quarter, the financial information for the quarter has not undergone an interim review.

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

1) Non-consolidated Balance Sheet

(Millions of yen)

	As of February 29, 2024	As of February 28, 2025
Assets		
Current assets		
Cash and deposits	62,904	46,053
Short-term loans receivable from subsidiaries and associates	113,565	120,254
Accounts receivable - other	4,804	1,166
Other	184	218
Allowance for doubtful accounts	(500)	(832)
Total current assets	180,959	166,859
Non-current assets		
Property, plant and equipment		
Buildings and structures	160	223
Other	28	63
Total property, plant and equipment	189	287
Intangible assets		
Software	2,221	2,272
Total intangible assets	2,221	2,272
Investments and other assets		
Investment securities	2,067	2,060
Shares of subsidiaries and associates	367,906	368,387
Long-term loans receivable from subsidiaries and associates	85,500	60,500
Deferred tax assets	346	635
Other	642	383
Allowance for doubtful accounts	(500)	—
Total investments and other assets	455,962	431,967
Total non-current assets	458,372	434,526
Deferred assets		
Bond issuance costs	131	91
Total deferred assets	131	91
Total assets	639,463	601,478

(Millions of yen)

	As of February 29, 2024	As of February 28, 2025
Liabilities		
Current liabilities		
Short-term borrowings	34,330	50,330
Current portion of bonds	20,000	—
Deposits received from subsidiaries and associates	78,408	74,098
Accrued expenses	899	811
Income taxes payable	132	89
Provision for bonuses	236	328
Provision for bonuses for directors (and other officers)	104	230
Provision for officer remuneration BIP trust	168	155
Other	841	1,653
Total current liabilities	135,118	127,695
Non-current liabilities		
Bonds payable	60,000	60,000
Long-term borrowings	96,750	76,820
Provision for officer remuneration BIP trust	1,192	377
Other	1,227	1,202
Total non-current liabilities	159,169	138,400
Total liabilities	294,288	266,095
Net assets		
Shareholders' equity		
Share capital	31,974	31,974
Capital surplus		
Legal capital surplus	9,474	9,474
Other capital surplus	239,400	239,400
Total capital surplus	248,874	248,874
Retained earnings		
Other retained earnings		
Retained earnings brought forward	77,513	77,628
Total retained earnings	77,513	77,628
Treasury shares	(13,316)	(23,219)
Total shareholders' equity	345,046	335,258
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	128	123
Total valuation and translation adjustments	128	123
Total net assets	345,175	335,382
Total liabilities and net assets	639,463	601,478

2) Non-consolidated Statement of Income

(Millions of yen)

	Fiscal year ended February 29, 2024		Fiscal year ended February 28, 2025	
Operating revenue				
Dividend income	*1	10,536	*1	14,657
Consulting fee income	*1	5,975	*1	6,070
Total operating revenue		16,512		20,727
General and administrative expenses	*1,*2	7,972	*1,*2	9,848
Operating profit		8,539		10,878
Non-operating income				
Interest income	*1	578	*1	806
Dividend income	*1	939	*1	20
Reversal of allowance for doubtful accounts		—	*4	167
Other		199		50
Total non-operating income		1,717		1,044
Non-operating expenses				
Interest expenses	*1	545	*1	1,196
Interest on bonds		260		228
Amortization of bond issuance costs		54		—
Provision of allowance for doubtful accounts	*3	100		—
Commitment fees		193		192
Loss on investments in investment partnerships		311		114
Other		49		218
Total non-operating expenses		1,515		1,950
Ordinary profit		8,741		9,973
Extraordinary income				
Gain on sale of shares of subsidiaries and associates	*5	8,870		—
Total extraordinary income		8,870		—
Extraordinary losses				
Loss on valuation of investment securities	*6	656		—
Loss on valuation of shares of subsidiaries and associates	*7	614	*7	170
Total extraordinary losses		1,271		170
Profit before income taxes		16,341		9,803
Income taxes - current		(1,013)		(991)
Income taxes - deferred		103		(293)
Total income taxes		(909)		(1,284)
Profit		17,251		11,087

