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[Securities code: 3086]
May 7, 2020

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 13th Annual Shareholders Meeting

You are hereby notified that the 13th Annual Shareholders Meeting of J. FRONT RETAILING Co., Ltd. (hereinafter the "Company") will be held on Thursday, May 28, 2020.

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

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

To shareholders who will not 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 27, 2020 (JST).

Date and Time: Thursday, May 28, 2020, at 10:00 a.m. (JST) (Reception opens at 9:00 a.m.)
Venue: Event Hall, B2F, Bellesalle Tokyo Nihonbashi
Tokyo Nihonbashi Tower, 7-1, Nihonbashi 2-chome, Chuo-ku, Tokyo
Purpose of the meeting:
Matters to be reported:
1. Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements for the 13th fiscal year (from March 1, 2019 to February 29, 2020)
2. Audit reports of the Accounting Auditor and the Audit Committee on Consolidated Financial Statements for the 13th fiscal year

Matters to be resolved: Proposal: Election of Thirteen (13) Directors
Decisions made for convocation:
Please refer to Guide to the Exercise of Voting Rights on pages 3 to 4.

* Shareholders considering to attend the meeting in person are requested to check the status of the infections of the novel coronavirus (COVID-19) on the date of the meeting and take note of your own health condition. We humbly request that you forgo visiting the venue on the day.
* 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.)
However, institutional investors who hold shares in the names of trust banks, etc. and do not hold shares in their own names will be admitted, on condition that they fulfilled the requirements and procedures provided for in the Company's Articles of Incorporation and Share Handling Regulations.
* We will not hold live broadcasting sessions at venues in Osaka and Nagoya.

- 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: https://www.j-front-retailing.com/

The webcast of the Annual Shareholders Meeting will be available on the Company's website after the meeting.

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.

There has recently been a rise in the number of people infected by the novel coronavirus (COVID-19). To help prevent the virus from spreading further, we humbly request that you consider exercising your voting rights on paper, or via the Internet, and forgo visiting the venue on the day.
https://www.j-front-retailing.com/

If you will not 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 27, 2020 (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 27, 2020 (JST)

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

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

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

- 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 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” in the Business Report regarding the status of activities of four Outside Directors who are proposed for reappointment, and “6. Operation of the Board of Directors” and “7. Operations of each Committee” in the Business Report regarding the status of operations of the Board of Directors and each committee.

The Company’s approach to the composition of the Board of Directors

In selecting candidates for the Board of Directors, the Company takes the perspective of strengthening management supervision functions, and, within the scope of the Articles of Incorporation, considers the balance of the numbers of supervisors and executives. With regard to the composition of the Board of Directors implied by the proposed candidates for Director, the Company has decided to maintain a total of 13 Directors. In order to promote management from a shareholder-oriented perspective and to continue to facilitate the appropriate functioning of the Company’s statutory three committees (nomination, audit, and remuneration), the Company has seven Inside Directors and six Outside Directors.

In selecting candidates for Outside Director, the Company selects persons from the point of view of Board diversity who have experience as managers not in the retailing industry that forms the core of the Company’s business but in manufacturing and other non-retail industries, and who have expertise in legal and other fields, a global perspective, and M&A experience. When selecting new candidates for Director, the Company pays particular attention to the need for appropriate supervision of the process of generating further synergies from the transformation to a wholly-owned subsidiary of PARCO, a major business subsidiary, and to individuals with abundant knowledge, backed by practical experience, of the drawing up of succession plans for top management, who through their decision-making have the most significant impact on the growth of the Company.

With regard to candidates for Inside Director who does not execute business, wide-ranging practical experience within the Group and specialized knowledge in fields such as finance are sought by the Company. As for candidates for Directors who engage in business execution, in addition to the person responsible for the Group’s core businesses, which are the Department Store and PARCO Businesses, the Company has selected a person responsible for the Financial Department whose high level of knowledge will facilitate the execution of the strategic financial policies demanded by our shareholders and investors.

No.	Name	Reappointment / New; Non-executive / Executive; Independent; Outside	Committee to belong (The "◎" mark indicates the candidates of Chairperson.)		
			Nomination	Audit	Remuneration
1	YAMAMOTO Ryoichi Chairperson (Note 1)	Reappointment, Non-executive	○		○
2	TSUTSUMI Hiroyuki	Reappointment, Non-executive		○	
3	MURATA Soichi	Reappointment, Non-executive		○	
4	ISHII Yasuo	Reappointment, Non-executive, Independent, Outside	◎		○
5	NISHIKAWA Koichiro	Reappointment, Non-executive, Independent, Outside		◎	
6	UCHIDA Akira	Reappointment, Non-executive, Independent, Outside	○		◎
7	SATO Rieko (Note 2)	Reappointment, Non-executive, Independent, Outside		○	
8	SEKI Tadayuki	New, Non-executive, Independent, Outside		○	
9	YAGO Natsunosuke	New, Non-executive, Independent, Outside	○		○
10	YOSHIMOTO Tatsuya	Reappointment, Executive	○		○
11	SAWADA Taro	New, Executive (Note 3)			
12	MAKIYAMA Kozo	Reappointment, Executive			
13	WAKABAYASHI Hayato	Reappointment, Executive			

