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[Securities code: 3086]
May 2, 2018

To Our Shareholders

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

Notice of Convocation of the 11th Annual Shareholders Meeting

You are cordially invited to attend the 11th 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 23, 2018 (JST).

Details

1. Date and time: Thursday, May 24, 2018, 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 11th fiscal year (from March 1, 2017 to February 28, 2018)
2. Audit reports of the Accounting Auditor and the Audit Committee on Consolidated Financial Statements for the 11th fiscal year

Matters to be resolved: Proposal: Election of Thirteen (13) Directors
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 the Audit Committee 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/

In consideration of factors such as fairness between shareholders who can attend the Shareholders Meeting and shareholders who cannot, the Company will cease the distribution of small presents at the Shareholders Meeting (including the Osaka and Nagoya venues connected via video) starting this year.

The Company appreciates your understanding.

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 the proposal, and return the completed form to us.
Exercise due date: Received by 6:00 p.m. on Wednesday, May 23, 2018 (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 23, 2018 (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: https://evote.tr.mufg.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

Proposal and Reference Information

Proposal: Election of Thirteen (13) Directors

The terms of office of all thirteen (13) Directors will expire at the conclusion of this Annual Shareholders Meeting.

Accordingly, based on the decision of the Nomination Committee, the Company has made the number of Director candidates 13, and proposes the election of those candidates. The candidates for the Directors are as follows.

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

No.	Name		Committee to belong (The "◎" mark indicates the candidates of Chairperson.)		
			Nomination	Audit	Remuneration
1	KOBAYASHI Yasuyuki	Reappointment / Non-executive	○		○
2	DOI Zenichi	Reappointment / Non-executive		◎	
3	TSUTSUMI Hiroyuki	Reappointment / Non-executive		○	
4	TACHIBANA FUKUSHIMA Sakie	Reappointment / Non-executive / Outside / Independent	◎		○
5	OTA Yoshikatsu	Reappointment / Non-executive / Outside / Independent	○		◎
6	ISHII Yasuo	Reappointment / Non-executive / Outside / Independent		○	
7	NISHIKAWA Koichiro	Reappointment / Non-executive / Outside / Independent		○	
8	SATO Rieko	New / Non-executive / Outside / Independent	○	○	○
9	YAMAMOTO Ryoichi	Reappointment / Executive	○		○
10	YOSHIMOTO Tatsuya	Reappointment / Executive			
11	MAKIYAMA Kozo	Reappointment / Executive			
12	WAKABAYASHI Hayato	Reappointment / Executive			
13	SAWADA Taro	New / Executive			

* 1. SATO Rieko is recorded under the name of KAMATA Rieko in the family register.

2. The Company plans to elect ten (10) Executive Officers who do not concurrently serve as Directors at a Board of Directors meeting that is to be held after this Annual Shareholders Meeting.

Reappointment — Candidate for reappointment as Director

New — Candidate for new Director

Non-executive — Candidate for Director who does not concurrently serve as Executive Officer

Executive — Candidate for Director who concurrently serves as Executive Officer

Outside — Candidate for Outside Director

Independent — Independent officer whose status as such is registered with the stock exchange

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): **35,300** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 11th fiscal year: **14/14** Tenure as Director (at the conclusion of this Meeting): **approx. 5 years**	April 1973 May 2003 January 2004 September 2007 January 2008 March 2010 May 2010 May 2012 April 2013 May 2013 May 2015 May 2016 May 2017	Joined The Daimaru, Inc. 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 and Senior Executive General Manager of Affiliated Business Unit of J. Front Retailing Co., Ltd. Director, Managing Executive Officer Director, Senior Managing Executive Officer Representative Director Director, Chairperson of the Board of Directors (present)

Reasons for nomination as candidate for Director

-KOBAYASHI Yasuyuki has extensive experience and insight related to the Group business overall. This has involved ensuring the success of the Daimaru Sapporo store opening project in a Department Store Business company, and demonstrating his ability as a facilitator in promoting merchandising strategy. Furthermore, he served as Senior Executive General Manager of the Affiliated Business Unit of the Company from April 2013 and was in charge of the Wholesale Business, Credit Business and other business areas besides the Department Store Business. Since May 2017, he has strived to further improve corporate governance as the Chairperson of the Board of Directors. As such, the Company has judged that an Internal Director with thorough knowledge of the roles and expectations of individual businesses with respect to the Group's strategy serving as the Chairperson of the Board of Directors and conducting supervisory operations that consider all stakeholders will lead to the improved corporate value and sustained growth of the Group and has accordingly appointed him as a candidate to continue serving as Director.

-The Company has entered into an agreement with KOBAYASHI Yasuyuki 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	
2	DOI Zenichi (September 15, 1953) Number of the Company's shares owned (shares): **35,700** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 11th fiscal year: **14/14** Tenure as Director (at the conclusion of this Meeting): **approx. 3 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) and Managing Executive Officer, Senior Executive General Manager of Administration Unit and in charge of Compliance and Risk Management of J. Front Retailing Co., Ltd. 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, 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, after being appointed as Director of the Company in May 2015, he served as Senior Executive General Manager of the Administration Unit and mainly in charge of compliance and risk management. Since May 2017, he has supervised sound growth and appropriate management of the Group as chairperson of the Audit Committee. 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 fulfilling appropriate management supervisory functions, and has accordingly appointed him as a candidate to continue serving as Director.

-The Company has entered into an agreement with DOI Zenichi 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	
3	TSUTSUMI Hiroyuki (February 3, 1958) Number of the Company's shares owned (shares): **15,698** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 11th fiscal year: **11/11** Tenure as Director (at the conclusion of this Meeting): **approx. 1 year**	April 1980 March 1993 March 2001 September 2007 March 2010 May 2013 March 2016 May 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, Senior General Manager of Finance Division, Administration Unit of J. Front Retailing Co., Ltd. Executive Officer, Senior General Manager of Finance and Accounting, Financial Strategy Unit Director 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 Director

-TSUTSUMI Hiroyuki has abundant insight in relation to finance and accounting, having consistently accumulated experience in the fields of finance and accounting over the period from when he joined The Daimaru, Inc. in 1981 until when he was appointed Director of the Company in May 2017. He is highly knowledgeable of the business characteristics and financial positions through the guidance he provided in regard to the consolidated settlement of accounts to each business operating subsidiary in cooperation with the accounting auditors after his appointment as Senior General Manager of Finance Division in 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 since 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 utilizing his abundant experience related to finance and accounting in his supervision as a Director, which is essential for the Company's sound operations, and has accordingly appointed him as a candidate to continue serving as Director.

-The Company has entered into an agreement with TSUTSUMI Hiroyuki 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	
4	Outside Director Independent TACHIBANA FUKUSHIMA Sakie (September 10, 1949) Number of the Company's shares owned (shares): **4,700** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 11th fiscal year: **14/14** Tenure as Outside Director (at the conclusion of this Meeting): **approx. 6 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 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. In addition, 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. From May 2017, she has contributed to improving corporate value and sustained growth from a professional perspective as the chairperson of the Nomination Committee in areas such as adequate selection of management personnel. 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. 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): **6,800** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 11th fiscal year: **14/14** Tenure as Outside Director (at the conclusion of this Meeting): **approx. 3 years**	April 1964 June 1991 July 1994 June 1995 June 1999 August 2003 October 2003 April 2006 April 2009 June 2012 April 2013 June 2014 May 2015 June 2017	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 Director and Vice President, Representative Executive Officer of Konica Minolta Holdings, Inc. President and CEO of Konica Minolta Business 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. Special Advisor Outside Director of J. Front Retailing Co., Ltd. (present) Honorary Advisor of KONICA MINOLTA, INC. (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 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. From May 2017, he has contributed to fair and objective operation of the executive remuneration system, including the stock-based remuneration system, as the chairperson of the Remuneration Committee. 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. 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	Outside Director Independent ISHII Yasuo (September 4, 1947) Number of the Company's shares owned (shares): **1,900** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 11th fiscal year (including attendance at 3 meetings as Audit & Supervisory Board Member): **14/14** Tenure as Outside Director (at the conclusion of this Meeting): **approx. 1 year**	April 1970 June 2000 January 2001 March 2003 June 2003 June 2004 April 2005 June 2008 June 2011 June 2013 May 2015 May 2017	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. Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd. Outside Director of J. Front Retailing 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. Since May 2017, he has served as an Outside Director of the Company and contributed to ensuring more effective meetings of the Board of Directors by actively and assertively furnishing advice with respect to overall management strategy such as strengthening the holding company functions aimed at swift decision making for business execution. Furthermore, in the Audit Committee, he has contributed to maintaining and strengthening the Company's governance through providing suitable advice as required based on his abundant experience and in-depth knowledge. 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. As such, he has been appointed as a candidate to continue serving as Outside Director.

-ISHII Yasuo 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 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	
7	Outside Director Independent NISHIKAWA Koichiro (July 12, 1947) Number of the Company's shares owned (shares): **900** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 11th fiscal year (including attendance at 3 meetings as Audit & Supervisory Board Member): **14/14** Tenure as Outside Director (at the conclusion of this Meeting): **approx. 1 year**	April 1970 August 1995 June 2001 April 2003 June 2003 January 2006 April 2007 April 2010 April 2012 March 2014 May 2015 May 2017	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 Outside Director of Kyowa Hakko Kirin Co., Ltd. Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd. Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd. Outside Director of J. Front Retailing 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. Since May 2017, he has served as an Outside Director and contributed to ensuring more effective meetings of the Board of Directors by actively and assertively furnishing advice 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. Furthermore, in the Audit Committee, he has contributed to maintaining and strengthening the Company's governance through providing suitable advice as required based on his abundant experience and in-depth knowledge. 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. As such, he has been appointed as a candidate to continue serving as Outside Director.

-NISHIKAWA Koichiro 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 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	
8	New Candidate Outside Director Independent SATO Rieko (November 28, 1956) Number of the Company's shares owned (shares): **0** Special interests between the Company and the Candidate: **None**	April 1984 August 1989 July 1998 June 2004 June 2012 June 2015 October 2016	Registered as attorney at law Shearman & Sterling LLP Partner of Ishii Law Office (present) External Audit & Supervisory Board Member of Ajinomoto Co., Inc. Outside Corporate Audit of NTT DATA CORPORATION (present) Outside Director of The Dai-ichi Life Insurance Company, Limited Outside Director of Dai-ichi Life Holdings, Inc. (Audit & Supervisory Committee Member) (present)

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

-SATO Rieko possesses abundant experience as an outside director and outside audit & supervisory board member at other companies, in addition to having made a career in handling many projects with in-depth and specialized knowledge as an attorney at law specializing in corporate legal affairs. The Company has judged that she will provide active advice and recommendations mainly regarding corporate legal affairs from an objective perspective to the Board of Directors and each committee of the Company, and that she is capable of exhibiting this experience and insight in her duty to supervise management and conducting her duties appropriately. As such, she has been appointed as a candidate to serve as a new Outside Director.

- The Company plans to register SATO Rieko as 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 plans to enter into an agreement with SATO Rieko 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): **64,700** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 11th fiscal year: **14/14** Tenure as Director (at the conclusion of this Meeting): **approx. 10 years and 9 months**	April 1973 May 2003 September 2007 March 2008 March 2010 September 2012 April 2013 May 2017	Joined The Daimaru, Inc. President and COO and General Manager of Department Store Operations, 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. Director, President and Representative Executive Officer (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 and leading its permeation, he has been demonstrating strong leadership in positioning the corporate governance code at the center of change and reform of corporate management toward realizing where the overall Group strives to be in 10 years. In light of his track record, 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): **36,500** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 11th fiscal year: **14/14** Tenure as Director (at the conclusion of this Meeting): **approx. 5 years**	April 1979 March 2000 January 2008 May 2008 January 2010 March 2010 May 2012 April 2013 May 2013 May 2017	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) Representative Managing Executive Officer (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 been demonstrating swift and resoundingly effective leadership based on a strong results-oriented approach aimed at realizing these initiatives. In light of his track record, 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): **14,100** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 11th fiscal year: **14/14** Tenure as Director (at the conclusion of this Meeting): **approx. 5 years**	April 1981 March 2004 March 2007 March 2008 May 2008 March 2009 March 2010 March 2011 May 2011 May 2013 May 2017	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) Managing Executive Officer (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 resoundingly effective leadership based on his ability to act as a unifying force within the organization, he proactively continues taking on the challenges of expanding into business fields. In light of his track record, 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	WAKABAYASHI Hayato (August 31, 1961) Number of the Company's shares owned (shares): **1,800** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 11th fiscal year: **14/14** Tenure as Director (at the conclusion of this Meeting): **approx. 2 years**	April 1985	Joined Matsushita Electric Industrial Co., Ltd. (present Panasonic Corporation)
		April 1998	President of Panasonic Financial Center Malaysia Co., Ltd.
		April 2007	Director and Chief Executive Officer of Matsushita Electric (China) Finance Limited
		February 2009	Finance Planning Team Leader (Manager), Headquarters Finance & IR Group of Panasonic Corporation
		July 2013	General Manager, Finance & IR Group, Corporate Strategy Division and Finance Planning Team Leader (Director)
		May 2015	Joined J. Front Retailing Co., Ltd. In charge of Finance Policy, Administration Unit
		September 2015	Executive Officer In charge of Financial Strategy and Policy, Administration Unit
		March 2016	Senior Executive General Manager of Financial Strategy Unit (present) and in charge of Finance Policy
		May 2016	Director (present)
		March 2017	In charge of Financing and Finance Policy (present)
		May 2017	Managing Executive Officer (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 established and promoted a financial strategy encompassing the entire Group. From 2016, he has led the transition to IFRS with an eye to the future, and began its application during the current Medium-term Business Plan. In addition to such achievements and in-depth financial insight, he has the commensurate abilities as a management professional in terms of his strategic and transformation-minded leadership, strong results-oriented approach and other such attributes. As such, the Company 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	
13	New Candidate SAWADA Taro (January 17, 1960) Number of the Company's shares owned (shares): **9,800** Special interests between the Company and the Candidate: **None**	April 1983	Joined The Daimaru, Inc.
		June 2004	Department Manager of Sales Promotion Department, Sales Planning & CS Promotion Division of Kobe Store
		March 2010	Division Manager of Management Planning Division of Daimaru Matsuzakaya Department Stores Co. Ltd.
		January 2011	Executive Store Manager of Daimaru Kobe
		May 2011	Corporate Officer
		May 2012	Executive Store Manager of Daimaru Osaka Shinsaibashi
		September 2015	Executive Store Manager of Daimaru Osaka Shinsaibashi and Executive General Manager of Shinsaibashi New Store Planning Office
		July 2016 March 2017	Executive General Manager of Management Planning Unit (present), Senior General Manager of Management Planning Division (present) and Executive General Manager of Future Standard Laboratory
		May 2017	Director (present) Managing Executive Officer (present)
Reasons for nomination as candidate for Director SAWADA Taro has served in management in a Department Store Business company, serving as Executive Store Manager of Daimaru Kobe and Executive Store Manager of Daimaru Osaka Shinsaibashi, and since being appointed as Executive General Manager of Shinsaibashi New Store Planning Office in September 2015, he has accumulated valuable practical experience as the person responsible for formulating the master plan for rebuilding the main building of the Shinsaibashi Store and promoting the action plan, possessing in-depth insight and the ability to lead organizations in planning and proposals. From July 2016, he has coordinated the Medium-term Business Plan as the Executive General Manager of Management Planning Unit of the Department Store Business, and has been involved in projects to create business models from a broad perspective with new ideas. In light of his track record, the Company has judged that he is a competent professional who can lead the creation/proposal and promotion of plans toward realizing the Group Vision and 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 serve as a new Director.			