3) Non-consolidated Statement of Changes in Equity

Fiscal year ended February 29, 2024

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	31,974	9,474	239,400	248,874	68,719	68,719	(13,526)	336,043
Changes during period								
Dividends of surplus	—	—	—	—	(8,457)	(8,457)	—	(8,457)
Profit	—	—	—	—	17,251	17,251	—	17,251
Purchase of treasury shares	—	—	—	—	—	—	(7)	(7)
Disposal of treasury shares	—	—	(0)	(0)	—	—	217	217
Net changes in items other than shareholders' equity	—	—	—	—	—	—	—	—
Total changes during period	—	—	(0)	(0)	8,793	8,793	209	9,003
Balance at end of period	31,974	9,474	239,400	248,874	77,513	77,513	(13,316)	345,046

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	78	78	336,121
Changes during period			
Dividends of surplus	—	—	(8,457)
Profit	—	—	17,251
Purchase of treasury shares	—	—	(7)
Disposal of treasury shares	—	—	217
Net changes in items other than shareholders' equity	50	50	50
Total changes during period	50	50	9,054
Balance at end of period	128	128	345,175

Fiscal year ended February 28, 2025

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	31,974	9,474	239,400	248,874	77,513	77,513	(13,316)	345,046
Changes during period								
Dividends of surplus	—	—	—	—	(10,967)	(10,967)	—	(10,967)
Profit	—	—	—	—	11,087	11,087	—	11,087
Purchase of treasury shares	—	—	—	—	—	—	(11,458)	(11,458)
Disposal of treasury shares	—	—	—	—	—	—	1,555	1,555
Changes due to dividends in kind	—	—	—	—	(6)	(6)	—	(6)
Net changes in items other than shareholders' equity	—	—	—	—	—	—	—	—
Total changes during period	—	—	—	—	114	114	(9,902)	(9,788)
Balance at end of period	31,974	9,474	239,400	248,874	77,628	77,628	(23,219)	335,258

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	128	128	345,175
Changes during period			
Dividends of surplus	—	—	(10,967)
Profit	—	—	11,087
Purchase of treasury shares	—	—	(11,458)
Disposal of treasury shares	—	—	1,555
Changes due to dividends in kind	—	—	(6)
Net changes in items other than shareholders' equity	(4)	(4)	(4)
Total changes during period	(4)	(4)	(9,793)
Balance at end of period	123	123	335,382

Notes to Non-consolidated Financial Statements

(Notes on premise of going concern)

No items to report

(Significant accounting policies)

1. Basis and method of valuation of assets

(1) Shares of subsidiaries and associates

Stated at cost using the moving-average method

(For investments in limited liability investment partnerships (deemed to be securities based on Paragraph 2, Article 2 of the Financial Instruments and Exchange Act), these are stated by the net amount corresponding to the Company's equity share based on the most recent obtainable financial statements depending on the reporting date established by the partnership agreement.)

(2) Available-for-sale securities

Other than stocks and other securities with no market price

Stated at fair value based on the market prices at the fiscal year-end (Valuation differences are included in net assets; cost of securities sold is determined by the moving-average method)

Stocks and other securities with no market price

Stated at cost using the moving-average method

2. Basis and method of valuation of derivatives

Derivatives

Stated at fair value

3. Basis and method of valuation of inventories

Supplies

Stated at cost using the FIFO method (the book value is written down based on the decreased profitability)

4. Depreciation method of non-current assets

(1) Property, plant and equipment (excluding leased assets)

Straight-line method

(2) Intangible assets (excluding leased assets)

Straight-line method

Internal use software is amortized using the straight-line method over the internally expected useful life (five years).

(3) Leased assets

Leased assets in finance leases that do not transfer ownership are depreciated using the straight-line method with zero residual value assuming the lease periods as useful lives.

5. Accounting method for deferred assets

Bond issuance costs

Amortized using the straight-line method over the period until redemption

6. Accounting policy for provisions

(1) Allowance for doubtful accounts

To prepare for losses from bad debt, an estimated uncollectible amount is provided.

