Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translation and the Japanese original, the Japanese original shall prevail.
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[Securities code: 3086]
May 2, 2017

To Our Shareholders

YAMAMOTO Ryoichi,
President and Representative Director
J. FRONT RETAILING Co., Ltd.
10-1, Ginza 6-chome, Chuo-ku, Tokyo

Notice of Convocation of the 10th Annual Shareholders Meeting

You are cordially invited to attend the 10th Annual Shareholders Meeting of J. FRONT RETAILING Co., Ltd. (hereinafter the "Company"). The meeting will be held as described below.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing or via the Internet. In each case, you are requested to exercise your voting rights so that your vote is received by 6:00 p.m. on Wednesday, May 24, 2017 (JST).

Details

1. Date and time: Thursday, May 25, 2017, at 10:00 a.m. (JST) (Reception opens at 9:00 a.m.)
2. Venue: NEW PIER HALL, 11-1, Kaigan 1-chome, Minato-ku, Tokyo
3. Purpose of the meeting:
Matters to be reported:
1. Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements for the 10th fiscal year (from March 1, 2016 to February 28, 2017)
2. Audit reports of the Accounting Auditor and the Audit & Supervisory Board on Consolidated Financial Statements for the 10th fiscal year

Matters to be resolved:
Proposal 1: Partial Revision of the Articles of Incorporation
Proposal 2: Election of Thirteen (13) Directors
Proposal 3: Payment of Bonuses to Directors and Audit & Supervisory Board Members for Fiscal Year 2016

4. Decisions made for convocation:
Please refer to Guide to the Exercise of Voting Rights on pages 3 to 4.

* If you are attending the meeting in person, please submit the enclosed voting form at the reception of the meeting.
Please note that persons who are not shareholders who can exercise voting rights, such as proxies who are not shareholders, and accompanying persons, will not be admitted. (The accompanying persons of shareholders with disabilities are exempt and will be admitted.)

- Of the documents attached to Notice of Convocation of the Annual Shareholders Meeting, Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements are provided on the Company's website in accordance with relevant laws and regulations and Article 16 of the Company's Articles of Incorporation, hence are not indicated on this Notice of Convocation.
- Consolidated Financial Statements and Non-consolidated Financial Statements, which have been audited by Audit & Supervisory Board Members and the Accounting Auditor, shall include not only the documents stated in this Notice of Convocation, but also Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements, which are provided on the Company's website.
- If any amendments to Reference Materials for Shareholders Meeting, Business Report, Consolidated Financial Statements or Non-consolidated Financial Statements are made, the revised version will be provided on the Company's website.

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

Guide to the Exercise of Voting Rights

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

*You do not need to exercise your voting rights either by postal mail or via the Internet.

Attending a live relay venue
The live relay venues are not recognized as the venue of the shareholders meeting under the Companies Act. Please exercise your voting rights either by postal mail or via the Internet before arriving.

If you are unable to attend the meeting in person, please exercise your voting rights by either of the following methods.

Exercising voting rights by postal mail
Please indicate on the enclosed voting form whether you approve or disapprove of each proposal, and return the completed form to us.
Exercise due date: Received by 6:00 p.m. on Wednesday, May 24, 2017 (JST)

To institutional investors

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

Exercising voting rights via the Internet
Please read the following items before exercising voting rights via the Internet.
Exercise due date: Received by 6:00 p.m. on Wednesday, May 24, 2017 (JST)

(*Instructions concerning the exercise of voting rights via the Internet*)
1. Access the voting website
   Access the voting website and click the "Next" button.
   Voting website: http://www.evote.jp/
2. Login to the voting website
   Enter the "Login ID" and the "Temporary password" shown on the enclosed voting form and click the "Login" button.

   >>> With this your login is complete. Next, please follow the guidance on the screen.

- To prevent unauthorized access by parties other than shareholders and the alteration of shareholder votes, shareholders voting via the Internet will be asked to change their "temporary password" on the voting website.
- You will receive a new "Login ID" and a new "temporary password" with each convocation notice for a Shareholders Meeting.
- If you exercise your voting rights both in writing and via the Internet, we will only accept the exercise of your voting rights via the Internet as effective.
- If you exercise your voting rights more than once via the Internet, we will only accept the last exercise of your voting rights as effective. If you exercise your voting rights more than once by using your personal computer, smartphone and mobile phone, we will only accept the last exercise of your voting rights as effective.

* Fees for accessing the voting website (Internet access fees, telephone charges, packet communication fees, etc.) shall be borne by the shareholder.
* Exercising voting rights via the Internet may not be possible depending on your Internet environment, and settings, including the use of firewall and anti-virus software.

For inquiries about the system, please contact:

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

Reference Materials for Shareholders Meeting

Proposals and Reference Information

Proposal 1: Partial Revision of the Articles of Incorporation

1. Reason for revision

(1) The Company shall transition to a company with three committees (nomination, audit and remuneration committees) in order to strengthen the management oversight function by separating oversight from execution, realize greater clarity of authority and responsibility in business execution while promoting agile management, and improve transparency and objectivity of management. In accordance with this change, the Company wishes to make changes to the Articles of Incorporation such as adding provisions for each committee and Executive Officers, deleting provisions relating to Audit & Supervisory Board Members and the Audit & Supervisory Board, and changing the number of Directors. Among the proposed changes to the Articles of Incorporation, the provision to exempt the liability of Executive Officers to the extent permitted by laws and regulations (Article 37 of the draft revised Articles of Incorporation) has received the consent of each Audit & Supervisory Board Member.

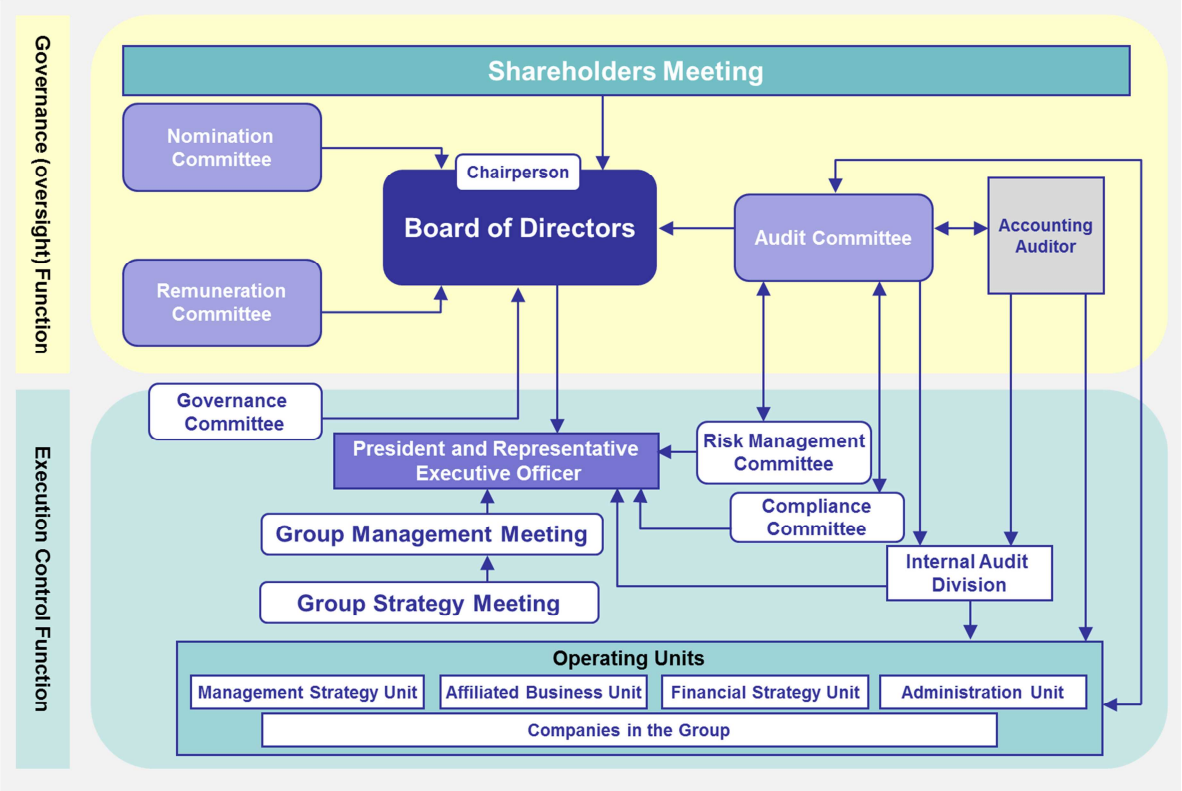
(2) In the Company's Corporate Governance Guidelines established on December 25, 2015, it is stated that when a beneficial shareholder has filed to exercise rights as a shareholder beforehand, we take steps to ensure that such rights may be exercised upon consulting with relevant parties including the trust bank acting as nominal shareholder and the Company's share transfer agent. In accordance with these guidelines, the Company wishes to add a new clause to Article 18 of the current Articles of Incorporation to allow an institutional investor that owns shares in the name of a trust bank, etc. and does not own shares in their own name to attend a shareholders meeting and exercise voting rights as a proxy.

The details of the scope of beneficial shareholders who can attend the Shareholders Meeting in person and exercise their voting rights by proxy, and the necessary requirements and procedures, etc. concerning attendance at the Shareholders Meeting are set forth in the Company's share handling rules.

(3) In addition, the Company wishes to delete provisions relating to Advisor, and also revise the Article numbering and make other changes where necessary in conjunction with the above revisions

The revision of the Articles of Incorporation shall take effect at the conclusion of this Annual Shareholders Meeting.

Corporate governance structure of the Company
(Company with Three Committees (Nomination, Audit and Remuneration Committees))



2. Details of revision

The details of the revision are as described below.

(Revised portions are underlined.)

Current Articles of Incorporation	Draft revised Articles of Incorporation
Chapter 1: General Provisions	**(Same as the present)**
Article 1 to 3 (Omitted)	Article 1 to 3 (Same as the present)
(Organizational Elements) Article 4 The Company shall have the following organizational elements, in addition to Shareholders Meetings and Directors: (1) Board of Directors; (2) Audit & Supervisory Board Members; (3) Audit & Supervisory Board; and (4) Accounting Auditor	(Organizational Elements) Article 4 The Company shall have the following organizational elements, in addition to Shareholders Meetings and Directors: (1) Board of Directors; (2) Nomination Committee, Audit Committee and Remuneration Committee; (3) Executive Officers; and (4) Accounting Auditor
Article 5 (Omitted)	Article 5 (Same as the present)
Chapter 2: Shares	**(Same as the present)**
Article 6 to 11 (Omitted)	Article 6 to 11 (Same as the present)
Chapter 3: Shareholders Meeting	**(Same as the present)**
Article 12 to 13 (Omitted)	Article 12 to 13 (Same as the present)
(Person with Convocation Right and Chairperson) Article 14 A Shareholders Meeting shall be convened by the President, who shall act as chairperson at the meeting. In case of the inability of the President to so act, any one of other Directors shall act in his/her place in accordance with an order previously determined by a resolution of the Board of Directors.	(Person with Convocation Right and Chairperson) Article 14 A Shareholders Meeting shall be convened by a Director determined beforehand by the Board of Directors. In case of the inability of that Director to so act, or in case that this Director position is vacant, any one of other Directors shall act in his/her place in accordance with an order previously determined by a resolution of the Board of Directors. The chairperson of the Shareholders Meeting shall be the President and Executive Officer. In case of the inability of the President and Executive Officer to so act, or in case that the position of President and Executive Officer is vacant, any one of other Directors or Executive Officers shall act in his/her place in accordance with an order previously determined by a resolution of the Board of Directors.
Article 15 to 17 (Omitted)	Article 15 to 17 (Same as the present)

Current Articles of Incorporation	Draft revised Articles of Incorporation
(Exercise of Voting Right by Proxy) Article 18 A Shareholder may designate another Shareholder with voting rights to exercise the designating Shareholder's voting right.	(Exercise of Voting Right by Proxy) Article 18 A Shareholder may designate another Shareholder with voting rights to exercise the designating Shareholder's voting right.
(Newly established)	Notwithstanding the first paragraph of this article, an institutional investor that owns shares in the name of a trust bank, etc. and does not own shares in their own name may attend a shareholders meeting and exercise voting rights as a proxy.
However, each such Shareholder or proxy shall submit a document evidencing their proxy power to the Company at each Shareholders Meeting.	Each such Shareholder or proxy shall submit a document evidencing their proxy power to the Company at each Shareholders Meeting.
Chapter 4: Directors and Board of Directors	**(Same as the present)**
(Number of Directors) Article 19 The Company shall have twelve (12) or fewer Directors.	(Number of Directors) Article 19 The Company shall have fifteen (15) or fewer Directors.
Article 20 to 21 (Omitted)	Article 20 to 21 (Same as the present)
(Representative Director) Article 22 The Board of Directors shall appoint a Representative Directors by its resolution.	(Deleted)
(Directors with Specific Titles) Article 23 The Board of Directors may appoint one (1) Chairperson and one (1) President by its resolution.	(Deleted)
(Newly established)	(Chairperson of the Board of Directors and Person with Convocation Right) Article 22 The Board of Directors shall appoint one (1) Chairperson of the Board of Directors by its resolution. Unless otherwise provided for by laws and regulations, the Chairperson of the Board of Directors shall convene the meeting of the Board of Directors. In case of the inability of the Chairperson of the Board of Directors to so act or in case that the position of the Chairperson of the Board of Directors is vacant, any one of other Directors shall convene the meeting of the Board of Directors and act as chairperson in accordance with an order previously determined by a resolution of the Board of Directors.

Current Articles of Incorporation	Draft revised Articles of Incorporation
(Convocation of a Meeting of the Board of Directors) Article 24 The convocation notice of a meeting of the Board of Directors shall be dispatched to each Director and each Audit & Supervisory Board Member at least three (3) days prior to the scheduled date of such meeting. However, in case of emergency, this notice period may be shortened.	(Convocation of a Meeting of the Board of Directors) Article 23 The convocation notice of a meeting of the Board of Directors shall be dispatched to each Director at least three (3) days prior to the scheduled date of such meeting. However, in case of emergency, this notice period may be shortened.
(Omission of a Resolution of the Board of Directors) Article 25 A resolution of the Board of Directors shall be deemed to have been adopted upon the fulfillment of the requirements of Article 370 of the Companies Act.	Article 24 (Same as the present)
(Rules of the Board of Directors) Article 26 Unless otherwise prescribed by laws and regulations or these Articles of Incorporation, matters relating to the Board of Directors shall be prescribed by the rules of the Board of Directors established by the Board of Directors.	Article 25 (Same as the present)
(Advisor) Article 27 An advisor may be appointed by a resolution of the Board of Directors.	(Deleted)
(Exemption of Liability of Directors) Article 28 The Company may exempt Directors (including those who were previously Directors) from liability for damages for the negligence of their duties to the extent permitted by laws and regulations pursuant to the provisions of paragraph 1 of Article 426 of the Companies Act by a resolution of the Board of Directors.	Article 26 (Same as the present)

Current Articles of Incorporation	Draft revised Articles of Incorporation
(Limited Liability Agreement with Directors) Article 29 The Company and each Director (excluding a person who is executive Director, or employee, including manager) may execute an agreement limiting the liability for damages for negligence of his/her duties pursuant to the provisions of paragraph 1 of Article 427 of the Companies Act. However, the maximum amount of liability under such agreement shall be the higher of the previously stipulated amount of not less than twelve million (12,000,000) yen or the amount fixed by laws and regulations.	(Limited Liability Agreement with Directors) Article 27 The Company and each Director (excluding a person who is executive Director, Executive Officer, or employee, including manager) may execute an agreement limiting the liability for damages for negligence of his/her duties pursuant to the provisions of paragraph 1 of Article 427 of the Companies Act. However, the maximum amount of liability under such agreement shall be the higher of the previously stipulated amount of not less than twelve million (12,000,000) yen or the amount fixed by laws and regulations.
Chapter 5: Audit & Supervisory Board and Audit & Supervisory Board Members	**(Deleted)**
(Number of Audit & Supervisory Board Members) Article 30 The Company shall have five (5) or fewer Audit & Supervisory Board Members.	(Deleted)
(Method of Election of Audit & Supervisory Board Members) Article 31 The Audit & Supervisory Board Members shall be elected at a Shareholders Meeting. A resolution for the election of Audit & Supervisory Board Members shall be adopted when Shareholders holding at least one-third (1/3) of the voting rights of the Voting Shareholders are present at a Shareholders Meeting and by a majority of such voting rights.	(Deleted)
(Term of Office of Audit & Supervisory Board Members) Article 32 The term of office of an Audit & Supervisory Board Member shall expire at the end of the Annual Shareholders Meeting that relates to the latest business year ending within four (4) years after his/her election to office. The term of office of an Audit & Supervisory Board Member who has been elected to fill a vacancy caused by an Audit & Supervisory Board Member resigning before the expiry of his/her office shall expire at the time when the remaining term of office of his/her predecessor would have expired.	(Deleted)

Current Articles of Incorporation	Draft revised Articles of Incorporation
(Full-time Audit & Supervisory Board Members) Article 33 The Audit & Supervisory Board shall appoint full-time Audit & Supervisory Board Members by its resolution.	(Deleted)
(Convocation Notice of a Meeting of the Audit & Supervisory Board) Article 34 The convocation notice of a meeting of the Audit & Supervisory Board shall be dispatched to each Audit & Supervisory Board Member at least three (3) days prior to the scheduled date of such meeting. However, in case of emergency, such notice period may be shortened.	(Deleted)
(Rules of the Audit & Supervisory Board) Article 35 Unless otherwise prescribed by laws and regulations or these Articles of Incorporation, matters relating to the Audit & Supervisory Board shall be prescribed by the rules of the Audit & Supervisory Board established by the Audit & Supervisory Board.	(Deleted)
(Exemption of Liability of Audit & Supervisory Board Members) Article 36 The Company may exempt Audit & Supervisory Board Members (including those who were previously Audit & Supervisory Board Members) from the liability for damages for negligence of their duties to the extent permitted by laws and regulations pursuant to the provisions of paragraph 1 of Article 426 of the Companies Act by a resolution of the Board of Directors.	(Deleted)
(Limited Liability Agreement with Audit & Supervisory Board Members) Article 37 The Company and each Audit & Supervisory Board Member may execute an agreement limiting the liability for damages for negligence of his/her duties pursuant to the provisions of paragraph 1 of Article 427 of the Companies Act. However, the maximum amount of liability under such agreement shall be the higher of the previously stipulated amount of not less than twelve million (12,000,000) yen or the amount fixed by laws and regulations.	(Deleted)

Current Articles of Incorporation	Draft revised Articles of Incorporation
(Newly established)	**Chapter 5: Committee**
(Newly established)	(Number of Committee Members) Article 28 Each committee shall be comprised of three (3) or more Directors, and the majority of those members shall be Outside Directors.
(Newly established)	(Method of Election of Committee Members) Article 29 The members of each committee shall be elected from among the Directors by a resolution of the Board of Directors; provided, however, that the members of the Audit Committee shall not be comprised of Directors who concurrently serve as Executive Officers, executive Directors, accounting advisors, or managers of the Company or any of its subsidiaries. The chairperson of each committee shall be elected by resolution of the Board of Directors.
(Newly established)	(Rules of Committees) Article 30 Matters concerning the authorities of each committee and other matters relating to each committee not set forth by laws and regulations or by these Articles of Incorporation shall be provided for by the rules of each committee as determined by each committee.
(Newly established)	**Chapter 6: Executive Officers**
(Newly established)	(Number of Executive Officers) Article 31 The Company shall have twenty (20) or fewer Executive Officers.
(Newly established)	(Method of Election of Executive Officers) Article 32 The Executive Officers shall be elected by a resolution of the Board of Directors.

Current Articles of Incorporation	Draft revised Articles of Incorporation
(Newly established)	(Term of Office of Executive Officers) Article 33 The term of office of an Executive Officer shall expire at the end of the first meeting of the Board of Directors convened after the end of the Annual Shareholders Meeting that relates to the latest business year that ending within one (1) year after his/her election to office. The term of office of an Executive Officer who is elected to increase the number of Executive Officers or to fill a vacancy shall expire when the term of office of incumbent Executive Officers expires.
(Newly established)	(Representative Executive Officer) Article 34 The Board of Directors shall appoint a Representative Executive Officers by its resolution.
(Newly established)	(Executive Officers with Specific Titles) Article 35 The Board of Directors may appoint one (1) President and Executive Officer, and one (1) or a small number of each of the following: Executive Vice President(s) and Executive Officer(s), Senior Managing Executive Officer(s), and Managing Executive Officer(s).
(Newly established)	(Rules of Executive Officers) Article 36 Unless otherwise prescribed by laws and regulations or these Articles of Incorporation, matters relating to Executive Officers shall be prescribed by the rules of Executive Officers established by the Board of Directors.
(Newly established)	(Exemption of Liability of Executive Officers) Article 37 The Company may exempt Executive Officers (including those who were previously Executive Officers) from the liability for damages for negligence of their duties to the extent permitted by laws and regulations pursuant to the provisions of paragraph 1 of Article 426 of the Companies Act by a resolution of the Board of Directors.
Chapter 6: Accounting	**Chapter 7: (Same as the present)**
Article 38 to 41 (Omitted)	Article 38 to 41 (Same as the present)

Current Articles of Incorporation	Draft revised Articles of Incorporation
(Newly established)	**Supplementary Provisions**
(Newly established)	(Transitional Measure Relating to Exemption from Liability of Audit & Supervisory Board Members) Article 1 The Company may exempt Audit & Supervisory Board Members (including previous Audit & Supervisory Board Members) from the liability for damages due to negligence of their duties prior to the conclusion of the 10th Annual Shareholders Meeting to the extent permitted by laws and regulations pursuant to the provisions of paragraph 1 of Article 426 of the Companies Act by resolution of the Board of Directors.
(Newly established)	(Transitional Measure Relating to Advisor) Article 2 The provisions of Article 27 (Advisor) of the current Articles of Incorporation in accordance with the resolution of the 10th Annual Shareholders Meeting shall remain in effect until the termination of the term of office of the current Advisors.

Note: Some underlining does not coincide with the Japanese version because of translation adjustments. In addition, the English wording in some parts of the current Articles of Incorporation is different from the original translation. Specifically, "Corporate Auditor," which was the translation of *kansayaku* in the original translation of the current Articles of Incorporation is retranslated here as "Audit & Supervisory Board Member."