(Notes) 1. If the election of YAMAMOTO Ryoichi is approved in this proposal, the Company plans to select him as the Chairperson of Board of Directors at a Board of Directors meeting that is to be held after this Annual Shareholders Meeting.
2. SATO Rieko is recorded under the name of KAMATA Rieko in the family register.
3. SAWADA Taro retired from the office of Director on May 23, 2019, and was elected as an Executive Officer who does not concurrently serve as Director.
4. The Company plans to elect nine Executive Officers who do not concurrently serve as Directors at a Board of Directors meeting that is to be held after this Annual Shareholders Meeting.

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

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

(i) Person who executes business in the J. Front Retailing Group (the "Group")
(ii) Major shareholder of the Company (including person who executes business thereof; the same applies with items (iii) to (vi) below)
(iii) Major business partner of the Group
(iv) Person affiliated with a law office, audit firm, consultancy or other entity that receives payment other than executive compensation of more than a certain amount from the Group
(v) Recipient of donations of more than a certain amount contributed by the Group
(vi) Related party in cases where the party is engaged in an arrangement involving a reciprocal officer

appointment with the Group

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

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

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

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company	
1	YAMAMOTO Ryoichi (March 27, 1951) Gender: Male Number of the Company's shares owned (shares): **89,412** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 13th fiscal year: **15/15** Number of attendance at the meetings of Nomination Committee **13/13** Number of attendance at the meetings of Remuneration Committee **11/11** Tenure as Director (at the conclusion of this Meeting): **approx. 12 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 (gaisho) Reform Promotion Executive General Manager of Department Store Operations Headquarters and Planning Office for New Umeda Store, Head Office of The Daimaru, Inc. Director of Matsuzakaya Co., Ltd. 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 ten years. Taking into consideration such achievements and the current business environment, the Company has judged that an Inside Director with thorough knowledge of the roles of the Group's overall strategy and individual businesses, as well as knowledge of expectations of individual businesses serving as the Chairperson of 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 nominated him as a candidate to continue serving as Director.

-If the election of YAMAMOTO Ryoichi is approved in this proposal, the Company plans to enter into an agreement with him 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	
2	TSUTSUMI Hiroyuki (February 3, 1958) Gender: Male Number of the Company's shares owned (shares): **17,298** Number of other shares as stock-based remuneration not yet granted (shares): **11,710** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 13th fiscal year: **15/15** Number of attendance at the meetings of Audit Committee **15/15** Tenure as Director (at the conclusion of this Meeting): **approx. 3 years**	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 General Manager of Finance Division, Administration Unit of Daimaru Matsuzakaya Department Stores Co. Ltd. Corporate 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)
		Important concurrent positions outside the Company (Concurrent positions in the Group) Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.	

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 since March 1989. 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 nominated 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	
3	MURATA Soichi (September 9, 1956) Gender: Male Number of the Company's shares owned (shares): **15,810** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 13th fiscal year: **12/12** Number of attendance at the meetings of Audit Committee **10/10** Tenure as Director (at the conclusion of this Meeting): **approx. 1 year**	April 1980 March 2000 September 2002 January 2005 January 2006 January 2010 May 2010 April 2013 May 2013 May 2017 May 2019	Joined The Daimaru, Inc. Senior Manager of Men's Wear & Accessory Division of Osaka Umeda Store Senior Manager of Business Planning Department of Business Planning & CS Promotion Division of Osaka Umeda Store Deputy General Manager of Osaka Umeda Store Deputy General Manager of Osaka Umeda Store and General Manager of Planning Office for New Umeda Store of Head Office Executive Store Manager of Osaka Umeda Corporate Officer and Executive Store Manager of Daimaru Osaka Umeda Corporate Executive Officer, Executive General Manager of Sales & Marketing Headquarters and Senior General Manager of Merchandising Strategy Promotion Unit Director and Corporate Executive Officer Managing Executive Officer, Senior Executive General Manager of Administration Unit and in charge of Compliance of J. Front Retailing Co., Ltd. Director (present)

Reasons for nomination as candidate for Director

-MURATA Soichi has broad insight based on abundant experience in the field of department store sales. He has led new store planning for, and served as Executive Store Manager of Daimaru Osaka Umeda store, as serving on the management team of a department store operator, and Executive General Manager of Sales & Marketing Headquarters, the core of the Department Store Business. Moreover, after being appointed as Managing Executive Officer of the Company in May 2017, he served as Senior Executive General Manager of the Administration Unit and mainly in charge of compliance and the entire Group's shared services. 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 function, utilizing his abundant knowledge based on his experience, and has accordingly nominated him as a candidate to continue serving as Director.