(2) Provision for bonuses

To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.

(3) Provision for bonuses for directors (and other officers)

To prepare for the payment of bonuses to corporate officers, the amount expected to be paid is provided.

(4) Provision for officer remuneration BIP trust

To prepare for the granting of the Company's shares through an officer remuneration BIP trust, the amount equivalent to the value of shares in proportion to the number of points awarded to officers in accordance with the Stock Benefit Rules is provided.

7. Accounting policy for revenues and expenses

Revenue generated from contracts with customers for the Company, which is a holding company, mainly consists of consulting fee income and dividend income from subsidiaries. Income from consulting fees is recognized as revenue in equal amounts over the contract period because the performance obligation is to provide management, planning and other guidance to subsidiaries, and such performance obligations are satisfied on a recurring basis. Income from dividends is recognized as of the effective date.

8. Hedge accounting method

(1) Hedge accounting method

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

(2) Hedging instruments and hedged items

(i) Hedging instruments

Interest rate swaps

(ii) Hedged items

Borrowings and interest expenses on borrowings

(3) Hedging policy

Based on the risk management policy, hedging is undertaken to hedge interest rate fluctuation risk.

(4) Method for assessing the hedge effectiveness

At the end of each fiscal year, hedge effectiveness with respect to the hedged items and hedging instruments is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions, such as principal, interest rate, and duration, are identical between the assets or liabilities of hedged items and hedging instruments.

(Significant accounting estimates)

There are no accounting estimates that have a risk of significantly impacting the non-consolidated financial statements for the next fiscal year.

(Changes in accounting policies)

No items to report

(Notes to non-consolidated statement of income)

*1. Transactions with subsidiaries and associates

(Millions of yen)

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Operating transactions		
Operating revenue	16,512	20,727
General and administrative expenses	887	973
Non-operating transactions	1,490	1,499

*2. Major components of general and administrative expenses

(Millions of yen)

	Fiscal year ended February 29, 2024	Fiscal year ended February 28, 2025
Officer remuneration	686	917
Employees' salaries	1,249	1,454
Provision for bonuses	236	328
Provision for bonuses for directors (and other officers)	104	230
Retirement benefit expenses	55	61
Welfare expenses	325	423
Taxes and dues	368	296
Depreciation	321	585
Rent expenses	161	239
Operational costs	1,703	1,968
Business consignment expenses	1,000	1,246
Miscellaneous expenses	507	1,024

*3. Provision of allowance for doubtful accounts

Fiscal year ended February 29, 2024

Loans to the subsidiary and associate JFR Kodomo Mirai Co., Ltd. were recognized as provision of allowance for doubtful accounts.

*4. Reversal of allowance for doubtful accounts

Fiscal year ended February 28, 2025

Loans to the subsidiary and associate JFR Kodomo Mirai Co., Ltd. were recognized as reversal of allowance for doubtful accounts.

*5. Gain on sale of shares of subsidiaries and associates

Fiscal year ended February 29, 2024

Gain on sale was recognized in association with the sale of shares in the subsidiary and associate StylingLife Holdings Inc.

*6. Loss on valuation of investment securities

Fiscal year ended February 29, 2024

Loss on valuation was recognized for shares of the invested Financie, Inc.

*7. Loss on valuation of shares of subsidiaries and associates

Fiscal year ended February 29, 2024

Loss on valuation was recognized for shares in the subsidiary and associate XENOZ CO., Ltd.

Fiscal year ended February 28, 2025

Loss on valuation was recognized for shares in the subsidiary and associate XENOZ CO., Ltd.