Proposal 2: Election of Thirteen (13) Directors

The terms of office of all nine (9) Directors will expire at the conclusion of this Annual Shareholders Meeting. In line with the transition from a company with Audit & Supervisory Board to a company with three committees (nomination, audit and remuneration committees), the terms of office of all five (5) Audit & Supervisory Board Members will also expire.

Accordingly, giving comprehensive consideration to formation of the nomination, audit and remuneration committees following the transition to a company with three committees, as well as to the number of Directors concurrently serving as Executive Officers, the Company has made the number of Director candidates 13, and subject to the approval and adoption of Proposal 1 "Partial Revision of the Articles of Incorporation," proposes the election of those candidates.

The candidates for the Directors are as follows.

(Reference 1)

The committees to which each Director is scheduled to belong are as follows.

If this proposal is approved, the members of each Committee will be as follows. (The "◎" mark indicates Chairperson.)

No.	Name	Nomination Committee	Audit Committee	Remuneration Committee	Remarks
1	KOBAYASHI Yasuyuki	○		○	Chairperson of the Board of Directors
2	DOI Zenichi		◎		
3	TSUTSUMI Hiroyuki		○		
4	TACHIBANA FUKUSHIMA Sakie (Outside)	◎		○	
5	OTA Yoshikatsu (Outside)	○		◎	
6	TSURUTA Rokurou (Outside)	○	○	○	
7	ISHII Yasuo (Outside)		○		
8	NISHIKAWA Koichiro (Outside)		○		
9	YAMAMOTO Ryoichi	○		○	Representative Executive Officer
10	YOSHIMOTO Tatsuya				Representative Executive Officer
11	MAKIYAMA Kozo				Executive Officer
12	FUJINO Haruyoshi				Executive Officer
13	WAKABAYASHI Hayato				Executive Officer

* The Company plans to elect six (6) Executive Officers who are not serving as Directors at a Board of Directors meeting that is to be held after this Annual Shareholders Meeting.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
1	KOBAYASHI Yasuyuki (March 30, 1951) Number of the Company's shares owned (shares): **34,800** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 10th fiscal year: **15/15** Tenure as Director (at the conclusion of this Meeting): **approx. 4 years**	April 1973 February 2003 May 2003 January 2004 September 2007 January 2008 March 2010 May 2010 May 2012 April 2013 May 2013 May 2015 May 2016	Joined The Daimaru, Inc. Associate Director, General Manager of Sapporo Store Corporate Officer, General Manager of Sapporo Store General Manager of Tokyo Store Corporate Officer of J. Front Retailing Co., Ltd. Director and Corporate Officer of The Daimaru, Inc. Deputy Executive General Manager of Department Store Operations Headquarters and Executive General Manager of Merchandising Management Unit, Head Office Director and Corporate Officer, Senior Executive General Manager of Sales and Marketing Headquarters and Senior General Manager of Merchandising Strategy Promotion Unit of Daimaru Matsuzakaya Department Stores Co. Ltd. Director and Corporate Executive Officer Director of Parco Co., Ltd. (present) Managing Executive Officer of J. Front Retailing Co., Ltd., Senior Executive General Manager of Affiliated Business Unit (present) Director, Managing Executive Officer Senior Managing Executive Officer (present) Representative Director (present)

Reasons for nomination as candidate for Director

KOBAYASHI Yasuyuki has extensive experience and insight related to Group business overall. This has involved ensuring the success of the Daimaru Sapporo store opening project in a Department Store Business company up to this point, and demonstrating his ability as a facilitator in promoting merchandising strategy, and furthermore, since April 2013 he has served as Senior Executive General Manager of the Affiliated Business Unit of the Company, and has been in charge of the Wholesale Business, Credit Business and other business areas besides the Department Store Business. He is capable of taking on planning and promotion of business strategies from the perspective of overall management taking the roles and expectations of individual businesses with respect to the Group's strategy into account. As such, the Company has judged that he is a competent professional who is capable of helping ensure the improved corporate value and sustained growth of the Group by executing supervision acting as a Director, and has accordingly appointed him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
2	DOI Zenichi (September 15, 1953) Number of the Company's shares owned (shares): **33,600** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 10th fiscal year: **15/15** Tenure as Director (at the conclusion of this Meeting): **approx. 2 years**	March 1976 May 2002 May 2006 May 2008 January 2009 March 2010 March 2012 May 2012 January 2015 May 2015 March 2017	Joined Matsuzakaya Co., Ltd. Executive General Manager of Corporate Planning Unit of Nagoya Business Division Executive Officer, Executive General Manager of Sales Planning Unit Managing Executive Officer, Executive General Manager of General Planning Unit and Executive General Manager of Sales Reform Promotion Unit and Executive General Manager of Sales Planning Unit Director and Executive Officer, Executive General Manager of Sales Management Unit Director and Corporate Officer and Senior General Manager of Sales Planning Unit of Sales and Marketing Headquarters of Daimaru Matsuzakaya Department Stores Co. Ltd. Senior General Manager of Out-of-Store Sales Management Division of Sales and Marketing Headquarters Director and Managing Executive Officer Senior Executive General Manager of Administration Headquarters and in charge of Compliance and Risk Management Director (present) Managing Executive Officer (present) Senior Executive General Manager of Administration Unit (present) In charge of Compliance and Risk Management (present) Outside Director of Hakuyosha Co., Ltd. (present)

Reasons for nomination as candidate for Director

DOI Zenichi has broad-based insight gained through his extensive experience in the respective areas of business to which he has been assigned. This has involved serving on the management team of a Department Store Business company up to this point, where he has demonstrated his ability in core Department Store Business operations that include sales promotion, customer strategy, and out-of-store sales strategy. Moreover, since being appointed as Director of the Company in May 2015, he has mainly been in charge of compliance and risk management, acting as Senior Executive General Manager of the Administration Unit. In addition to the broad insight related to the retail industry overall, he has ability to take Group strategy into account in establishing compliance and risk management policies and frameworks essential for ensuring sound and appropriate management of the Group and also building internal control systems in that regard. As such, the Company has judged that he is a competent professional who is capable of helping ensure the improved corporate value and sustained growth of the Group by executing supervision acting as a Director, and has accordingly appointed him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
3	New Candidate TSUTSUMI Hiroyuki (February 3, 1958) Number of the Company's shares owned (shares): **14,998** Special interests between the Company and the Candidate: **None**	April 1980 March 1993 March 2001 September 2007 March 2010 May 2013 May 2016 March 2017	Joined The Daimaru, Inc. General Manager of Accounting Division of HONG KONG DAIMARU LIMITED General Manager of Finance Headquarters of The Daimaru, Inc. General Manager of Finance Division, Administration Headquarters of J. Front Retailing Co., Ltd. General Manager of Finance Division, Administration Unit of Daimaru Matsuzakaya Department Stores Co. Ltd. Executive Officer (present), Senior General Manager of Finance Division, Administration Unit of J. Front Retailing Co., Ltd. Senior General Manager of Finance and Accounting, Financial Strategy Unit Special Assignments from President (present)

Reasons for nomination as candidate for Director

-TSUTSUMI Hiroyuki has abundant insight in relation to finance and accounting, having been assigned to accounting responsibilities since his second year after joining The Daimaru, Inc. and having a continuous experience in financial affairs since March 1989. He is highly knowledgeable of the business characteristics, financial positions and account-settlement related financial performance through the guidance he has provided in regard to the consolidated settlement of accounts to each business operating subsidiary in cooperation with the accounting auditors since his appointment as Senior General Manager of Finance Division from May 2013. He has also been instrumental in guiding the preparation for the Company's voluntary adoption of IFRS as Senior General Manager of Finance and Accounting, Financial Strategy Unit, which was established in March 2016. As such, the Company has judged that he is a competent professional who is capable of helping ensure the improved corporate value and sustained growth of the Group by executing supervision acting as a Director based on his abundant experience related to finance and accounting, which is essential for the Group's sound and appropriate operations, taking into account the Group's strategies, and has accordingly appointed him as a candidate to serve as a new Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
4	Outside Director Independent TACHIBANA FUKUSHIMA Sakie (September 10, 1949) Number of the Company's shares owned (shares): **4,000** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 10th fiscal year: **15/15** Tenure as Director (at the conclusion of this Meeting): **approx. 5 years**	June 1980 September 1987 August 1991 June 1993 May 1995 September 2000 May 2001 September 2007 May 2009 March 2010 July 2010 August 2010 June 2011 May 2012 June 2013 June 2016	Joined Braxton International Joined Bain & Company, Inc. Principal Consultant of Japan Branch Office of Korn/Ferry International Partner Member of the Board of Korn/Ferry International (Global Headquarters) Regional Managing Director of Korn/Ferry International-Japan Member of the Board of Korn/Ferry International (Global Headquarters) President and Representative Director of Korn/Ferry International-Japan Member of the Board of Korn/Ferry International (Global Headquarters) President and Representative Director of Korn/Ferry International-Japan Chairman and Representative Director Outside Director of Bridgestone Corporation (present) President and Representative Director of G&S Global Advisors Inc. (present) Asia Pacific Senior Advisor of Korn/Ferry International Outside Director of Ajinomoto Co., Inc. (present) Outside Director of J. Front Retailing Co., Ltd. (present) Outside Director of Mitsubishi Corporation Outside Director of USHIO INC. (present)

Reasons for nomination as candidate for Outside Director and special notes regarding the candidate

-TACHIBANA FUKUSHIMA Sakie has broad insight based on her abundant experience in internal and external governance as a director at a U.S. company's global headquarters and as an outside director at numerous Japanese companies. She has gained corporate management experience as the President of a foreign-owned human resource consulting company's local Japanese branch, and accordingly possesses in-depth knowledge regarding global human resources. Based on that, she has contributed to ensuring more effective meetings of the Board of Directors since being appointed as Outside Director of the Company in May 2012, by adequately providing advice and oversight with respect to the direction of overall management and other such matters, from the independent and objective viewpoint of a member of a management team that engages in business execution. In light of her track record, the Company has judged that in acting as an Outside Director she is likely to contribute greatly to management of the Group from the perspective of enhancing corporate governance. As such, she has been appointed as a candidate to continue serving as Outside Director.

-TACHIBANA FUKUSHIMA Sakie is an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.

-The Company has entered into an agreement with TACHIBANA FUKUSHIMA Sakie to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
5	Outside Director Independent OTA Yoshikatsu (December 28, 1941) Number of the Company's shares owned (shares): **5,400** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 10th fiscal year: **15/15** Tenure as Director (at the conclusion of this Meeting): **approx. 2 years**	April 1964 June 1991 July 1994 June 1995 June 1999 April 2001 August 2003 October 2003 April 2006 April 2009 June 2012 April 2013 April 2014 June 2014 May 2015	Joined Minolta Camera Co., Ltd. Director, General Manager of Copying Machine Business Division and General Manager of Copying Machine Sales Division Director, Executive General Manager of Information Device Business Management Unit and Executive General Manager of Information Device Sales Unit of Minolta Co., Ltd. Managing Director President and Representative Director President and Executive Officer, Representative Director Director and Vice President, Representative Executive Officer of Konica Minolta Holdings, Inc. President and CEO of Konica Minolta Technologies, Inc. Director, President and CEO of Konica Minolta Holdings, Inc. Director, Chairman of the Board of Directors Outside Director of YAMAHA CORPORATION Director, Chairman of the Board of Directors of KONICA MINOLTA, INC. Director Special Advisor (present) Outside Director of J. Front Retailing Co., Ltd. (present)

Reasons for nomination as candidate for Outside Director and special notes regarding the candidate

-OTA Yoshikatsu has abundant insight gained through his extensive experience acting as a manager of a company that, like this Company, is a holding company. In that capacity, he promoted the corporate merger between Minolta Co., Ltd. and Konica Corporation, and has served as a chairman of the board of directors of a company with committees (currently a company with nominating and other committees). Accordingly, since being appointed as Outside Director of the Company in May 2015, he has contributed to ensuring more effective meetings of the Board of Directors by adequately providing advice and oversight with respect to promoting Group management, change in the form of corporate organization of the Company, and other such matters, from the independent and objective viewpoint of a member of a management team that engages in business execution. In light of his track record, the Company has judged that in acting as an Outside Director he is likely to contribute greatly to management of the Group from the perspective of enhancing corporate governance. As such, he has been appointed as a candidate to continue serving as Outside Director.

-OTA Yoshikatsu is an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.

-The Company has entered into an agreement with OTA Yoshikatsu to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
6	New Candidate Outside Director Independent TSURUTA Rokurou (June 16, 1943) Number of the Company's shares owned (shares): **3,900** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 10th fiscal year (as Outside Audit & Supervisory Board Member): **14/15** Tenure as Audit & Supervisory Board Member (at the conclusion of this Meeting): **approx. 9 years and 9 months**	April 1970 April 2005 June 2006 July 2006 October 2006 May 2007 June 2007 September 2007 April 2009 June 2010 June 2012 June 2015	Public Prosecutor of Tokyo District Public Prosecutors Office Superintending Prosecutor of Nagoya High Public Prosecutors Office Retired from the office of Superintending Prosecutor of Nagoya High Public Prosecutors Office Registered as attorney at law Professor at Chiba University Law School Outside Audit & Supervisory Board Member of The Daimaru, Inc. Outside Director of Teikoku Piston Ring Co., Ltd. (currently TPR Co., Ltd.) (present) Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. (present) Professor at Surugadai University Law School Outside Audit & Supervisory Board Member of Mitsubishi Chemical Holdings Corporation Outside Audit & Supervisory Board Member of Sumitomo Mitsui Financial Group, Inc. (present) Outside Member of the Board of Directors of Kayaba Industry Co., Ltd. (currently KYB Corporation) (present)

Reasons for nomination as candidate for Outside Director and special notes regarding the candidate

-TSURUTA Rokurou possesses in-depth understanding of legal affairs as a person from legal circles. In his service up until now as an Outside Audit & Supervisory Board Member of the Company, he has contributed to ensuring more effective meetings of the Board of Directors by actively and assertively furnishing advice, recommendations and other feedback to the Board of Directors, with respect to matters such as regulatory compliance in managing operations such as internal controls and audits, and legal risks in managing business. In light of his track record and in-depth understanding of legal affairs, the Company has judged that in acting as an Outside Director he is likely to contribute greatly to management of the Group from the perspective of enhancing corporate governance. As such, he has been appointed as a candidate to serve as a new Director.

-TSURUTA Rokurou is currently an Outside Audit & Supervisory Board Member of the Company and an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.

-The Company has entered into an agreement with TSURUTA Rokurou to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
7	New Candidate Outside Director Independent ISHII Yasuo (September 4, 1947) Number of the Company's shares owned (shares): **1,200** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 10th fiscal year (as Outside Audit & Supervisory Board Member): **15/15** Tenure as Audit & Supervisory Board Member (at the conclusion of this Meeting): **approx. 2 years**	April 1970 June 2000 January 2001 March 2003 June 2003 June 2004 April 2005 June 2008 June 2011 June 2013 May 2015	Joined Yamanouchi Pharmaceutical Co., Ltd. Director of the Board, Director of Ethical Products Marketing Department of Sales & Marketing Division Director of the Board and Chairman of Yamanouchi Europe B.V. Director of the Board of Yamanouchi Pharmaceutical Co., Ltd. and Chairman of Yamanouchi U.K. Limited and Chairman of Yamanouchi Europe B.V. Managing Director of the Board of Yamanouchi Pharmaceutical Co., Ltd. Senior Corporate Executive Senior Corporate Executive of Astellas Pharma Inc. and Chairman & CEO of Astellas Pharma Europe Ltd. Executive Vice President and Representative Director of Astellas Pharma Inc. Vice Deputy Chairman and Representative Director Retired from the office of Vice Deputy Chairman and Representative Director Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. (present) Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)

Reasons for nomination as candidate for Outside Director and special notes regarding the candidate

-ISHII Yasuo has long-standing overseas work experience and possesses insight based on his abundant experience in the field of global corporate management outside the retail industry, such as special familiarity with business development in overseas countries. In his service up until now as an Outside Audit & Supervisory Board Member of the Company, he has contributed to ensuring more effective meetings of the Board of Directors by actively and assertively furnishing advice, recommendations and other feedback to the Board of Directors with respect to overall management strategy such as strengthening the holding company functions aimed at swift decision making for business execution. In light of his track record and abundant insight, the Company has judged that in acting as an Outside Director he is likely to contribute greatly to management of the Group from the perspective of enhancing corporate governance. As such, he has been appointed as a candidate to serve as a new Director.

-ISHII Yasuo is currently an Outside Audit & Supervisory Board Member of the Company and an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.

-The Company has entered into an agreement with ISHII Yasuo to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
8	New Candidate Outside Director Independent NISHIKAWA Koichiro (July 12, 1947) Number of the Company's shares owned (shares): **600** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 10th fiscal year (as Outside Audit & Supervisory Board Member): **15/15** Tenure as Audit & Supervisory Board Member (at the conclusion of this Meeting): **approx. 2 years**	April 1970 August 1995 June 2001 April 2003 June 2003 January 2006 April 2007 April 2010 April 2012 March 2013 March 2014 May 2015	Joined Hitachi, Ltd. Vice President of Hitachi America, Ltd. Managing Officer, General Manager of Global Business Development Division of Hitachi, Ltd. Manager of Business Development Division Executive Officer, Manager of Business Development Division Vice President and Executive Officer, in charge of Business Development Senior Vice President and Executive Officer, in charge of Business Development Senior Vice President and Executive Officer of Hitachi Cable, Ltd. Senior Advisor of Hitachi Research Institute Retired from the office of Senior Advisor Outside Director of Kyowa Hakko Kirin Co., Ltd. (present) Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. (present) Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)

Reasons for nomination as candidate for Outside Director and special notes regarding the candidate

-NISHIKAWA Koichiro possesses suitably useful insight even with respect to financial matters from his practical experience in business alliances, M&A, business reforms, and his involvement in numerous important international negotiations. In his service up until now as an Outside Audit & Supervisory Board Member of the Company, he has contributed to ensuring more effective meetings of the Board of Directors by actively and assertively furnishing advice, recommendations and other feedback to the Board of Directors with respect to matters such as taking risks regarding new business and M&As, advancing progress management and results verification for corporate management strategies, and the suitability of numerical-target based planning. In light of his track record and abundant insight, the Company has judged that in acting as an Outside Director he is likely to contribute greatly to management of the Group from the perspective of enhancing corporate governance. As such, he has been appointed as a candidate to serve as a new Director.

-NISHIKAWA Koichiro is currently an Outside Audit & Supervisory Board Member of the Company and an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.

-The Company has entered into an agreement with NISHIKAWA Koichiro to limit the liability of damages stipulated in Paragraph 1, Article 423 of the Companies Act pursuant to Paragraph 1, Article 427 of the said Act.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
9	YAMAMOTO Ryoichi (March 27, 1951) Number of the Company's shares owned (shares): **63,300** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 10th fiscal year: **15/15** Tenure as Director (at the conclusion of this Meeting): **approx. 9 years and 9 months**	April 1973 May 2003 March 2005 January 2007 September 2007 March 2008 March 2010 September 2012 April 2013	Joined The Daimaru, Inc. President and COO and General Manager of Department Store Operations, Group Headquarters General Manager of Metropolitan Area New Business Development Division, Group Headquarters Executive General Manager of Planning Office for New Umeda Store of Department Store Operations Headquarters, Group Headquarters Director of J. Front Retailing Co., Ltd. In charge of Sales Reform and Out-of-Store Sales Reform Promotion Executive General Manager of Department Store Operations Headquarters and Planning Office for New Umeda Store, Head Office of The Daimaru, Inc. Director of Matsuzakaya Co., Ltd. Executive General Manager of Sales Headquarters, Head Office of The Daimaru, Inc. President of Daimaru Matsuzakaya Department Stores Co. Ltd. President of Daimaru Matsuzakaya Department Stores Co. Ltd. and President of Daimaru Matsuzakaya Sales Associates Co. Ltd. President and Representative Director of J. Front Retailing Co., Ltd. (present)

Reasons for nomination as candidate for Director

YAMAMOTO Ryoichi possesses broad-based insight and a high-level overview gained through his abundant experience spanning overall retail operations. Since being appointed as President of the Company in 2013, he has been precisely and efficiently managing business of the Group overall. In addition to formulating a new Group Vision that showed the direction of management strategies that is necessary considering the external environment surrounding the Group, he demonstrated strong leadership in positioning the corporate governance code at the center of change and reform of corporate management and made progress toward establishing a strong foundation for Group structural reform. As such, the Company has judged that he is a competent professional who is capable of helping ensure the improved corporate value and sustained growth of the Group by executing business acting as a Director, and has accordingly appointed him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
10	YOSHIMOTO Tatsuya (April 13, 1956) Number of the Company's shares owned (shares): **30,900** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 10th fiscal year: **15/15** Tenure as Director (at the conclusion of this Meeting): **approx. 4 years**	April 1979 March 2000 January 2008 May 2008 January 2010 March 2010 May 2012 April 2013 May 2013	Joined The Daimaru, Inc. Senior Manager of Preparatory Office for Opening Sapporo Store of Planning Office for Sapporo Store, Head Office General Manager of Tokyo Store Corporate Officer, General Manager of Tokyo Store Corporate Officer, General Manager of Sales Planning Promotion Division and Marketing Planning Promotion Division of Department Stores Coordination Division of J. Front Retailing Co., Ltd. Corporate Officer of Daimaru Matsuzakaya Department Stores Co. Ltd. Senior General Manager of Management Planning Division Director and Corporate Officer President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present) and President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd. (present) Director of J. Front Retailing Co., Ltd. (present)

Reasons for nomination as candidate for Director

YOSHIMOTO Tatsuya serves as President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd., and has abundant experience and insight related to the Department Store Business overall, particularly encompassing areas such as business management, planning and store operations. He has been involved in executing existing high-quality department store business strategy taking the roles and expectations of the Department Store Business with respect to the Group's strategy into account, and formulating a new Department Store Business Strategy in reaction to the massive changes in the external environment. He has proved himself capable of providing swift and resoundingly effective leadership based on a strong results-oriented approach aimed at realizing these initiatives. As such, the Company has judged that he is a competent professional who is capable of helping ensure the improved corporate value and sustained growth of the Group in acting as a manager of a major business subsidiary, and has accordingly appointed him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
11	MAKIYAMA Kozo (August 28, 1958) Number of the Company's shares owned (shares): **11,300** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 10th fiscal year: **15/15** Tenure as Director (at the conclusion of this Meeting): **approx. 4 years**	April 1981 March 2004 March 2007 March 2008 May 2008 March 2009 March 2010 March 2011 May 2011 May 2013	Joined Parco Co., Ltd. Executive Officer, Executive General Manager of Store Operation Division Managing Executive Officer, Executive General Manager of Store Management Division Senior Executive Officer, Senior Executive General Manager of Store Operation Headquarters and Executive General Manager of Store Management Division Director and Senior Executive Officer Supervisor of Store Operation Division In charge of Store Management In charge of Business Management Director and President and Representative Executive Officer (present) Director of J. Front Retailing Co., Ltd. (present)