-The Company has entered into an agreement with MURATA Soichi 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	
4	Independent Outside Director ISHII Yasuo (September 4, 1947) Gender: Male Number of the Company's shares owned (shares): **3,600** Number of other shares as stock-based remuneration not yet granted (shares): **3,866** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 13th fiscal year: **15/15** Number of attendance at the meetings of Nomination Committee **10/10** Number of attendance at the meetings of Audit Committee **5/5** Number of attendance at the meetings of Remuneration Committee **8/8** Tenure as Director (at the conclusion of this Meeting): **approx. 3 years**	April 1970	Joined Yamanouchi Pharmaceutical Co., Ltd.
		June 2000	Director of the Board, Director of Ethical Products Marketing Department of Sales & Marketing Division
		January 2001	Director of the Board of Yamanouchi Pharmaceutical Co., Ltd. and Chairman of Yamanouchi Europe B.V.
		March 2003	Director of the Board of Yamanouchi Pharmaceutical Co., Ltd., Chairman of Yamanouchi U.K. Limited and Chairman of Yamanouchi Europe B.V.
		June 2003	Managing Director of the Board of Yamanouchi Pharmaceutical Co., Ltd.
		June 2004	Senior Corporate Executive
		April 2005	Senior Corporate Executive of Astellas Pharma Inc. and Chairman & CEO of Astellas Pharma Europe Ltd.
		June 2008	Executive Vice President and Representative Director of Astellas Pharma Inc.
		June 2011	Vice Deputy Chairman and Representative Director
		June 2013	Retired from the office of Vice Deputy Chairman and Representative Director
		May 2015	Outside Audit & Supervisory Board Member of J. Front Retailing Co., Ltd.
			Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.
		May 2017	Outside Director of J. Front Retailing Co., Ltd. (present)
		May 2018	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)
		Important concurrent positions outside the Company (Concurrent positions in the Group) Director of Daimaru Matsuzakaya Department Stores Co. Ltd.	

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

-ISHII Yasuo possesses insight based on his experience in global corporate management and abundant experience in the field of management planning outside the retail industry, such as special familiarity with business development in overseas countries. He has 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. Moreover, as a member of the Nomination Committee and Remuneration Committee, he contributes to strengthening the management personnel function through determination of transparent and fair officer personnel change proposals, deliberation on the succession plan, and provision of suitable advice related to deliberation, etc. on proper level of officer remuneration and proper operation of the remuneration system. 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 nominated 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	
5	Independent Outside Director NISHIKAWA Koichiro (July 12, 1947) Gender: Male Number of the Company's shares owned (shares): **1,800** Number of other shares as stock-based remuneration not yet granted (shares): **3,866** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 13th fiscal year: **15/15** Number of attendance at the meetings of Audit Committee **15/15** Tenure as Director (at the conclusion of this Meeting): **approx. 3 years**	April 1970 August 1995 June 2001 April 2003 June 2003 January 2006 April 2007 April 2010 April 2012 March 2014 May 2015 May 2017 May 2018	Joined Hitachi, Ltd. Vice President of Hitachi America, Ltd. Managing Officer, General Manager of Global Business Development Division of Hitachi, Ltd. Managing Officer, 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) Director of Daimaru Matsuzakaya Department Stores Co. Ltd.

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

-NISHIKAWA Koichiro possesses practical experience in business alliances, M&A, business reforms, and his involvement in numerous important international negotiations. This enabled him to contribute 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 identifying risks regarding new business and M&As as well as suitability thereof, advancing progress management and results verification for corporate management strategies, and the suitability of numerical-target based planning. Also, as chairperson of the Audit Committee he contributes to strengthening the audit function by promoting discussions from the perspectives of legal compliance and appropriateness on the business execution of Directors and Executive Officers as well as matters submitted to the Board of Directors for deliberation or matters deemed necessary by the Audit Committee. 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 nominated 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	
6	Independent Outside Director UCHIDA Akira (October 4, 1950) Gender: Male Number of the Company's shares owned (shares): **1,500** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 13th fiscal year: **12/12** Number of attendance at the meetings of Audit Committee **10/10** Tenure as Director (at the conclusion of this Meeting): **approx. 1 year**	April 1975	Joined Toray Industries, Inc.
		June 1996	Executive Vice President of Toray Industries (America), Inc.
		June 2000	General Manager on Special Assignment of Corporate Strategic Planning Division 1, General Manager on Special Assignment of Corporate Communications Dept. of Toray Industries, Inc.
		June 2004	Counsellor of Corporate Strategic Planning Division, and Counsellor of Investor Relations Dept.
		June 2005	Member of the Board, General Manager of Finance and Controller's Division
			President, Toray Holding (USA), Inc.
		June 2009	Senior Vice President (Member of the Board), General Manager of Finance and Controller's Division
			President, Toray Holding (USA), Inc.
		June 2012	Senior Vice President (Member of the Board), in charge of CSR; General Manager of General Administration and Legal Division, Investor Relations Dept., Corporate Communications Dept., and Advertising Dept., Tokyo Head Office
		June 2016	Adviser
		March 2019	Retired from Adviser
		May 2019	Outside Director of J. Front Retailing Co., Ltd. (present)
		June 2019	Outside Director of Yokogawa Electric Corporation (present)
		Important concurrent positions outside the Company Outside Director of Yokogawa Electric Corporation	