(Reference)

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

(i) Internal Non-executive Directors

We appoint individuals who are able to fulfill the duty of care of a prudent manager and the duty of loyalty required by the Companies Act of Japan; who are well informed about internal information based on an abundance of experience in the JFR Group's respective operations; and who are expected to secure effectiveness of objective management oversight.

To further strengthen oversight functions while conducting smooth management of the Board of Directors, the chairperson of the Board of Directors shall be selected from Directors who do not execute business. At the same time, from the standpoint of achieving a smooth transition from the Audit & Supervisory Board system to maintain and improve the accuracy of audits, full-time members of the Audit Committee shall be also selected from Directors who do not execute business. Furthermore, one of the full-time members of the Audit Committee shall be the chairperson of the Audit Committee for the foreseeable future.

(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, a global managerial background, or advanced insight in areas such as finance, accounting, and legal affairs.

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.

(iii) Executive Officers

We appoint individuals who are expected to steadily and quickly execute business operations based on corporate management policies determined by the Board of 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 have an abundance of experience in the JFR Group's respective operations; and they must have a profound understanding of the JFR Group's operating environment (including its challenges).

Furthermore, the Company defines a small number of Executive Officers with specific titles in addition to Representative Executive Officers, positioning these persons as those responsible for basic and final decision-making for business execution, enabling unification, leadership, and supervision of business execution by Executive Officers.

(Reference)

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

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

(i) Person who executes business in the 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, 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.

[Reference Document for the 11th Annual Shareholders Meeting]

Business Report (From March 1, 2017 to February 28, 2018)

The J. Front Retailing Group (hereinafter the "Group") has adopted the International Financial Reporting Standards (IFRS) from the fiscal year under review, replacing the previously used Japanese GAAP. The Group has adopted IFRS 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 enhancing accountability to domestic and overseas investors by improving the international comparability of financial information. Figures for the fiscal year ended February 28, 2017 that were stated in conformance with Japanese GAAP have been reclassified to conform with IFRS.

1. Current status of the corporate group

(1) Business summary and results

In the fiscal year under review, despite elements of uncertainty, the Japanese economy continued on a gradual track of recovery mainly fueled by the robust overseas economy and the various policies of the Japanese government and the Bank of Japan. The pace of recovery in Japan's personal spending has been slow, as although we are seeing continuous upturn in luxury goods consumption by wealthy consumers mainly backed by the wealth effect due to increases in stock prices, the overall consumption trend is becoming increasingly polarized with an increase in budget-minded consumer behavior also present, reflecting general unease toward the future amid an increased burden of social security.

Amid this environment, the Group drastically steered management to "discontinuous growth," which is not an extension of the past, aiming to achieve ROE of 8% or more. We started the "FY 2017–FY 2021 Medium-term Business Plan," aiming to achieve a new Group Vision of "Create and Bring to Life 'New Happiness,'" which calls for rebuilding our business portfolio. In the fiscal year under review, which was the first year of the new business plan, the Group sought to develop as a "Multi Service Retailer" operating beyond the retail industry framework by expanding its business domains and working to further strengthen the competitiveness and profitability of existing businesses, while accelerating efforts to identify unprofitable operations.

Under our "Urban Dominant Strategy," where we aim to build business models for growth along with our respective communities centered on stores, we engaged mostly in large-scale development projects for our Real Estate Business, which is positioned as a new growth business. In April, we opened GINZA SIX, a revolutionary luxury mall and one of the largest commercial facilities in the Ginza area with an area of 47,000 m^2. Then, in November we opened Ueno Frontier Tower, a commercial complex developed on the site of the former south wing of the Matsuzakaya Ueno store. In addition, we decided to introduce PARCO as a large-scale core tenant in the north wing of the Daimaru Shinsaibashi store, which is adjacent to its main building currently being rebuilt.

In our ICT (Internet, Communication, and Technology) strategy, which looks toward the IoT era, where various devices will be connected to the Internet, we have developed and strengthened our organizational structure, establishing the Group Digital Strategy Division in March and appointing an external member of personnel to take responsibility for ICT strategy promotion. In this way, we took steps to realize our ICT strategy in terms of both proactive and defensive aspects.

In the Department Store Business and PARCO Business which are core Group businesses, we took initiatives to innovate existing business by taking steps to increase value provided by stores and to heighten profitability. In the Department Store Business, we conducted sales floor renovations in response to changes in the market, such as introducing a new arranging sales area, as well as expanding our customer base in measures to serve more wealthy consumer segments and strengthening our sales service to progressively incorporate overseas visitors (inbound tourism) using our stores. In the PARCO Business, we took steps to promote the development of store brands and heighten the appeal of stores by opening new stores and pursuing a scrap and build approach for urban stores. We also worked to produce multiple commercial real estate assets such as the new Shibuya

PARCO.

To expand new business fields, in February we decided to establish JFR Kodomo Mirai Co., Ltd. to enter the infant childcare business. Also, we transferred all shares of Forest Co., Ltd., a consolidated subsidiary that operates a mail order business, in August. In addition, we decided to agree to future plans by Senshukai Co., Ltd., an equity method associate, to purchase its own shares.

In efforts to strengthen our foundations of business, we further enhanced the corporate governance system. These efforts included transitioning to a company with three committees (nomination, audit and remuneration committees) in order to strengthen the management oversight function and promote agile management and reinforcing management personnel, such as promoting Board of Directors reforms based on an evaluation of the effectiveness of the Board of Directors. In tandem, we worked to increase management's shared awareness of profits with shareholders and awareness of shareholder-focused management by introducing a stock-based remuneration system and took steps to strengthen management personnel functions with high transparency and objectivity through the activities of the Nomination Committee and Remuneration Committee. In an effort to enhance asset efficiency, we conducted operation management based on separate balance sheet budgets for each of the flagship stores of Daimaru Matsuzakaya Department Stores. Also, we worked to increase free cash flows by taking steps to boost investment efficiency and improve earnings through business management based on investment criteria and business withdrawal criteria. In efforts on business reforms aimed at improving productivity, we overhauled in-house network systems, made progress in reducing paper usage in offices, and introduced robotic process automation (RPA) to automate office work. In reforming personnel affairs with respect to the Group's organizations, we appointed external personnel in specialist fields such as new business development, ICT, legal affairs, and real estate, and took steps to train and strengthen administration and management personnel. To cope with diversification of work styles due to diverse work perspectives and changes in life stages, in Daimaru Matsuzakaya Department Stores and Daimaru Matsuzakaya Sales Associates and other companies, we introduced the Area Limited Employee System, which allows employees to select the areas where they work, and the Dedicated Staff System, under which employees on fixed-term contracts who have completed more than one year of service in the companies are employed indefinitely in principle.

In environmental activities, we continued to work on reducing energy consumption and packaging materials, among others. Furthermore, in our ECOFF Recycle Campaign held at flagship stores of Daimaru Matsuzakaya Department Stores, we collected about 460,000 items of disused clothing, shoes and bags from customers to be recycled into bioethanol and the like as part of our continued efforts to build a recycling-oriented society. In social activities, we continued working to support women's health, and to nurture the next generation through donations to scholarship funds to support children in disaster areas affected by the Great East Japan Earthquake and the Kumamoto Earthquake and other disasters. We also used our stores to provide sales opportunities to producers in disaster-affected areas, by holding events and so forth. In addition, we established JFR Create Co., Ltd., which has acquired certification as a special subsidiary company in accordance with the Act on Employment Promotion etc. of Persons with Disabilities and started operations.

As a result of various measures including those mentioned above, consolidated sales revenue for the fiscal year under review was ¥469,915 million, up 3.8% year on year, operating profit was ¥49,546 million, up 18.7% year on year, profit before tax was ¥48,271 million, up 13.3% year on year, profit attributable to owners of parent was ¥28,486 million, up 5.3% year on year, and profit/shareholders' equity (ROE) was 7.5%, down 0.1 percentage points year on year.

The Company has decided to pay year-end dividends of ¥19 per share, comprising an ordinary dividend of ¥18 and a commemorative dividend of ¥1 to celebrate the 10th anniversary of the Company. The annual dividend with the addition of an interim dividend of ¥16 per share (including a commemorative dividend of ¥1) is ¥35 per share, marking a ¥5 increase of ordinary dividend year on year as well as seven consecutive years of dividend increases.

Net sales, sales revenue, and operating income (operating profit) by business segment of the corporate group

(Millions of yen)

Business segment	10th fiscal year (Japanese GAAP) (Fiscal 2016)			
	Net sales		Operating income	
	Results	Composition	Results	Composition
		%		%
Department Store Business	727,994	65.7	24,592	55.2
PARCO Business	273,377	24.6	12,520	28.1
Wholesale Business	47,291	4.3	1,529	3.4
Credit Business	10,900	1.0	2,844	6.4
Other Businesses	97,575	8.8	2,881	6.4
Adjustments	(48,628)	(4.4)	211	0.5
Consolidated total	1,108,512	100.0	44,580	100.0

Business segment	10th fiscal year (IFRS) (Fiscal 2016)				11th fiscal year (Current fiscal year, IFRS) (Fiscal 2017)			
	Sales revenue		Operating profit		Sales revenue		Operating profit	
	Results	Composi-tion	Results	Composi-tion	Results	Composi-tion	Results	Composi-tion
		%		%		%		%
Department Store Business	268,233	59.3	22,224	53.3	274,308	58.4	26,659	53.8
PARCO Business	93,780	20.7	13,021	31.2	91,621	19.5	11,752	23.7
Real Estate Business	5,004	1.1	348	0.8	13,427	2.9	4,131	8.4
Credit and Finance Business	9,847	2.2	2,856	6.9	10,176	2.2	2,742	5.5
Subtotal	376,866	83.3	38,450	92.2	389,534	83.0	45,285	91.4
Other	114,584	25.3	2,981	7.1	117,845	25.0	4,744	9.6
Adjustments	(38,945)	(8.6)	295	0.7	(37,465)	(8.0)	(483)	(1.0)
Consolidated total	452,505	100.0	41,727	100.0	469,915	100.0	49,546	100.0

Results by segment are as follows.

<Department Store Business>

To increase the value provided by our stores and heighten their profitability, we conducted sales area renovations responding to changes in market conditions including introduction of new arranging sales areas. At the Daimaru Kobe store, we undertook a major renewal of the men's floor, with a particular focus on the 6th floor, and the 7th floor living room sales area, for the first time in 20 years. At the Daimaru Sapporo store, we increased the area of the watch sales area by around 1.5 times and expanded the range of brands carried. In addition, at the Daimaru Tokyo store on the women's clothing floor, we opened Daimaru and Matsuzakaya's first concept-type select zone with an arrangement of clothing, food, and housing, produced by a popular shop owner. In conjunction with this, in out-of-store sales, we continued efforts to acquire new customer accounts in response to expanding consumption among the wealthy class, while taking steps to develop and recommend new products and services. In the inbound tourism market, we stepped up our response to overseas visitors to Japan by expanding sales areas able to handle mobile payment and strengthening in-store sales services.

To mark the milestone of 300th anniversary of founding of Daimaru, we held various commemorative promotions and events. At the Daimaru Kobe store, we hosted "VOGUE Fashion's Night Out" as a shopping event for the fashion magazine "Vogue." At the Daimaru Kyoto store, we ran a limited time shop "Hermès" in Gion, Kyoto for nine months through to July as a Kyoto Machiya Project. Then, in August, we opened HUBLOT BOUTIQUE KYOTO. In addition, we established the Future Standard Laboratory in March. We strengthened links with outside knowledge and collected information utilizing the Internet, positioning us to create new sales methods and services. The Daimaru Urawa Parco store ceased operations at the end of July, as it had continued to operate at a loss and we judged that it would be difficult to return it to profitability going forward amid intensifying competition.

As a result of various measures including those mentioned above, in the fiscal year under review, sales revenue was ¥274,308 million, up 2.3% year on year, and operating profit was ¥26,659 million, up 20.0% year on year.