Reasons for nomination as candidate for Director

MAKIYAMA Kozo serves as Representative Executive Officer of PARCO Co., Ltd., and has abundant experience and insight related to the business management and store operations of PARCO. Drawing on a sufficient understanding of PARCO business roles and expectations with respect to Group's strategy, he promotes the management vision leveraging attributes of the PARCO Business, and while demonstrating effective leadership based on his ability to act as a unifying force within the organization, he possesses the capability to proactively continue taking on the challenges of expanding into business fields. As such, the Company has judged that he is a competent professional who is capable of helping ensure the improved corporate value and sustained growth of the Group in acting as a manager of a major business subsidiary, and has accordingly appointed him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
12	FUJINO Haruyoshi (March 10, 1961) Number of the Company's shares owned (shares): **9,500** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 10th fiscal year: **15/15** Tenure as Director (at the conclusion of this Meeting): **approx. 3 years**	April 1983 April 2004 September 2008 January 2010 May 2010 January 2014 May 2014 May 2014	Joined The Daimaru, Inc. General Manager of Preparatory Office for New Tokyo Store, Group Headquarters General Manager of Marketing Planning Promotion Division, Department Stores Coordination Division of J. Front Retailing Co., Ltd. Executive Store Manager of Tokyo Store and General Manager of Planning Office for Phase II Expansion of New Tokyo Store of The Daimaru, Inc. Corporate Officer, Executive Store Manager of Tokyo Store and Senior General Manager of Planning Office for Phase II Expansion of New Daimaru Tokyo Store, Head Office of Daimaru Matsuzakaya Department Stores Co. Ltd. Corporate Officer of J. Front Retailing Co., Ltd. In charge of Group Business Structural Reforms of Management Strategy Unit Director (present) Managing Executive Officer (present) Senior Executive General Manager of Management Strategy Unit (present) Director of Parco Co., Ltd. (present)

Reasons for nomination as candidate for Director

FUJINO Haruyoshi has extensive experience and insight related to overall business of the Group. This has involved serving in a Department Store Business company up to this point, thereby engaging in planning and promotion for new business development, and furthermore handling store management acting as Executive Store Manager of Daimaru Tokyo store. Moreover, since May 2014 he has served as Senior Executive General Manager of the Management Strategy Unit, and has been in charge of augmenting operations through M&A initiatives, as well as drawing up and promoting Group strategy. He has outstanding insight and is highly creative in terms of his ability to formulate business plans and comprehensively manage operations taking the roles and expectations of individual businesses with respect to the Group's strategy into account. As such, the Company has judged that he is a competent professional who is capable of helping ensure the sustained growth of its corporate value by executing business acting as a Director, and has accordingly appointed him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company, and important concurrent positions outside the Company	
13	WAKABAYASHI Hayato (August 31, 1961) Number of the Company's shares owned (shares): **1,100** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 10th fiscal year: **15/15** Tenure as Director (at the conclusion of this Meeting): **approx. 1 year**	April 1985 April 1998 April 2007 February 2009 July 2013 May 2015 September 2015 March 2016 May 2016 March 2017	Joined Matsushita Electric Industrial Co., Ltd. (present Panasonic Corporation) President of Panasonic Financial Center Malaysia Co., Ltd. Director and Chief Executive Officer of Matsushita Electric (China) Finance Limited Finance Planning Team Leader (Manager), Headquarters Finance & IR Group of Panasonic Corporation General Manager, Finance & IR Group, Corporate Strategy Division and Finance Planning Team Leader (Director) of Panasonic Corporation Joined J. Front Retailing Co., Ltd. In charge of Finance Policy, Administration Unit Executive Officer (present) In charge of Financial Strategy and Policy, Administration Unit Senior Executive General Manager of Financial Strategy Unit (present) and in charge of Finance Policy Director (present) In charge of Financing and Finance Policy (present)
Reasons for nomination as candidate for Director WAKABAYASHI Hayato has pursued a career mainly in the financial realm of Panasonic Corporation and its group companies, and as such has adequate insight and sufficient experience related to financial policy with respect to enhancing financial standing, improving levels of cash management and other such initiatives. As such, he was invited into the Group in May 2015 and has played a key role in establishing and promoting a financial strategy encompassing the entire Group going forward. He also has the commensurate abilities as a management professional in terms of his strategic and transformation-minded leadership, strong results-oriented approach and other such attributes. As such, the Company has judged that he is a competent professional who is capable of helping ensure the improved corporate value and sustained growth of the Group by executing business acting as a Director, and has accordingly appointed him as a candidate to continue serving as Director.			

(Reference 2)

The Company's policy for nominating and appointing Directors is as follows.

(i) Internal Directors

We appoint individuals who possess qualities that make them capable of carrying out proper oversight of business execution, based on a grasp of risks and challenges from a Group perspective that is not limited to their own realm of responsibility. Accordingly, such individuals must be able to fulfill the duty of care of a prudent manager and the duty of loyalty required by the Companies Act of Japan; they must have an abundance of experience in the JFR Group's respective operations that is needed to deliberate on important matters of JFR Group management and make business decision; and they must have a profound understanding of the JFR Group's operating environment (including its strengths and challenges).

(ii) Outside Directors

We appoint individuals who are expected to furnish advice and perform the oversight function on the Board of Directors by drawing on points of view and perspectives that vary from those of our Internal Directors. Accordingly, such individuals must be able to fulfill the duty of care of a prudent manager and the duty of loyalty required by the Companies Act of Japan; they must offer a sense of pragmatism along with a high-level overview and sweeping perspective of business based on abundant experience as corporate managers; and they must have careers outside the retail industry or have a global managerial background.

For the position of Outside Director, we nominate those who meet our "Criteria for Determining Independence of Outside Directors" separately provided, to thereby avoid the prospect of any conflicts of interest arising with the Company's shareholders.

(Reference 3)

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

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

(i) Person who executes business in the JFR Group

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

(iii) Major business partner of the JFR Group

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

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

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

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

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

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

Proposal 3: Payment of Bonuses to Directors and Audit & Supervisory Board Members for Fiscal Year 2016

After comprehensively considering the operating results of the current fiscal year and other various circumstances, the Company plans to pay bonuses to Directors and Audit & Supervisory Board Members of a total amount of 82,000,000 yen or less to the seven (7) Directors of the nine (9) Directors in office at the end of the current fiscal year, excluding two (2) Outside Directors. With respect to the specific amounts to be paid to each Director, the amounts will be decided by the Remuneration Committee that is to be established in line with the transition to a company with three committees (nomination, audit and remuneration committees).

Please kindly give us your understanding and approval.

(Reference 4)

"Policy on Determining Remuneration for Directors, Audit & Supervisory Board Members"

The remuneration of the Company's Directors, Audit & Supervisory Board Members for the current fiscal year (fiscal 2016) is monetary-based and consists of monthly compensation and executive bonuses which is tied to results and success in accordance with each year's business performance.

[Remuneration of Internal Directors]

・ The Company has increased the proportion of executive bonus (performance-based remuneration) in terms of total remuneration, with monthly compensation at 60% and executive bonuses at 40% (standard ranking), in order to provide incentives both for accomplishing objectives set under management strategies and business plans, and for achieving targets with respect to corporate

performance.

[Remuneration of Outside Directors and Audit & Supervisory Board Members (both outside and internal)]

・ The Company will discontinue executive bonuses and provide monthly compensation only.

[Reference Document for the 10th Annual Shareholders Meeting]

Business Report (From March 1, 2016 to February 28, 2017)

1. Current status of the corporate group

(1) Business summary and results

With respect to the Japanese economy in the fiscal year under review, corporate earnings and the employment environment continued to recover at a moderate pace, supported by measures implemented by the Japanese government and the Bank of Japan. However, foreign exchange markets and share markets lacked stability amid rising uncertainty about the outlook for the global economy, which stemmed from a slowdown in the Chinese economy and the United Kingdom's decision to leave the European Union. Despite signs of a pickup in consumption of high-priced items, personal spending was muted due to intensifying budget-minded consumer behavior amid concerns about the outlook. Consumption patterns are also changing due to a growing number of retail channels, such as the internet, and the increasingly diverse lifestyles of consumers.

Amid this environment, the J. Front Retailing Group (hereinafter the "Group") worked to further strengthen the competitiveness and profitability of existing businesses while also investing management resources in fields of growth in a focused manner, with the aim of developing as a multifaceted retailer operating multiple businesses with the Department Store Business at their core. Specifically, we constructed a business model for growth along with regions with the stores at its core (strategy of urban market dominance) and promoted omni-channel retailing that leverages the strengths of real stores.

Targeting further development as a multifaceted retailer operating multiple businesses, we sought to harness the capital and business alliance agreement signed with Senshukai Co., Ltd. in April 2015. To generate M&A synergies, we overhauled Senshukai's "Kcarat" fashion brand and the original "Benebis" women's shoe brand and began selling them as jointly developed brands via key department stores, Senshukai's catalogs and e-commerce websites operated by the Group and Senshukai.

Under our strategy of urban market dominance, we pushed ahead with a number of large-scale projects, including the Ginza 6-chome District 10 Urban Redevelopment Project, plans for rebuilding the South Wing of the Matsuzakaya Ueno store, plans for rebuilding the Main Building of the Daimaru Shinsaibashi store, and the Udagawa-cho 14/15 Category 1 Urban Redevelopment Project (plans for rebuilding the Shibuya PARCO). With respect to the Ginza 6-chome District 10 Urban Redevelopment Project, we plan to open GINZA SIX in April 2017 as one of the largest commercial facilities in the Ginza area. In addition, Daimaru Matsuzakaya Department Stores absorbed Daimaru COM Development through a merger to form a new real estate division. This step, which is aimed at advancing our strategy of urban market dominance, has fundamentally strengthened our real estate development capabilities by centralizing the planning, development and operational management of attractive commercial facilities.

As part of efforts to enhance our omni-channel retailing, we worked to make our online shopping websites easier to use and more compatible with the increasingly diverse needs of shoppers. That involved shifting the focus of the sites away from traditional mid-year and year-end gifts towards convenient sites that people access to buy products for themselves. We also enhanced online content by introducing ideas for new lifestyles to give the site a more proposal-based approach.

In overseas operations, May will mark the first anniversary of our technical support for the Shanghai New World Daimaru Department Store. Earnings at the store have been firm, partly due to strong interest in retail events and the store's increased visibility among consumers.

In conjunction with the above initiatives, we have been reforming our organizational structure on a Group-wide level with the aim of constructing a more resilient operating structure. In September 2016, we consolidated three of the Group's shared services companies into a single company in order to reduce operating costs by eliminating redundancies, realize greater efficiencies on a Group-wide level through implementation of business reforms horizontally across the organization, and enhance support functions provided to respective Group companies. Also, we decided to sell the entire JFR Online direct marketing business to a subsidiary of Senshukai in light of the potential continuity between JFR

Online, which has a customer base centered on senior female shoppers, and Senshukai's direct marketing business, which is mainly focused on female shoppers in their 30s, 40s and 50s. The decision was also made to dissolve and liquidate JFR PLAZA, which sells general goods in Taiwan, due to poor prospects for profitable operations amid intensifying competition. In addition, the decision was taken to close the Daimaru Urawa Parco store at the end of July 2017 in light of persistent operating losses and poor prospects for profitable operations in the future.

As part of efforts to create a stronger operating structure, we worked to improve asset efficiency and reinforce corporate governance systems. To improve asset efficiency, we have built a new earnings management system to be rolled out from the next fiscal year. The system will be based on the preparation of separate balance sheet budgets for nine of the Group's key department stores. To reinforce corporate governance systems, we decided to transition to a company with three committees (nomination, audit and remuneration committees) to further enhance governance by clearly separating audit and executive functions.

In September 2016, we established a new Group Personnel Division to develop the Group's personnel policy and strategy and to strengthen and optimize their promotion functions. Specifically, the division is responsible for training and appointing Group management personnel, assigning personnel to the best positions on a Group-wide level, and accelerating the development and utilization of human resources. Also, to realize growth by enhancing our ability to access the advanced information and create open innovation, we have invested in a US venture capital firm and dispatched our personnel to work at the firm.

In environmental and social activities, we continued to work on reducing energy consumption and packaging materials as part of wider efforts to help realize a recycling-oriented society. Also, we helped the Kumamoto area recover from the 2016 Kumamoto earthquakes by working closely with government agencies in selling fresh produce of disaster-affected areas.

Despite implementing the above initiatives, consolidated net sales for the fiscal year under review declined 4.7% year on year to ¥1,108,512 million, operating income fell 7.2% to ¥44,580 million and ordinary income declined 7.3% to ¥44,425 million. Profit attributable to owners of parent increased 2.4% year on year to ¥26,950 million and return on equity (ROE) declined 0.1 percentage points to 6.8%.

The Company has decided to pay a year-end dividend of ¥14 per share. The annual dividend with the addition of an interim dividend of ¥14 per share is ¥28 per share, marking a year-on-year increase of ¥1.

Department Store Business

In the Department Store Business, we accelerated efforts to establish "A new department store business model" that brings innovation to the sector by strengthening our capacity to serve markets in a manner aligned with the distinctive characteristics of the areas in which our individual stores operate, and by revamping our management structure with the aim of boosting profitability.

As part of these efforts, in April 2016, the Matsuzakaya Nagoya store relocated the men's floor and reopened it as "Matsuzakaya GENTA" in the North Building, which is geared to adult shoppers seeking premium quality and sophisticated style. That completed the full refurbishment of the department store, which was carried out in three phases. A grand opening for all buildings was held to mark its rebirth as an "advanced department store offering premium lifestyle ideas and culture."

At the Daimaru Kyoto store, in October, we opened "Amuse Beauté" a self-service beauty shop located in the second basement floor. The shop provides customers with an expanded selection of cosmetics brands sometimes sourced from outside the conventional distribution channels in a comfortable service environment where customers can freely try out and choose items. Also, as part of our strategy of urban market dominance, in November, we opened "Daimaru Kyoto store Gion Machiya," including the "Hermès Gion store" for a limited period as a first initiative.

At the Daimaru Tokyo store, the local operating environment has changed significantly. Passenger traffic at Tokyo Station has expanded due to improved access, and the number of office workers has increased due to redevelopment of the area around Tokyo Station. In response, the store is developing and selling unique, hard-to-find items, leading to growth in customer traffic and supporting firm

earnings.

In out-of-store sales, we continued efforts to acquire new customer accounts and developed and recommended products for the wealthy consumer segment. In the inbound tourism market, we took a number of steps to improve convenience for repeat customers, including wealthy overseas visitors. Specifically, we issued a new DAIMARU MATSUZAKAYA EXCLUSIVE CARD and offered more ways for customers to pay, such as Chinese mobile payment services QQWallet and Alipay.

Despite the initiatives mentioned above, net sales in this business declined 4.6% year on year to ¥727,994 million and operating income fell 14.6% to ¥24,592 million, partly reflecting a contraction in sales area due to the refurbishment of the Main Building of the Daimaru Shinsaibashi store and a decline in the average amount spent by overseas visitors.

PARCO Business

In the shopping center business (PARCO, ZERO GATE), we opened the "Sendai PARCO 2" in July 2016 and the "Hiroshima ZERO GATE 2" in September. We have also been refurbishing existing PARCO stores such as the Fukuoka PARCO and the Nagoya PARCO based on the concept of attracting a greater range of customers by addressing changing lifestyles and tapping demand from inbound tourism. We also stepped up the use of ICT, implementing CRM initiatives that link the official PARCO smartphone app "POCKET PARCO" with "PARCO CARD." Meanwhile, to further strengthening the PARCO brand, the Shibuya PARCO (Part 1 and Part 3) was closed temporarily for rebuilding from August 2016. The Chiba PARCO was closed permanently at the end of November.

In the space engineering & management business (PARCO SPACE SYSTEMS), which operates interior and electrical construction work and building management, operating income was strong, reflecting an improvement in the gross margin and greater efficiency in selling, general and administrative expenses.

Despite the initiatives mentioned above, net sales in this business declined 2.7% year on year to ¥273,377 million and operating income fell 0.5% to ¥12,520 million, partly reflecting the temporary closure of Shibuya PARCO and the permanent closure of Chiba PARCO.

Wholesale Business

Net sales in the Wholesale Business declined 18.3% year on year to ¥47,291 million, reflecting a drop in sales due to contraction in food products and weak demand in industrial materials. However, operating income rose 16.3% year on year to ¥1,529 million, supported by a recovery in demand for electronic devices in the second half of the fiscal year and firm demand in automobile parts, as well as an increase in the gross margin and a positive impact from a review of selling, general and administrative expenses.

Credit Business

Net sales in the Credit Business rose 4.3% year on year to ¥10,900 million and operating income increased 5.2% to ¥2,844 million. Amid weaker department store sales, purchases by cardholders declined year on year, leading to a drop in commissions from department stores. However, income from annual membership fees increased due to growth in the number of cardholders and affiliated store fees and interest income also rose.

Other Businesses

Net sales in Other Businesses declined 6.8% year on year to ¥97,575 million and operating income rose 2.7% to ¥2,881 million. Personnel recruitment business Dimples' reported higher sales and profits, with sales growth being driven by an increase in outsourcing contracts with non-Group customers. Profits also rose at J. Front Design & Construction due to an increase in projects for high-value properties. However, there was a major pullback in sales from the previous fiscal year, when J. Front Design & Construction booked higher sales from large-scale refurbishment and construction projects for Group department stores.

Net sales and operating income by business segment of the corporate group

(Millions of yen)

Business segment	9th fiscal year (Fiscal 2015)				10th fiscal year (Current fiscal year) (Fiscal 2016)			
	Net sales		Operating income		Net sales		Operating income	
	Results	Composition	Results	Composition	Results	Composition	Results	Composition
		%		%		%		%
Department Store Business	763,222	65.6	28,786	59.9	727,994	65.7	24,592	55.2
PARCO Business	281,050	24.2	12,582	26.2	273,377	24.6	12,520	28.1
Wholesale Business	57,849	5.0	1,315	2.7	47,291	4.3	1,529	3.4
Credit Business	10,455	0.9	2,703	5.6	10,900	1.0	2,844	6.4
Other Businesses	104,739	9.0	2,807	5.8	97,575	8.8	2,881	6.4
Adjustments	(53,752)	(4.7)	(156)	(0.2)	(48,628)	(4.4)	211	0.5
Total	1,163,564	100.0	48,038	100.0	1,108,512	100.0	44,580	100.0

Net sales by product and by company and store of the Department Store Business are as follows.

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

Product	Amount	Composition	Year-on-year changes
		(%)	(%)
Men's clothing and haberdashery	50,208	6.9	(3.3)
Ladies' clothing and haberdashery	214,320	29.4	(4.7)
Children's clothing and haberdashery	16,028	2.2	(4.9)
Kimono, bedding and other clothing	11,133	1.5	(12.6)
Personal belongings	70,056	9.6	(9.6)
Furniture	6,035	0.8	(16.8)
Home appliances	709	0.1	(30.4)
Household goods	23,367	3.2	(7.9)
Food products	174,840	24.0	(3.8)
Food halls and cafes	21,643	3.0	(5.0)
General goods	108,641	14.9	(2.8)
Services	2,919	0.4	(3.6)
Other	28,091	4.0	6.3
Total	727,994	100.0	(4.6)

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

Company / Store			Amount	Composition	Year-on-year changes
				%	%
Daimaru Matsuzakaya Department Stores Co. Ltd.					
	Daimaru				
		Osaka Shinsaibashi store	73,939	10.2	(18.8)
		Osaka Umeda store	63,740	8.8	(2.3)
		Tokyo store	74,804	10.3	2.2
		Urawa Parco store	3,259	0.4	(13.7)
		Kyoto store	67,326	9.3	(3.8)
		Yamashina store	3,812	0.5	(4.0)
		Kobe store	82,454	11.3	(3.1)
		Suma store	8,995	1.2	(5.7)
		Ashiya store	6,809	0.9	(4.5)
		Sapporo store	62,261	8.6	(0.7)
		Sub total	447,403	61.5	(5.1)
	Matsuzakaya				
		Nagoya store	120,685	16.6	(3.3)
		Ueno store	40,865	5.6	(1.7)
		Shizuoka store	21,383	2.9	(2.9)
		Takatsuki store	8,627	1.2	(4.8)
		Toyota store	8,026	1.1	(3.8)
		Sub total	199,586	27.4	(3.0)
	Sub total		646,990	88.9	(4.5)
The Hakata Daimaru, Inc.			53,902	7.4	(5.0)
The Shimonoseki Daimaru, Inc.			14,611	2.0	(6.9)
Kochi Daimaru Co., Ltd.			12,490	1.7	(5.9)
Total			727,994	100.0	(4.6)

(Note) The Main Building of the Daimaru Shinsaibashi store closed temporarily on December 30, 2015, for rebuilding.

(2) Status of capital investment

The basic approach taken regarding the Group's recurring capital investment is to keep such investment within the scope of the amount of depreciation. In the current fiscal year total capital investment was ¥44,999 million, which was a result of recurring investment combined with proactive implementation of strategic investment.

(i) Major facilities completed during the current fiscal year

The main investments in the Department Store Business included ¥2,357 million for refurbishments of the Matsuzakaya Nagoya store, and ¥1,967 million for construction relating to GINZA SIX. In addition, the main investments in the PARCO Business included ¥11,297 million for asset purchases associated with the redevelopment project of the Shibuya PARCO.

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

Mainly, in the Department Store Business this included rebuilding of both the South Wing of the Matsuzakaya Ueno store and the Main Building of the Daimaru Shinsaibashi store, and in the PARCO Business this included the construction of a new building associated with the redevelopment project of the Shibuya PARCO.

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

Mainly, this consisted of retirement of non-current assets associated with refurbishments of the Matsuzakaya Nagoya store and rebuilding of the Main Building of the Daimaru Shinsaibashi store.