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

-UCHIDA Akira possesses broad experience and knowledge in the corporate division, as a manager in charge of management planning and IR, and as the person responsible for the finance and accounting division, and has contributed to ensuring more effective meetings of the Board of Directors by actively and assertively furnishing advice with respect to the best financial strategy considering the cost of capital and ideas on ESG management that appropriately reflect the opinions of stakeholders. As a member of the Audit Committee, he contributes to strengthening the audit function by carrying out audits of the appropriate execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees), and from the perspective of legality, appropriateness, etc., engages in discussions related to items submitted to the Board of Directors, and items judged to require monitoring by the Audit Committee. In light of his track record and 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 nominated as a candidate to continue serving as Outside Director.

-UCHIDA Akira 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 UCHIDA Akira 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	
7	Independent Outside Director SATO Rieko (Name in the family register: KAMATA Rieko) (November 28, 1956) Gender: Female Number of the Company's shares owned (shares): **800** Number of other shares as stock-based remuneration not yet granted (shares): **1,933** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 13th fiscal year: **15/15** Number of attendance at the meetings of Nomination Committee **3/3** Number of attendance at the meetings of Audit Committee **15/15** Number of attendance at the meetings of Remuneration Committee **3/3** Tenure as Director (at the conclusion of this Meeting): **approx. 2 years**	April 1984	Registered as attorney at law
		August 1989	Shearman & Sterling LLP
		July 1998	Partner of Ishii Law Office (present)
		June 2004	External Audit & Supervisory Board Member of Ajinomoto Co., Inc.
		June 2012	Outside Corporate Auditor of NTT DATA CORPORATION (present)
		June 2015	Outside Director of The Dai-ichi Life Insurance Company, Limited
		October 2016	Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc. (present)
		May 2018	Outside Director of J. Front Retailing Co., Ltd. (present)
		May 2019	Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present)
		Important concurrent positions outside the Company Partner and attorney at law of Ishii Law Office Outside Corporate Auditor of NTT DATA CORPORATION Outside Director (Audit and Supervisory Committee Member) of Dai-ichi Life Holdings, Inc. (Concurrent positions in the Group) Director of Daimaru Matsuzakaya Department Stores Co. Ltd.	

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. She has contributed to maintaining and strengthening the Company's governance through providing active advice and oversight from an objective viewpoint, not only in areas related to defensive governance such as effective implementation method of internal audit and internal controls, but also regarding risks in creation of new businesses linked to the growth strategy. As a member of the Audit Committee, she contributes to strengthening the audit function by carrying out discussions from the perspective of legality, appropriateness, related to audits of the appropriate performance of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees), and from the perspective of legality, appropriateness, engages in discussions related to items submitted to the Board of Directors, and items judged to require monitoring by the Audit Committee. In light of her track record and abundant insight, the Company 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 nominated as a candidate to continue serving as Outside Director.

-SATO Rieko 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 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	
8	New Candidate Independent Outside Director SEKI Tadayuki (December 7, 1949) Gender: Male Number of the Company's shares owned (shares): **0** Special interests between the Company and the Candidate: **None**	April 1973	Joined ITOCHU Corporation
		June 1998	General Manager, Finance Division, ITOCHU International Inc. (Stationed in New York)
		June 2004	Executive Officer, CFO of Food Company
		April 2007	Managing Executive Officer, General Manager of Finance Division
		June 2009	Representative Director, Managing Director, Chief Officer for Finance, Accounting, Risk Management and CFO
		April 2010	Representative Director, Senior Managing Executive Officer
		May 2011	Representative Director, Senior Managing Executive Officer and CFO
		April 2013	Representative Director, Executive Vice President and CFO
		April 2014	Representative Director, Executive Vice President, Executive Advisory Officer, CFO & CAO
		April 2015	Adviser
		May 2016	External Director of Parco Co., Ltd. (present)
		June 2016	Outside Director of NIPPON VALQUA INDUSTRIES, LTD. (present VALQUA, LTD.) (present)
		April 2017	Advisory Member of ITOCHU Corporation (present)
		June 2017	Outside Director of JSR Corporation (present)
		July 2017	Outside Statutory Auditor of Asahi Mutual Life Insurance Company (present)
		Important concurrent positions outside the Company Outside Director of VALQUA, LTD. Outside Director of JSR Corporation Outside Statutory Auditor of Asahi Mutual Life Insurance Company (Concurrent positions in the Group) External Director of Parco Co., Ltd.	

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

-SEKI Tadayuki was involved in international business management and risk management at a general trading company for many years, and as CFO has both abundant experience and highly specialized knowledge in relation to finance and accounting. He also has wide-ranging insights derived from roles as Outside Director and Audit & Supervisory Board Member at multiple companies, including PARCO Co., Ltd. The Company judges that he will apply his achievements and deep knowledge to the appropriate supervision of management in the Group, and has accordingly nominated him as a candidate serving as Outside Director.

-If the election of SEKI Tadayuki is approved in this proposal, the Company plans to register him as an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.