Net sales by product and by company and store of the Department Store Business (Japanese GAAP) 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	50,939	6.9	1.5
Ladies' clothing and haberdashery	219,444	29.6	2.4
Children's clothing and haberdashery	15,613	2.1	(2.6)
Kimono, bedding and other clothing	10,695	1.4	(3.9)
Personal belongings	67,932	9.2	(3.0)
Furniture	6,125	0.8	1.5
Home appliances	568	0.1	(19.8)
Household goods	23,266	3.1	(0.4)
Food products	172,975	23.4	(1.1)
Food halls and cafes	21,983	3.0	1.6
General goods	125,582	17.0	15.6
Services	2,853	0.4	(2.3)
Other	22,518	3.0	(19.8)
Total	740,498	100.0	1.7

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	83,987	11.3	14.0
		Osaka Umeda store	65,055	8.8	2.5
		Tokyo store	79,056	10.7	6.1
		Kyoto store	68,755	9.3	2.3
		Yamashina store	3,774	0.5	(1.0)
		Kobe store	82,452	11.1	0.1
		Suma store	8,878	1.2	(1.3)
		Ashiya store	6,761	0.9	(0.7)
		Sapporo store	65,135	8.8	5.1
		Urawa Parco store	1,295	0.2	(60.3)
		Sub total	465,151	62.8	4.3
	Matsuzakaya				
		Nagoya store	117,646	15.9	(0.3)
		Ueno store	39,375	5.3	(2.6)
		Shizuoka store	21,348	2.9	(0.1)
		Takatsuki store	8,606	1.2	(0.3)
		Toyota store	7,479	1.0	(6.8)
		Sub total	194,456	26.3	(1.0)
	Sub total		659,608	89.1	2.7
The Hakata Daimaru, Inc.			54,848	7.4	1.8
The Shimonoseki Daimaru, Inc.			13,845	1.9	(5.2)
Kochi Daimaru Co., Ltd.			12,196	1.6	(2.4)
Total			740,498	100.0	1.7

(Notes) 1. Of real estate rental revenues previously included in individual-store revenues, those amounts transferred to the Real Estate Business have been deducted from the above figures.
2. The Daimaru Urawa Parco store closed permanently at the end of July 2017.

<PARCO Business>

To develop PARCO store brands, we opened PARCO_ya in Ueno Frontier Tower on November 4, our first new store opening in the 23 wards of Tokyo in 44 years since opening of Shibuya PARCO. After opening, the store enjoyed strong visitor numbers and sales, exceeding our estimates.

At urban stores, we were aware of the effect of information dispersal via social media. At the Fukuoka PARCO, we introduced new service-oriented tenants in response to experience-focused consumption, and at the Nagoya PARCO we conducted restaurant refurbishments aimed at building up our originality in the market. In the entertainment business, we held “Despicable Me 3 CAFÉ” events at PARCO stores in Sapporo, Ikebukuro, Nagoya, and Fukuoka. Developing original content like this helped to increase customer attraction and transaction volume at existing stores. We also conducted various initiatives such as developing the project in outside facilities. In productions held at commercial real estate venues in April, we decided to open a store in a station-front commercial facility in Kinshi-cho, Sumida-ku, which is expected to see increasing development and activation of city functions as an urban sub center in east Tokyo. Furthermore, in May we started construction of new Shibuya PARCO, and in September we decided to open a PARCO store as the core tenant in the north wing of Daimaru Shinsaibashi store.

Despite various measures including those mentioned above, sales revenue was ¥91,621 million, down 2.3% year on year due to the temporary closure of Shibuya PARCO since August 2016 for rebuilding and the permanent closure of Chiba PARCO in November 2016, as well as the additional closure of Otsu PARCO in August 2017, and operating profit was ¥11,752 million, down 9.7% year on year.

<Real Estate Business>

On April 20, we opened GINZA SIX, an integrated development of a two-block site including the former site of the Matsuzakaya Ginza store. The GINZA SIX opened as a commercial facility different from traditional department stores, integrating a commercial area that has attracted 241 brands including 121 flagship store brands with a cultural facility, creating new excitement for the local area. Furthermore, on November 4 we opened Ueno Frontier Tower, which had been developed on the site of the former south wing of Matsuzakaya Ueno store, as a commercial complex bringing together Matsuzakaya Ueno store, PARCO_ya, Toho Cinemas Ueno, and offices. Taking advantage of the start of the operation, we gave the peripheral stores owned by Daimaru Matsuzakaya Department Stores the collective name "Shitamachi Front." At the same time, we worked to create an attractive community and encourage new visitors, including through joint events with department stores and PARCO stores and area promotion initiatives in collaboration with the community and the local merchants' association.

As a result of various measures including those mentioned above, in the fiscal year under review, sales revenue was ¥13,427 million, up 168.3% year on year, and operating profit was ¥4,131 million, up 1,085.4% year on year.

<Credit and Finance Business>

Despite increases in revenues from annual membership fees due to growth in the number of cardholders and affiliated store fees and interest income from installment sales, sales revenue in the Credit and Finance Business was ¥10,176 million, up 3.3% year on year, and operating profit was ¥2,742 million, down 4.0% mainly due to increases in selling, general and administrative expense such as costs of security measures.

<Other>

Although design and construction business J. Front Design & Construction saw sales decline on a pullback after recording an increase in large projects in the previous fiscal year, wholesale business Daimaru Kogyo saw sales and profits increase year on year due to strong performance in the electronic devices division. Personnel recruitment business Dimples' expanded its sales following an increase in outsourcing contracts from non-Group customers. As a result, sales revenue for Other was ¥117,845 million, up 2.8% year on year, and operating profit was ¥4,744 million, up 59.1% year on year.

(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 ¥27,021 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 Real Estate Business included ¥4,328 million for construction relating to GINZA SIX, and ¥2,645 million for construction relating to Ueno Frontier Tower. In addition, the main investments in the PARCO Business included ¥5,619 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 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 sales of Aoyama Goko Building of the Daimaru Matsuzakaya Department Stores.

(3) Status of procurement

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

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 current fiscal year, taking our cue from current financial market trends, we have procured ¥35.0 billion from an issue of unsecured straight bonds and ¥16.5 billion via long-term borrowings from financial institutions, as funding for, among other things, repayment of a first tranche of unsecured straight bonds and for capital investments at subsidiaries.

(4) Issues to be addressed

The business environment facing the Company continues to change at a remarkable pace, given the dwindling birthrate, the growing proportion of elderly people and shrinking overall population, the rapid evolution of digital technologies and the accompanying changes in consumption behavior and lifestyles. We also expect change in the business environment from financial market trends, in addition to the impact of unclear prospects and policy-making in the global economy. Under such circumstances, we aim to shift course to a "discontinuous growth" trajectory in our business operations, a situation never before faced by the Group. In this connection, we launched the "FY 2017–FY 2021 Medium-term Business Plan" aimed at realizing the new Group Vision phrased as "Create and Bring to Life 'New Happiness,'" in measures to achieve a ROE of 8% or more and reconfigure our business portfolio.

In fiscal 2018, the second year of the Plan, we will take steady measures to promote our Urban Dominant Strategy, aiming to construct a business model for growth in partnership with the regions based on flagship stores, to further reconfiguration of our business portfolio. We plan also to take steps to expand the real estate leasing business, while accelerating measures to strengthen engagement with the customer by expansion of business domains beyond the retail format and through meticulous execution of ICT (the Internet, Communication, and Technology) strategies. We will likewise steadfastly promote innovations in our existing businesses, such as the Department Store Business and PARCO Business, which are core Group businesses.

In addition, we will step up our commitment to risk management in the current fiscal year. Change in the business environment is a source of uncertainty that a company cannot avoid. But that uncertainty has positive aspects, as risk means opportunity, as well as the negative aspect of threat. In the future, ability to deal with such risk will, we believe, create a wide gap between companies in terms of performance. For this reason, the Group has identified risks it faces, and specified 15 areas as special corporate risk priorities for the JFR Group. In addressing this risk, we will tackle strategic issues raised in the Medium-Term Management Plan in terms not only of conventional risk-hedging, but also of risk-taking for growth. We plan to enable sustainable growth and medium-term corporate value enhancement for the Group through resolution of strategic issues through the above risk-management approach, in addition to resolute implementation of strategy under a corporate governance system characterized by stronger supervision functions and flexible management.

a. Multi Service Retailer Strategy

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

- We will make steady preparations ahead of our entry into the infant-care business, aiming to open our first kindergarten in April 2019. At the same time, we will take ongoing measures to deliver new services that cater to "increasing diversity of lifestyles" and "increasing diversity in means of seeking enjoyment."

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

- In the Credit and Finance Business, we will take measures to strengthen established businesses and to expand business opportunities based on diversification of settlement methods and technological evolution, as well as expand our business domains by leveraging our customer base.
- In the personnel services business, we will strengthen measures in the promising metropolitan Tokyo area. Likewise, in the design & construction business, we will take measures to strengthen and expand established businesses, and also boost profitability through entry into new business domains including design business.

b. Urban Dominant Strategy

- We will move toward forging a business model for growth along with regions, with the stores at its core in each area in which our major stores are located.

1) Promoting urban development centered on flagship stores

- On the basis of our area strategies in Ueno, Shinsaibashi, Nagoya, Kobe, and Kyoto, we will deepen development of areas around individual stores to create more attractive streets, and so contribute to urban revitalization, by holding events in collaboration with local communities and providing services.

2) Expansion involving the real estate leasing business

- We will promote development of new commercial facilities through the real estate divisions of Daimaru Matsuzakaya Department Stores and PARCO's real estate development units. We also plan to improve asset efficiency and expand businesses by further leveraging property held by the Company in areas abutting individual stores.

c. ICT strategy looking toward the IoT era of ubiquitous Internet connectivity

- We will take measures to clarify the positioning of online businesses within the Group, and, through ICT, strengthen our engagement with customers. We will promote reform in the way jobs are done and other areas.

1) Overhaul of online business domains at department stores

- We will work to concentrate and strengthen our online business domains through categories based on the special characteristics and strengths of department stores, and take measures to provide new customer experiences.

2) Reform in the way jobs are done, using ICT

- We aim to improve productivity by reviewing the way jobs are done, including more flexible working approaches and a shift to high-value-added operations through the creation and expansion of ICT environments, the result of the introduction of robotic process automation (RPA).

d. Innovating existing businesses

- We will engage in 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.

1) 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 anticipating increasingly diverse customer needs.
- To help realize a new model of business for commercial facilities, we will press on with development projects currently underway such as the main building and north wing of the Daimaru Shinsaibashi store.
- Led by the Future Standard Laboratory, by collecting and sharing information through partnerships with external experts, we will work continuously to deliver new marketing and service paradigms, and reconfigure individual store brands.

2) PARCO Business

- We aim to strengthen earnings potential through concentrated investment in flagship stores, to better position us to respond to changing trends in the Department Store Business, and enable greater originality and profitability in our operations. We will also take steps to strengthen the

PARCO store brand by deepening collaboration of the Department Store Business with individual PARCO Group businesses such as the entertainment business.

- We will continue with development projects currently underway such as the Harajuku ZERO GATE, Sannomiya ZERO GATE (tentative name), the new Shibuya PARCO, the station-front commercial facility in Kinshi-cho, Sumida-ku, the Okinawa Urasoe West Coast Project, and the north wing of Daimaru Shinsaibashi store, in moves to realize a new model for commercial facilities.
- By responding to technological evolution and by improving customer convenience with apps at the forefront and strengthening dialogue with customers, we aim to bring about advances in customer relationship management (CRM).

3) Related businesses

- Three highly efficiently managed businesses shall be designated as priorities for strengthening the Credit and Finance Business, personnel services business, and design & construction business. We aim to foster new growth through measures such as hiring talent from outside the Group and strengthening business execution systems.
- Measures will be taken to create a risk management system by strengthening governance, to lay the groundwork for the sustainable growth of individual Group companies.

e. Reconfiguring CSR frameworks from an ESG perspective

- We will realign our CSR initiatives with an ESG perspective, including designation of priority areas that a corporation should address, and resolutely promote measures that contribute to improved corporate value. Measures will also be taken to broaden disclosure of non-financial information, and to improve the practical effectiveness of CSR activities.

*ESG: Environmental, social and governance (criteria for corporate governance), considered a driving force for corporate sustainable growth and medium- to long-term corporate value enhancement through appropriate measures taken in individual business areas, as well as a set of criteria for evaluation of investment in terms of its usefulness in promoting a sustainable community.

d. 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 are promoting automation of our business operations through expansion of the field of application of RPA. In tandem, we plan measures to strengthen information security and put in place system infrastructure.

<Group financial strategy>

- To improve corporate value, we will take steps to establish a corporate structure capable of achieving a steady ROE of 8% or more. In combination with this, we will take measures to ensure continuous returns on investments and improvement of profitability, with the aim of strengthening our ability to generate free cash flow.

<Strategy of personnel affairs with respect to the Group's organizations>

- We will continue to 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. We will support measures for a better work-life balance and will take steps to secure a diverse range of human resources that respect diversity and show a high degree of specialization, as we seek to create new model for workplace practice that transcends constraints of place and time.

<Implementation and strengthening of compliance management>

- We are committed to preventing incidence of violation of laws and regulations and other abuses, through establishment of a Groupwide compliance framework, and strengthening of operational oversight. We will also take measures to identify compliance issues via an internal reporting system, and take due steps to resolve issues that arise.