(3) Status of procurement

The Group's basic policy is to source funds needed for business activities using funds obtained from operating activities. Moreover, when the need arises to finance investment or other expenditure, such funds are procured mainly by issuing bonds and borrowing from financial institutions, with consideration placed on maintaining financial soundness and stability.

As a general rule, Group subsidiaries do not procure funds from financial institutions, but instead we promote centralized and streamlined means of procuring funds by means of intra-Group financing using a cash management system.

For the procurement of funds in the current fiscal year, there is no material items to report.

(4) Issues to be addressed

The business environment in which the Group operates

Going forward, we are likely to come up against an ever more stringent business environment facing our existing business centered on physical stores. This is particularly the case given Japan's dwindling birthrate, growing proportion of elderly people and declining overall population, and other developments that include a diminishing middle-class demographic amid income polarization, the rise of electronic commerce (EC), shifting patterns of consumption where people are opting for experiences rather than goods, and the popularization of the sharing economy and other new forms of consumption. We also face concerns with respect to a potential adverse impact on consumer spending resulting from the additional hike in consumption tax now slated to go into effect.

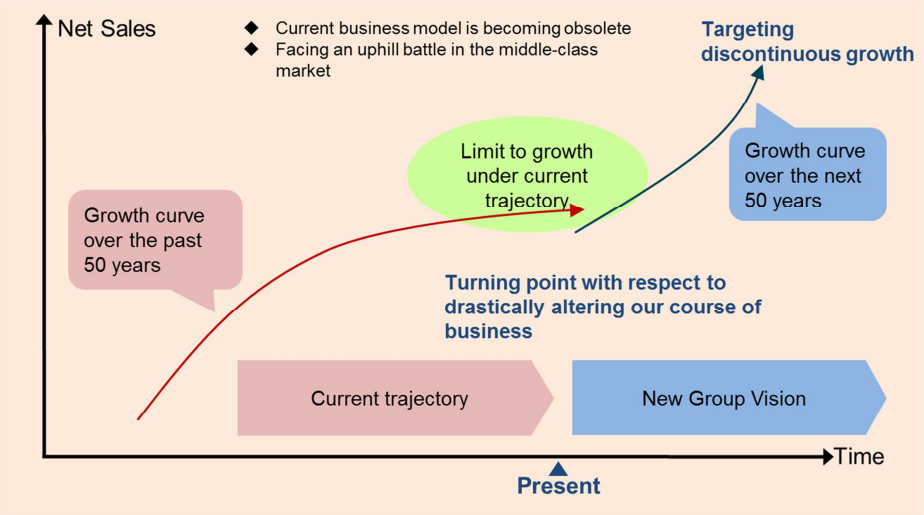
On the other hand, we also have positive expectations with respect to potential new business opportunities by responding to changes in the market. For instance, we have expectations with respect to prospective new markets due to a likely increase in the number of tourists from overseas visiting Japan ahead of the 2020 Tokyo Olympic and Paralympic Games, an increasing participation by women in society, a growth in the seniors class, an advancing ICT, and a diversifying peoples lifestyles and the things that they value.

Drawing up the new Group Vision

Substantial changes emerging in the business environment have caused us to view our present situation as a turning point with respect to drastically altering the course being taken by Group management, given that we are now finding it more difficult to generate growth by remaining on the path prescribed in terms of our current business model.

We anticipate developing trends that involve increasingly diverse lifestyles stemming from Japan's dwindling birthrate and growing aging population along with its shifting family dynamics. We also anticipate trends that involve people pursuing increasingly diverse means of seeking enjoyment amid factors such as shifting patterns of consumption where people are opting for experiences rather than goods, and progress being made with ICT. Amid such trends, the JFR Group has been giving thought to the notion of what it is that makes people happy, and has consequently drawn up its new Group Vision phrased as **"Create and Bring to Life 'New Happiness.'"** This new vision reflects our commitment to helping people lead emotionally fulfilling lives by strategically seeking expansion in current fields of business and transforming our existing businesses in hopes of providing new forms of value with respect to lifestyles as well as means of seeking enjoyment.

With the Group Vision pointing us in the direction we ought to be headed, we aim to substantially transform the Group while also achieving discontinuous growth.



FY2017–2021 Medium-term Business Plan

Positioning and basic policies of the Medium-term Business Plan

Over the duration set for the new Medium-term Business Plan, the five years from 2017 to 2021, we intend to complete large development projects that we launched during the term of the FY2014–2016 Medium-term Business Plan, and then expect to start generating returns from those projects which should help enable us to attain dramatic growth. At the same time, we regard the plan as comprising a "phase of Group structural transformation" involving a turning point during which the course taken by Group management will be drastically altered to achieve discontinuous growth based on the new Group Vision. Accordingly, we aim to achieve ROE of 8% in fiscal 2021.

Under the plan, we will take one step away from our approach as a multifaceted retailer operating multiple businesses to act as a multifaceted services retailer, thereby expanding our business domain to encompass endeavors in new fields extending beyond the retail industry framework. Meanwhile, we will actively reshuffle our portfolio of businesses by accelerating the identification of unprofitable business fields and other efforts.

Transition to the International Financial Reporting Standards (IFRS)

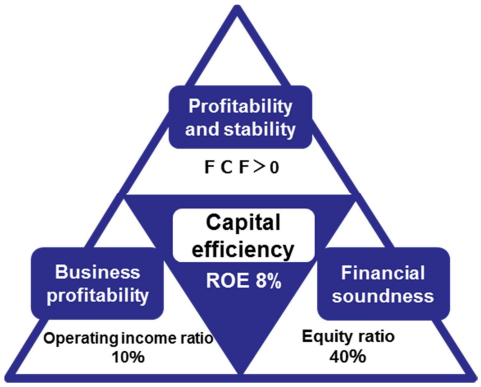
The Group has decided to apply the International Financial Reporting Standards (IFRS) voluntarily beginning in March 2017, which marks the start of the duration of the new Medium-term Business Plan. We are shifting to the IFRS framework in the interest of implementing effective management based on appropriate asset evaluation, applying business management that gives emphasis to the profit of the current period and ensuring accountability to domestic and overseas investors by improving the international comparability of financial information. Going forward, the JFR Group will release earnings forecasts and financial results, including the quantitative management objectives set forth in the Medium-term Business Plan based on disclosure requirements in the IFRS.

Quantitative management objectives

By carrying out initiatives geared to making the new Group Vision a reality, we aim to achieve operating profit of ¥56.0 billion, operating profit margin of 10%, and ROE of 8% by fiscal 2021, the final fiscal year of the Medium-term Business Plan.

In monitoring our key financial indicators we will focus primarily on ROE for capital efficiency, operating profit for business profitability, free cash flows (FCF) for profitability and stability, and total equity attributable to owners of the parent to total assets (equity ratio) for financial soundness.

< Key financial indicator >



	FY2021 targets	FY2016 results (approximate)
Consolidated operating profit (IFRS)	¥56.0 billion	¥41.7 billion
Consolidated operating profit margin (IFRS)	10.0%	9.2%
Consolidated ROE (profit/shareholders' equity)	8.0% or higher	7.6%

Over the five-year period of the plan, we aim to generate operating cash flows of at least ¥260.0 billion, of which ¥200.0 billion will be allocated mainly to capital investment, and otherwise channeled to strategic growth investment that will include expanding new business toward rebuilding our business portfolio. On top of that, we will provide shareholder returns on the basis of maintaining a consolidated dividend payout ratio of at least 30% and also consider the option of purchasing treasury shares as appropriate.

	Accumulated results of FY2017–2021
Operating cash flows	¥260.0 billion or more
Capital investment and growth-oriented investment	¥200.0 billion
Shareholder returns	We will consider the option of purchasing treasury shares as appropriate, in accordance with a targeted consolidated dividend payout ratio of at least 30%.

Strengthening corporate governance (transition to a company with three committees – nomination, audit and remuneration committees)

- On the basis of our decision for transitioning to a company with three committees (nomination, audit and remuneration committees), we will engage in initiatives that include strengthening the management oversight function, promoting agile management, as well as maintaining and improving the precision of audit procedures.

- We will enhance corporate governance practices of the Group overall to ensure that the Group achieves growth. To that end, we will clarify authority and responsibility with respect to the holding company and operating subsidiaries, as well as strengthening the management oversight function of the respective companies, and promoting managerial agility through swift business decision-making.

- We will engage in initiatives geared to bringing about functional enhancement of personnel affairs involving highly transparent and objective management, through activities of the Nomination Committee and Remuneration Committee that are to be established after the transition to the new governance structure. In conjunction with that, we will overhaul and strengthen internal control systems in order to heighten the effectiveness of audits performed by the Audit Committee.

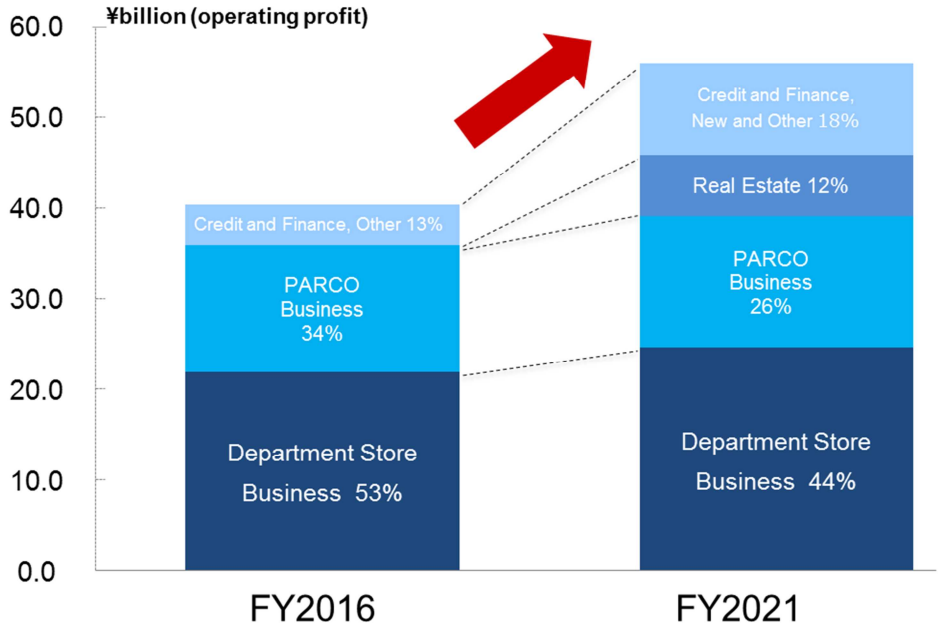
Approach to the business portfolio

- Beginning in fiscal 2017, JFR's business segments include four reportable segments, the Department Store Business, PARCO Business, Real Estate Business and Credit and Finance Business.

- Around 70% of the share of our business will be conducted by the Department Store Business and the PARCO Business, which up to now have accounted for nearly 90% of the Group's operating profit. At the same time, we will increase the share of operating profit generated by those operations by fortifying the Real Estate Business and by expanding into new fields of business.

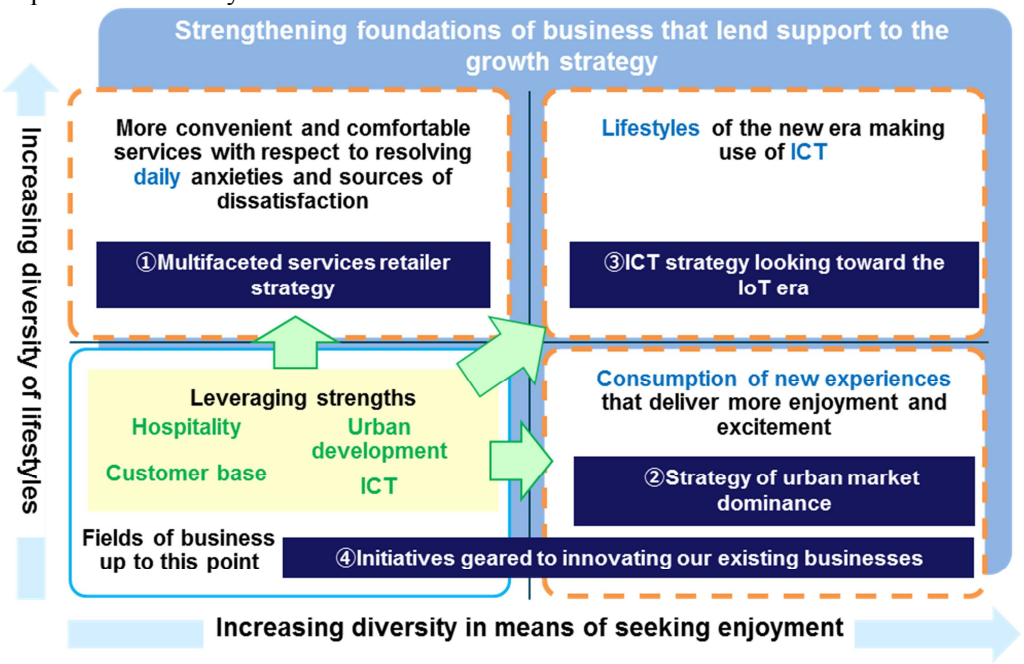
<Image of transformation of the business portfolio>

Sources of operating profit (IFRS)



Strategic framework of Medium-term Business Plan
Strengthening the Group's growth foundations toward its structural transformation

<Positioning of respective strategies under the Medium-term Business Plan, geared to making the Group's Vision a reality>



a. Multifaceted services retailer strategy

- We will promote the multifaceted services retailer strategy for seeking expansion into fields of business extending beyond the retail industry framework.

1) Expansion involving new fields of business toward making the new Group Vision a reality

- We will seek expansion into new fields of business including services field extending beyond the retail industry framework. In so doing, we aim to find solutions and meet needs with respect to challenges facing our customers who include families with children, dual-income households, and senior citizens.

2) Expansion in fields of business where managerial efficiency is high

- We will take steps to achieve expansion in our Credit and Finance Business, personnel services business, design & construction business and other fields of business that are highly efficient, and that also enable us to make use of JFR's resources and hold promise of market growth.

b. Strategy of urban market dominance

- We will further accelerate the pace of initiatives under our strategy of urban market dominance, as we move toward forging a business model for growth along with regions with the stores at its core. We will strengthen our Real Estate Business which acts as a pillar of the Group's operating segments. To that end, in September 2016, we took steps to strengthen collaboration between the real estate divisions which has been newly established in our department stores, and PARCO's real estate development units, and we also plan to develop new commercial facilities and increase area available for lease.

1) Expansion involving the real estate leasing business

- Leveraging the strengths we gain from having favorable locations in urban areas, we will take steps to increase area available for lease primarily in areas in the vicinity of our existing stores.

2) Implementation of new commercial facilities model of business

- We will realize our new business model entailing real estate development. As part of this, the GINZA SIX facility and the south wing of the Matsuzakaya Ueno Store is slated to open on April 20, 2017. We will also further develop the business model by heading in the direction of opening both the Main Building of the Daimaru Shinsaibashi store and Shibuya PARCO which will be proceeding according to plan going forward.

3) Promoting urban development centered on flagship stores

- On the basis of our area strategies and concepts in terms of our respective stores, we are taking steps to come up with incentives for people to visit urban areas in the form of new services and events operated in collaboration with local communities.

c. ICT strategy looking toward the IoT era

- We are taking steps to address lifestyle needs of people in the IoT era of ubiquitous Internet connectivity. This will involve working to increase profitability by enhancing our e-commerce operations, strengthening relationships with customers by using ICT solutions, and giving shape to new businesses.

1) Increasing profitability by enhancing e-commerce operations

- We will work to increase revenues by innovating e-commerce websites of our department stores, drawing on Senshukai's order fulfillment capabilities, and expanding business in omni-channel retailing with respect to private brands in the Department Store Business through efforts geared to ensuring that such inventories match what is available on the shop floor.

2) Strengthening relationships with customers by using ICT solutions

- We will establish means of communications tailored to individual customers through initiatives that include making use of smartphone devices.

3) Giving shape to new businesses through open innovation

- We will continue to invest in venture capitals (VCs) and advance human resource development including dispatching the Group's personnel to the VCs in order to enhance our ability to collect advanced information. In addition, we will give shape to new services and businesses through efforts of open innovation utilizing advanced information and knowledge of the VCs.

d. Initiatives geared to innovating existing businesses

- We will steadfastly promote innovations in our existing businesses, such as the Department Store Business and PARCO Business, which account for a majority of the Group's operating profit, by pursuing initiatives geared to increasing value provided by our stores.

<Innovation in the Department Store Business>

- Positioning strengthening our power to attract customers and expanding our customer base as key objectives for store strategies, we will promote efforts geared to increasing value provided by our stores and heightening their profitability, through initiatives that involve giving shape to the Group Vision in anticipating increasingly diverse customer needs.

1) Promoting creative innovation

- We have established the Future Standards Laboratory in our department stores, which will work to increase value provided by our stores by promoting open innovation.

2) Rebuilding branding for each store

- In response to trends of growing diversity in lifestyles and increasingly diverse means of seeking

enjoyment, we will engage in efforts to rebuild branding of individual stores, leveraging the locations and strengths of respective stores.
- We will move forward in carrying out structural reforms of our small stores and local stores with the aim of generating renewed growth.

3) Promoting efforts to bring in a wide range of tenants (expansion of new arranging sales areas)
- In order to transform our stores so that they offer attractive experiential value, we will bring in a wide range of tenants who provide not only goods but also experiences, services and other offerings, while also promoting the introduction and expansion of new arranging sales areas by overhauling our existing arranging sales space.

<Innovation of the PARCO Business>
- We will seek expansion into fields of business that leverage PARCO's unique strengths with respect to consumers who aspire to enjoy urban lifestyles.

1) Heightening the appeal of urban stores by promoting development of store brands and transformation of the store portfolio
- We will develop PARCO store brands in the course of promoting initiatives of creating new Shibuya PARCO, and we will work to heighten the appeal of our urban stores by pursuing a scrap and build approach with respect to our stores.

2) Enhancing strengths involving productions held at commercial real estate venues with the aim of increasing value
- We will enhance our strengths involving productions held at commercial real estate venues with the aim of increasing value. To that end, we will develop business areas such as ZERO GATE and other commercial businesses, and also develop new business formats.

3) Expanding range of soft content in response to the trend of increasingly diverse means of seeking enjoyment
- We will promote the strengthening of content development capabilities and the external development thereof in order to improve the value that stores can provide.

<Innovation involving related businesses>

1) Promoting new initiatives geared to expanding non-Group earnings
- We will work to increase non-Group earnings by expanding into areas of business in growth markets, leveraging strengths of our respective Group companies.

2) Expansion involving fields of business where managerial efficiency is high
- Through arrangements such as alliances with outside entities and M&A deals, we will take steps to achieve expansion in our Credit and Finance Business, personnel services business, design & construction business and other fields of business that are highly efficient, and that also enable us to make use of JFR's resources and hold promise of market growth.

e. Strengthening foundations of business that lend support to the growth strategy

<Innovating the Group's administrative systems>
- With the aim of improving management efficiency, we will take steps that involve reforming administrative processes centered on ICT and paperless solutions. In addition, in order to improve productivity, we will also work to reform working styles through establishment of IT environment.

<Reforming personnel affairs with respect to the Group's organizations>
- To make the Group Vision a reality, we will take steps that include employee development geared to ensuring that employees are able to produce high added value and revitalizing the organization and its people, as well as advance reforms of working styles through improvement in productivity.

<Promoting CSR activities>
- We will promote initiatives geared to enabling the Group to achieve sustainable growth and to heightening its medium- to long-term corporate value. To such ends, we will classify the challenges we are to address through our CSR initiatives according to international standards (ISO 26000), under categories that include "The Environment," "Human Rights," "Working Styles," "Business Risks," and "Community Involvement."

Through such initiatives, we will work toward ensuring growth sustainability of the Group and increasing its medium- to long-term corporate value.

We appreciate the continued support and encouragement of our shareholders.

(5) Status of assets and profit or loss

(i) Changes in assets and profit or loss of the corporate group

(Millions of yen, unless otherwise stated)

Category	7th fiscal year (Fiscal 2013)	8th fiscal year (Fiscal 2014)	9th fiscal year (Fiscal 2015)	10th fiscal year (Current fiscal year) (Fiscal 2016)
Net sales	1,146,319	1,149,529	1,163,564	1,108,512
Operating income	41,816	42,167	48,038	44,580
Ordinary income	40,502	40,480	47,910	44,425
Profit attributable to owners of parent	31,568	19,967	26,313	26,950
Basic earnings per share (Yen)	59.77	75.66	100.42	103.04
Total assets	998,730	1,018,495	1,019,146	1,050,109
Net assets	422,215	430,260	440,594	465,839
Return on equity (ROE)	8.9%	5.4%	6.9%	6.8%

(Notes) 1. The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. Basic earnings per share has been calculated as if this consolidation of shares was conducted at the beginning of the 8th fiscal year (fiscal 2014).
2. The Company has changed its inventory valuation method beginning with the 9th fiscal year (fiscal 2015). Respective financial figures have been revised based on the assumption of the change being implemented at the beginning of the 8th fiscal year (fiscal 2014).
3. The Company has adopted the Accounting Standard for Retirement Benefits, etc., beginning with the 9th fiscal year (fiscal 2015). As such, respective financial figures for the beginning of the 9th fiscal period (fiscal 2015) have been revised in line with transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits.

(ii) Changes in assets and profit or loss of the Company

(Millions of yen, unless otherwise stated)

Category	7th fiscal year (Fiscal 2013)	8th fiscal year (Fiscal 2014)	9th fiscal year (Fiscal 2015)	10th fiscal year (Current fiscal year) (Fiscal 2016)
Operating revenue	8,983	11,147	12,213	13,646
Operating income	6,280	8,391	9,194	10,433
Ordinary income	6,398	8,460	9,201	9,750
Profit	12,405	8,388	6,872	8,702
Basic earnings per share (Yen)	23.48	31.77	26.22	33.27
Total assets	438,491	429,226	428,175	434,921
Net assets	306,654	308,681	303,737	305,105

(Note) The Company has conducted a consolidation of common shares at a rate of one share for every two shares with the effective date of September 1, 2014. Basic earnings per share has been calculated as if this consolidation of shares was conducted at the beginning of the 8th fiscal year (fiscal 2014).

(6) Status of significant parent company and subsidiaries

(i) Relationship with the parent company

No items to report.