-If the election of SEKI Tadayuki is approved in this proposal, the Company plans to enter into an agreement him 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	
9	New Candidate Independent Outside Director YAGO Natsunosuke (May 16, 1951) Gender: Male Number of the Company's shares owned (shares): **0** Special interests between the Company and the Candidate: **None**	April 1977	Joined EBARA CORPORATION
		June 2002	Executive Officer
		April 2004	Senior Executive Officer, Group Executive of Precision Machinery Group, Representative Director and Chairman of Ebara Precision Machinery Europe GmbH, Representative Director and Chairman of Ebara Technologies Inc. and Chairman of Ebara Precision Machinery Shanghai Inc.
		June 2004	Director
		April 2005	Director and Chairman of Ebara Precision Machinery Taiwan Inc.
		June 2005	President of Precision Machinery Company and General Manager of Fujisawa Operation
		April 2006	Director and Managing Executive Officer President of Precision Machinery Company
		April 2007	President and Representative Director
		May 2007	President and Representative Director and General Manager of Internal Control Promotion Department
		July 2009	President and Representative Director and General Manager of Internal Control Department
		April 2013	Chairman & Director
		October 2017	Representative Director of The Ebara Hatakeyama Memorial Foundation (present)
		March 2019	Retired from the office of Chairman & Director of EBARA CORPORATION
		June 2019	Outside Director of SUBARU CORPORATION (present)
		Important concurrent positions outside the Company	
		Outside Director of SUBARU CORPORATION	

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

-YAGO Natsunosuke has been involved in top-level company management for many years, and has abundant experience in strengthening financial bases and in compliance management. In addition to demonstrating his leadership skills during the transition of Ebara Corporation to a company with three committees (nomination, audit and remuneration committees), he has experience as a nomination committee member, and possesses highly specialized knowledge of internal control and corporate governance. The Company judges that he will apply his achievements and deep knowledge to the appropriate supervision of management in the Group, and has accordingly nominated him as a candidate serving as Outside Director.

-If the election of YAGO Natsunosuke is approved in this proposal, the Company plans to register him as an independent officer who has been given the obligation by the Tokyo Stock Exchange and the Nagoya Stock Exchange to protect ordinary shareholders.

-If the election of YAGO Natsunosuke is approved in this proposal, the Company plans to enter into an agreement with him 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	
10	YOSHIMOTO Tatsuya (April 13, 1956) Gender: Male Number of the Company's shares owned (shares): **61,065** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 13th fiscal year: **15/15** Tenure as Director (at the conclusion of this Meeting): **approx. 7 years**	April 1979	Joined The Daimaru, Inc.
		March 2000	Senior Manager of Preparatory Office for Opening Sapporo Store of Planning Office for Sapporo Store, Head Office
		January 2008	General Manager of Tokyo Store
		May 2008	Corporate Officer, General Manager of Tokyo Store
		January 2010	Corporate Officer, General Manager of Sales Planning Promotion Division and Marketing Planning Promotion Division of Department Stores Coordination Division of J. Front Retailing Co., Ltd.
		March 2010	Corporate Officer of Daimaru Matsuzakaya Department Stores Co. Ltd. Senior General Manager of Management Planning Division
		May 2012	Director and Corporate Officer
		April 2013	President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. (present) and President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd. (present)
		May 2013	Director of J. Front Retailing Co., Ltd. (present)
		May 2017	Representative Managing Executive Officer (present)
		Important concurrent positions outside the Company (Concurrent positions in the Group) President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. President and Representative Director of Daimaru Matsuzakaya Sales Associates Co. Ltd.	

Reasons for nomination as candidate for Director

-YOSHIMOTO Tatsuya has abundant experience and insight into the whole of the Department Store Business, particularly those areas related to business management, planning and store operations. Since being appointed President and Representative Director of Daimaru Matsuzakaya Department Stores Co. Ltd. in April 2013, he has been involved in executing existing high-quality department store business strategy taking the roles and expectations of the Department Store Business with respect to the Group's strategy into account, and formulating new Department Store Business Strategy in reaction to the massive changes in the external environment. He has been demonstrating swift and resoundingly effective leadership based on a strong results-oriented approach aimed at realizing these initiatives. Since May 2017, as Representative Managing Executive Officer of the Company he has accumulated further knowledge based on his experiences in management reform in relation to business management and corporate governance for the Group as a whole. In light of his track record and experience, 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 and has accordingly nominated him as a candidate to continue serving as Director.