(Notes on securities)

Shares of subsidiaries and associates

As of February 29, 2024

(Millions of yen)

Category	Carrying amount	Fair value	Difference
Shares of subsidiaries	—	—	—
Total	—	—	—

Note: Carrying amount of non-marketable stocks and other securities not included in the above table

(Millions of yen)

Category	Carrying amount
Shares of subsidiaries	367,430
Shares of associates	15
Investments in investment partnerships, etc.	460

As of February 28, 2025

(Millions of yen)

Category	Carrying amount	Fair value	Difference
Shares of subsidiaries	—	—	—
Total	—	—	—

Note: Carrying amount of non-marketable stocks and other securities not included in the above table

(Millions of yen)

Category	Carrying amount
Shares of subsidiaries	367,260
Shares of associates	15
Investments in investment partnerships, etc.	1,111

(Notes on tax effect accounting)

1. The breakdown of deferred tax assets and liabilities by major cause

	(Millions of yen)	
	As of February 29, 2024	As of February 28, 2025
Deferred tax assets		
Revised carrying amount of shares of subsidiaries and associates	—	2,770
Provision for bonuses	72	100
Accrued insurance expenses	13	22
Accrued enterprise tax	38	25
Tax loss carryforwards	534	765
Allowance for doubtful accounts for subsidiaries and associates	306	266
Loss on valuation of shares of subsidiaries and associates	249	301
Loss on valuation of investment securities	200	200
Provision for officer remuneration BIP trust	160	82
Loss on impairment of non-current assets	112	112
Excess depreciation expense	142	269
Other	256	249
Subtotal deferred tax assets	2,087	5,166
Valuation allowance	(1,656)	(4,459)
Total deferred tax assets	431	706
Deferred tax liabilities		
Asset retirement obligations	(15)	(16)
Valuation difference on available-for-sale securities	(56)	(54)
Business tax refund receivable	(2)	—
Other	(10)	—
Total deferred tax liabilities	(85)	(70)
Net amount of deferred tax assets	346	635

2. Reconciliation of significant difference between effective statutory tax rate and effective income tax rate after application of tax effect accounting

	(Millions of yen)	
	As of February 29, 2024	As of February 28, 2025
Effective statutory tax rate (%)	30.6	30.6
(Adjustments)		
Permanent non-taxable income for tax purposes (e.g., dividend income)	(41.0)	(51.1)
Permanent non-deductible expenses for tax purposes (e.g., entertainment expenses)	0.4	7.7
Per capita inhabitant tax	0.0	0.1
Valuation allowance	2.7	0.1
Other	1.7	(0.4)
Effective income tax rate after application of tax effect accounting	(5.6)	(13.1)

3. Accounting treatment for income taxes and local income taxes and related tax effect accounting

The Company applies the Japanese group relief system, and conducts accounting treatment for and disclosure of income taxes and local income taxes, or related tax effect accounting, in accordance with Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (The Accounting Standards Board of Japan (ASBJ) Practical Solution No. 42, August 12, 2021).

4. Matters concerning changes in corporate tax rates, etc. after the balance sheet date

The “Act Partially Amending the Income Tax Act” (Act No. 13 of 2025) was promulgated on March 31, 2025, and the special defense corporate tax will be established from the fiscal years beginning on or after April 1, 2026. Accordingly, the effective statutory tax rate used to calculate deferred tax assets and liabilities will be changed from 30.6% to 31.5% for temporary differences, etc. expected to be eliminated in the fiscal years beginning on or after March 1, 2027. However, the effect of the recalculation based on the temporary differences, etc. as of the end of the current fiscal year is immaterial.

(Notes on business combinations)

No items to report

(Notes on revenue recognition)

The basis for understanding revenues is described in “Notes (Significant accounting policies) 7. Accounting policy for revenues and expenses.”

(Significant subsequent events)

Purchase of treasury shares

Notes are omitted concerning the purchase of own shares as the same information is presented in “45. Subsequent Events” in the Notes to Consolidated Financial Statements.

Issuance of bonds

Notes are omitted concerning the issuance of bonds as the same information is presented in “45. Subsequent Events” in the Notes to Consolidated Financial Statements.

4) Annexed detailed schedules

[Annexed detailed schedule of property, plant and equipment, etc.]