(ii) Status of major subsidiaries

Name	Capital (Millions of yen unless otherwise stated)	Ratio of ownership by the Company (%)	Major business
Daimaru Matsuzakaya Department Stores Co. Ltd.	10,000	100.0	Department Store Business
The Hakata Daimaru, Inc.	3,037	69.9	Department Store Business
The Shimonoseki Daimaru, Inc.	480	100.0	Department Store Business
Kochi Daimaru Co., Ltd.	300	100.0	Department Store Business
PARCO Co., Ltd.	34,367	64.9	PARCO Business
Parco (Singapore) Pte Ltd	S$4 million	64.9	PARCO Business
NEUVE A Co., Ltd.	490	64.9	PARCO Business
PARCO SPACE SYSTEMS Co., Ltd.	490	64.9	PARCO Business
PARCO-CITY Co., Ltd.*	10	64.9	PARCO Business
Daimaru Kogyo, Ltd.	1,800	100.0	Wholesale Business
Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	US$2 million	100.0	Wholesale Business
Daimaru Kogyo (Thailand) Co., Ltd.	THB202 million	99.9	Wholesale Business
Taiwan Daimaru Kogyo, Ltd.	NT$60 million	100.0	Wholesale Business
JFR Card Co., Ltd.	100	100.0	Credit Business
J. Front Design & Construction Co., Ltd.	100	100.0	Design and construction contracting and manufacture and sale of furniture
JFR Online Co. Ltd.	100	100.0	Direct marketing
Dimples' Co., Ltd.	90	100.0	Staffing service
J. Front Foods Co., Ltd.	100	100.0	Restaurant
Consumer Product End-Use Research Institute Co., Ltd.	450	100.0	Merchandise test and quality control
JFR PLAZA Inc.	NT$185 million	90.0	General merchandise retailing
Forest Co., Ltd.	90	72.9	Direct marketing
Angel Park Co., Ltd.	400	50.2	Parking
JFR Service Co. Ltd.	100	100.0	Commissioned back-office service, leasing and parking management
JFR Information Center Co., Ltd.	10	100.0	Information service
Daimaru Matsuzakaya Sales Associates Co. Ltd.	90	100.0	Commissioned sales and store management operations
Daimaru Matsuzakaya Tomonokai Co., Ltd.	100	100.0	Specified prepaid transaction service

* PARCO-CITY Co., Ltd. changed its company name to PARCO Digital Marketing Co., Ltd. on March 1, 2017.

(iii) Matters relating to specified wholly-owned subsidiaries

(Millions of yen)

Name	Address	Total book value	Total assets of the Company
Daimaru Matsuzakaya Department Stores Co. Ltd.	18-11 Kiba 2-chome, Koto-ku, Tokyo	222,130	434,921

(7) Major businesses

The Department Store Business, the PARCO Business, the Wholesale Business, the Credit Business, and the Other Businesses including design and construction contracting and direct marketing.

(8) Major sales offices

(Department Store Business)

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

(PARCO Business)

Name		Location	Name		Location
PARCO Co., Ltd.					
	Headquarters	Toshima-ku, Tokyo		Matsumoto PARCO	Matsumoto, Nagano
	Shibuya Head Office	Shibuya-ku, Tokyo		Shizuoka PARCO	Aoi-ku, Shizuoka
	Sapporo PARCO	Chuo-ku, Sapporo		Nagoya PARCO	Naka-ku, Nagoya
	Sendai PARCO	Aoba-ku, Sendai		Otsu PARCO	Otsu, Shiga
	Utsunomiya PARCO	Utsunomiya, Tochigi		Hiroshima PARCO	Naka-ku, Hiroshima
	Urawa PARCO	Urawa-ku, Saitama		Fukuoka PARCO	Chuo-ku, Fukuoka
	Shintokorozawa PARCO	Tokorozawa, Saitama		Kumamoto PARCO	Chuo-ku, Kumamoto
	Ikebukuro PARCO	Toshima-ku, Tokyo		Sapporo ZERO GATE	Chuo-ku, Sapporo
	Shibuya PARCO	Shibuya-ku, Tokyo		Nagoya ZERO GATE	Naka-ku, Nagoya
	Hibarigaoka PARCO	Nishi-Tokyo, Tokyo		Shinsaibashi ZERO GATE	Chuo-ku, Osaka
	Kichijoji PARCO	Musashino, Tokyo		Dotonbori ZERO GATE	Chuo-ku, Osaka
	Chofu PARCO	Chofu, Tokyo		Hiroshima ZERO GATE	Naka-ku, Hiroshima
	Tsudanuma PARCO	Funabashi, Chiba		PediSHIODOME	Minato-ku, Tokyo
NEUVE A Co., Ltd.		Shibuya-ku, Tokyo	PARCO SPACE SYSTEMS Co., Ltd.		Shibuya-ku, Tokyo
PARCO-CITY Co., Ltd.		Shibuya-ku, Tokyo	Parco (Singapore) Pte Ltd		Singapore

(Wholesale Business)

Name	Location
Daimaru Kogyo, Ltd.	Head Office: Chuo-ku, Osaka Office: Tokyo 1, Nagoya 1, Nagano 1, Oita 1, Overseas 5
Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	Head Office: Shanghai, China
Daimaru Kogyo (Thailand) Co., Ltd.	Head Office: Bangkok, Thailand
Taiwan Daimaru Kogyo, Ltd.	Head Office: Taipei, Taiwan

(Credit Business)

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

(Other subsidiaries)

Head Office: Osaka 9, Nagoya 1, Saitama 1, Taiwan 1

(9) Status of employees

(i) Employees of the corporate group

Category	Number of employees
J. FRONT RETAILING Co., Ltd.	97
Department Store Business	2,491
PARCO Business	1,507
Wholesale Business	185
Credit Business	113
Other Businesses	2,478
Total	6,871

(Note) Other than the employees shown above, the average number of temporary employees during the period is 3,861.

(ii) Employees of the Company

Number of employees	Average age
97	45.2

(Note) Other than the employees shown above, the average number of temporary employees during the period is 13.

(iii) Employees of major subsidiaries

Name	Number of employees	Average age
Daimaru Matsuzakaya Department Stores Co. Ltd.	1,967	46.5
PARCO Co., Ltd.	465	42.2
Daimaru Kogyo, Ltd.	152	45.6

(10) Status of major creditors

Major creditors of the corporate group

(Millions of yen)

Creditor	Amount payable	Creditor	Amount payable
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	33,034	Mizuho Bank, Ltd.	11,957
Sumitomo Mitsui Banking Corporation	15,577	Development Bank of Japan Inc.	9,925

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

No items to report.

2. Matters relating to shares of the Company

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

(2) Number of shares issued: 268,119,164 shares

(3) Number of shareholders: 91,185

(4) Major shareholders

Name of shareholders	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,371	7.40
Japan Trustee Services Bank, Ltd. (Trust Account)	16,630	6.35
Nippon Life Insurance Company	9,828	3.75
Trust & Custody Services Bank, Ltd. (Investment Trust Collateral Account)	6,868	2.62
J. Front Retailing Kyoei Supplier Shareholding Association	6,519	2.49
The Dai-ichi Mutual Life Insurance Company	5,732	2.19
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,624	2.15
Japan Trustee Services Bank, Ltd. (Trust Account 9)	5,383	2.05
Japan Trustee Services Bank, Ltd. (Trust Account 7)	3,429	1.31
STATE STREET BANK WEST CLIENT - TREATY 505234	3,293	1.25

(Note) Shareholding ratio is calculated by deducting treasury shares (6,573 thousand shares).

3. Matters relating to corporate officers

(1) Names, etc. of Directors and Audit & Supervisory Board Members

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company	Attendance at meetings of the Board of Directors (Note 1)	Limited liability agreements (Note 3)
President and Director (Representative Director)	YAMAMOTO Ryoichi		100% 15/15	
Director and Senior Managing Executive Officer (Representative Director)	KOBAYASHI Yasuyuki	Senior Executive General Manager of Affiliated Business Unit Director of PARCO Co., Ltd.	100% 15/15	
Director	YOSHIMOTO Tatsuya	President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd.	100% 15/15	
Director	MAKIYAMA Kozo	Director, President and Representative Executive Officer of PARCO Co., Ltd.	100% 15/15	
Director and Managing Executive Officer	FUJINO Haruyoshi	Senior Executive General Manager of Management Strategy Unit Director of PARCO Co., Ltd.	100% 15/15	
Director and Managing Executive Officer	DOI Zenichi	Senior Executive General Manager of Administration Unit and in charge of Compliance and Risk Management Outside Director of Hakuyosha Co., Ltd. (since March 2017)	100% 15/15	
Director and Executive Officer	WAKABAYASHI Hayato	Senior Executive General Manager of Financial Strategy Unit and in charge of Finance Policy	100% 15/15	
Director (Outside)	TACHIBANA FUKUSHIMA Sakie	President and Representative Director of G&S Global Advisors Inc. Outside Director of Bridgestone Corporation Outside Director of Ajinomoto Co., Inc. Outside Director of USHIO INC.	100% 15/15	Yes
Director (Outside)	OTA Yoshikatsu	Special Advisor of KONICA MINOLTA, INC.	100% 15/15	Yes
Audit & Supervisory Board Member (Outside)	TSURUTA Rokurou	Attorney at law Outside Director of TPR Co., Ltd. Outside Audit & Supervisory Board Member of Sumitomo Mitsui Financial Group, Inc. Outside Member of the Board of Directors of KYB Corporation	93.3% 14/15	Yes
Audit & Supervisory Board Member (Outside)	ISHII Yasuo	Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.	100% 15/15	Yes
Audit & Supervisory Board Member (Outside)	NISHIKAWA Koichiro	Outside Director of Kyowa Hakko Kirin Co., Ltd Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.	100% 15/15	Yes
Audit & Supervisory Board Member (full-time)	OCHI Bunshiro	Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.	100% 15/15	Yes
Audit & Supervisory Board Member (full-time)	KATO Yoichi	Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.	100% 15/15	Yes

(Notes) 1. Number of meetings of the Board of Directors attended / Number of meetings of the Board of Directors held during the individual's tenure this fiscal year
2. The four Audit & Supervisory Board Members other than Tsuruta Rokurou attended all 15 of the meetings of the Audit & Supervisory Board held during their tenures this fiscal year. Tsuruta Rokurou attended 12 of the 15 meetings held during his tenure this fiscal year.
3. The Company enters into agreements limiting liability for damages such that are stipulated in Paragraph 1, Article 423 of the Companies Act, pursuant to Paragraph 1, Article 427 of the said Act, with the relevant individuals (marked as "Yes" in the "Limited liability agreements" column). These agreements limit the amount of their liability for damages to the higher of either ¥12,000,000 or the minimum amount of liability such that is stipulated in Paragraph 1, Article 425 of the said Act.
4. On March 1, 2017, "Areas of responsibility in the Company and important concurrent positions outside the Company" was changed as follows.

Name	Areas of responsibility in the Company and important concurrent positions outside the Company
WAKABAYASHI Hayato	Senior Executive General Manager of Financial Strategy Unit and in charge of Financing and Finance Policy

(Reference 5)

○ Executive Officers of the Company as of February 28, 2017 are as follows (excluding ones concurrently serving as Director).

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company
Executive Officer	IMAZU Takahiro	Senior General Manager of Group Management Strategy Promotion, Management Strategy Unit
Executive Officer	MAKITA Takayuki	Senior General Manager of Corporate Governance Promotion, Management Strategy Unit and Executive Officer and Senior General Manager of Corporate Governance Promotion Division of Daimaru Matsuzakaya Department Stores Co. Ltd.
Executive Officer	ARISAWA Hisashi	Senior General Manager of Affiliated Business, Affiliated Business Unit
Executive Officer	TSUTSUMI Hiroyuki	Senior General Manager of Finance and Accounting, Financial Strategy Unit
Executive Officer	TADATSU Takehiko	Senior General Manager of Group Human Resources Division, Administration Unit and Executive Officer and Senior General Manager of Human Resources Division of Daimaru Matsuzakaya Department Stores Co. Ltd.

(Note) On March 1, 2017, Iwata Yoshimi newly assumed the position of Executive Officer and "Areas of responsibility in the Company and important concurrent positions outside the Company" was changed as follows.

Name	Areas of responsibility in the Company and important concurrent positions outside the Company
IMAZU Takahiro	Senior General Manager of Management Planning Division, Group Digital Strategy Division and New Business Division, Management Strategy Unit
MAKITA Takayuki	Senior General Manager of Board of Directors Secretariat and Corporate Governance Promotion Division, Management Strategy Unit and Executive Officer and Senior General Manager of Corporate Governance Promotion Division of Daimaru Matsuzakaya Department Stores Co. Ltd.
IWATA Yoshimi	Senior General Manager of Budget and Management Support, Financial Strategy Unit
TSUTSUMI Hiroyuki	Special Assignments from the President

(2) Total amount of remuneration, etc. to Directors and Audit & Supervisory Board Members

	Number of payees	Total amount of remuneration, etc. (Millions of yen)
Director	10	298
[of which, Outside Director]	[2]	[22]
Audit & Supervisory Board Member	5	40
[of which, Outside Audit & Supervisory Board Member]	[3]	[18]
Total	15	338

(Notes) 1. The total amount of remuneration, etc. includes ¥82 million in bonuses for Directors and Audit & Supervisory Board Members scheduled for approval at the 10th Annual Shareholders Meeting.
2. Other than the above, the total amount of remuneration, etc. received by Outside Audit & Supervisory Board Members from subsidiaries of the Company in the current fiscal year is ¥9 million.
3. The maximum remuneration for Directors is set at ¥50 million per month by resolution of the Annual Shareholders Meeting held in May 2008.
4. The maximum remuneration for Audit & Supervisory Board Members is set at ¥7 million per month by resolution of the Annual Shareholders Meeting held in May 2008.

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

(i) Policy on determining remuneration for Directors and Audit & Supervisory Board Members

For the current fiscal year (fiscal 2016), remuneration of the Company's Directors and Audit & Supervisory Board Members is monetary-based and consists of monthly compensation, as well as bonuses for Directors and Audit & Supervisory Board Members which are tied to results and success in accordance with each year's business performance.

The policy on determining such remuneration has been revised as follows beginning from the payment of June 2016, as resolved by a meeting of the Board of Directors, and on the basis of details reported by the Human Resources and Remuneration Committee in April 2016.

Remuneration of Internal Directors

- The Company has increased the proportion of bonuses for Directors and Audit & Supervisory Board Members (performance-based remuneration) in terms of total remuneration, with monthly compensation at 60% and bonuses for Directors and Audit & Supervisory Board Members at 40% (standard ranking), in order to provide incentives both for accomplishing objectives set under management strategies and business plans, and for achieving targets with respect to corporate performance.

Remuneration of Outside Directors and Audit & Supervisory Board Members (both internal and outside)

- The Company has discontinued bonuses for Directors and Audit & Supervisory Board Members and provides monthly compensation only.

(ii) Procedures for determining remuneration for Directors and Audit & Supervisory Board Members

The total monthly remuneration amount for the Company's Directors and Audit & Supervisory Board Members will be limited to that set upon passage of a resolution of a shareholders meeting, and the total amount of bonuses for Directors and Audit & Supervisory Board Members for the fiscal year will be that set upon passage of a resolution of an annual shareholders meeting held every fiscal year. The specific amounts of remuneration paid to respective Directors will be set based on standards for officer remuneration that are determined beforehand, and will be determined on the basis of respective performance evaluations conducted each fiscal year. Such amounts will be deliberated on and decided by the Human Resources and Remuneration Committee, which has a majority membership composed of Outside Directors and Outside Audit & Supervisory Board Members, and which is also chaired by an Outside Director. The committee will then report such details to the Board of Directors. The amount of remuneration paid to respective Audit & Supervisory Board Members will also be deliberated on by the Human Resources and Remuneration Committee, and such details will be subsequently reported to all Audit & Supervisory Board Members.

<Policy and procedures for determining remuneration for Directors and Executive Officers from June 2017>

For the first fiscal year of the Medium-term Business Plan, to ensure steady execution and progress of the Medium-term Business Plan for realizing the new Group Vision, the Company will transition to a company with three committees (nomination, audit and remuneration committees), which will contribute to strengthening the corporate governance structure. To coincide with this transition, the Company has informally resolved to formulate the new Officer Remuneration Policy (including the introduction of a stock-based remuneration system for officers).

The basic views regarding the Officer Remuneration Policy are as follows.

(i) Contribute to the sustainable growth of the JFR Group and increase corporate value over the medium to long term.
(ii) A highly performance-based remuneration system that provides incentives to Executive Officers both for accomplishing objectives set under management strategies and business plans, and for achieving targets with respect to corporate performance.
(iii) Remuneration levels that can secure and retain personnel who have the desirable managerial talent qualities required by the Company.
(iv) Increase shared awareness of profits with shareholders and awareness of shareholder-focused management.
(v) Enhanced transparency and objectivity in the remuneration determining process.

To such ends, the composition of remuneration respectively for Executive Officers and Non-executive Directors is as follows.

[Executive Officer]

Remuneration for Executive Officers shall comprise (i) basic remuneration (monetary remuneration) in accordance with rank (position), (ii) bonuses (monetary remuneration) based on individual evaluations conducted each business year, and (iii) performance shares linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan as a stock-based remuneration system.

[Non-executive Director]

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

(4) Matters relating to Outside Directors and Outside Audit & Supervisory Board Members

[Outside Director]

<table>
<tr><td rowspan="4">TACHIBANA FUKUSHIMA Sakie
independent
(Note)</td><td>Important concurrent positions</td><td>President and Representative Director of G&S Global Advisors Inc.
Outside Director of Bridgestone Corporation
Outside Director of Ajinomoto Co., Inc.
Outside Director of USHIO INC.</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td>No special relationships exist</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td>No items to report</td></tr>
<tr><td>Attendance at meetings of the Board of Directors</td><td>100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="3">[Major activities during current fiscal year]
Tachibana Fukushima Sakie contributes to ensuring more effective meetings of the Board of Directors by drawing on points of view and perspectives that vary from those of the Internal Directors in providing advice and oversight. She does so based on her abundant experience and knowledge in internal and external governance gained as a director at a U.S. company's global headquarters and as an outside director at numerous Japanese companies, and using her corporate management experience and in-depth knowledge regarding global human resources gained as the president of a foreign-owned human resource consulting company's local Japanese branch.
Moreover, making use of her experience as the chairperson of the remuneration and nomination committee at another company, she serves as the chairperson of the Human Resources and Remuneration Committee which acts as an advisory committee to the Board of Directors, strives to enhance functional capabilities of management personnel through means such as establishing the new officer remuneration scheme, and helps improve transparency and objectivity in matters of human resources and remuneration involving the management team.</td></tr>
<tr><td rowspan="4">OTA Yoshikatsu
independent
(Note)</td><td>Important concurrent positions</td><td>Special Advisor of KONICA MINOLTA, INC.</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td>No special relationships exist</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td>No items to report</td></tr>
<tr><td>Attendance at meetings of the Board of Directors</td><td>100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="3">[Major activities during current fiscal year]
Ota Yoshikatsu contributes to ensuring more effective meetings of the Board of Directors by drawing on points of view and perspectives that vary from those of the Internal Directors in providing advice and oversight with respect to promoting Group management, establishing a framework for transitioning to a company with three committees (nomination, audit and remuneration committees) and other such matters. He does so based on his extensive experience and abundant knowledge as a corporate manager, underpinned by his background which includes promoting the corporate merger between Minolta Co., Ltd. and Konica Corporation, acting as a manager of a company that, like this Company, is a holding company, and serving as a chairman of the board of directors of a company with committees (currently a company with nominating and other committees).
Moreover, he serves as a member of the Human Resources and Remuneration Committee which acts as an advisory committee to the Board of Directors, adequately provides advice with respect to enhancing the functional capabilities of management personnel through means such as establishing the new officer remuneration scheme, and helps improve transparency and objectivity in matters of human resources and remuneration involving the management team.</td></tr>
</table>

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

[Outside Audit & Supervisory Board Member]

TSURUTA Rokurou independent (Note)	Important concurrent positions	Attorney at law Outside Director of TPR Co., Ltd. Outside Audit & Supervisory Board Member of Sumitomo Mitsui Financial Group, Inc. Outside Member of the Board of Directors of KYB Corporation
	Relationships between the Company and organizations where important concurrent positions are held	No special relationships exist
	Relationship with specified affiliated business operator	No items to report
	Attendance at meetings of the Board of Directors	93.3% (Attended 14 of the 15 meetings held during tenure this fiscal year)
	Attendance at meetings of the Audit & Supervisory Board	80.0% (Attended 12 of the 15 meetings held during tenure this fiscal year)
[Major activities during current fiscal year] Tsuruta Rokurou contributes to ensuring more effective meetings of the Board of Directors by actively and assertively furnishing advice, recommendations and other feedback to the Board of Directors, with respect to matters such as regulatory compliance in managing operations such as internal controls and audits, as well as legal risks associated with managing operations. He does so based on his in-depth understanding of legal affairs as a legal professional. In addition, he serves as a member of the Human Resources and Remuneration Committee which acts as an advisory committee to the Board of Directors, and contributes to ensuring transparency and objectivity in regard to enhancing functional capabilities of management personnel such as in the realm of officer elections. Moreover, his input in meetings of the Audit & Supervisory Board has included exchanging opinions on audit results and participating in deliberations on important audit matters.		
ISHII Yasuo independent (Note)	Important concurrent positions	Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.
	Relationships between the Company and organizations where important concurrent positions are held	Daimaru Matsuzakaya Department Stores Co. Ltd. is a wholly-owned subsidiary of the Company.
	Relationship with specified affiliated business operator	No items to report
	Attendance at meetings of the Board of Directors	100% (Attended all 15 meetings held during tenure this fiscal year)
	Attendance at meetings of the Audit & Supervisory Board	100% (Attended all 15 meetings held during tenure this fiscal year)
[Major activities during current fiscal year] Ishii Yasuo contributes to ensuring more effective meetings of the Board of Directors by actively and assertively furnishing advice, recommendations and other feedback to the Board of Directors, with respect to overall management strategy encompassing matters such as causing the Group Vision to take hold both within and outside the Company and enhancing holding company functions for swift decision making on business execution. He does so based on his longstanding experience working abroad, along with his abundant experience and suitable knowledge in the field of global management outside the retail industry, encompassing expertise in developing business overseas. Moreover, his input in meetings of the Audit & Supervisory Board has included exchanging opinions on audit results and participating in deliberations on important audit matters.		