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

Category	10th fiscal year (Fiscal 2016)	11th fiscal year (Current fiscal year) (Fiscal 2017)
	IFRS	
Sales revenue	452,505	469,915
Operating profit	41,727	49,546
Profit before tax	42,608	48,271
Profit attributable to owners of parent	27,052	28,486
Basic earnings per share (Yen)	103.43	108.92
Total assets	1,005,069	1,022,348
Total equity	421,444	450,887
Profit/shareholders' equity (ROE)	7.6%	7.5%

(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	8th fiscal year (Fiscal 2014)	9th fiscal year (Fiscal 2015)	10th fiscal year (Fiscal 2016)	11th fiscal year (Current fiscal year) (Fiscal 2017)
	Japanese GAAP			
Operating revenue	11,147	12,213	13,646	14,776
Operating income	8,391	9,194	10,433	10,622
Ordinary income	8,460	9,201	9,750	9,892
Profit	8,388	6,872	8,702	8,579
Basic earnings per share (Yen)	31.77	26.22	33.27	32.80
Total assets	429,226	428,175	434,921	421,361
Net assets	308,681	303,737	305,105	305,802

(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 Digital Marketing Co., Ltd.	10	64.9	PARCO Business
JAPAN RETAIL ADVISORS Co., Ltd.	10	64.9	PARCO Business
JFR Card Co., Ltd.	100	100.0	Credit and Finance Business
Daimaru Kogyo, Ltd.	1,800	100.0	Wholesale Business
Daimaru Kogyo International Trading (Shanghai) Co., Ltd.	US$2 million	100.0	Wholesale Business
Daimaru Kogyo (Thailand) Co., Ltd.	THB202 million	99.9	Wholesale Business
Taiwan Daimaru Kogyo, Ltd.	NT$60 million	100.0	Wholesale Business
J. Front Design & Construction Co., Ltd.	100	100.0	Design and construction contracting and manufacture and sale of furniture
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
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
JFR Online Co. Ltd.	100	100.0	Direct marketing

(Notes) 1. All business operations of JFR Online Co. Ltd. were transferred to Feel Life Inc., a wholly owned subsidiary of Senshukai Co., Ltd. on March 1, 2017.
2. The Company transferred all shares of Forest Co., Ltd. on August 31, 2017.
3. JFR PLAZA Inc. completed liquidation on December 31, 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	421,361

(7) Major businesses

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

(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
				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	Hiroshima PARCO	Naka-ku, Hiroshima
Utsunomiya PARCO	Utsunomiya, Tochigi	Fukuoka PARCO	Chuo-ku, Fukuoka
Urawa PARCO	Urawa-ku, Saitama	Kumamoto PARCO	Chuo-ku, Kumamoto
Shintokorozawa PARCO	Tokorozawa, Saitama	Sapporo ZERO GATE	Chuo-ku, Sapporo
Ikebukuro PARCO	Toshima-ku, Tokyo	Nagoya ZERO GATE	Naka-ku, Nagoya
PARCO_ya Ueno	Taito-ku, Tokyo	Kyoto ZERO GATE	Shimogyo-ku, Kyoto
Shibuya PARCO	Shibuya-ku, Tokyo	Shinsaibashi ZERO GATE	Chuo-ku, Osaka
Hibarigaoka PARCO	Nishi-Tokyo, Tokyo	Dotonbori ZERO GATE	Chuo-ku, Osaka
Kichijoji PARCO	Musashino, Tokyo	Hiroshima ZERO GATE	Naka-ku, Hiroshima
Chofu PARCO	Chofu, Tokyo	PediSHIODOME	Minato-ku, Tokyo
Tsudanuma PARCO	Funabashi, Chiba		
NEUVE A Co., Ltd.	Shibuya-ku, Tokyo	PARCO SPACE SYSTEMS Co., Ltd.	Shibuya-ku, Tokyo
PARCO Digital Marketing Co., Ltd.	Shibuya-ku, Tokyo	Parco (Singapore) Pte Ltd	Singapore

(Note) The Shibuya PARCO was closed temporarily for rebuilding. We plan to reopen it in 2019.

(Real Estate Business)

Name	Location
Daimaru Matsuzakaya Department Stores Co. Ltd.	
GINZA SIX	Chuo-ku, Tokyo
Ueno Frontier Tower	Taito-ku, Tokyo
and others	

(Credit and Finance 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, Shanghai 1, Thailand 1, Taiwan 1

(9) Status of employees

(i) Employees of the corporate group

Category	Number of employees
J. FRONT RETAILING Co., Ltd.	99
Department Store Business	2,469
PARCO Business	1,508
Real Estate Business	45
Credit and Finance Business	119
Other	2,483
Total	6,723

(Note) Other than the employees above, a period average of 1,573 dedicated employees were shifted to non-fixed term contracts starting June 1, 2017, and the total of fixed-term employees was 2,133.

(ii) Employees of the Company

Number of employees	Average age
99	46.0

(Note) Other than the employees above, the average number of dedicated employee during the period is 1 and the number of fixed-term employees is 14.

(iii) Employees of major subsidiaries

Name	Number of employees	Average age
Daimaru Matsuzakaya Department Stores Co. Ltd.	2,000	46.8
PARCO Co., Ltd.	466	40.8

(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.	31,950	Mizuho Bank, Ltd.	10,939
Sumitomo Mitsui Banking Corporation	14,020	Sumitomo Mitsui Trust Bank, Limited	8,526

(Note) The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its bank name to MUFG Bank, Ltd. on April 1, 2018.

(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: 270,565,764 shares

(3) Number of shareholders: 100,931

(4) Major shareholders

Name of shareholders	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,743	7.47
Japan Trustee Services Bank, Ltd. (Trust Account)	14,727	5.57
Nippon Life Insurance Company	7,862	2.97
J. Front Retailing Kyoei Supplier Shareholding Association	6,273	2.37
The Dai-ichi Mutual Life Insurance Company	5,732	2.17
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	5,624	2.13
Trust & Custody Services Bank, Ltd. (Investment Trust Collateral Account)	5,286	2.00
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,870	1.84
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,494	1.70
STATE STREET BANK WEST CLIENT - TREATY 505234	4,228	1.60

(Note) Shareholding ratio is calculated by deducting treasury shares (6,581 thousand shares). Treasury shares do not include shares of the Company owned by the officer remuneration BIP trust.

3. Matters relating to corporate officers

(1) Names, etc. of Directors

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company	Attendance at the meetings of the Board of Directors (Note 1)	Limited liability agreements (Note 2)
Director	KOBAYASHI Yasuyuki	Chairperson of the Board of Directors Member of Nomination and Remuneration Committees Director of PARCO Co., Ltd.	100% 14/14	Yes
Director	DOI Zenichi	Chairperson of Audit Committee Outside Director of Hakuyosha Co., Ltd.	100% 14/14	Yes
Director	TSUTSUMI Hiroyuki	Member of Audit Committee Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.	100% 11/11	Yes
Director (Outside)	TACHIBANA FUKUSHIMA Sakie	Chairperson of Nomination Committee and member of Remuneration Committee President and Representative Director of G&S Global Advisors Inc. Outside Director of Bridgestone Corporation (retired in March 2018) Outside Director of Ajinomoto Co., Inc. Outside Director of USHIO INC.	100% 14/14	Yes
Director (Outside)	OTA Yoshikatsu	Chairperson of Remuneration Committee and member of Nomination Committee Honorary Advisor of KONICA MINOLTA, INC.	100% 14/14	Yes
Director (Outside)	TSURUTA Rokurou	Member of Nomination, Audit and Remuneration Committees Attorney at law Outside Director of TPR Co., Ltd. Outside Member of the Board of Directors of KYB Corporation	100% 14/14	Yes
Director (Outside)	ISHII Yasuo	Member of Audit Committee	100% 14/14	Yes
Director (Outside)	NISHIKAWA Koichiro	Member of Audit Committee Outside Director of Kyowa Hakko Kirin Co., Ltd. (retired in March 2018)	100% 14/14	Yes
Director (President and Representative Executive Officer)	YAMAMOTO Ryoichi	Member of Nomination and Remuneration Committees	100% 14/14	
Director (Representative Managing Executive Officer)	YOSHIMOTO Tatsuya		100% 14/14	
Director (Managing Executive Officer)	MAKIYAMA Kozo		100% 14/14	
Director (Managing Executive Officer)	FUJINO Haruyoshi	Director of PARCO Co., Ltd. Director of Daimaru Matsuzakaya Department Stores Co. Ltd.	100% 14/14	
Director (Managing Executive Officer)	WAKABAYASHI Hayato		100% 14/14	

(Notes) 1. Number of the meetings of the Board of Directors attended / Number of the meetings of the Board of Directors held during the individual's tenure this fiscal year (details of attendance at each committee meeting are given in the following item (2).

2. 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.

3. Audit Committee member TSUTSUMI Hiroyuki gained across-the-board experience into finance and accounting and due insight into finance and accounting matters between 1981, his second year since joining The Daimaru, Inc., and his appointment as Director of the Board in May 2017.
4. Audit Committee member NISHIKAWA Koichiro has due insight into financial matters, having been involved in areas such as business alliances, M&A and management reform, and also through his experience in multiple important international negotiations.
5. Chairperson of Audit Committee DOI Zenichi and Audit Committee member TSUTSUMI Hiroyuki are full-time Audit Committee members. We aim to improve the effectiveness of supervisory roles by having as full-time Audit Committee members two Directors from in-house who are Directors who do not execute business and who have specialist knowledge of specific areas of our business based on a thorough understanding of in-house organizations and business operations. The Chairperson of Audit Committee has been chosen from among internally promoted Directors who do not execute business from the standpoint of achieving a smooth transition from the Audit & Supervisory Board system.

(2) Attendance at the meetings of each committee

Name	Nomination Committee	Audit Committee	Remuneration Committee
KOBAYASHI Yasuyuki	100% (10/10)		100% (9/9)
DOI Zenichi		◎100% (12/12)	
TSUTSUMI Hiroyuki		100% (12/12)	
TACHIBANA FUKUSHIMA Sakie	◎100% (10/10)		100% (9/9)
OTA Yoshikatsu	100% (10/10)		◎100% (9/9)
TSURUTA Rokurou	90% (9/10)	100% (12/12)	88% (8/9)
ISHII Yasuo		100% (12/12)	
NISHIKAWA Koichiro		100% (12/12)	
YAMAMOTO Ryoichi	100% (10/10)		100% (9/9)

(Note) The "◎" mark indicates Chairperson. (**/**) indicates number of the meetings of each committee attended / number of the meetings of each committee held during the individual's tenure this fiscal year.

(3) Names, etc. of Executive Officers

Position in the Company	Name	Areas of responsibility in the Company and important concurrent positions outside the Company
President and Representative Executive Officer	YAMAMOTO Ryoichi	
Representative Managing Executive Officer	YOSHIMOTO Tatsuya	President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd.
Managing Executive Officer	MAKIYAMA Kozo	Director, President and Representative Executive Officer of PARCO Co., Ltd.
Managing Executive Officer	FUJINO Haruyoshi	Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management
Managing Executive Officer	WAKABAYASHI Hayato	Senior Executive General Manager of Financial Strategy Unit and in charge of Financing and Finance Policy
Managing Executive Officer	ARISAWA Hisashi	Senior Executive General Manager of Affiliated Business Unit
Managing Executive Officer	MURATA Soichi	Senior Executive General Manager of Administration Unit and in charge of Compliance
Executive Officer	MAKITA Takayuki	Senior General Manager of Management Planning Division
Executive Officer	NAKAYAMA Takashi	Senior General Manager of Group Digital Strategy Division and New Business Division, Management Strategy Unit
Executive Officer	IWATA Yoshimi	Senior General Manager of Budget and Management Support, Financial Strategy Unit
Executive Officer	TADATSU Takehiko	Senior General Manager of Group Human Resources Division and in charge of Group Human Resources, Human Resource Development and Recruitment, Administration Unit Executive Officer and Senior General Manager of Human Resources Division of Daimaru Matsuzakaya Department Stores Co. Ltd.

(About executive retirements) On January 30, 2018, Executive Officer IMAZU Takahiro retired from office and assumed the position of Executive Officer of Daimaru Matsuzakaya Department Stores Co. Ltd. (Executive Store Manager of Daimaru Osaka Umeda).

(Reference)On March 1, 2018, following three persons were newly appointed to the position of Executive Officer.

Name	Areas of responsibility in the Company and important concurrent positions outside the Company
NINOBE Mamoru	President and Representative Director of JFR Card Co., Ltd.
KONDO Yasuhiko	President and Representative Director of J. Front Design & Construction Co., Ltd.
ONO Keiichi	President and Representative Director of Dimples' Co., Ltd.

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

	Number of payees	Total amount of remuneration, etc. (Millions of yen)	Totals by category of remuneration, etc. (Millions of yen)			
			Basic remuneration	Bonuses	Performance-linked stock-based remuneration	Non-performance-linked stock-based remuneration
Director	13	202	164	-	-	38
[of which, Outside Director]	[5]	[68]	[56]	-	-	[11]
Audit & Supervisory Board Member	5	10	10	-	-	-
[of which, Outside Audit & Supervisory Board Member]	[3]	[5]	[5]	-	-	-
Executive Officer	12	373	151	118	103	-
Total	22	587	326	118	103	38

(Notes)
1. 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 ¥2 million.
2. The maximum remunerations for Directors and for Audit & Supervisory Board Members before transition to a company with three committees (nomination, audit and remuneration committees) are set at ¥50 million per month and ¥7 million per month, respectively. (both owing to resolution of the Annual Shareholders Meeting held in May 2008).
3. At the 10th Annual Shareholders Meeting held on May 25, 2017, five Audit & Supervisory Board Members resigned their posts on the same day due to our shift to the company-with-nomination-committee framework. The totals given in the above chart for payees and in remuneration, etc., are the totals of Audit & Supervisory Board Members serving between March 1, 2017 and May 25, 2017, and of remuneration for their performance of duties during the period.
   In the above table, the basic remuneration for Directors of ¥164 million includes ¥51 million (including ¥5 million for Outside Directors) paid to nine Directors (two of whom are Outside Directors) who held the post between March 1 and May 25, 2017.
4. Sums of remuneration, etc., for performance of duties paid to Directors who concurrently hold other posts are given in the Executive Officer row.
5. Beginning in the fiscal year under review, the Company has adopted an officer remuneration BIP (Board Incentive Plan) trust (a system of granting the Company's shares to officers (in certain cases, the Company's shares are converted into cash within the trust and cash in the amount equivalent to their conversion value is paid) in accordance with the officers' rank and level of achievement of the Medium-term Business Plan, etc.) as a performance-linked, share-based payment to ensure steady execution and progress of the Medium-term Business Plan. The stock-based remuneration in the above chart is the total recorded as expenses for the period under review according to Japanese accounting standards. It is divided into performance-linked stock-based remuneration corresponding to degree of achievement of single fiscal year results and degree of achievement of the Medium-Term Business Plan targets, as well as non-performance-linked stock-based remuneration for Directors who do not execute business.
6. At the time of the transition to a company with three committees (nomination, audit and remuneration committees), the 22 payees elected as Directors after resigning as Audit & Supervisory Board Members are reported without duplication.

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

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

To ensure steady execution of the Medium-term Business Plan for realizing the new Group Vision, the Company has formulated the new Officer Remuneration Policy including the introduction of a stock-based remuneration system for officers. The basic policy regarding the Officer Remuneration Policy are as follows.