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company	
11	New Candidate SAWADA Taro (January 17, 1960) Gender: Male Number of the Company's shares owned (shares): **17,747** Special interests between the Company and the Candidate: **None** (Reference) Tenure as Director in the past **approx. 1 year from May 24, 2018 to May 23, 2019**	April 1983 June 2004 March 2010 January 2011 May 2011 May 2012 September 2015 July 2016 March 2017 May 2017 May 2018 March 2019	Joined The Daimaru, Inc. Department Manager of Sales Promotion Department, Sales Planning & CS Promotion Division of Kobe Store Division Manager of Management Planning Division of Daimaru Matsuzakaya Department Stores Co. Ltd. Executive Store Manager of Daimaru Kobe Corporate Officer Executive Store Manager of Daimaru Osaka Shinsaibashi Executive Store Manager of Daimaru Osaka Shinsaibashi and Executive General Manager of Shinsaibashi New Store Planning Office Executive General Manager of Management Planning Unit Executive General Manager of Management Planning Unit, Senior General Manager of Management Planning Division and Executive General Manager of Future Standard Laboratory Director (present) and Managing Executive Officer Director of J. Front Retailing Co., Ltd. Managing Executive Officer (present) Senior Executive General Manager of Management Strategy Unit and in charge of Risk Management (present) Director of Parco Co., Ltd. (present) Senior General Manager of New Business Division (present)
		Important concurrent positions outside the Company (Concurrent positions in the Group) Director of Daimaru Matsuzakaya Department Stores Co. Ltd. Director of Parco Co., Ltd.	

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. From May 2018, as the Senior Executive General Manager of Management Strategy Unit of the Company, he has been promoting the Group Medium-term Business Plan, leading the conception, planning and promotion toward making the Group Vision a reality. 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 nominated him as a candidate serving as Director.

<table>
<tr><th>No.</th><th>Name
(Date of birth)</th><th colspan="2">Career summary, positions and areas of responsibility in the Company</th></tr>
<tr><td rowspan="2">12</td><td rowspan="2">MAKIYAMA Kozo
(August 28, 1958)

Gender: Male
Number of the Company's shares owned (shares):
20,700
Special interests between the Company and the Candidate:
None
Number of attendance at the Board of Directors meetings for the 13th fiscal year:
15/15
Tenure as Director (at the conclusion of this Meeting):
approx. 7 years</td><td>April 1981
March 2004

March 2007

March 2008

May 2008
March 2009
March 2010
March 2011
May 2011
May 2013
May 2017</td><td>Joined Parco Co., Ltd.
Executive Officer, Executive General Manager of Store Operation Division
Managing Executive Officer, Executive General Manager of Store Management Division
Senior Executive Officer, Senior Executive General Manager of Store Operation Headquarters and Executive General Manager of Store Management Division
Director and Senior Executive Officer
Supervisor of Store Operation Division
In charge of Store Management
In charge of Business Management
Director, President and Representative Executive Officer (present)
Director of J. Front Retailing Co., Ltd. (present)
Managing Executive Officer (present)</td></tr>
<tr><td colspan="2">Important concurrent positions outside the Company
(Concurrent positions in the Group)
Director, President and Representative Executive Officer of Parco Co., Ltd.</td></tr>
<tr><td colspan="4">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 the 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 new store makeups and business fields that are symbolized the opening of the new Shibuya PARCO. 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 nominated him as a candidate to continue serving as Director.</td></tr>
</table>

No.	Name (Date of birth)	Career summary, positions and areas of responsibility in the Company	
13	WAKABAYASHI Hayato (August 31, 1961) Gender: Male Number of the Company's shares owned (shares): **9,647** Special interests between the Company and the Candidate: **None** Number of attendance at the Board of Directors meetings for the 13th fiscal year: **15/15** Tenure as Director (at the conclusion of this Meeting): **approx. 4 years**	April 1985 April 1998 April 2007 February 2009 July 2013 May 2015 September 2015 March 2016 May 2016 March 2017 May 2017 May 2018	Joined Matsushita Electric Industrial Co., Ltd. (present Panasonic Corporation) President of Panasonic Financial Center Malaysia Co., Ltd. Director and Chief Executive Officer of Matsushita Electric (China) Finance Limited Finance Planning Team Leader (Manager), Headquarters Finance & IR Group of Panasonic Corporation General Manager, Finance & IR Group, Corporate Strategy Division and Finance Strategy Team Leader of Panasonic Corporation (Director) Joined J. Front Retailing Co., Ltd. In charge of Finance Policy, Administration Unit Executive Officer In charge of Financial Strategy and Policy, Administration Unit Senior Executive General Manager of Financial Strategy Unit (present) and in charge of Finance Policy Director (present) In charge of Financing and Finance Policy Managing Executive Officer (present) Senior General Manager of Financing and Finance Policy Division (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 March 2016, he has led the transition to IFRS with an eye to the future as Senior Executive General Manager of Financial Strategy Unit, and began its application during the Group's current Medium-term Business Plan. In addition to such achievements and in-depth insight on finance, he has the commensurate abilities as a management professional in terms of his strategic and transformation-minded leadership, strong results-oriented approach and other such attributes. As such, the Company 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 nominated him as a candidate to continue serving as Director.