NISHIKAWA Koichiro independent (Note)	Important concurrent positions	Outside Director of Kyowa Hakko Kirin Co., Ltd Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.
	Relationships between the Company and organizations where important concurrent positions are held	Daimaru Matsuzakaya Department Stores Co. Ltd. is a wholly-owned subsidiary of the Company. No other special relationships exist.
	Relationship with specified affiliated business operator	No items to report
	Attendance at meetings of the Board of Directors	100% (Attended all 15 meetings held during tenure this fiscal year)
	Attendance at meetings of the Audit & Supervisory Board	100% (Attended all 15 meetings held during tenure this fiscal year)
[Major activities during current fiscal year] Nishikawa Koichiro contributes to ensuring more effective meetings of the Board of Directors by actively and assertively furnishing advice, recommendations and other feedback to the Board of Directors, with respect to matters such as taking risks regarding new business and M&As and tracking progress of management strategies in that regard, as well as upgrading results verification and assessing the suitability of quantitative targets. He has been involved in business alliances, M&A activities, management reforms and other such endeavors, and also has suitable knowledge from a financial perspective gained through his experience being involved in important international negotiations on many occasions. Moreover, his input in meetings of the Audit & Supervisory Board has included exchanging opinions on audit results and participating in deliberations on important audit matters.		

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

* In November 2016, the Company's subsidiary JFR Online Co. Ltd. received recommendations and guidance from the Japan Fair Trade Commission based on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors. The Company takes this matter very seriously and accordingly the Board of Directors acknowledges that it must address the need for establishing risk management systems also encompassing compliance pertaining to the JFR Group, and has consequently been engaging in a series of discussions in that regard.
All Outside Directors and Outside Audit & Supervisory Board Members have been actively and assertively providing advice and recommendations regarding this matter, through deliberations of the Board of Directors and other such means.

4. Matters relating to Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

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

(i)	Amount of remuneration, etc. to be paid by the Company	¥92 million
(ii)	Total cash and other financial profits to be paid by the Company and its subsidiaries	¥196 million

(Notes) 1. Among the significant subsidiaries of the Company, PARCO Co., Ltd. and its 4 subsidiaries are audited by auditing firms other than the Accounting Auditor of the Company. PARCO Co., Ltd. is audited by KPMG AZSA LLC.

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

(3) Content of non-audit service

Consulting service for the transition to International Financial Reporting Standards (IFRS), etc.

(4) Rationale for Audit & Supervisory Board's agreement on remuneration of the Accounting Auditor

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

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

The Accounting Auditor is to take necessary measures that include dismissing the Accounting Auditor upon gaining consent of all Audit & Supervisory Board Members, 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 & Supervisory Board 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) Business suspension imposed on Accounting Auditor during past two years

On December 22, 2015, Japan's Financial Services Agency (FSA) announced a disciplinary action against the Accounting Auditor as detailed below.

(i) Entity subject to disciplinary action

Ernst & Young ShinNihon LLC

(ii) Details of disciplinary action

- Three-month suspension of operations related to conclusion of new contracts (January 1, 2016 to March 31, 2016)
- Business improvement order

(iii) Grounds for disciplinary action

A) With respect to Ernst & Young ShinNihon LLC's audit of Toshiba Corporation's financial statements for the fiscal years ended March 31, 2010, 2012 and 2013, seven certified public accountants acted in negligence of due care by having attested that those financial statements contained no material misstatements, even though those statements did in fact contain material misstatements.

B) The audit firm's operations were deemed conspicuously inappropriate.

On January 22, 2016, the FSA made the decision to impose a ¥2,111,000,000 fine.

5. Basic ideas on corporate governance

(1) Role of corporate governance

We believe that ensuring sustainable growth of the JFR Group and increasing corporate value over the medium to long term is paramount to realizing ideals of the Group Philosophy. Accordingly, the role of corporate governance in the JFR Group must be to help enable us to realize the ideals of the Group Philosophy.

The Company assumes responsibility as a pure holding company for ensuring managerial transparency, soundness and compliance centered on corporate governance of the JFR Group, with the aim of realizing the ideals of the Group Philosophy.

(2) Relationship with shareholders

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

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

(3) Information disclosure

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

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

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

Directors and Audit & Supervisory Board Members, who were appointed by the shareholders and were entrusted with management of the Company, have carried out the roles and responsibilities in the Board of Directors as listed below. They have done so in accordance with their fiduciary responsibility and accountability to shareholders, and with the aim of realizing the ideals of the Group

Philosophy. Accordingly, these roles and responsibilities include:

(i) Indicating the overall direction that Group management is to take, by engaging in constructive discussions with respect to the vision, management strategies, business plans and other fundamental management policies, and carrying out multifaceted and objective deliberations that include evaluation of risks with respect to the aforementioned;

(ii) Making swift and resolute decisions regarding important matters of business execution involving Group management on the basis of the direction noted above, while ensuring that the decision-making process is transparent, fair and rational;

(iii) Tracking progress of management strategies and business plans, and also determining matters of staffing and remuneration involving the management team on the basis of assessing the aforementioned;

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

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

(vi) Drawing up plans regarding successors (next senior management team) and overseeing progress made in that regard.

As part of its efforts to further enhance its systems related to corporate governance, the Company plans to transition to a company with three committees (nomination, audit and remuneration committees) organizational structure, from a company with Audit & Supervisory Board currently, upon resolution of this Annual Shareholders Meeting. In so doing, we will engage in initiatives that include strengthening the management oversight function, as well as maintaining and improving audit precision, thereby heightening the effectiveness of our corporate governance.

6. System and policies of the Company

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

(Revised on March 25, 2016)

This policy sets forth basic policy on developing internal control systems with the aim of ensuring appropriateness of operations performed by the entire corporate group which is composed of the Company and its subsidiaries (hereinafter, the "Group"). Accordingly, we aim to increase corporate value through specific initiatives geared toward promoting this policy.

I. System to ensure that execution of duties by Directors, etc., and employees of all Group companies complies with laws and regulations and the Articles of Incorporation

(Item 6, Paragraph 4, Article 362 of the Companies Act and Item 4 and Item 5 (d), Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

(1) Corporate governance

(i) Final decision making on important matters relating to management and supervision of execution of duties by Directors shall be in compliance with the "Rules of the Board of Directors" and shall be carried out at meetings of the Board of Directors held at least once every month.

(ii) For decision making, monitoring action and the like by the Board of Directors, highly independent Outside Directors able to make judgments with independence from top management and to make appropriate decisions shall be appointed.

(iii) Audit & Supervisory Board Members shall carry out auditing of execution of duties by Directors and Executive Officers in compliance with the "Rules of the Audit & Supervisory Board" and the "Audit & Supervisory Board Members' Audit Standard."

(iv) The Company shall bring in Outside Audit & Supervisory Board Members with knowledge and experience to monitor the management of the Company from an objective standpoint and shall strengthen its auditing function.

(v) Other than the Board of Directors and the Audit & Supervisory Board, the Company shall operate the following meeting structures.

Group Management Meeting

(This meeting shall be composed of Internal Directors and attendance by Full-time Audit & Supervisory Board Members shall be required. It shall deliberate over and determine important policies and measures with respect to overall group management.)

Group Strategy Meeting

(This meeting shall be composed of Internal Directors. It shall carry out debates on important issues with respect to group management and shape approaches to such issues.)

Group Results and Strategy Examination Meeting

(This meeting shall be composed of Internal Directors, etc. Its activities shall include carrying out debates on group results and related important issues and following them up.)

Group Liaison Meeting

(This meeting shall be composed of Internal Directors, etc. Its activities shall include sharing information on important matters among all Group companies.)

Affiliated Business Presidents Meeting, SS Business Presidents Meeting

(These meetings shall confirm progress of results, confirm issues and exchange information at all Group companies excluding department stores.)

(vi) The Company shall establish the Management Strategy Unit, the Affiliated Business Unit, Financial Strategy Unit and the Administration Unit and clarify the roles, responsibilities and authorities of organizations, and shall introduce an Executive Officer system and work to separate management decision making from the execution of business.

(2) Compliance and risk management

(i) The Company shall ensure that all officers and employees of all Group companies are thoroughly familiarized with the "JFR Group Mission Statement" and the "JFR Group Compliance and Risk Management Manual."

(ii) The Company shall establish the Compliance and Risk Management Committee. The President shall be the chairperson and the members of the committee shall be corporate lawyers and Directors, Audit & Supervisory Board Members and others selected by the chairperson.

(iii) An officer shall be put in charge of compliance and risk management in order to promote the operation of compliance and risk management.

(iv) At each Group company, departments and responsible persons shall be put in charge of promotion of compliance and risk management, and shall carry out daily supervision and direction of business operations that are in accordance with laws and regulations and internal company rules.

(v) The Compliance and Risk Management Committee shall work to develop the foundations of compliance and risk management such as internal company rules, operation management manuals and formulation of management systems. In addition, the committee shall strengthen systems that are in compliance with laws and regulations and internal company rules at all Group companies by periodically carrying out work rank-tailored compliance and risk management training through departments in charge of promotion of compliance and risk management at each company. Internal company rules, manuals and the like shall be made available for inspection and verification by all officers and employees at any time by posting them on the intranet.

(vi) The Compliance and Risk Management Committee shall periodically request reports from persons in charge of promotion of compliance and risk management at each Group company regarding the status of compliance and risk management in their respective areas of responsibility, and take proper rectification measures. In addition, the committee shall formulate guidelines and measures to prevent recurrence to be followed and taken by the Group as a whole, and implement the said guidelines and measures.

(vii) The Company shall establish the "JFR Group Compliance Hotline" as the whistle-blowing

system of the JFR Group that also extends beyond companies (to a corporate lawyer), which may be used by all persons working at all Group companies.

(viii) The Company shall establish the Internal Audit Division, which shall audit the operations of all Group companies or which shall properly report the results of audits of operations, examine the properness and effectiveness of the processes for these operations, and provide guidance and education to all departments at the Company and all Group companies. Important matters shall be properly reported to the Board of Directors and the Audit & Supervisory Board.

(3) System to secure appropriateness of financial reporting

The Company shall be in compliance with accounting standards and various associated laws and regulations, and shall construct an internal company system to secure the legality and appropriateness of its financial reporting. In addition, all Group companies shall also construct the same system.

II. Rules concerning management of risk of losses of all Group companies and other systems

(Item 2 and Item 5 (b), Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

(i) For risks involved in business operations, the Compliance and Risk Management Committee shall carry out evaluations and management, and for important risks, the committee shall periodically report on the risk management status to the Board of Directors.

(ii) Of the risks involved in business operations that are identified, for particularly serious items, the Compliance and Risk Management Committee shall deliberate over and determine a policy in response, and shall prevent them from occurring by having each of the responsible departments of all Group companies execute the said policy.

(iii) For crisis events such as large-scale earthquakes, fires and accidents, crisis management shall be controlled by the "Emergency Response Headquarters" headed by the President.

III. System for storage and management of information regarding execution of duties by Directors

(Item 1, Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

(i) For the below-mentioned documents relating to the execution of duties by Directors, in accordance with the rules on document 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.

1) Minutes of shareholders meetings and related documents
2) Minutes of Board of Directors meetings and related documents
3) Circular approval memos, applications, and reports
4) Documents relating to financial reporting

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

IV. System to ensure efficient execution of duties by Directors, etc. of all Group companies

(Item 3 and Item 5 (c), Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

(i) The Company shall have the Management Strategy Unit, the Affiliated Business Unit, the Financial Strategy Unit and the Administration Unit as management bodies of the Company, and Directors shall be, in principle, appointed as the heads of the units. Under this structure, communication of decision-making matters at the Board of Directors to the Executive Officers shall be facilitated and business shall be executed expeditiously.

(ii) The President and the unit heads of the Company shall work to achieve management targets and medium- and long-term plans based on their respective roles, responsibilities and authorities by thoroughly making them known to all officers and employees of all Group companies, and giving execution instructions and carrying out monitoring of efficient

execution of business. Regarding progress in achieving targets at each department based on the management targets and medium- and long-term plans, they shall also demand reports at the Group Results and Strategy Examination Meeting and the like, and manage such progress accordingly.

(iii) For deliberation and determination of company-wide important matters, the Group Management Meeting, the Group Strategy Meeting and others shall be used effectively to contribute to decision making by the Board of Directors.

(iv) The Company shall plan and formulate the Group's business strategies, optimally allocate the Group's management resources, and track the progress and results of the Group's strategies. Moreover, the Company shall provide to Group companies various types of services, such as necessary and appropriate guidance and management, etc. for management operations, based on the contracts with each Group company to increase the business value of the entire Group.

(v) The Company shall construct systems to raise overall efficiency of the Group such as the introduction of the Group's common accounting system in principle and promotion of centralized management of Group funds.

V. System for reporting to the Company on matters involving execution of duties by Directors, etc. of all Group companies

(Item 5 (a), Paragraph 1, Article 100 of the Ordinance for Enforcement of the Companies Act)

(i) The President and the unit heads of the Company shall provide guidance to all Group companies for the development of a proper internal control system regarding operations deemed necessary.

(ii) The President and the unit heads of the Company shall require all Group companies to make reports on their businesses through bodies such as the Group Results and Strategy Examination Meeting, the Affiliated Business Presidents Meeting and the SS Business Presidents Meeting, and shall supervise the proper execution of business.

(iii) The Internal Audit Division shall carry out internal audits of everyday operations at all Group companies or which shall properly report the results of audits of operations, examine the properness and effectiveness of the processes for these operations, and provide guidance and education to all departments at the Company and all Group companies. Important matters shall be properly reported to the Board of Directors and the Audit & Supervisory Board.

(iv) The Compliance and Risk Management Committee shall control the departments and persons in charge of promotion of compliance and risk management at each Group company and promote compliance and risk management operations at all Group companies through use of the meeting bodies.

(v) In cases where the Company's business management or the contents of its management guidance is in violation of laws and regulations or other problems in terms of compliance and risk management are recognized, Group companies shall report the matter to the Audit & Supervisory Board Members and the Compliance and Risk Management Committee of the Company. If this occurs, the Audit & Supervisory Board Members and the Compliance and Risk Management Committee of the Company may state an opinion to the Board of Directors and request the formulation of an improvement plan.

(vi) Group companies shall report to the Company with respect to matters involving business operational risk and situations involving any occurrence of a crisis event such as a large-scale earthquake, fire or accident.

VI. Matters regarding employees who assist Audit & Supervisory Board Members in their duties when Audit & Supervisory Board Members request assignment of such employees, and the independence of such employees from Directors, and ensuring that effective instructions are provided to such employees from Audit & Supervisory Board Members

(Items 1, 2 and 3, Paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act)

(i) Dedicated staff assigned to Audit & Supervisory Board Members shall be in charge of assistance for Audit & Supervisory Board Members in their duties.

(ii) Appointments and transfers of staff assigned to Audit & Supervisory Board Members shall be

carried out with the consent of Internal Audit & Supervisory Board Members.

(iii) Personnel evaluations of staff assigned to Audit & Supervisory Board Members shall be carried out with the consent of Internal Audit & Supervisory Board Members.

(iv) The authority to give directions and commands to staff assigned to Audit & Supervisory Board Members shall reside with the Audit & Supervisory Board Members.

VII. System for reporting by Directors, etc., and employees of all Group companies to Audit & Supervisory Board Members and other systems to ensure effective execution of audits by Audit & Supervisory Board Members

(Item 4 (a), (b) and Item 7, Paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act)

(i) If there is an event or risk of event that is significantly damaging to all Group companies, if unlawful or wrongful conduct by a Director, etc. or an employee of all Group companies is discovered, or if any other event stipulated by the Audit & Supervisory Board as a matter to be reported occurs, Directors, and employees of the Company shall report such fact to the Audit & Supervisory Board. Furthermore, notwithstanding the foregoing, an Audit & Supervisory Board Member may at any time request a report from a Director, etc. or an employee of all Group companies as necessary.

(ii) In order to enable Audit & Supervisory Board Members to grasp important decision-making processes and the status of execution of duties, Audit & Supervisory Board Members may attend important meetings and committees such as meetings of the Board of Directors and the Group Management Meeting. In addition, they may inspect important documents associated with the execution of duties, such as circular approval memos, and request explanations of the said documents from officers and employees of all Group companies where necessary.

(iii) Audit & Supervisory Board Members of subsidiaries and the Internal Audit Division and the Internal Audit Departments of all Group companies shall carry out necessary audits, submissions of audit reports and other duties if requested or demanded to do so by an Audit & Supervisory Board Member.

(iv) The Audit & Supervisory Board shall be in compliance with the "Rules of the Audit & Supervisory Board" and shall have periodic meetings and the like with the Representative Directors in order to develop the environment for auditing by Audit & Supervisory Board Members, strengthen the relationship between them and the Representative Directors, and provide feedback to management based on their auditing.

(v) The head of the secretariat of the Compliance and Risk Management Committee shall swiftly report to the Compliance and Risk Management Committee and the Audit & Supervisory Board Members on the details of matters (excluding immaterial matters) reported to the "JFR Group Compliance Hotline."

(vi) Audit & Supervisory Board Members of subsidiaries and the Internal Audit Division and Internal Audit Departments of all Group companies shall swiftly report to the Audit & Supervisory Board Members of the Company on the results of internal audits and when unlawful or wrongful conducts are discovered.

(vii) The department managing the Group companies, such as the Affiliated Business Unit shall swiftly report to the Audit & Supervisory Board Members of the Company on unlawful or wrongful conduct from each of the Group companies.

(viii) Audit & Supervisory Board Members of the Company shall have periodic meetings and the like with the Audit & Supervisory Board Members of subsidiaries to enhance and strengthen the auditing of the entire Group.

VIII. System to ensure that persons who report the matters of VII above do not receive disadvantageous treatment for making such reporting

(Item 5, Paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act)

(i) No Group company shall subject a person who made a report to disadvantageous treatment for the reason that the person made the report.

(ii) If it is reported that a person who made a report is receiving disadvantageous treatment, then the head of the secretariat of the Compliance and Risk Management Committee shall instruct

the relevant Group company to carry out investigation of the facts.

IX. Matters related to policy on the processing of costs, etc. incurred by Audit & Supervisory Board Members as part of their execution of duties

(Item 6, Paragraph 3, Article 100 of the Ordinance for Enforcement of the Companies Act)

(i) Budgets shall be provided for in the annual budget plan for miscellaneous costs relating to audits.

(ii) When an invoice is received for miscellaneous costs relating to audits, the payment procedures shall, in principle, be carried out swiftly based on the aforementioned invoice.

(iii) Even when there are miscellaneous costs expended by the Audit & Supervisory Board Member in extraordinary cases or in times of emergency not included in the budget, the payment procedures shall, in principle, be carried out swiftly based on the aforementioned invoice.

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

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

I. Corporate governance

(i) In order to heighten the effectiveness of its corporate governance, the Company has decided a policy of transitioning from the current company with Audit & Supervisory Board to a company with three committees (nomination, audit and remuneration committees) following resolution at the Annual Shareholders Meeting scheduled for May 2017, in order to strengthen the management oversight function by separating oversight from execution, to better clarify authority and responsibility in business execution and promote agile management, to improve the transparency and objectivity of management, and to establish an organizational structure that can be easily understood globally.

(ii) In addition, the new Group Vision implemented from fiscal 2017 aims to increase the corporate value of the Company over the medium to long term by constructing a Group-wide vision targeting discontinuous growth, and making this the guiding principle of the next Medium-term Business Plan starting in March 2017. Furthermore, the Company combined its existing Business Operation Policy and Our Principles of Action to set forth the new JFR Way. To ensure smooth implementation of the new Group Vision and the JFR Way from fiscal 2017, the Company is currently working to promote understanding and awareness of the underlying approaches among all the companies in the JFR Group.

(iii) The Company is strengthening its governance through initiatives that include maintaining and improving audit precision, strengthening risk management function, clarifying corporate roles, and revamping systems such as those that entail segregation of duties of the Audit & Supervisory Board and the Board of Directors.

II. Compliance and risk management system and managing risk of loss

(i) The Company has posted the "J. Front Retailing Group Compliance and Risk Management Manual" to the corporate intranet, and furthermore implements educational instruction on the basis of job position and e-learning instruction to promote awareness of compliance issues. During the current fiscal year, the central themes in this regard included compliance with the Subcontract Act (Japan Fair Trade Commission), thorough implementation of quality controls, and dealing with harassment.

(ii) The Company has established the Compliance and Risk Management Committee whose membership includes corporate lawyers for the purpose of addressing issues of JFR Group compliance management practices and appropriately managing and evaluating risks involved in business operations. The Compliance and Risk Management Committee draws up policy for addressing matters involving serious compliance-related violations and matters involving risk. In addition, the committee also works to develop the foundations of compliance and risk

management systems (such as establishing internal company rules, operation management manuals and management systems) for departments in charge of promoting compliance and risk management.

The committee also reports details on deliberations of Compliance and Risk Management Committee meetings (held four times during the current fiscal year) to the Board of Directors regularly and in a timely manner.

(iii) The Company has established a whistle-blowing system (JFR Group Compliance Hotline). Under the whistle-blowing system, the Company has established internal rules of the Group which rigorously protect the confidentiality of whistle-blowers and prohibit disadvantageous treatment of such individuals. Moreover, the Company also appropriately addresses issues that have been reported.

(iv) For crisis events such as large-scale earthquakes, fires and accidents, crisis management shall be controlled by the "Emergency Response Headquarters" headed by the President. During the current fiscal year, there were no large-scale earthquakes, fires, accidents or other such calamities.

(v) In November 2016, the Company's subsidiary JFR Online received recommendations and guidance from the Japan Fair Trade Commission based on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors. JFR Online will work to create thorough awareness of the details of the recommendations and guidance among all officers and employees to prevent the reoccurrence of these violations. The JFR Group will further enhance and implement internal training and monitoring systems related to legal compliance, beginning with the Subcontract Act, and implement training for buyers and managers in fiscal 2017.

III. Execution of duties by Directors

(i) The Board of Directors carries out its roles and responsibilities with respect to management strategies, business plans and other fundamental management policies, by indicating the overall direction that Group management is to take through constructive discussions in that regard, and through multifaceted and objective deliberations that included evaluation of risks in that regard; and the Board of Directors carries out its roles and responsibilities with respect to important matters of business execution by making swift and resolute decisions.