(Millions of yen)

Category	Type of assets	Balance at beginning of period	Increase during the period	Decrease during the period	Amortization during the period	Balance at end of period	Accumulated depreciation
Property, plant and equipment	Buildings and structures	160	125	26	36	223	74
	Other	28	45	3	7	63	23
	Total	189	170	29	43	287	97
Intangible assets	Software	2,221	604	11	541	2,272	—
	Total	2,221	604	11	541	2,272	—

[Annexed detailed schedule of provisions]

(Millions of yen)

Category	Balance at beginning of period	Increase during the period	Decrease during the period	Balance at end of period
Allowance for doubtful accounts	1,000	532	700	832
Provision for bonuses	236	328	236	328
Provision for bonuses for directors (and other officers)	104	230	104	230
Provision for officer remuneration BIP trust	1,360	728	1,555	533

(2) Components of major assets and liabilities

The information has been omitted as the consolidated financial statements are prepared.

(3) Other

No items to report

VI. Outline of Share-Related Administration of Reporting Company

Fiscal year	From March 1 to the last day of February																		
Annual Shareholders Meeting	May																		
Record date	Last day of February																		
Record dates for dividends of surplus	Last day of February August 31																		
Number of shares per share unit	100 shares																		
Purchase of shares less than one unit	(Special account) 1-4-5 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency (Special account) 1-4-5 Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation – No charge																		
Office for handling business																			
Shareholder register administrator																			
Forwarding office																			
Handling charge for purchase	No charge																		
Method of public notice	The public notices of the Company shall be given by electronic means. However, in the case of unavoidable circumstances, such as an accident which prevents the use of the public notice by electronic means, they shall be placed in <i>The Nikkei</i> newspaper.																		
Special benefits for shareholders	(i) For shareholders owning at least 100 shares as of the last day of February and new shareholders owning at least 100 shares as of August 31, the “Daimaru Matsuzakaya shopping courtesy card,” which entitles cardholders to a 10% discount when shopping at marked prices at department stores operated by Daimaru Matsuzakaya Department Stores Co. Ltd. (Daimaru Shinsaibashi store, Daimaru Umeda store, Daimaru Tokyo store, Daimaru Kyoto store, Daimaru Kobe store, Daimaru Suma store, Daimaru Ashiya store, Daimaru Sapporo store, Daimaru Shimonoseki store, Matsuzakaya Nagoya store, Matsuzakaya Takatsuki store, Matsuzakaya Ueno store, Matsuzakaya Shizuoka store), The Hakata Daimaru, Inc. (Fukuoka Tenjin store), Kochi Daimaru Co., Ltd., and also spending at Daimaru Matsuzakaya ONLINE STORE and DEPACO, will be issued on the following basis. For shareholders as of the last day of February, the courtesy cards will be issued in May, with an annual spending limit set according to the number of shares owned as described below. (Valid from mid-May (the date of delivery) until May 31 the following year)	<table border="1"> <thead> <tr> <th rowspan="2">Number of shares owned as of the end of February</th><th colspan="2">Spending limit</th></tr> <tr> <th>Duration of ownership: Less than 3 years</th><th>Duration of ownership: 3 years or more</th></tr> </thead> <tbody> <tr> <td>100 to 499 shares</td><td>¥0.5 million per year</td><td>¥1.5 million per year</td></tr> <tr> <td>500 to 999 shares</td><td>¥1.0 million per year</td><td>¥2.0 million per year</td></tr> <tr> <td>1,000 to 3,999 shares</td><td>Additional ¥1.0 million for every 1,000 shares</td><td>Additional ¥1.0 million for every 1,000 shares</td></tr> <tr> <td>4,000 shares or more</td><td>¥5.0 million per year (upper limit)</td><td>¥6.0 million per year (upper limit)</td></tr> </tbody> </table> For new shareholders as of August 31, the courtesy cards will be issued in November, with an annual spending limit according to the number of shares owned set at half of the above amounts. (Valid from mid-November (the date of delivery) until May 31 the following year)	Number of shares owned as of the end of February	Spending limit		Duration of ownership: Less than 3 years	Duration of ownership: 3 years or more	100 to 499 shares	¥0.5 million per year	¥1.5 million per year	500 to 999 shares	¥1.0 million per year	¥2.0 million per year	1,000 to 3,999 shares	Additional ¥1.0 million for every 1,000 shares	Additional ¥1.0 million for every 1,000 shares	4,000 shares or more	¥5.0 million per year (upper limit)	¥6.0 million per year (upper limit)
Number of shares owned as of the end of February	Spending limit																		
	Duration of ownership: Less than 3 years	Duration of ownership: 3 years or more																	
100 to 499 shares	¥0.5 million per year	¥1.5 million per year																	
500 to 999 shares	¥1.0 million per year	¥2.0 million per year																	
1,000 to 3,999 shares	Additional ¥1.0 million for every 1,000 shares	Additional ¥1.0 million for every 1,000 shares																	
4,000 shares or more	¥5.0 million per year (upper limit)	¥6.0 million per year (upper limit)																	
	(ii) By presenting the “Daimaru Matsuzakaya shopping courtesy card,” shareholders may gain entry free of charge for themselves and a guest to cultural events subject to admission fees held at facilities operated by Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd. (gallery spaces in Sapporo, Shibuya, Nagoya, Shinsaibashi, Fukuoka, etc.). Note: Complimentary admission may not apply to all cultural events.																		