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

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

To ensure the appropriateness of the level and amount of remuneration, and the transparency of decision-making processes, independent Outside Directors account for the majority, and decisions are made by deliberation and resolution of a Remuneration Committee headed by an independent Outside Director.

It is planned that the Remuneration Committee shall meet at least four times a year. Future revisions of the executive remuneration system will be undertaken based on Medium-Term Business Plan periods.

(iii) Composition of remuneration for Executive Officers and Directors who do not execute business

<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.

<Director who do not execute business>

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

(6) Matters relating to Outside Directors

TACHIBANA FUKUSHIMA Sakie independent (Note)	Important concurrent positions	President and Representative Director of G&S Global Advisors Inc. Outside Director of Bridgestone Corporation (retired in March 2018) Outside Director of Ajinomoto Co., Inc. Outside Director of USHIO INC.	
	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 the meetings of the Board of Directors	100% (Attended all 14 meetings held during tenure this fiscal year)	
	Attendance at the meetings of Committees to which she belongs	Nomination	100% (Attended all 10 meetings held during tenure this fiscal year)
		Remuneration	100% (Attended all 9 meetings held during tenure this fiscal year)
[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, serving as the Chairperson of Nomination Committee, she strives to enhance functional capabilities of management personnel through means such as promoting deliberations on succession plans, decision of officer appointment drafts for the Company and its major subsidiaries, assessment of the talent pool for executive management candidates who will be forging the future, and consideration of training opportunities to gain necessary knowledge for the fulfillment of the roles and responsibilities of the management team, etc.			

<table>
<tr><td rowspan="5">OTA Yoshikatsu
independent
(Note)</td><td>Important concurrent positions</td><td colspan="2">Honorary Advisor of KONICA MINOLTA, INC.</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td colspan="2">No special relationships exist</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td colspan="2">No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td colspan="2">100% (Attended all 14 meetings held during tenure this fiscal year)</td></tr>
<tr><td rowspan="2">Attendance at the meetings of Committees to which he belongs</td><td>Nomination</td><td>100% (Attended all 10 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Remuneration</td><td>100% (Attended all 9 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="4">[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, holding company functions for 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 nominating and other committees.
Moreover, serving as the Chairperson of Remuneration Committee, he strives to enhance functional capabilities of management personnel through means such as promoting establishment of transparent and objective decision processes concerning remunerations, determination of specific remuneration amounts, review and revision of assessment systems for directors' bonuses, etc.</td></tr>
<tr><td rowspan="5">TSURUTA Rokurou
independent
(Note)</td><td>Important concurrent positions</td><td colspan="2">Attorney at law
Outside Director of TPR Co., Ltd.
Outside Member of the Board of Directors of KYB Corporation</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td colspan="2">No special relationships exist</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td colspan="2">No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td colspan="2">100% (Attended all 14 meetings held during tenure this fiscal year)</td></tr>
<tr><td rowspan="3">Attendance at the meetings of Committees to which he belongs</td><td>Nomination</td><td>90% (Attended 9 of the 10 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Remuneration</td><td>88% (Attended 8 of the 9 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Audit</td><td>100% (Attended all 12 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="4">[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 Nomination and Remuneration Committees, and contributes to ensuring transparency and objectivity in regard to enhancing functional capabilities of management personnel such as in the realm of officer elections and the determination of individual remunerations.
Moreover, his input in the meetings of the Audit Committee has included exchanging opinions and deliberating on the execution of business by Directors and Executive Officers and matters submitted to the Board of Directors and other individual matters from the perspective of organizational audit while striving to enhance functional capabilities of audits.</td></tr>
</table>

<table>
<tr><td rowspan="5">ISHII Yasuo
independent
(Note)</td><td>Important concurrent positions</td><td colspan="2">No items to report</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td colspan="2">No special relationships exist</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td colspan="2">No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td colspan="2">100% (Attended all 14 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which he belongs</td><td>Audit</td><td>100% (Attended all 12 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="4">[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 the ideal state of organizations at headquarters, overall management strategy encompassing matters such as causing the Group Vision to take hold both within and outside the Company and enhancing functional capabilities of execution. He does so based on his abundant experience in the field of global management outside the retail industry and suitable knowledge attained through his long career in the management planning field, along with his longstanding experience working abroad, encompassing expertise in developing business overseas.
Moreover, his input in the meetings of the Audit Committee has included exchanging opinions and deliberating on the execution of business by Directors and Executive Officers and matters submitted to the Board of Directors and other individual matters from the perspective of organizational audit while striving to enhance functional capabilities of audits.</td></tr>
<tr><td rowspan="5">NISHIKAWA Koichiro
independent
(Note)</td><td>Important concurrent positions</td><td colspan="2">Outside Director of Kyowa Hakko Kirin Co., Ltd. (retired in March 2018)</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td colspan="2">No special relationships exist</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td colspan="2">No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td colspan="2">100% (Attended all 14 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which he belongs</td><td>Audit</td><td>100% (Attended all 12 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="4">[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 identifying uncertainty factors and considering from a compliance aspect regarding new business and M&As and tracking progress of management strategies in that regard, as well as upgrading results verification. 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 the meetings of the Audit Committee has included exchanging opinions and deliberating on the execution of business by Directors and Executive Officers and matters submitted to the Board of Directors and other individual matters from the perspective of organizational audit while striving to enhance functional capabilities of audits.</td></tr>
</table>

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

4. Matters relating to Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

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

(i)	Amount of remuneration, etc. to be paid by the Company	¥126 million
(ii)	Total cash and other financial profits to be paid by the Company and its subsidiaries	¥231 million

(Notes) 1. Among the significant subsidiaries of the Company, PARCO Co., Ltd. and its five 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 International Financial Reporting Standards (IFRS), etc.

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

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

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

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

(6) Rationale for Audit Committee's decision on reappointment of Accounting Auditor

The Audit Committee decided to reappoint Ernst & Young ShinNihon LLC, as a result of comprehensive considerations, following the evaluation of the appropriateness and validness of audit activities by the Accounting Auditor based on the Accounting Auditor Evaluation Standards established by the Audit Committee, as well as comparison with other audit firms in terms of its independence, expertise, capabilities of execution of duties and status of compliance with laws and regulations.

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

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

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

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

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

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

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

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

(i) The Company will strengthen the oversight function for business execution of the Board of Directors by separating oversight from execution. In addition, the Company aims to promote sophistication of strategy by having the Board of Directors actively include the insights of

external persons in order to hold rigorous discourse on important strategic issues relating to the Group management.

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

(iii) The Company will improve the transparency and objectivity of management by transitioning to a company with three statutory committees (nomination, audit and remuneration committees). The majority of the members of each of these committees are outside officers.

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

6. Operation of the Board of Directors

Composition of the Board	8 Directors who do not execute business (including 5 Outside Directors) and 5 Directors who concurrently serve as Executive Officer
Major roles	The Board of Directors shall discuss and resolve matters defined in the Companies Act and/or the Articles of Incorporation, as well as the Group Vision, Group Medium-term Business Plan, Group Management Policy, and matters relating to new business development and M&As.
Operational status	Held at least once every month, in principle. With one-third or more of Directors being independent Outside Directors, the Board of Directors functions as a venue for constructive discussions and deliberations, beyond being solely a decision-making body for important matters, and is a key to the enhancement of corporate governance.
Comment from Chairperson of the Board of Directors Chairperson of the Board of Directors Director KOBAYASHI Yasuyuki	Fiscal 2017 was the first year of the Group Medium-term Business Plan and Group Vision. In addition to carrying out matters defined in the Companies Act and/or the Articles of Incorporation, the Board of Directors oversaw business execution through the confirmation of progress status of individual strategy set forth in the Group Medium-term Business Plan. At the meetings of the Board of Directors, we deliberated on "matters to be resolved," "matters to be reported," as well as "matters to be discussed," where we took time to talk about whether there are delays in initiatives, in response to a progress report by Executive Officer in charge of the operation, and issues when a progress report shows a deviation from target amount, etc., striving to enhance functional capabilities of oversight by the Board of Directors. Moreover, by ensuring that matters and issues pointed out at a Board of Directors meeting will be reported and discussed by responsible Executive Officer at a future meeting, we realized a consistent PDCA cycle to improve the effectiveness of the Board of Directors. We endeavor to continue into this year to fully exert functional capabilities of management oversight by the Board of Directors, and strive to contribute to the increase in corporate value through realization of the Group Vision and achievement of the Group Medium-term Business Plan.

(Evaluation of effectiveness of the Board of Directors)

In August 2017, the Company performed the third evaluation of the effectiveness of the Board of Directors. The evaluation was done by collecting and analyzing results of "individual interviews" and "direct observation of the Board of Directors" conducted by a third party organization, and reporting them to the Board of Directors meeting in October for discussion about issues. Evaluation items include contribution of the Board of Directors to the entire Group, composition of the Board of Directors, content of deliberations at the Board of Directors. In addition, as this year was the first fiscal year following the transition to a company with three committees (nomination, audit and remuneration committees), progress status of corporate governance structure after the transition, the effectiveness of functions of each Committee and other items were also evaluated.

As a result of tireless efforts to address issues on the basis of belief that the Board of Directors is a key to governance, significant improvements were seen in the "contribution of the Board of Directors to the entire Group," "selection of appropriate agenda items and carrying out of essential discussion," and "contribution of each Director to deliberations." The "enhancement in corporate governance

through a change in organizational structure" and "contribution of each Committee to the Board of Directors" were also highly evaluated.

Meanwhile, as there were opinions asking for improvement in planning and proposal capabilities of the management, expecting the Board of Directors to further enhance its effectiveness, we worked to review deliberation materials, aiming for improvement in planning and proposal precision from the viewpoint of a shareholder. Moreover, in response to voices that it is necessary to strengthen the management of the Group companies, we addressed the issue by having management personnel of three major operating companies concurrently serve as Executive Officers of the Company.

We will strive to continue into this fiscal year to share the issues based on the evaluation of the effectiveness of the Board of Directors, and ensure the effectiveness of the Board of Directors.

7. Operations of each Committee

(1) Nomination Committee

Composition of Committee	4 Directors who do not execute business (including 3 Outside Directors) and 1 Director who concurrently serves as Representative Executive Officer
Major roles	The Nomination Committee determines the contents of proposals on the nomination and dismissal of Directors submitted to shareholders' meetings, and reports to the Board of Directors upon consultations from the Board of Directors regarding the nomination and dismissal of management personnel of the Company and major business subsidiaries, as well as the chairpersons and members of individual committees, and other matters.
Number of meetings held / Number of meetings attended	10 / 4 out of 5 members attended all 10 meetings held during tenure this fiscal year. With regard to the remaining 1 member, the number of absences is only 1, and the contents of deliberations at the missed meeting have been separately explained, and information has been shared.
Comment from Chairperson of the Nomination Committee Chairperson of the Nomination Committee Director (Outside) TACHIBANA FUKUSHIMA Sakie	The Nomination Committee ensures the objectivity, transparency and rationality not only for election of Directors including Outside Directors but also for election of Executive Officers of the Company and Executive Officers of major business subsidiaries. This involves utilizing in-house personnel information as well as assessment data by a third party organization, and obtaining opportunities to get to know candidate's personalities and ideas through conducting interviews, etc., as necessary. Moreover, the Nomination Committee has been carrying out a series of discussions on top management succession plans, examining schemes to systematically develop the next generation of officer candidates and confirming the status of achievements by the candidates. The Nomination Committee will secure personnel necessary for continuous growth and development of the Company, and strive for the election of the right person in the right place.

(2) Audit Committee

Composition of Committee	5 Directors who do not execute business (including 3 Outside Directors)
Major roles	In accordance with the overall policy and plan determined by the Board of Directors, the Audit Committee audits the execution of business by Directors and Executive Officers, important matters submitted to the Board of Directors, and other individual matters the Audit Committee considers necessary.
Number of meetings held / Number of meetings attended	12 / 5 committee members attended all 12 meetings held during tenure this fiscal year.
Comment from Chairperson of the Audit Committee Chairperson of the Audit Committee Director DOI Zenichi	The Audit Committee, in accordance with the Rules of Audit Committee, Audit Standards, and Practice Standards for Audit concerning Internal Control System, etc., formulated an audit plan for the current fiscal year, conducted the audit and reported its contents to the Board of Directors. In particular, the Audit Committee cooperated closely with the Internal Audit Division, Accounting Auditor and auditors of the Group companies to audit the developmental and operational status of internal control systems established by the Board of Directors, and the progress status of key strategies in the first year of the Group Medium-term Business Plan, as key audit items of the Audit Committee. Moreover, the Audit Committee performed assessments on Ernst & Young ShinNihon LLC, by comparing it with other audit firms' quality management and expertise, based on the Accounting Auditor Selection Standards, newly established by the Audit Committee.

(3) Remuneration Committee

Composition of Committee	4 Directors who do not execute business (including 3 Outside Directors) and 1 Director who concurrently serves as Representative Executive Officer
Major roles	The Remuneration Committee determines the policy on deciding the contents of individual remuneration to management personnel of the Company and major business subsidiaries, and these contents themselves.
Number of meetings held / Number of meetings attended	9 / 4 out of 5 members attended all 9 meetings held during tenure this fiscal year. With regard to the remaining 1 member, the number of absences is only 1, and the contents of deliberations at the missed meeting have been separately explained, and information has been shared.
Comment from Chairperson of the Remuneration Committee Chairperson of the Remuneration Committee Director (Outside) OTA Yoshikatsu	The Remuneration Committee achieved an appropriate allocation between basic remuneration and performance-based remuneration (bonuses and stock-based remuneration), and also disclosed performance indexes that will determine the level of stock-based remuneration in the Officer Remuneration Policy resolved on May 25, 2017. For bonuses, which reflect the status of individual officer's achievements, the Remuneration Committee formulated a new performance evaluation sheet and has adopted it from fiscal 2018, after revising evaluation items, performance indexes and the evaluation rank determination process so that results will be shown with greater fairness and objectivity. In addition, as entering into the first year when stock is to be granted as remuneration, the Remuneration Committee has been working on the verlification of the stock-based remuneration system for officers for appropriate operation as planned. The Remuneration Committee will continue to strive for the operation of a fair and highly rational remuneration system.