[Reference Document for the 13th Annual Shareholders Meeting]

Business Report (From March 1, 2019 to February 29, 2020)

1. Current status of the corporate group

(1) Business summary and results

In the fiscal year under review, the Japanese economy rose and fell. For various reasons, including stagnant exports and production and a decline in capital investments and domestic demand due to the impact of the slowdown in overseas economies, natural disasters, and other developments, the Japanese economy's recovery trend leveled off, and uncertainty regarding various aspects of the Japanese economy, such as corporate production, capital investments, and spending, rapidly increased near the end of the fiscal year. Although the employment and income environments were firm, personal spending was not only lackluster due to continued weak spending as a result of the consumption tax hike but also further deteriorated toward the end of the fiscal year as both in-bound and domestic spending fell because of the novel coronavirus (COVID-19).

During the current Medium-term Business Plan, two major development projects were completed

Amid this environment, the J. Front Retailing Group (hereinafter the "Group") worked to implement the following five strategies to generate growth and reinforce its foundation as part of its efforts in the third year of the "FY2017–FY2021 Medium-term Business Plan" to realize the Group vision and transform its business portfolio. In particular, we completed two large-scale redevelopment projects this fiscal year—the main building of the Daimaru Shinsaibashi store, which embodies a new department store business model, and Shibuya PARCO, a next-generation commercial space.

Executed the transformation of PARCO to a wholly-owned subsidiary, with the aim of generating new value

The business environment in which the Group operates is undergoing major changes. In order to further increase the corporate and brand value of the Company and PARCO, it is necessary to accurately read ever-changing consumer needs. In order to quickly promote a fundamental but flexible reform of our business portfolio based on quick decision-making, it is necessary to deepen collaboration between the two companies and focus business resources. Therefore, we conducted a takeover bid of PARCO and forced shareholders to sell their shares, which resulted in PARCO becoming a wholly owned subsidiary as of March 23, 2020. Through these efforts, we will maximize the Group synergies and accelerate efforts to transform the Group structure in order to realize the Group Vision "Create and Bring to Life 'New Happiness.'"

The Group Growth Strategy

(i) Multi Service Retailer Strategy

We not only worked to expand our existing business fields by concluding a licensing agreement with VISA and Mastercard in July for our Credit and Finance Business and moving forward with creating an environment to conduct the Group's acquiring (affiliated store) business but also updated our existing cards by overhauling various card features, such as the point program (a new point program is expected to be introduced in the fall of 2020) and ancillary services. As for efforts to expand new business fields, we moved forward with efforts to gain an understanding of the clothing rental business and an examination of entering that market as the value of "sharing, not owning, items and services" spreads and we respond to those risks.

(ii) Urban Dominant Strategy

Following GINZA SIX and Ueno Frontier Tower, we completed two massive area redevelopments projects—the main building of the Daimaru Shinsaibashi store in September and Shibuya PARCO in November. In addition, we worked to develop the surrounding areas of core stores, such as opening two BINO stores, commercial facilities based on the concept of beauty and health, in Kyoto and the Ueno area. We also worked to improve the appeal of cities through various efforts, including hosting joint-promotions and area revitalization events with department stores and PARCO in Ueno, Nagoya, and Kobe areas and collaborating with local universities to support the next generation and develop local areas.

(iii) ICT Strategy in the IoT Era

We made integrated use of customer data as a shared Group asset and worked to build an integrated database, a foundation for promoting the Lifetime Service Hub concept, the goal of which is to maximize the lifetime value of customers (*). At the same time, we strove to build a cloud environment that makes it possible to manage security at the various Group companies and quickly and flexibly respond to the introduction of digital technology called for in the business strategy.

* By providing new products and services according to the life stage of each and every customer, we strengthen lifetime relationships with customers and maximize the customer value we provide.

(iv) Innovating existing businesses

In the Department Store Business, we not only introduced into the main building of the Daimaru Shinsaibashi store a new department store business model that balances growth and profitability through novel floor compositions for department stores but also moved forward with developing new sales areas that match changes in the market at the various stores. We also steadily promoted structural reforms at rural and suburban stores, such as Shimonoseki Daimaru and the Daimaru Ashiya store.

PARCO celebrated its fiftieth anniversary, and we opened the new Shibuya PARCO, a next-generation commercial facility that embodies the new appeal of the PARCO brand, and this included expanding experience-based content, re-proposing fashion, and creating futuristic sales areas that make use of ICT. In addition, we made steady progress in developing various types of stores, including opening Kinshicho PARCO, SAN-A Urasoe West Coast PARCO CITY, and Kawasaki ZERO GATE.

(v) ESG initiatives

We moved forward with company-wide efforts to resolve five major issues, such as “contribution to a low-carbon society.” At the main building of the Daimaru Shinsaibashi store, our flagship store for promoting ESG, we switched to renewable energy sources for the whole interior, and at Daimaru Matsuzakaya Department Stores, we held our first explanatory meeting for suppliers regarding the “JFR Principles of Action for Suppliers,” which were establish in 2019, in order to promote cooperation in our ESG activities. Because of these efforts, there has been an increase in ESG related certifications and evaluations by independent parties, including a climate change survey.

*ESG stands for environmental, social and governance.

Strengthening Business Foundation that Lends Support to the Growth Strategy

As for reforming personnel affairs of the Group, with the goal of becoming a human resources development company that aims to generate sustainable growth, we moved forward with reforms to the personnel system that draws out creation and challenges and promoted efforts to recruit specialized human resources and to push back the retirement age at the various group companies to 65 from the perspective of making use of seniors in order to establish human resources management centered on “human resource power” that creates new value.