Note: The Company stipulates the rights regarding shares less than one unit in its Articles of Incorporation. According to the stipulation, the holders of shares less than one unit shall not be entitled to exercise the rights of shareholders in connection with such shares less than one unit other than those rights listed below:

- (1) Rights set forth in items of Article 189, paragraph (2) of the Companies Act;

- (2) Right to make a demand pursuant to the provisions of Article 166, paragraph (1) of the Companies Act;
- (3) Right to receive an allotment of offered shares and offered share acquisition rights in proportion to the number of shares held by the shareholder; and
- (4) Right to demand the purchase of additional shares less than one unit

VII. Reference Information of Reporting Company

1. Information about parent company, etc. of reporting company

The Company does not have a parent company, etc. as prescribed in Article 24-7, paragraph (1) of the Financial Instruments and Exchange Act.

2. Other reference information

From the beginning of this fiscal year until the filing date of this Annual Securities Report, the Company has filed the following documents.

(1) Annual Securities Report, Attached Documents and Written Confirmation

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

Filed to Director-General of Kanto Local Finance Bureau on May 29, 2024

(2) Internal Control Report

Filed to Director-General of Kanto Local Finance Bureau on May 29, 2024

(3) Quarterly Securities Reports and Written Confirmations

(First quarter of the 18th fiscal year) (from March 1, 2024, to May 31, 2024)

Filed to Director-General of Kanto Local Finance Bureau on July 11, 2024

(4) Semiannual Securities Reports and Written Confirmations

(The 18th fiscal year) (from March 1, 2024 to August 31, 2024)

Filed to Director-General of Kanto Local Finance Bureau on October 10, 2024

(5) Extraordinary Securities Reports

Filed to Director-General of Kanto Local Finance Bureau on May 29, 2024

Extraordinary Securities Report based on Article 19, paragraph (2), item (ix)-2 (Results of Exercise of Voting Rights at the Shareholders Meeting) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, etc.

(6) Shelf Registration Statements (corporate bonds) and Attached Documents

Filed to Director-General of Kanto Local Finance Bureau on March 4, 2024

(7) Amended Shelf Registration Statements

Filed to Director-General of Kanto Local Finance Bureau on May 29, 2024

Filed to Director-General of Kanto Local Finance Bureau on April 14, 2025

Amended Shelf Registration Statements pertaining to Shelf Registration Statement filed on March 4, 2024

(8) Status Report on Share Buybacks

Filed to Director-General of Kanto Local Finance Bureau on June 14, 2024

Filed to Director-General of Kanto Local Finance Bureau on July 12, 2024

Filed to Director-General of Kanto Local Finance Bureau on August 15, 2024

Filed to Director-General of Kanto Local Finance Bureau on May 15, 2025

(9) Supplementary Shelf Registration Documents

Filed to Director-General of Kanto Local Finance Bureau on May 22, 2025

B. Information About Reporting Company's Guarantor, Etc.

No items to report