8. IR Policy

Under the basic philosophy that "we aim at developing the Group by making a broad contribution to society as a fair and trusted business entity," the Company promotes IR activities for the purpose of maintaining and developing relations of trust with stakeholders including shareholders and investors. By accurately and plainly disclosing important information about the Company in a fair, timely and appropriate manner, we aim to improve management transparency and help stakeholders better understand the Company.

9. System and policies of the Company

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

(Revised on August 27, 2017)

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

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

I. Group Management System

(1) Board of Directors

- The Board of Directors shall perform an oversight function by monitoring the Executive Officers' and Directors' execution of business.
- The Board of Directors shall discuss and resolve matters defined in the Companies Act and/or the Articles of Incorporation, as well as the Group Vision, Group Medium-term Business Plan, overall policy and plan for Group management, M&As, Group financing plans, and other individual important matters relating to Group management. In order to speed up business decisions and execution, the task of determining matters involving business execution other than the above shall be delegated to execution, with the exception of matters which have a material impact on Group management.
- For monitoring action, decision making and the like by the Board of Directors, a certain number or more of highly independent Outside Directors shall be appointed, having no risk of a conflict of interest with the Company's shareholders, and being able to provide judgments independently from top management and make decisions appropriately.
- To ensure effectiveness of objective management oversight, in addition to the Outside Directors, internally promoted Directors who do not execute business and who are well informed about internal information shall also be appointed.
- To further strengthen oversight function while conducting smooth operation of the Board of Directors, an Internal Director who does not execute business shall be selected as the chairperson of the Board of Directors.

(2) Management execution framework

- The Company shall clearly separate management oversight and execution and strengthen the Board of Directors' oversight function while delegating authority for execution to enable swift management decision-making. Meanwhile, execution shall be controlled by having the

following framework.

・Each corporate division shall have a mission statement that clearly states its mission, and the responsibilities of execution are clarified, such as the targets, roles, risks, and interdivisional cooperation.

・Execution shall formulate the major Group management policies and individual important matters, and oversee business execution of operating companies. The Board of Directors shall discuss and determine (approve) the suitability of major policies and plans that execution has prepared as well as individual important matters.

・The execution bodies shall be the Management Strategy Unit, Financial Strategy Unit, Affiliated Business Unit and Administration Unit, and Executive Officers with specific titles shall be appointed as the head of the units, through which the Company shall achieve swift and efficient business execution.

・The Affiliated Business Unit shall provide management support for operating companies and conduct business management of operating companies to increase the Group's corporate value.

・The Group Management Meeting, the Group Results and Strategy Examination Meeting, the Group Liaison Meeting, the JFR Liaison Meeting, the JFR Division Managers' Meeting shall discuss the overall policy and plan and other matters for Group management, as well as checking on the progress of management strategies and sharing information between management, and so forth.

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

・The Company has adopted the International Financial Reporting Standards (IFRS) voluntarily in the interest of implementing effective management based on appropriate asset evaluation, applying business management that gives emphasis to the profit of the current period and increasing convenience for overseas investors by improving the international comparability of financial information.

(3) System to secure appropriateness of financial reporting

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

II. Risk management system

(1) Risk Management Committee

・The Company shall establish the Risk Management Committee as an advisory body to the President and Executive Officer with regard to risk management. The committee is chaired by the President and Executive Officer and comprises Executive Officers and others.

・An officer shall be put in charge of risk management in order to promote the operation of risk management.

・Each operating company shall put departments and responsible persons in charge of promoting compliance and risk management, and carry out daily supervision and direction of risk.

・The Risk Management Committee shall systematically manage and address strategic and other risks as a whole from a company-wide perspective, enabling management decisions from the perspective of risk management.

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

・Risks to be addressed shall be managed by the Corporate Governance Promotion Division by reviewing a Risk List and Risk Map, which centrally lists all the risks in the Group at any time.

・Of the risks involved in business operations that are identified, for particularly serious items, the Risk Management Committee shall deliberate over and determine a policy in response, and shall respond to them by having the Company and operating companies execute the policy.

・The Risk Management Committee shall coordinate with the Revitalization Plan Review Committee, which shall discuss business revitalization for unprofitable or low-profit businesses, ascertain the management status of operating companies, and share risk recognition within execution.

(2) Execution control

・Under the direction of President and Executive Officer, the Company shall put a person in charge of execution control within the Corporate Governance Promotion Division in the Management Strategy Unit to strengthen internal control over execution. The person responsible shall develop and manage the control environment at the Company and operating companies.

・The person in charge of execution control shall develop and manage the internal controls regarding the Companies Act and the internal control system regarding the Financial Instruments and Exchange Act at the Company and operating companies.

・The person in charge of execution control shall clarify the mission and risk responsibility in each division and strengthen links between departments by developing and managing the mission statements for each corporate division.

・The person in charge of execution control shall coordinate with the Audit Committee, the Internal Audit Division, the corporate divisions and operating companies to share information and remedy any deficiencies that occur in the internal controls.

(3) Crisis risk response

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 and Executive Officer.

III. Legal Compliance System

(1) Compliance Committee

・The Company shall establish the Compliance Committee as an advisory body to the President and Executive Officer regarding the operation of compliance management. The President and Executive Officer shall be the chairperson and the members of the committee shall be corporate lawyers, Executive Officers and others.

・An officer shall be put in charge of compliance in order to promote the operation of compliance management.

・At operating companies, 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.

・The Compliance Committee shall work to develop the foundations of compliance management such as internal company rules, operation management manuals and formulation of management systems. In addition, the committee shall periodically formulate and track progress on compliance penetration activities such as e-learning, through departments in charge of promotion of compliance at each company.

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

(2) Whistle-blowing system

・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 the Company and operating companies.

- The hotline's policy shall be to maintain strict confidentiality regarding notifications and reports and shall not disclose the personal information of whistleblowers to a third party without their consent; to be careful to avoid identification of the whistleblower when investigating the facts; and to ensure that whistleblowers are not subjected to disadvantageous treatment in terms of personnel affairs or any other aspect.
- For hotline reports concerning management personnel, the Company shall build a structure whereby the reports are submitted directly to the Audit Committee and subjected to directions from the Audit Committee so as to secure an independent reporting route.

IV. Internal Audit Structure

- The Company shall establish an independent Internal Audit Division under the direction of the President and Executive Officer. In accordance with internal audit rules and under the direction of the President and Executive Officer, the Internal Audit Division shall audit the operations of the Company and operating companies or properly report the results of audits of operations, examine the properness and effectiveness of the processes for their operations, and provide guidance, advice and proposals to all departments at the Company and to operating companies.
- To further enhance corporate governance by strengthening auditing functions, the Company shall clarify links between the President and Executive Officer, the Audit Committee and the Internal Audit Division. Specifically, the Company shall adopt a double-reporting system where both the President and Executive Officer and the Audit Committee shall receive reports. When the reports are made, the audit report and the improvement report shall be reported together to realize swift measures.
- Appointments and transfers of persons responsible for the Internal Audit Departments shall be subject to advance approval by the Audit Committee.

V. Structure of the Audit Committee

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

・ The Audit Committee shall have periodic meetings and the like with Audit & Supervisory Board Members of operating companies to enhance and strengthen the auditing of the entire Group.

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

VI. Other

(1) System for storage and management of information

・ For documents relating to the execution of duties by Executive Officers and Directors, in accordance with the rules on 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.

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

(2) Digital information security

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

(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. Group Management System

(1) Board of Directors

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

(ii) The Board of Directors is comprised to meet that one-third or more of Directors are independent Outside Directors who are able to provide judgments independently from top management and make decisions appropriately, and also that the majority of Directors are independent Outside Directors and/or internally promoted Directors who do not execute business and who are well informed about internal information.

(iii) The Board of Directors discusses and resolves matters defined in the Companies Act and/or the Articles of Incorporation, as well as deliberates important matters concerning the Group management over multiple meetings, striving to enhance the effectiveness of deliberations. Moreover, for the issues pointed out at a Board of Directors meeting, the Board of Directors works to resolve them by confirming at the beginning of the next meeting about the status of its countermeasures and the timing of implementation.

(iv) The meetings of the Board of Directors were held 14 times in the current fiscal year. Particularly, the Board of Directors confirms and shares information regarding the progress status of the new Medium-term Business Plan implemented in March 2017 based on the schedule planned in advance. In the event of a case that is deviating from targets, the Board of Directors thoroughly examines its causes and the effect of countermeasures, striving for a steady progress of the Medium-term Business Plan.

(2) Management execution framework

(i) The Company has the Management Strategy Unit, Affiliated Business Unit, Financial Strategy Unit, and Administration Unit as the execution bodies, and Executive Officers with specific titles are appointed as the head of the units and execute business swiftly. The Affiliated Business Unit provides support for the Group's operating companies and conduct business management.

(ii) From the current fiscal year, each division of the Company has a mission statement that clearly states the responsibilities of execution, such as the targets, roles, risks, and interdivisional cooperation, striving for the clarification and strengthening of execution's roles.

(iii) The roles and responsibilities of the Company as a holding company are narrowed down to formulating overall policy and plan for Group management, such as the Group Vision, Group Medium-term Business Plan, M&As, Group financing plans, along with the management and progress control of that said plans, and proper allocation of the Group's management resources.

With regard to matters related to business execution at operating companies, in order to promote speedy management decisions and the clarification of management responsibities, delegation rules have been established, and operated accordingly, aimed at prompt decision-making and execution by respective operating companies, except for important matters concerning the Group management.

(iv) In the current fiscal year, the Group Management Meeting, the Group Results and Strategy Examination Meeting, the Group Liaison Meeting, the JFR Liaison Meeting, the JFR Division Managers' Meeting were regularly held for discussion on business strategies and information sharing among divisions.

(v) The Company introduced the Group's common accounting system in principle and promotes centralized management of the Group funds and efforts to raise overall efficiency of the Group.

(vi) The Company has developed a framework that it is making use of to carry out financial strategy with the aim of heightening profitability of invested capital. Accordingly, for new investment projects entailing funds beyond a certain amount, the Company has established the Investment Plan Review Committee which scrutinizes profit and loss targets and performs verification from a financial perspective encompassing assessment of suitability in terms of quantitative aspects of investment plans. For all existing businesses, the Company has established the Revitalization Plan Review Committee which draws up plans for revitalizing poorly performing businesses and withdrawing from such operations, upon performing verification of financial aspects from the perspective of investment recovery.

In the current fiscal year, the meetings of the Investment Plan Review Committee were held six times and the meetings of the Revitalization Plan Review Committee were held three times.

(vii) With regard to internal controls over financial reporting, the Company is in compliance with Japan's Financial Instruments and Exchange Act and various associated laws and regulations. The Company and operating companies construct and promote internal company systems to secure the legality and appropriateness of financial reporting.

II. Risk Management

(1) Risk Management Committee

(i) The Company has established the Risk Management Committee as an advisory body to the President and Executive Officer with regard to the operation of risk management. The committee is chaired by the President and Executive Officer and comprises Executive Officers and others.

We regret that the Company has not so far considered risks adequately. To systematically manage and address overall risks including strategic risks as a whole from a company-wide perspective, the Company has newly established and operates the Risk Management Committee, a separate organization from the former Compliance and Risk Management Committee.

(ii) The meetings of the Risk Management Committee were held three times in the current fiscal

year. Identifying risks surrounding the Company, the Risk Management Committee particularly discussed and determined "corporate risks," which are considered to have significant impact on companies. In addition, information was shared and advices were provided on risks identified by each of operating companies of the Group based on the Company's risks, to promote risk management.

(2) Execution control

(i) Under the direction of President and Executive Officer, the Company has put a person in charge of execution control within the Management Strategy Unit. The person develops and manages the internal controls regarding the Companies Act and the internal control system regarding the Financial Instruments and Exchange Act at the Company and operating companies.

During the current fiscal year, there were no important weakness found to be disclosed in the internal controls regarding the Companies Act and the Financial Instruments and Exchange Act.

(ii) Moreover, from the current fiscal year, the Company has developed and managed the mission statements for each corporate division, while clarifying the mission in each division and strengthening links between departments.

(iii) For crisis events such as large-scale earthquakes, fires and accidents, the Company has established a system in which crisis management is controlled by the "Emergency Response Headquarters" headed by the President and Executive Officer. There were no occurrences of such risks during the current fiscal year.

III. Legal Compliance System

(1) Compliance Committee

(i) The Compliance Committee has been established as an advisory body to the President and Executive Officer regarding the operation of compliance management. The committee is chaired by the President and Executive Officer and comprises corporate lawyers, Executive Officers and others.

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

(iii) The Compliance Committee of the Company draws up a policy for addressing matters involving serious compliance-related violations, and continuously oversees development of the foundations of compliance system and the status of implementation through close collaboration with departments in charge of promoting compliance in the Group's operating companies.

Four meetings were held during the current fiscal year, and deliberations were conducted on topics such as the "role and organizational operation of the Compliance Committee" and the "compliance systems for operating companies."

(iv) In addition to posting the JFR Group Compliance and Risk Management Manual on the intranet, education via reporting lines and e-learning seminars were offered to promote the awareness of compliance.

(v) E-learning was offered twice during the current fiscal year, along with training via reporting lines. The "minimum required compliance for sales activities" and "knowledge about intellectual property (trademark, design right, copyright, license, etc.) were selected as key themes.

(2) Whistle-blowing system

(i) The Company has established the "JFR Group Compliance Hotline" whistle-blowing system that also extends beyond companies (to a corporate lawyer), which may be used by all persons working at the Company and operating companies.

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

(iii) 28 reports were received in the current fiscal year. The reports included ones related to personnel and labor issues.

(3) Cease and desist order and payment order based on the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade received by operating company

With regard to a case where our operating company Daimaru Matsuzakaya Department Stores Co. Ltd. received in January 2018 a cease and desist order and a payment order (surcharge of ¥1.96 million) based on the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade from the Japan Fair Trade Commission, Daimaru Matsuzakaya Department Stores Co. Ltd., following on-site inspections by the Japan Fair Trade Commission, has taken measures to prevent recurrence of similar cases. These measures involved carrying out education seminars about the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade for all employees, implementing a monitoring system in relation to the same Act, and introducing rules concerning contact with competitors. The Group will further strengthen and enhance in-house training about compliance with laws and regulations, including the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, as well as improve monitoring systems, to pursue compliance-focused business management.