With respect to meetings of the Board of Directors, in order to better focus discussions on the direction of strategies, the Directors are engaging in discussions taking into account the opinions of the outside officers during their meetings (held 15 times during the current fiscal year) based on the "Rules of the Board of Directors."

(ii) To support outside officers and coordinate information with them, explanations of the overall business are being provided upon newly assuming their office. Also, proposals to be made at meetings of the Board of Directors are being explained to them before such meetings are held, including details on proceedings of discussions that have taken place within the Company and the background to such matters.

In addition, the Board of Directors Secretariat tracks issues and progress made with respect to insights and requests from outside officers on the day of prior explanations and meetings of the Board of Directors, and accordingly works to improve effectiveness of strategy in that regard.

(iii) Annual agendas are being scheduled; in terms of making decisions on executing management strategy and other important matters of business, an effective and efficient management framework has been established, which involves engaging in a series of discussions beginning in the direction planning phase; minutes of the meetings of the Board of Directors are being accurately recorded and prepared, and; information is being properly stored and managed.

During the current fiscal year, decisions were made on the Group Vision and Medium-term Business Plan on the basis of multiple deliberations in that regard.

IV. System to ensure properness of operations at the corporate group

(i) Systems are being developed for receiving resolutions of the Company's Board of Directors and other approvals involving important matters pertaining to Group management.

(ii) The "Group Management Meeting" and other such forums are receiving reports from

respective Group companies with respect to the status of business execution.

(iii) With respect to internal controls for financial reporting, the Internal Audit Division is evaluating internal controls of respective Group companies that are subject to evaluation, on the basis of the "Rules on Internal Controls for Financial Reporting."

V. System to ensure effective execution of duties and audits by Audit & Supervisory Board Members

(i) In attending important meetings that include meetings of the Board of Directors, the Group Management Meeting, and the Compliance and Risk Management Committee, the Audit & Supervisory Board Members check details of decisions made on business execution.

(ii) The Audit & Supervisory Board Members conduct on-site audits at respective Group companies. They also regularly exchange information and opinions with the Representative Directors, the Internal Audit Division, the Accounting Auditor and others, and they improve the effectiveness and efficiency of audits.

(iii) The Company has established the Audit & Supervisory Board Secretariat and assigned to it one person, in order for it to function as a system for enabling Audit & Supervisory Board Members to smoothly carry out their duties. Moreover, a budget is set to cover anticipated expenses required by Audit & Supervisory Board Members in carrying out their duties.

(3) Basic policy regarding control of the Company

I. Contents of basic policy

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

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

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

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.

II. Frameworks contributing to realization of basic policy

Since the foundation of Daimaru and Matsuzakaya, the Group has been engaged in businesses of kimono fabric stores and department stores for many years based on the corporate philosophies and

traditional spirits of these businesses, which are: “Service before profit (those who place service before profit will prosper),” “Abjure all evil; pursue 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 with the aim of realizing the Group’s vision, which is to secure a position as a leading Japanese retail company both in terms of quality and quantity, with the Department Store Business at its core, in order to make a contribution to securing and enhancing the corporate value of the Group and, by extension, the common interests of shareholders.

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

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

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

Accordingly, if this occurs, the Company will establish an independent committee composed of outside officers and experts with viewpoints that are independent from the Company’s 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 countermeasures.

IV. Judgment of the Company’s Board of Directors regarding concrete framework and reasons for such judgment

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

Furthermore, if the Company takes necessary and appropriate countermeasures against a Large-Scale Purchaser judged to be inappropriate in light of the basic policy, the fairness, neutrality and rationality of this judgment will be ensured by making it in consideration of advice and opinions from an independent committee whose independence from the 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.

(4) Basic Capital Policy

The Company believes that any increase in free cash flow and improvement in ROE should help to ensure its sustainable growth and increase corporate value over the medium to long term. To such ends, the Company promotes a capital policy that takes a balanced approach to undertaking strategic

investment, enhancing shareholder returns, and expanding net worth being equipped to address risks.

Moreover, in procuring funds through interest-bearing debt we aim to achieve a structure of debt to equity that is optimally geared to changes in the business portfolio 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 sustainable expansion of the profit of the current period through efforts to maximize our operating profit and improve our operating profit margin by strengthening our core businesses and concentrating management resources on initiatives such as business field expansion and active development of new businesses.

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

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

Consolidated Financial Statements

Consolidated Balance Sheet (As of February 28, 2017)

(Millions of yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	**192,829**	**Current liabilities**	**312,568**
Cash and deposits	33,018	Notes and accounts payable - trade	87,964
Notes and accounts receivable - trade	68,997	Short-term loans payable	37,280
Securities	1,500	Commercial papers	33,799
Inventories	34,499	Current portion of bonds	12,000
Deferred tax assets	10,523	Income taxes payable	7,125
Other	44,540	Advances received	24,136
Allowance for doubtful accounts	(249)	Gift certificates	38,596
		Provision for bonuses	5,493
		Provision for directors' bonuses	206
		Provision for sales returns	21
		Provision for books unsold	133
		Provision for sales promotion expenses	445
		Reserve for gift certificates	14,493
		Provision for loss on business liquidation	1,855
		Other	49,015
Non-current assets	**857,220**	**Non-current liabilities**	**271,701**
Property, plant and equipment	**684,063**	Bonds payable	15,000
Buildings and structures	196,598	Long-term loans payable	89,720
Land	420,894	Deferred tax liabilities	85,296
Construction in progress	58,296	Net defined benefit liability	31,605
Other	8,273	Provision for directors' retirement benefits	5
		Provision for loss on stores rebuilding	1,712
		Other	48,362
Intangible assets	**41,647**		
Goodwill	208		
Other	41,438	**Total liabilities**	**584,269**
		Net assets	
Investments and other assets	**131,509**	**Shareholders' equity**	**411,868**
Investment securities	45,437	Capital stock	30,000
Long-term loans receivable	1,534	Capital surplus	209,551
Lease and guarantee deposits	60,561	Retained earnings	183,598
Net defined benefit asset	10,738	Treasury shares	(11,281)
Deferred tax assets	3,695	**Accumulated other comprehensive income**	**(5,532)**
Other	12,351	Valuation difference on available-for-sale securities	2,053
Allowance for doubtful accounts	(2,810)	Deferred gains or losses on hedges	288
		Foreign currency translation adjustment	349
		Remeasurements of defined benefit plans	(8,223)
Deferred assets	**60**	**Non-controlling interests**	**59,503**
Bond issuance cost	60		
		Total net assets	**465,839**
Total assets	**1,050,109**	**Total liabilities and net assets**	**1,050,109**

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

Consolidated Statement of Income (From March 1, 2016 to February 28, 2017)

(Millions of yen)

Item	Amount	
Net sales		
Net sales of goods	1,094,964	
Rent income of real estate	13,547	**1,108,512**
Cost of sales		
Cost of goods sold	866,009	
Cost of real estate rent	7,718	873,727
Gross profit		**234,785**
Selling, general and administrative expenses		**190,205**
Operating income		**44,580**
Non-operating income		
Interest income	349	
Dividend income	395	
Share of profit of entities accounted for using equity method	308	
Other	4,543	5,596
Non-operating expenses		
Interest expenses	1,181	
Other	4,570	5,751
Ordinary income		**44,425**
Extraordinary income		
Gain on sales of non-current assets	1,998	
Gain on sales of investment securities	1,283	
Other	327	3,609
Extraordinary losses		
Loss on disposal of non-current assets	1,589	
Impairment loss	748	
Loss on liquidation of business	4,106	
Other	1,038	7,483
Profit before income taxes		**40,550**
Income taxes - current	13,577	
Income taxes - deferred	(3,413)	10,164
Profit		**30,386**
Profit attributable to non-controlling interests		3,435
Profit attributable to owners of parent		**26,950**

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

Consolidated Statement of Changes in Equity (From March 1, 2016 to February 28, 2017)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Balance as of March 1, 2016	30,000	209,551	163,971	(11,286)	392,236	2,113	223	516	(11,391)	(8,537)
Changes of items during the fiscal year										
Dividends of surplus			(7,323)		(7,323)					
Profit attributable to owners of parent			26,950		26,950					
Purchase of treasury shares				(10)	(10)					
Disposal of treasury shares		(0)		15	14					
Net changes of items other than shareholders' equity						(59)	64	(166)	3,167	3,005
Total changes of items during the fiscal year	–	(0)	19,627	4	19,631	(59)	64	(166)	3,167	3,005
Balance as of February 28, 2017	30,000	209,551	183,598	(11,281)	411,868	2,053	288	349	(8,223)	(5,532)

	Subscription rights to shares	Non-controlling interests	Total net assets
Balance as of March 1, 2016	14	56,880	440,594
Changes of items during the fiscal year			
Dividends of surplus			(7,323)
Profit attributable to owners of parent			26,950
Purchase of treasury shares			(10)
Disposal of treasury shares			14
Net changes of items other than shareholders' equity	(14)	2,622	5,613
Total changes of items during the fiscal year	(14)	2,622	25,245
Balance as of February 28, 2017	–	59,503	465,839

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

[Reference]

Consolidated Statement of Cash Flows (Summary)

(From March 1, 2016 to February 28, 2017)

(Millions of yen)

Item	Amount
Cash flows from operating activities	36,239
Cash flows from investing activities	(30,353)
Cash flows from financing activities	(2,189)
Effect of exchange rate change on cash and cash equivalents	2
Net increase (decrease) in cash and cash equivalents	3,699
Cash and cash equivalents at beginning of period	28,147
Cash and cash equivalents at end of period	31,846

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

Non-consolidated Financial Statements

Non-consolidated Balance Sheet (As of February 28, 2017)

(Millions of yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	**68,776**	**Current liabilities**	**64,232**
Cash and deposits	13,133	Short-term loans payable	18,500
Short-term loans receivable from subsidiaries and associates	54,217	Commercial papers	31,699
		Current portion of bonds	12,000
Deferred tax assets	260	Accrued expenses	229
Other	2,169	Income taxes payable	147
Allowance for doubtful accounts	(1,005)	Provision for bonuses	160
		Provision for directors' bonuses	82
		Provision for loss on business liquidation	1,042
		Other	371
Non-current assets	**366,085**	**Non-current liabilities**	**65,584**
Property, plant and equipment	**46**	Bonds payable	15,000
Buildings and structures	46	Long-term loans payable	50,575
Other	0	Other	9
Intangible assets	**69**	**Total liabilities**	**129,816**
Software	69	**Net assets**	
Other	0	**Shareholders' equity**	**305,089**
		Capital stock	30,000
		Capital surplus	247,101
Investments and other assets	**365,968**	Legal capital surplus	7,500
Investment securities	988	Other capital surplus	239,601
Shares of subsidiaries and associates	323,941	Retained earnings	38,505
Long-term loans receivable from subsidiaries and associates	40,775	Other retained earnings	38,505
		Retained earnings brought forward	38,505
Deferred tax assets	123		
Other	140	Treasury shares	(10,517)
Deferred assets	**60**	**Valuation and translation adjustments**	**15**
Bond issuance cost	60	Valuation difference on available-for-sale securities	15
		Total net assets	**305,105**
Total assets	**434,921**	**Total liabilities and net assets**	**434,921**

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

Non-consolidated Statement of Income (From March 1, 2016 to February 28, 2017)

(Millions of yen)

Item	Amount	
Operating revenue		
Dividend income	10,228	
Consulting fee income	3,417	**13,646**
General and administrative expenses		**3,213**
Operating income		**10,433**
Non-operating income		
Interest income	633	
Dividend income	245	
Other	55	935
Non-operating expenses		
Interest expenses	525	
Provision of allowance for doubtful accounts	1,005	
Other	87	1,617
Ordinary income		**9,750**
Extraordinary losses		
Provision for loss on business liquidation	1,042	
Loss on valuation of shares of subsidiaries and associates	113	1,155
Profit before income taxes		**8,595**
Income taxes - current	158	
Income taxes - deferred	(265)	(106)
Profit		**8,702**

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

Non-consolidated Statement of Changes in Equity (From March 1, 2016 to February 28, 2017)

(Millions of yen)

	Shareholders' equity						Valuation and translation adjustments	Subscription rights to shares	Total net assets
	Capital stock	Capital surplus		Retained earnings	Treasury shares	Total share-holders' equity	Valuation difference on available-for-sale securities		
		Legal capital surplus	Other capital surplus	Other retained earnings					
				Retained earnings brought forward					
Balance as of March 1, 2016	30,000	7,500	239,600	37,126	(10,521)	303,705	17	14	303,737
Changes of items during the fiscal year									
Dividends of surplus				(7,323)		(7,323)			(7,323)
Profit				8,702		8,702			8,702
Purchase of treasury shares					(10)	(10)			(10)
Disposal of treasury shares			0		14	14			14
Net changes of items other than shareholders' equity							(1)	(14)	(15)
Total changes of items during the fiscal year	–	–	0	1,379	4	1,383	(1)	(14)	1,367
Balance as of February 28, 2017	30,000	7,500	239,601	38,505	(10,517)	305,089	15	–	305,105

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

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

Report of Independent Auditors

April 6, 2017

The Board of Directors
J. Front Retailing Co., Ltd.

Ernst & Young ShinNihon LLC
Hiroyuki Koichi (seal)
Certified Public Accountant
Designated and Engagement Partner

Hiroki Suzuki (seal)
Certified Public Accountant
Designated and Engagement Partner

Takao Oshitani (seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Paragraph 4, Article 444 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of J. Front Retailing Co., Ltd. (the "Company") applicable to the 10th fiscal year from March 1, 2016 through February 28, 2017.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the J. Front Retailing Group, which consisted of the Company and consolidated subsidiaries, applicable to the 10th fiscal year from March 1, 2016 through February 28, 2017 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

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

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

Report of Independent Auditors

April 6, 2017

The Board of Directors
J. Front Retailing Co., Ltd.

Ernst & Young ShinNihon LLC
Hiroyuki Koichi (seal)
Certified Public Accountant
Designated and Engagement Partner

Hiroki Suzuki (seal)
Certified Public Accountant
Designated and Engagement Partner

Takao Oshitani (seal)
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity, the notes to the financial statements and the related supplementary schedules of J. Front Retailing Co., Ltd. (the "Company") applicable to the 10th fiscal year from March 1, 2016 through February 28, 2017.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of J. Front Retailing Co., Ltd. applicable to the 10th fiscal year from March 1, 2016 through February 28, 2017 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

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

THE AUDIT REPORT OF AUDIT & SUPERVISORY BOARD MEMBERS

Audit Report

The Audit & Supervisory Board hereby reports as follows regarding the performance of duties by Directors of J. Front Retailing Co., Ltd. (the "Company") during the 10th fiscal year from March 1, 2016 to February 28, 2017, based on audit reports prepared by each Audit & Supervisory Board Member and subsequent deliberations of the Audit & Supervisory Board.

1. Method of the audits by the individual Audit & Supervisory Board Members and the Audit & Supervisory Board; content of audits

(1) In addition to receiving reports on the progress in and results of audits by the individual Audit & Supervisory Board Members, based on the Audit & Supervisory Board's policies for this fiscal year and division of duties and the like, the Audit & Supervisory Board also received reports on business performance from Directors and the Accounting Auditor, and requested explanations from them as necessary.

(2) In accordance with the auditing standards, set forth by the Audit & Supervisory Board, policies for this fiscal year and division of duties and the like, each of Audit & Supervisory Board Members worked to communicate with Directors, the Internal Audit Department, and other employees in collecting information and establishing an appropriate audit environment, and performed the audit in accordance with the following procedures.

(i) Audit & Supervisory Board Members participated in meetings of the Board of Directors and other key meetings, received reports from Directors, Executive Officers, employees and others regarding the performance of their duties, and when necessary, requested explanations of those reports. Audit & Supervisory Board Members also reviewed key decision documents, and conducted surveys of the operations and assets of the head office and of other principal places of business. Further, regarding subsidiaries, Audit & Supervisory Board Members worked to communicate with Directors, Audit & Supervisory Board Members, and other parties at those subsidiaries, and when necessary conduct hearings with them regarding their business.

(ii) Audit & Supervisory Board Members regularly received reports from Directors, Executive Officers, employees and others, requested explanations as necessary, and expressed opinions on the status of establishment and operation of matters necessary to ensure compliance by Directors with laws and regulations, and the Articles of Incorporation, and those needed to ensure the fair performance of operations of the Company as a stock corporation and the corporate group consisting of its subsidiaries as described in the Business Report, namely decisions by the Board of Directors regarding the establishment of systems as set forth in Items 1 and 3, Article 100 of the Ordinance for Enforcement of the Companies Act (the internal control system).

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

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

Based on the above methods, Audit & Supervisory Board Members proceeded to review the Business Report with the supplementary schedules, the non-consolidated financial statements (consist of the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of

changes in equity, and the notes to the non-consolidated financial statements) with the supplementary schedules, and the consolidated financial statements (consist of the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and the notes to the consolidated financial statements) for the current fiscal year.

2. Audit Results

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

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

(ii) With respect to the performance of duties by Directors, the Audit & Supervisory Board found no improper acts or important violation of applicable laws and regulations or the Articles of Incorporation.

(iii) The Audit & Supervisory Board confirms that decisions by the Board of Directors and the operational status regarding the Company's internal control systems are fair and adequate, and found no areas that require mention regarding the description of the internal control systems in the Business Report and the performance of duties by Directors.

As stated in the Business Report, JFR Online Co. Ltd., a consolidated subsidiary of J. FRONT RETAILING Co., Ltd. received recommendations and guidance from the Japan Fair Trade Commission based on the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors in November 2016. The Audit & Supervisory Board confirms that the Company and all Group companies will be aiming at improving and strengthening the business management system for complying with laws and regulations and preventing any further incidents.

(iv) The Audit & Supervisory Board found no items that need to be pointed out regarding the basic policy regarding those who control the determination of the Company's financial and operational policies, noted in the Business Report. The Audit & Supervisory Board confirms that activities set forth in Item 3 (b), Article 118 of the Ordinance for Enforcement of the Companies Act, as noted in the Business Report, are in line with this basic policy, are not harmful to the common interest of the Company's shareholders, and are not intended to maintain the positions of Directors or Audit & Supervisory Board Members of the Company.

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

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

(3) Results of Audit of Consolidated Financial Statements

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

April 7, 2017

Audit & Supervisory Board
J. Front Retailing Co., Ltd.

OCHI Bunshiro (seal)
Full-time Audit & Supervisory Board Member

KATO Yoichi (seal)
Full-time Audit & Supervisory Board Member

TSURUTA Rokurou (seal)
Outside Audit & Supervisory Board Member

ISHII Yasuo (seal)
Outside Audit & Supervisory Board Member

NISHIKAWA Koichiro (seal)
Outside Audit & Supervisory Board Member

<Reference> Voluntary Application of the International Financial Reporting Standards (IFRS)

Beginning from the first quarter of the year ending February 28, 2018, the Company voluntarily applies the International Financial Reporting Standards (IFRS) instead of formerly applied Japanese GAAP for its consolidated financial statements, as resolved at the Board of Directors meeting held on December 27, 2016.

The Company works to implement effective management based on appropriate asset evaluation and apply business management that emphasizes profit in the current period by applying the IFRS in order to achieve ROE of 8% as set forth in the FY2017-2021 Medium-term Business Plan. The Company also works to improve the convenience of overseas investors by enhancing the international comparability of financial information.

Effects of application of the IFRS on the consolidated statement of income and consolidated balance sheet are summarized as follows. There are no effects on non-consolidated financial statements.

Main Effects Associated with Transition to the IFRS

(1) Consolidated Statement of Income

- The Group's net sales decrease approximately 60% in total since the presentation of net sales in transactions without inventory risk is changed from "gross" to "net" (*1), which have no impact on gross profit.
- Operating income decreases since the accounting for expenses on retirement benefits and goodwill is changed (*2) and operating income includes items that do not fall under financial revenue or expenses and share of profit or loss of entities accounted for using equity method, such as loss on retirement of non-current assets and impairment loss, under non-operating and extraordinary income or losses in the Japanese GAAP.
- Profit increases since the accounting for expenses on retirement benefits and goodwill is changed (*2).

*1 For gross presentation of net sales, monthly performance is managed as an important management indicator from a competitive and growth perspective, and the gross presentation is disclosed for reference as information that enables comparison with other companies in monthly sales reports and results presentations.

*2 As for retirement benefits, there is no amortization related to actuarial gains or losses including any deficit in plan assets. In the Japanese GAAP, actuarial gains and losses are amortized on a straight-line basis over multiple years beginning from the fiscal year following the one during which they are earned or incurred. In the IFRS, however, they are not expensed but immediately recognized in retained earnings. Also, goodwill is not amortized.

(1) Consolidated Balance Sheet

- As for assets and net assets, the carrying amount of land, etc. with unrealized loss was adjusted to the market value so that it became fair.
- Effects on liabilities are insignificant.

End of Document

Internet Disclosure Items
for Notice of Convocation of the 10th Annual Shareholders Meeting

Notes to Consolidated Financial Statements
Notes to Non-consolidated Financial Statements
(From March 1, 2016 to February 28, 2017)

J. FRONT RETAILING Co., Ltd.

As for Notes to Consolidated Financial Statements and Notes to Non-consolidated Financial Statements, the Company provides those to shareholders by means of disclosure through the Internet (on the Company's website: http://www.j-front-retailing.com/) in accordance with the laws and regulations and the Company's Articles of Incorporation.

Notes to Consolidated Financial Statements

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

1. Matters concerning the scope of consolidation

(1) Consolidated subsidiaries 26 companies (Daimaru Matsuzakaya Department Stores Co. Ltd., The Hakata Daimaru, Inc., PARCO CO., LTD., Daimaru Kogyo, Ltd., JFR Card Co., Ltd., and others)

Daimaru COM Development Inc., which had been a consolidated subsidiary, was absorbed by Daimaru Matsuzakaya Department Stores Co. Ltd. through a merger on September 1, 2016. In addition, JFR Office Support Co., Ltd. and JFR Consulting Co. Ltd., which had also been consolidated subsidiaries, were absorbed by JFR Service Co. Ltd. on the same date.

(2) Non-consolidated subsidiaries 7 companies (Hakata Daimaru Tomonokai Co., Ltd., Shimonoseki Daimaru Tomonokai Co., Ltd., and others)

These non-consolidated subsidiaries are excluded from the scope of consolidation as their total assets, net sales, profit or loss (amount corresponding to the Company's equity in such subsidiaries), and retained earnings (amount corresponding to the Company's equity in such subsidiaries) do not have significant impact on the consolidated financial statements.