IV. Internal Audit Structure

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

(ii) The Company adopts a double-reporting system to the President and Executive Officer and the Audit Committee, and audit results are reported on a regular basis. When the reports are made, the audit report and the improvement report are reported together to realize swift measures.

(iii) The Internal Audit Division reported nine times to management in the current fiscal year, including “Results of audit on business operations of Daimaru Matsuzakaya Department Store by store” and “Results of audit on business operations of operating associates.”

V. Structure of the Audit Committee

(i) Two full-time Audit Committee members are appointed from among the Internal Directors who do not execute business, and one of them shall be the chairperson of the Audit Committee.

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

(iii) The Audit Committee receives explanations on the audit policy and plan prior to the audit from the Accounting Auditor. Furthermore, regarding audit results, explanations and reports were received, while opinions including requests on audit items were regularly expressed.

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

(v) The Meetings of the Audit Committee were held 12 times in the current fiscal year. Discussions were mainly on the Rules of the Audit Committee and the selection of the Accounting Auditor.

VI. Other

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

(ii) The Company reports periodically and whenever necessary on the status of digital information management and related matters to the Board of Directors, the Audit Committee,

the Group Management Meeting and the President and Executive Officer.

(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, under the Group Vision of "Create and Bring to Life 'New Happiness,'" in order to make a contribution to securing and enhancing the corporate value of the Group and, by extension, the common interests of shareholders.

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

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

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

Accordingly, if this occurs, the Company will establish an independent committee composed of Outside Directors and experts with viewpoints that are independent from the Company's 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 Statement of Financial Position (As of February 28, 2018)

(Millions of yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	**215,164**	**Current liabilities**	**292,351**
Cash and cash equivalents	38,883	Bonds and borrowings	46,230
Trade and other receivables	125,649	Trade and other payables	141,343
Other financial assets	4,067	Other financial liabilities	30,811
Inventories	33,755	Income tax payables	9,202
Other current assets	6,076	Provisions	202
Assets held for sale	6,732	Other current liabilities	64,561
Non-current assets	**807,183**	**Non-current liabilities**	**279,109**
Property, plant and equipment	458,877	Bonds and borrowings	137,972
Goodwill	523	Other financial liabilities	34,240
Investment property	195,608	Retirement benefit liabilities	29,909
Intangible assets	3,588	Provisions	4,595
Investments accounted for using equity method	16,425	Deferred tax liabilities	61,161
		Other non-current liabilities	11,231
Other financial assets	100,016		
Deferred tax assets	7,286		
Other non-current assets	24,857		
		Total liabilities	**571,460**
		Equity	
		Total equity attributable to owners of parent	**395,519**
		Capital	31,974
		Share premium	211,864
		Treasury shares	(15,244)
		Other components of equity	15,772
		Retained earnings	151,151
		Non-controlling interests	**55,368**
		Total equity	**450,887**
Total assets	**1,022,348**	**Total liabilities and equity**	**1,022,348**

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

Consolidated Statement of Profit or Loss (From March 1, 2017 to February 28, 2018)

(Millions of yen)

Item	Amount
Sales revenue	469,915
Cost of sales	(256,979)
Gross profit	**212,935**
Selling, general and administrative expense	(166,688)
Other operating income	8,967
Other operating expense	(5,668)
Operating profit	**49,546**
Finance income	1,090
Finance costs	(1,194)
Share of profit (loss) of investments accounted for using equity method	(1,171)
Profit before tax	**48,271**
Income tax expense	(16,415)
Profit	**31,855**
Profit attributable to:	
Owners of parent	28,486
Non-controlling interests	3,368
Profit	31,855

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

Consolidated Statement of Changes in Equity (From March 1, 2017 to February 28, 2018)

(Millions of yen)

	Equity attributable to owners of parent									
				Other components of equity						
	Capital	Share premium	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total
Balance as of March 1, 2017	30,000	209,551	(11,281)	(154)	(66)	12,832	–	12,610	127,690	368,571
Profit	–	–	–	–	–	–	–	–	28,486	28,486
Other comprehensive income	–	–	–	92	111	3,471	2,287	5,963	–	5,963
Total comprehensive income	–	–	–	92	111	3,471	2,287	5,963	28,486	34,450
Issuance of new shares	1,974	1,974	–	–	–	–	–	–	–	3,948
Purchase of treasury shares	–	–	(3,963)	–	–	–	–	–	–	(3,963)
Disposal of treasury shares	–	(0)	0	–	–	–	–	–	–	0
Dividends	–	–	–	–	–	–	–	–	(7,846)	(7,846)
Changes in ownership interests in subsidiaries	–	(56)	–	–	–	–	–	–	–	(56)
Share-based payment transactions	–	395	–	–	–	–	–	–	–	395
Transfer from other components of equity to retained earnings	–	–	–	–	(60)	(472)	(2,287)	(2,820)	2,820	–
Other	–	–	–	18	–	–	–	18	–	18
Total transactions with owners	1,974	2,313	(3,962)	18	(60)	(472)	(2,287)	(2,801)	(5,025)	(7,502)
Balance as of February 28, 2018	31,974	211,864	(15,244)	(43)	(15)	15,831	–	15,772	151,151	395,519

	Non-controlling interests	Total
Balance as of March 1, 2017	52,872	421,444
Profit	3,368	31,855
Other comprehensive income	(7)	5,955
Total comprehensive income	3,360	37,811
Issuance of new shares	–	3,948
Purchase of treasury shares	–	(3,963)
Disposal of treasury shares	–	0
Dividends	(911)	(8,757)
Changes in ownership interests in subsidiaries	56	–
Share-based payment transactions	–	395
Transfer from other components of equity to retained earnings	–	–
Other	(10)	(8)
Total transactions with owners	(865)	(8,367)
Balance as of February 28, 2018	55,368	450,887

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

[Reference]

Consolidated Statement of Cash Flows (Summary)

(From March 1, 2017 to February 28, 2018)

(Millions of yen)

Item	Amount
Cash flows from operating activities	57,079
Cash flows from investing activities	(19,030)
Cash flows from financing activities	(31,048)
Net increase in cash and cash equivalents	7,000
Cash and cash equivalents at beginning of period	31,867
Effect of exchange rate changes on cash and cash equivalents	15
Cash and cash equivalents at end of period	38,883

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

Non-consolidated Financial Statements

Non-consolidated Balance Sheet (As of February 28, 2018)

(Millions of yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	**27,540**	**Current liabilities**	**20,422**
Cash and deposits	18,802	Short-term loans payable	18,200
Short-term loans receivable from subsidiaries and associates	7,805	Commercial papers	1,000
		Accrued expenses	378
Other	2,418	Income taxes payable	135
Allowance for doubtful accounts	(1,485)	Provision for bonuses	122
		Provision for directors' bonuses	118
		Provision for loss on business liquidation	20
		Provision for officer remuneration BIP trust	96
		Other	351
Non-current assets	**393,633**	**Non-current liabilities**	**95,135**
Property, plant and equipment	**166**	Bonds payable	50,000
Buildings and structures	131	Long-term loans payable	43,095
Other	34	Provision for officer remuneration BIP trust	182
		Deferred tax liabilities	14
		Other	1,843
Intangible assets	**97**	**Total liabilities**	**115,558**
Software	97	**Net assets**	
		Shareholders' equity	**305,769**
		Capital stock	31,974
		Capital surplus	249,075
Investments and other assets	**393,369**	Legal capital surplus	7,500
Investment securities	1,187	Other capital surplus	241,575
Shares of subsidiaries and associates	319,745	Retained earnings	39,199
Long-term loans receivable from subsidiaries and associates	72,075	Other retained earnings	39,199
		Retained earnings brought forward	39,199
Other	361	Treasury shares	(14,480)
Deferred assets	**187**	**Valuation and translation adjustments**	**33**
Bond issuance cost	187	Valuation difference on available-for-sale securities	33
		Total net assets	**305,802**
Total assets	**421,361**	**Total liabilities and net assets**	**421,361**

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

Non-consolidated Statement of Income (From March 1, 2017 to February 28, 2018)

(Millions of yen)

Item	Amount	
Operating revenue		
Dividend income	10,979	
Consulting fee income	3,797	**14,776**
General and administrative expenses		**4,154**
Operating income		**10,622**
Non-operating income		
Interest income	501	
Dividend income	151	
Reversal of allowance for loan losses	135	
Other	62	850
Non-operating expenses		
Interest expenses	468	
Provision of allowance for doubtful accounts	975	
Loss on retirement of non-current assets	39	
Other	98	1,580
Ordinary income		**9,892**
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	1,520	
Reversal of provision for loss on business liquidation	1,021	2,542
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	3,453	3,453
Profit before income taxes		**8,981**
Income taxes - current	4	
Income taxes - deferred	397	401
Profit		**8,579**

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

Non-consolidated Statement of Changes in Equity (From March 1, 2017 to February 28, 2018)

(Millions of yen)

	Shareholders' equity						Valuation and translation adjustments	Total net assets
	Capital stock	Capital surplus		Retained earnings	Treasury shares	Total shareholders' 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, 2017	30,000	7,500	239,601	38,505	(10,517)	305,089	15	305,105
Changes of items during the fiscal year								
Issuance of new shares	1,974		1,974			3,948		3,948
Dividends of surplus				(7,885)		(7,885)		(7,885)
Profit				8,579		8,579		8,579
Purchase of treasury shares					(3,963)	(3,963)		(3,963)
Disposal of treasury shares			0		0	0		0
Net changes of items other than shareholders' equity							17	17
Total changes of items during the fiscal year	1,974	–	1,974	694	(3,962)	680	17	697
Balance as of February 28, 2018	31,974	7,500	241,575	39,199	(14,480)	305,769	33	305,802

(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, 2018

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

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

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

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

Pursuant to Paragraph 4, Article 444 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the notes to the consolidated financial statements of J. Front Retailing Co., Ltd. (the "Company") applicable to the 11th fiscal year from March 1, 2017 through February 28, 2018.

Management's Responsibility for the Consolidated Financial Statements

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

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 11th fiscal year from March 1, 2017 through February 28, 2018 in conformity with the latter part of Paragraph 1, Article 120 of the Company Accounting Regulation Ordinance that allows companies to prepare consolidated financial statements with the omission of a part of the disclosure items required under IFRS.

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, 2018

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

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

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

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

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 11th fiscal year from March 1, 2017 through February 28, 2018.

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 11th fiscal year from March 1, 2017 through February 28, 2018 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 COMMITTEE MEMBERS

Audit Report

The Audit Committee has audited the performance of duties by Directors and Executive Officers of J. Front Retailing Co., Ltd. (the "Company") during the 11th fiscal year from March 1, 2017 to February 28, 2018. We hereby report as follows regarding the method and results of the audit.

1. Method and content of audits

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

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

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

(iii) While monitoring and reviewing the audit of the Accounting Auditor to ensure they maintained an independent position and conducted their audits fairly, Audit Committee members received reports from them regarding the performance of their duties, and when necessary, asked for further explanation regarding those reports. Audit Committee members also received notice from the Accounting Auditor in accordance with "the system for ensuring appropriate execution of their duties" (as enumerated in each Item of Article 131 of the 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 Committee members requested further explanation regarding that notice.

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

2. Audit Results

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

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

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

(iii) The Audit Committee confirms that decisions by the Board of Directors regarding the Company's internal control systems are fair and adequate, and found no areas that require mention regarding the description of the internal control systems in the Business Report and the performance of duties by Directors and Executive Officers. As stated in the Business Report, the Corporate Sales Division of Daimaru Matsuzakaya Department Stores Co., Ltd., a subsidiary of the Company, received a cease and desist order and a payment order in January 2018 from the Japan Fair Trade Commission. The Audit Committee 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 Committee confirms that the basic policy regarding those who control the determination of the Company's financial and operational policies, as noted in the Business Report, is fair and adequate. The Audit Committee confirms that activities set forth in Item 3 (b), Article 118 of the 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 Committee members of the Company.

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

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

(3) Results of Audit of Consolidated Financial Statements

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

(Note) Effective May 25, 2017, the Company transitioned to a company with three committees (nomination, audit and remuneration committees). During the period from March 1, 2017 to the date before the date of the transition, the Audit & Supervisory Board executed its duties under the Companies Act. The Audit Committee has received a transfer of duties from the Audit & Supervisory Board.

April 10, 2018

Audit Committee
J. Front Retailing Co., Ltd.

DOI Zenichi (seal)
Chairperson of Audit Committee (full-time)

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

TSURUTA Rokurou (seal)
Audit Committee member

ISHII Yasuo (seal)
Audit Committee member

NISHIKAWA Koichiro (seal)
Audit Committee member

(Note) Audit Committee members, namely, TSURUTA Rokurou, ISHII Yasuo and NISHIKAWA Koichiro are Outside Directors as prescribed in Item 15, Article 2 and Paragraph 3, Article 400 of the Companies Act.

Internet Disclosure Items
for Notice of Convocation of the 11th Annual Shareholders Meeting

Notes to Consolidated Financial Statements
Notes to Non-consolidated Financial Statements
(From March 1, 2017 to February 28, 2018)

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. Reporting standards for the preparation of consolidated financial statements

The J. Front Retailing Group, from the fiscal year under review, has been preparing its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), based on the provisions of Article 120, Paragraph 1 of the Rules of Corporate Accounting.

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

2. Matters concerning the scope of consolidation

Consolidated subsidiaries 25 companies

Major consolidated subsidiaries are listed in "1. Current status of the corporate group, (6) Status of significant parent company and subsidiaries" in the Business Report.

Furthermore, as all shares held in Forest Co., Ltd. were transferred during the fiscal year under review and the liquidation of JFR PLAZA Inc. was completed during the fiscal year under review, they are excluded from the scope of consolidation.

3. Matters concerning the application of the equity method

Equity method associates 7 companies

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

4. Matters concerning the fiscal year of consolidated subsidiaries

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

5. Matters concerning accounting policies

(1) Foreign currency transactions

1) Foreign currency transactions

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

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

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

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

2) Financial statements of foreign subsidiaries, etc.