2. Matters concerning the application of the equity method

(1) Non-consolidated subsidiaries and associates accounted for by the equity method

Non-consolidated subsidiaries 1 company (JAPAN RETAIL ADVISORS Co., Ltd.)

Associates 8 companies (StylingLife Holdings Inc., Senshukai Co., Ltd., and others)

(2) Non-consolidated subsidiaries and associates not accounted for by the equity method

Non-consolidated subsidiaries 6 companies (Hakata Daimaru Tomonokai Co., Ltd., Shimonoseki Daimaru Tomonokai Co., Ltd., JET Cleaning Co., Ltd., and others)

Associates 2 companies (Gokou Ltd., Macros, Inc.)

These non-consolidated subsidiaries and associates not accounted for by the equity method are excluded from the scope of application of the equity method as they have a minimal effect on profit or loss and retained earnings and they are not material as a whole.

(3) With regard to equity method companies whose balance sheet dates are different from the consolidated balance sheet date, the Company uses the financial statements of the relevant companies as of their fiscal year ends.

3. Matters concerning the fiscal year of consolidated subsidiaries

Of the Company's consolidated subsidiaries, JFR PLAZA Inc., Parco (Singapore) Pte Ltd, Daimaru Kogyo International Trading (Shanghai) Co., Ltd., Daimaru Kogyo (Thailand) Co., Ltd. and Taiwan Daimaru Kogyo, Ltd. have a balance sheet date of December 31. In preparing the consolidated financial statements, the financial statements as of said balance sheet date are used. The Company made the adjustments necessary for consolidation purposes if major transactions were executed between the balance sheet date and the consolidated balance sheet date.

The balance sheet dates of the other consolidated subsidiaries are the same as the consolidated balance sheet date.

4. Matters concerning accounting policies

(1) Basis and method of valuation of significant assets

(i) Securities

Other securities

Securities with available fair market values

Stated at fair value based on the market prices at the end of the current fiscal year

(Valuation differences are included in net assets; cost of securities sold is determined by the moving-average method)

Securities without available fair market values

Stated at cost using the moving-average method

The Company records investments in limited liability investment partnerships or similar partnerships (deemed as "securities" under the provisions set forth in Paragraph 2, Article 2 of the Financial Instruments and Exchange Act) using the amount corresponding to the Company's equity in such partnerships based on the latest financial reports accessible depending on the reporting dates stipulated in the partnership agreement.

(ii) Derivatives — Stated at fair value

(iii) Inventories — Mainly stated using the identified cost method (the book value is written down based on the decreased profitability)

(2) Depreciation method of significant depreciable assets

(i) Property, plant and equipment (excluding leased assets)

Straight-line method

(ii) Intangible assets (excluding leased assets)

Straight-line method — Internal use software is amortized using the straight-line method over the internally expected useful life (5 years).

(iii) Leased assets

Leased assets in finance leases that do not transfer ownership

Straight-line method with zero residual value assuming the lease periods as useful lives

Finance leases that do not transfer ownership and that commenced on or before February 28, 2009 are continued to be accounted for using a method that is applicable to ordinary rental transactions.

(3) Accounting method for significant deferred assets

Bond issuance cost

Amortized using the straight-line method over the period until redemption

(4) Accounting policy for significant provisions

(i) Allowance for doubtful accounts

To prepare for losses from bad debt, an estimated uncollectible amount is provided either by making an estimation using the historical rate of credit loss in the case of general receivables, or based on individual consideration of collectibility in the case of specific receivables such as highly doubtful receivables.

(ii) Provision for bonuses

To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.

(iii) Provision for directors' bonuses

To prepare for the payment of bonuses to corporate officers, the amount expected to be paid is provided.

(iv) Provision for sales returns

To prepare for losses from sales returns expected to occur on or after the end of the current fiscal

year, the amount corresponding to the allowable limit of deductible expenses pursuant to the provisions of tax law is provided.

(v) Provision for books unsold

To prepare for losses from the occurrence of unsold inventory with respect to books for which a certain amount of time has passed since publication, the amount corresponding to the allowable limit of deductible expenses pursuant to the provisions of tax law is provided.

(vi) Provision for sales promotion expenses

To cover the unused amount of points issued under the points system for sales promotion purposes, the amount expected to be used in the future based on the rate of usage in the past is provided.

(vii) Reserve for gift certificates

To prepare for losses incurred in cases of gift certificates used after their derecognition from liabilities, the amount expected to be used in the future based on usage in the past is provided.

(viii) Provision for loss on business liquidation

To prepare for losses from business liquidations or store closures at subsidiaries and associates, the necessary amount is provided.

(ix) Provision for directors' retirement benefits

At certain consolidated subsidiaries, to prepare for the payment of retirement benefits to corporate officers, the amount to be paid at the end of the current fiscal year, based on an internal rule, is provided.

(x) Provision for loss on stores rebuilding

To prepare for losses incurred from stores rebuilding, the necessary amount is provided.

(5) Criteria for converting significant assets or liabilities denominated in foreign currencies into Japanese currency

Monetary claims and liabilities denominated in foreign currencies are converted into Japanese yen using the spot exchange rate on the consolidated balance sheet date, and any differences generated by this conversion are included in gains or losses. Monetary claims and liabilities denominated in foreign currencies to which *Furiate-shori* (accounting method in which the difference of amount using the current and forward rate is allocated by period length for the calculation at the accounting period) for forward exchange contracts is applied are converted into the Japanese yen amounts of the said forward exchange contracts.

(6) Accounting method for retirement benefits

(i) Method for attributing expected retirement benefits to accounting periods

In the calculation of retirement benefit obligations, expected retirement benefits are attributed to accounting periods up to the end of the current fiscal year using the benefit formula basis.

(ii) Method for recognizing actuarial gains and losses and prior service costs

Prior service costs are amortized by the straight-line method over a certain number of years (principally 11 years) within the average remaining service period of employees at the time of occurrence, starting in the fiscal year in which the prior service costs accrue.

Actuarial gains and losses are amortized by the straight-line method over a certain number of years (principally 11 years) within the average remaining service period of employees at the time of occurrence, starting in the respective fiscal years following each occurrence.

(iii) Accounting treatment for unrecognized actuarial gains and losses and unrecognized prior service costs

Unrecognized actuarial gains and losses and unrecognized prior service costs are posted to remeasurements of defined benefit plans under accumulated other comprehensive income in the net assets section after adjusting for tax effects.

(7) Significant hedge accounting method

(i) Hedge accounting method

Hedging activities are accounted for under the deferral hedge method. *Furiate-shori* is applied to monetary claims and liabilities denominated in foreign currencies with forward exchange contracts and exceptional treatment is applied to interest rate swaps that satisfy the requirements for exceptional treatment.

(ii) Hedging instruments and hedged items

Hedging instruments	Forward exchange contracts, interest rate swaps
Hedged items	Operating receivables and payables denominated in foreign currencies, forecast transactions in foreign currencies, loans payable and interest expenses on loans payable

(iii) Hedging policy

Based on the Group's risk management policy, hedging is undertaken to hedge foreign exchange fluctuation risk and interest rate fluctuation risk.

(iv) 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.

(8) Method and period for amortization of goodwill

Amortization of goodwill is carried out by the straight-line method during the five-year period from occurrence. For items for which the amount is immaterial, one-time amortization of the full amount is carried out in the fiscal year in which they occur.

(9) Accounting treatment for consumption taxes

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

5. Changes in accounting policies

Application of Accounting Standard for Business Combinations, etc.

Effective from the current fiscal year, the Company has adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013), the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of recording the amount of difference caused by changes in the Company's ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs was changed to one in which they are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the current fiscal year, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the fiscal year to which the date of business combination belongs. In addition, the presentation method for "profit" and other related items was changed, and the presentation of "minority interests" was changed to "non-controlling interests."

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of the current fiscal year.

These changes have no impact on profit or loss.

Changes in the depreciation method of property, plant and equipment

Previously, the Company and its domestic consolidated subsidiaries had mainly used the declining-balance method for depreciating property, plant and equipment (excluding leased assets) other than buildings and structures. From the current fiscal year, however, the Company has changed to using the straight-line method for depreciating all property, plant and equipment.

The Company made these changes because it judged that the straight-line method, which equally allocates the acquisition amount over the useful life, more suitably reflects in periodic profit or loss compared with the declining-balance method, which was previously used. This judgment was based on the results of performing a review of the Group's investment strategy, which focuses on seizing the opportunities of the recent large-scale investments and large-scale investment planning relating to Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO CO., LTD., and revalidating the revenue structures of the Group's property, plant and equipment in line with the active expansion of business models that have comparatively higher stability mainly due to rent fixation at PARCO CO., LTD.

As a result of this change, for the current fiscal year, operating income, ordinary income and profit before income taxes each increased by ¥1,453 million, compared with their respective figures calculated using the former depreciation method.

6. Changes in accounting estimates

Changes in amortization period of prior service costs and actuarial gains and losses for accounting related to retirement benefits

Previously, some subsidiaries used an amortization period of 12 years for prior service costs and actuarial gains and losses. However, because the average remaining service periods of employees have shortened, the amortization period has been changed to 11 years as of the current fiscal year.

The effect of this change on profit or loss is immaterial.

7. Additional information

Accounting with respect to redevelopment

The Udagawa-cho 14/15 Category 1 Urban Redevelopment Project is being independently carried out by consolidated subsidiary PARCO CO., LTD., acting as an independent operator, and accordingly presentation of the consolidated financial statements includes accounting for such individual operations involving the urban redevelopment project.

Under such accounting treatment, the consolidated balance sheet items cash and deposits and current assets – other have been reduced by ¥4,476 million and ¥57 million, respectively, while amounts recorded to inventories, advances received and current liabilities – other amount to ¥6,406 million, ¥1,460 million and ¥413 million, respectively.

Notes on consolidated balance sheet

1. Accumulated depreciation of property, plant and equipment

¥283,063 million

2. Assets pledged as collateral and secured liabilities

(1) Assets pledged as collateral

Buildings and structures	¥10,458 million
Land	¥10,798 million
Investment securities	¥455 million
Other	¥53 million
Total	¥21,766 million

(2) Secured liabilities

Short-term loans payable	¥200 million
Long-term loans payable	¥1,425 million
Other	¥430 million
Total	¥2,055 million

3. Guarantee obligations

Guarantee of financing for employee housing and others	¥11 million
Guarantee of lease agreement of JET Cleaning Co., Ltd. (subsidiary of Forest Co., Ltd.)	¥63 million
Total	¥75million

Notes on consolidated statement of changes in equity

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

   Common shares 268,119,164 shares

2. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 7, 2016	Common shares	3,661	14.00	February 29, 2016	May 6, 2016
Board of Directors meeting held on October 4, 2016	Common shares	3,661	14.00	August 31, 2016	November 9, 2016

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

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 10, 2017	Common shares	Retained earnings	3,661	14.00	February 28, 2017	May 8, 2017

Notes on financial instruments

1. Matters concerning conditions of financial instruments

(1) Policy for handling financial instruments

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

(2) Details of financial instruments, their risks and risk management structure

Notes and accounts receivable - trade, which are operating receivables, are exposed to customer credit risk.

Lease and guarantee deposits are primarily those related to store rents and are exposed to lessor credit risk. To handle this risk, all Group companies carry out due date management and balance

management by customer or lessor and seek early identification and mitigation of collectibility concerns.

For shares and the like, which are investment securities, although such securities are exposed to market price fluctuation risk, the Group mainly holds shares of companies with which it has business relationships, and not only periodically monitors their market prices but also continuously reviews its shareholding positions.

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

Short-term loans payable, commercial papers, securitized receivables and the like are mainly to procure funds for operational transactions, while bonds and long-term loans payable are mainly to procure funds for capital investment. Although loans payable with floating interest rates are exposed to interest rate fluctuation risk, for some of the long-term loans payable, derivative transactions (interest rate swaps) for each individual contract are used as hedging instruments to avoid fluctuation risk on interest to be paid and to fix the interest to be paid. As a method for assessing hedge effectiveness, the Group periodically verifies hedging effects for each individual contract. For contracts that satisfy the requirements for exceptional treatment of interest rate swaps, assessment of effectiveness is omitted in accordance with that judgment.

Execution and management of derivative transactions are carried out in accordance with internal rules that stipulate contract limits, and the use of derivatives is limited to contracts with financial institutions that have high ratings in order to reduce credit risk.

In addition, although operating debts, loans payable and the like are exposed to liquidity risk, the Group manages this risk with methods such as preparing monthly cash flow management plans at all companies, and secures sufficient liquidity on hand through commitment line contracts and overdraft contracts with its main financing banks.

2. Matters concerning fair values of financial instruments

Consolidated balance sheet amounts, fair values as of February 28, 2017, and their differences are as follows.

The amounts shown in the following table do not include financial instruments whose fair values are deemed extremely difficult to determine. (see Note 2)

(Millions of yen)

	Consolidated balance sheet amount (*1)	Fair value (*1)	Difference
(1) Cash and deposits	36,318	36,318	–
(2) Notes and accounts receivable - trade	68,997	68,997	–
(3) Securities and investment securities			
(i) Other securities	16,348	16,348	–
(ii) Shares of associates	11,816	9,428	(2,388)
(4) Lease and guarantee deposits	36,028	35,621	(406)
(5) Notes and accounts payable - trade	[87,964]	[87,964]	–
(6) Short-term loans payable	[8,320]	[8,320]	–
(7) Commercial papers	[33,799]	[33,799]	–
(8) Income taxes payable	[7,125]	[7,125]	–
(9) Bonds payable	[27,000]	[27,117]	117
(10) Long-term loans payable	[118,680]	[119,264]	584
(11) Derivatives (*2)	11	11	–

(*1) The items recorded in liabilities on the consolidated balance sheet are shown in square brackets.
(*2) Assets and liabilities arising from derivative transactions are presented on a net basis. Net liability is indicated in square brackets.

(Note 1) Method for measuring fair values of financial instruments and matters concerning securities and derivative transactions

(1) Cash and deposits, and (2) Notes and accounts receivable - trade

The book value is used as the fair value of these assets, given that the fair value is almost the same as the book value, as they are mostly settled in a short time. Time deposits over one year are included in (1) Cash and deposits.

(3) Securities and investment securities

To measure fair values of these assets, prices at the exchange are used for stocks and prices at the exchange as well as prices presented by the counterparty financial institutions or the like are used for bonds.

(4) Lease and guarantee deposits

The fair values of lease and guarantee deposits are measured based on the present values obtained by discounting the future cash flows by the rate for which credit risk is taken into account. Current portion of lease and guarantee deposits is included.

(5) Notes and accounts payable - trade, (6) Short-term loans payable, (7) Commercial papers, and (8) Income taxes payable

The book value is used as the fair value of these liabilities, given that the fair value is almost the same as the book value, as they are settled in a short time.

(9) Bonds payable

The fair values of bonds payable are measured based on the market prices. Current portion of bonds payable is included.

(10) Long-term loans payable

The book value is used as the fair value of those loans payable with floating interest rate, given that the fair value is almost the same as the book value, as their interest rates are reviewed on a short-term interval to reflect market interest rates. In addition, as some of them qualify for exceptional treatment for an interest rate swap, their fair value is measured by discounting the total of principal and interest accounted for together with the said interest rate swap at the reasonably estimable rate applied when a similar loan is made.

The fair values of loans payable with fixed interest rate are measured by discounting the total of principal and interest at the rate assumed when a new similar loan is made. Current portion of long-term loans payable is included.

(11) Derivatives

The fair values are measured based on prices presented by the counterparty financial institutions or the like.

Items to which exceptional treatment for interest rate swaps or *Furiate-shori* for forward exchange contracts is applied are accounted for together with the hedged long-term loans payable and trade accounts receivable and payable. Consequently, the fair values are included in the fair values of the said long-term loans payable and trade accounts receivable and payable. (Please refer to (10) above).

(Note 2) Financial instruments whose fair values are deemed extremely difficult to determine

Unlisted stocks (whose consolidated balance sheet amount is ¥18,772 million) are excluded from "(3) Securities and investment securities" because they do not have market prices and it is deemed extremely difficult to determine the fair values.

Part of lease and guarantee deposits (whose consolidated balance sheet amount is ¥26,154 million) and long-term guarantee deposited (whose consolidated balance sheet amount is ¥28,646 million) are not subject to fair value measurement because they do not have market prices and it is deemed extremely difficult to estimate future cash flows, etc.

Notes on investment and rental property

1. Matters concerning status of investment and rental property

Some of the Company's subsidiaries own rental buildings (including land) in Tokyo and other regions.

2. Matters concerning fair values of investment and rental property

(Millions of yen)

Consolidated balance sheet amount	Fair value at the end of the current fiscal year
231,245	228,060

(Note 1) The consolidated balance sheet amount is the acquisition cost less accumulated depreciation.

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

(Note 3) The South Wing of Matsuzakaya Ueno store, etc. (whose consolidated balance sheet amount is ¥73,635 million) involve developments of large-scale commercial facilities and are still at the development stage at present. For

these reasons, their fair values are extremely difficult to determine and are not included in the above table.

Notes on per share information

1. Net assets per share:	¥1,553.60
2. Basic earnings per share:	¥103.04

Notes on significant subsequent events

No items to report.

Notes to Non-consolidated Financial Statements

Notes on matters concerning important accounting policies

1. Basis and method of valuation of assets

(1) Basis and method of valuation of securities

Shares of subsidiaries and associates	Stated at cost using the moving-average method
Other securities	
Securities with available fair market values	Stated at fair value based on the market prices at the fiscal year-end (Valuation differences are included in net assets; cost of securities sold is determined by the moving-average method)
Securities without available fair market values	Stated at cost using the moving-average method The Company records investments in limited liability investment partnerships or similar partnerships (deemed as "securities" under the provisions set forth in Paragraph 2, Article 2 of the Financial Instruments and Exchange Act) using the amount corresponding to the Company's equity in such partnerships based on the latest financial reports accessible depending on the reporting dates stipulated in the partnership agreement.

(2) Basis and method of valuation of derivatives

Derivatives	Stated at fair value

(3) Basis and method of valuation of inventories

Supplies	Stated at cost using the FIFO method (the book value is written down based on the decreased profitability)

2. Depreciation method of non-current assets

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

3. Accounting method for deferred assets

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

4. Accounting policy for provisions

Allowance for doubtful accounts	To prepare for losses from bad debt, an estimated uncollectible amount is provided.
Provision for bonuses	To prepare for the payment of bonuses to employees, the amount expected to be paid is provided.
Provision for directors' bonuses	To prepare for the payment of bonuses to corporate officers, the amount expected to be paid is provided.
Provision for loss on business liquidation	To prepare for losses from business liquidations at

subsidiaries and associates, the necessary amount is provided.

5. Hedge accounting method

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

Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Loans payable and interest expenses on loans payable

Hedging policy: Based on the risk management policy, hedging is undertaken to hedge interest rate fluctuation risk.

Method for assessing the hedge effectiveness

At the end of each fiscal year, hedge effectiveness with respect to the hedged items and hedging instruments is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate, and duration are identical between the assets or liabilities of hedged items and hedging instruments.

6. Accounting treatment for consumption taxes

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

Of consumption tax on assets that are not qualified for tax deductions, deferred consumption taxes stipulated under tax law are recorded in long-term prepaid expenses and amortized on a straight-line basis during a five-year period.

7. Changes in accounting policies

Changes in the depreciation method of property, plant and equipment

Previously, the Company had used the declining-balance method for depreciating property, plant and equipment (excluding leased assets) other than buildings and structures. However, the Company has changed to using the straight-line method for depreciating all property, plant and equipment.

The Company made these changes because it judged that the straight-line method, which equally allocates the acquisition amount over the useful life, more suitably reflects in periodic profit or loss compared with the declining-balance method, which was previously used. This judgment was based on the result of revalidating the revenue structures of the Group's property, plant and equipment.

The impact of these changes is immaterial.

Notes on non-consolidated balance sheet

1. Accumulated depreciation of property, plant and equipment

¥99 million

Notes on non-consolidated statement of income

1. Transaction with subsidiaries and associates

Operating revenue	¥13,646 million
General and administrative expenses	¥190 million
Non-operating transactions	¥943 million

Notes on non-consolidated statement of changes in equity

1. Class and total number of shares issued as of the end of the current fiscal year
   Common shares 268,119,164 shares
2. Class and number of treasury shares as of the end of the current fiscal year
   Common shares 6,573,594 shares

Notes on tax effect accounting

1. Deferred tax assets by major category of cause

Deferred tax assets	
Provision for bonuses	¥49 million
Accrued insurance expenses	¥7 million
Accrued enterprise tax	¥34 million
Allowance for doubtful accounts	¥309 million
Loss on valuation of shares of subsidiaries and associates	¥636 million
Loss on support to subsidiaries and associates	¥91 million
Provision for loss on business liquidation	¥318 million
Other	¥19 million
Sub total deferred tax assets	¥1,467 million
Valuation allowance	¥(1,069) million
Total deferred tax assets	¥397 million
Deferred tax liabilities	
Valuation difference on available-for-sale securities	¥(13) million
Net deferred tax assets	¥383 million

Net deferred tax assets are included in the following items in the non-consolidated balance sheet.

Current assets — Deferred tax assets	¥260 million
Non-current assets — Deferred tax assets	¥123 million

Notes on transactions with related parties

Subsidiaries and associates, etc.

(Millions of yen)

Type	Company name	Ownership ratio of voting rights	Relationship	Nature of transactions	Transaction amount (Note 4)	Account item	Balance at the end of the fiscal year
Subsidiary	Daimaru Matsuzakaya Department Stores Co. Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Receipt of consulting fee income (Note 1)	2,698	—	—
				Lending of funds	15,000	Short-term loans receivable	34,740
				Collection of funds	19,265	Long-term loans receivable	30,775
				Receipt of interests (Note 2)	537	—	—
Subsidiary	JFR Service Co. Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending and collection of funds (Note 3)	10,156	Short-term loans receivable	18,471
				Receipt of interests (Note 2)	26	—	—
Subsidiary	JFR Card Co., Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending of funds	—	Long-term loans receivable	10,000
				Receipt of interests (Note 2)	49	—	—

Transaction conditions and policy for deciding transaction conditions

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

(Note 2) Interest rates on loans are determined reasonably with reference to market interest rates.

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

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

Notes on per share information

1. Net assets per share: ¥1,166.55
2. Basic earnings per share: ¥33.27