Assets and liabilities of foreign subsidiaries, etc., are translated into Japanese yen at the

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

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

The Group has applied the exemption of IFRS 1, and deemed cumulative exchange differences for foreign subsidiaries, etc., arising before the date of transition as zero and transferred all of them to retained earnings.

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

1) Financial instruments

The Group has adopted IFRS 9, "Financial Instruments" (revised in July 2014) in advance for accounting treatment for financial instruments.

(i) Non-derivative financial assets

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

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

(a) Financial assets measured at amortized cost

With regard to investments in debt instruments, when the contractual cash flows consist of principal and interest paid on specified dates, and the Group holds such investments based on a business model whose objective is to hold the instrument to collect contractual cash flows, the debt financial assets are measured at amortized cost. Transaction cost directly attributable to acquisition of financial assets measured at amortized cost is included in the fair value.

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

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

With regard to investments in debt instruments, when the contractual cash flows consist of principal and interest paid on specified dates, and the Group holds such investments based on a business model whose objective is both to collect contractual cash flows and to sell the financial assets, the debt financial assets are measured at fair value. In this case, interest revenue, foreign exchange gains and losses and impairment losses measured using the effective interest method are recognized in profit or loss, and changes in the fair value excluding them are recognized in other comprehensive income (may be reclassified to profit or loss).

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

Transaction cost directly attributable to acquisition of financial assets at FVTOCI is included in the fair value.

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

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

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

(d) Impairment of financial assets

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

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

(e) Derecognition of financial assets

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

(ii) Non-derivative financial liabilities

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

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

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

(iii) Presentation of financial assets and liabilities

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

(iv) Derivatives and hedge accounting

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

At the time of initial designation of the hedge, the Group documents the relationship between the hedging instrument and the hedged item, the risk management objective, the strategy for implementation of the hedge transaction, the hedging instrument and the hedged

item, the nature of hedged risk, the method for assessing effectiveness of the hedge relationship and the method of measuring effectiveness and ineffectiveness.

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

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

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

(a) Cash flow hedges

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

(b) Fair value hedges

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

(v) Cash and cash equivalents

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

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

(i) Inventories

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

(ii) Assets held for sale

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

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

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

(iii) Property, plant and equipment

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

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

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

- Buildings and structures 3 to 50 years
- Machinery and vehicles 2 to 20 years
- Fixtures and fittings 2 to 20 years

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

(iv) Goodwill

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

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

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

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

(v) Intangible assets

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

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

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

- Software 5 years

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

(vi) Leased assets

Leases are classified as finance leases whenever substantially all the risks and rewards incidental to ownership of leased assets are transferred to the Group under the contract. All other leases are classified as operating leases.

In finance lease transactions, leased assets are recorded in the consolidated statement of financial position at the lower of the fair value of the leased property or the present value of the aggregated minimum lease payments, each determined at the inception of the lease. Leased assets are depreciated over the shorter of their estimated useful lives or the lease term.

Lease payments are apportioned between the interest expense based on the interest method and the payment of the lease obligations, and interest expense is recognized in the consolidated statement of profit or loss.

Lease payments under an operating lease are recognized as an expense on the straight-line method over the lease term in the consolidated statement of profit or loss. In addition, contingent rent is recognized as an expense in the period in which it is incurred.

Determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement, in accordance with IFRIC 4, "Determining whether an Arrangement contains a Lease," even if the arrangement does not have the form of lease from the standpoint of the law.

(vii) Investment property

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

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

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

(viii) Impairment of non-financial assets

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

The recoverable amount of an asset or a cash-generating unit is the larger of its value in use and fair value less cost of disposal. In calculating value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the asset. The cash-generating unit is the smallest group of funds that generates cash inflows, from continuous use, that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

Impairment losses related to goodwill are not reversed. With regard to other assets, for previously recognized impairment losses, the Group assesses whether there is any indication that the loss has decreased or been extinguished at the end of each reporting period. An impairment loss is reversed when there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed up to the carrying amount that would have been determined had no impairment loss been recognized, net of necessary depreciation and amortization.

(3) Accounting policy for significant provisions

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

Asset retirement obligations

Asset retirement obligations are recorded at the estimated amount of restoration costs for leased stores, offices, etc. for which the Group has obligations to restore them to original state at the time when the lease is terminated and costs for removing harmful substances related to non-current assets.

Provision for loss on business liquidation

An amount of loss is recorded for the cost of store dismantlement, etc. that is expected to be borne in the future as a result of business liquidation, store closure and store rebuilding.

(4) Revenue recognition

Sales revenue is measured at the fair value of the consideration received from the sale of goods and rendering of services, less any discounts, rebates and sales-related taxes.

1) Sale of goods

Revenue from the sale of goods is recognized when the Group has transferred the significant risks and rewards of ownership of the goods to the buyer; the Group retains neither continuing managerial involvement nor effective control over the goods; it is probable that economic benefits related to the transaction will flow to the Group; and these benefits and corresponding costs can be measured reliably.

For sales under a customer loyalty program in which points are granted at the time of sales, fair value of the points is estimated and the amount less the estimated fair value is recognized as revenue.

2) Rendering of services

Rendering of services of the Group is principally lease of properties, etc., and revenue is recognized according to the lease period or the rendering of services.

3) Interest revenue

Interest revenue is recognized using the effective interest method.

4) Dividends

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

5) Gross and net presentation of revenue

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

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

- Whether the Group has principal responsibility for providing the goods or services to the customer or for fulfilling the order
- Whether the Group has inventory risk before or after the customer order, during shipping or on return

- Whether the Group has discretion in establishing prices directly or indirectly
- Whether the Group bears credit risk of the customer in association with receivables from the customer
- Whether the amount received is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed

(5) Government grants

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

(6) Income tax

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

1) Current taxes

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

2) Deferred taxes

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

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

- Temporary differences arising from the initial recognition of goodwill
- Temporary differences arising from initial recognition of assets and liabilities from transactions that are not business combinations and affect neither accounting income or taxable income
- Taxable temporary differences associated with investments in subsidiaries and associates, where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

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

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

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

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

(7) Employee benefits

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

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

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

Net defined benefit liability or asset is determined as the present value of defined benefit obligation less the fair value of plan assets.

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

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

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

(8) Share-based payment

The Company has adopted an officer remuneration BIP (Board Incentive Plan) trust (hereinafter referred to as the "BIP Trust") as a performance-linked, share-based payment to ensure steady execution and progress of the Medium-term Business Plan. The BIP Trust is a system of granting the Company's shares to officers (in certain cases, the Company's shares are converted into cash within the trust and cash in the amount equivalent to their conversion value is paid) in accordance with the officers' rank and level of achievement of the Medium-term Business Plan, etc. The value of the service received is measured by the fair value of the Company's shares on the grant date. This value is expensed over the vesting period from the grant date, and a corresponding amount is recognized as an increase in equity.

(9) Earnings per share

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

(10) Treasury shares

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

(11) Borrowing costs

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

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

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

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

Notes on consolidated statement of financial position

1. Allowance for doubtful accounts directly deducted from assets

(1) Trade and other receivables	¥130 million
(2) Other financial assets	¥2,944 million

2. Total amount of accumulated depreciation

(1) Property, plant and equipment	¥283,722 million
(2) Investment property	¥9,679 million

3. Assets pledged as collateral and secured liabilities

(1) Assets pledged as collateral

Buildings and structures	¥2,638 million
Land	¥5,290 million
Other	¥855 million
Total	¥8,784 million

(2) Secured liabilities

Non-current borrowings	¥1,125 million
Other	¥361 million
Total	¥1,486 million

4. Contingent liabilities

Guarantee of financing for employee housing and others	¥10 million
Total	¥10 million

Notes on consolidated statement of profit or loss

1. Other operating income

Gain on sales of non-current assets	¥3,103 million
Indemnities received	¥1,951 million
Gain on sales of shares of subsidiaries and associates	¥1,926 million
Other	¥1,985 million
Total	¥8,967 million

2. Other operating expense

Loss on disposals of non-current assets	¥1,609 million
Impairment loss	¥2,576 million
Other	¥1,482 million
Total	¥5,668 million

Notes on consolidated statement of changes in equity

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

Common shares	270,565,764 shares

2. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 10, 2017	Common shares	3,661	14.00	February 28, 2017	May 8, 2017
Board of Directors meeting held on October 10, 2017	Common shares	4,223	16.00	August 31, 2017	November 8, 2017

(Note) Total amount of dividends resolved at the Board of Directors meeting held on October 10, 2017 includes ¥39 million of dividends paid to the Company's shares held by an officer remuneration BIP trust.

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

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 10, 2018	Common shares	Retained earnings	5,015	19.00	February 28, 2018	May 7, 2018

(Note) Total amount of dividends resolved at the Board of Directors meeting held on April 10, 2018 includes ¥46 million of dividends paid to the Company's shares held by an officer remuneration BIP trust.

Notes on financial instruments

1. Matters concerning conditions of financial instruments

Risk management regarding financial instruments

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

1) Market risk management

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

(i) Foreign exchange fluctuation risk

The majority of the Group's notes and accounts payable - trade and income taxes payable, which are trade and other payables, 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.

(ii) Interest rate fluctuation risks

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

(iii) Market price fluctuation risk

The Group holds marketable securities, mainly ones of companies with which it has business relationships. Although such securities are exposed to market price fluctuation risk, the Group not

only periodically monitors their market prices but also continuously reviews its shareholding positions. Further, as all of these securities are designated as the financial assets which are measured at fair value through other comprehensive income, the fluctuation of market price has no impact on profit or loss.

2) Credit risk management

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

(i) Trade and other receivables

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

(ii) Short-term investments

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

(iii) Loans receivable

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

(iv) Derivative transactions

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

3) Liquidity risk management

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

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

2. Matters concerning fair values of financial instruments

Carrying amount, fair values as of February 28, 2018, and their differences are as follows.

(Millions of yen)

	Carrying amount (*)	Fair value (*)	Difference
Assets			
(1) Cash and cash equivalents	38,883	38,883	–
(2) Trade and other receivables	125,649	125,649	–
(3) Other financial assets	104,084	108,588	4,504
Liabilities			
(4) Trade and other payables	[141,343]	[141,343]	–
(5) Other financial liabilities	[64,971]	[64,962]	(12)
(6) Borrowings	[134,390]	[134,551]	161
(7) Bonds	[49,812]	[50,168]	355
(8) Derivatives	[77]	[77]	–

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

(Note) Method for measuring fair values

(1) Cash and cash equivalents, (2) trade and other receivables, (3) other financial assets (current), (4) trade and other payables, and (5) other financial liabilities (current)

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

(3) Other financial assets (non-current), (5) other financial liabilities (non-current)

The fair value of listed stocks are measured based on market prices at the last date of a fiscal year. The fair value of unlisted stocks is measured by discounted future cash flows, valuation model based on profit and net assets, comparable company analysis method or the like.

Other financial assets or other financial liabilities measured at amortized cost mainly consist of lease and guarantee deposits paid or lease and guarantee deposits received, and their fair value is measured at present value calculated by discounting future cash flows at the current market interest rates or the like.

(6) Borrowings and (7) bonds

Borrowings and bonds are mainly measured by present value obtained by discounting future cash flows at interest rates that would be charged for a new similar borrowing.

(8) Derivatives

Derivatives are measured, as financial assets or liabilities measured at fair value through profit or loss, based on prices presented by the counterparty financial institutions.

Notes on investment property

1. Matters concerning status of investment property

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

2. Matters concerning fair values of investment property

(Millions of yen)

Consolidated statement of financial position	Fair value at the end of the current fiscal year
195,608	257,872

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

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

Notes on per share information

1. Equity attributable to owners of parent per share: ¥1,511.91
2. Basic earnings per share: ¥108.92

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

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

(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.
Provision for officer remuneration BIP trust	To prepare for the granting of the Company's shares through an officer remuneration BIP trust, the amount equivalent to the value of shares in proportion to the number of points awarded to officers in accordance with the Stock Benefit Rules is provided.

5. Hedge accounting method

Hedge accounting method	Exceptional treatment is applied to interest rate swaps that satisfy the requirements for exceptional treatment.
Hedging instruments and hedged items	
Hedging instruments	Interest rate swaps
Hedged items	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. Additional information

Adoption of the Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the current fiscal year, the Company has adopted the "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

Notes on non-consolidated balance sheet

1. Accumulated depreciation of property, plant and equipment

¥4 million

Notes on non-consolidated statement of income

1. Transaction with subsidiaries and associates

Operating revenue	¥14,776 million
General and administrative expenses	¥255 million
Non-operating transactions	¥710 million

Notes on non-consolidated statement of changes in equity

1. Class and total number of shares issued as of the end of the current fiscal year
   Common shares 270,565,764 shares
2. Class and number of treasury shares as of the end of the current fiscal year
   Common shares 9,028,344 shares

Notes on tax effect accounting

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

Deferred tax assets	
Provision for bonuses	¥37 million
Accrued insurance expenses	¥7 million
Accrued enterprise tax	¥36 million
Allowance for doubtful accounts	¥454 million
Loss on valuation of shares of subsidiaries and associates	¥1,121 million
Loss on support to subsidiaries and associates	¥91 million
Provision for loss on business liquidation	¥6 million
Provision for officer remuneration BIP trust	¥11 million
Unused tax losses	¥140 million
Other	¥60 million
Sub total deferred tax assets	¥1,968 million
Valuation allowance	¥(1,968) million
Total deferred tax assets	–
Deferred tax liabilities	
Valuation difference on available-for-sale securities	¥(14) million
Net deferred tax liabilities	¥(14) 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)	3,051	—	—
				Lending of funds	34,000	Short-term loans receivable	2,700
				Collection of funds	34,740	Long-term loans receivable	62,075
				Receipt of interests (Note 2)	417	—	—
Subsidiary	JFR Service Co. Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending and collection of funds (Note 3)	10,311	Short-term loans receivable	3,620
				Receipt of interests (Note 2)	34	—	—
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: ¥1,169.25
2. Basic earnings per share: ¥32.80