As for the Group’s fiscal strategy, we not only worked to improve asset efficiency by promoting B/S-oriented management and administration to build a management system that boasts high capital efficiency but also steadily adopted new lease accounting standards that are based on the International Financial Reporting Standards (IFRS). Furthermore, we held the first business strategy briefing to expand opportunities for dialogue with all investors.

As for the Group’s administrative systems innovation, we strove to strengthen information security and increase business efficiency by not only promoting the automation of operations, primarily in the Group back-office operations, through the greater use of robotic process automation (RPA) but also introducing business tools to raise productivity.

Consolidated revenue for the fiscal year under review

As for consolidated revenue for the fiscal year under review, spending continued to be weak as a

result of the consumption tax hike, and Japan faced natural disasters, a warm winter, and the spread of the novel coronavirus (COVID-19). However, as a result of various measures such as those mentioned above were implemented, sales revenue was ¥480,621 million, up 4.5% year on year, for various reasons, including sales of reserve floor space in the Shibuya redevelopment project. Even so, operating profit was ¥40,286 million, down 1.5% year on year; profit before tax was ¥37,161 million, down 11.8% year on year; and profit attributable to owners of parent was ¥21,251 million, down 22.3% year on year. In addition, profit/shareholders' equity (ROE) was 5.4%, down 1.4 percentage points year on year, and the ratio of equity attributable to owners of parent to total assets was 31.2%, down 8.9 percentage points year on year.

J. Front Retailing Co., Ltd. (hereinafter the "Company") has decided to pay year-end dividend of ¥18 per share. As a result, the annual dividend with the addition of an interim dividend of ¥18 per share is ¥36 per share, marking nine consecutive years of dividend increases.

Results by segment are as follows.

Revenue and operating profit by business segment of the corporate group

(Millions of yen)

Business segment	12th fiscal year (Fiscal 2018)				13th fiscal year (Current fiscal year) (Fiscal 2019)			
	Revenue		Operating profit		Revenue		Operating profit	
	Results	Composition	Results	Composition	Results	Composition	Results	Composition
		%		%		%		%
Department Store Business	275,441	59.9	24,194	59.2	263,748	54.9	17,625	43.7
PARCO Business	89,969	19.6	5,445	13.3	112,212	23.3	10,823	26.9
Real Estate Business	16,995	3.7	4,664	11.4	17,793	3.7	6,725	16.7
Credit and Finance Business	10,573	2.3	2,360	5.8	10,719	2.2	1,908	4.7
Total	392,979	85.5	36,665	89.7	404,474	84.1	37,082	92.0
Other	104,250	22.7	3,507	8.6	123,275	25.7	4,700	11.7
Adjustments	(37,389)	(8.2)	717	1.7	(47,128)	(9.8)	(1,496)	(3.7)
Consolidated total	459,840	100.0	40,891	100.0	480,621	100.0	40,286	100.0

<Department Store Business>

The main building of the Daimaru Shinsaibashi store, which reopened in September after being rebuilt, has been transformed into a more evolved department store for the world and future that targets “all customers who actively enjoy life” and can better handle affluent customers and foreign tourists to Japan, our strength.

As for implementing the new customer strategy, we introduced the Daimaru and Matsuzakaya app at the end of May in order to expand our customer base. We also continued efforts to acquire new customer accounts in response to the expanding affluent customer market, and carried out maintenance of the operation support system that utilizes ICT and construction of a new organization with an eye toward development of a new out-of-store sales (gaisho) business model.

As a result of various measures such as those mentioned above, revenue was ¥263,748 million, down 4.2% year on year, and operating profit was ¥17,625 million, down 27.2% year on year, because of a reduction in store hours and closed stores due to natural disasters; weak spending as a result of the consumption tax hike; the impact of the novel coronavirus (COVID-19); and other developments.

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	46,265	6.5	(8.4)
Ladies’ clothing and haberdashery	212,553	29.7	(2.0)
Children’s clothing and haberdashery	12,630	1.8	(14.3)
Kimono, bedding and other clothing	8,964	1.3	(10.6)
Personal belongings	55,714	7.8	(16.1)
Furniture	5,431	0.8	(7.7)
Home appliances	375	0.1	(29.4)
Household goods	20,233	2.8	(9.2)
Food products	160,664	22.5	(5.9)
Food halls and cafes	20,902	2.9	(3.2)
General goods	147,115	20.6	4.9
Services	3,130	0.4	11.6
Other	21,162	2.8	2.6
Elimination	(105)	(0.0)	–
Total	715,039	100.0	(3.8)

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	85,340	11.9	(2.7)
Osaka Umeda store	64,337	9.0	(2.6)
Tokyo store	79,185	11.1	(2.6)
Kyoto store	66,859	9.4	(2.7)
Yamashina store	413	0.1	(88.6)
Kobe store	74,453	10.4	(5.0)
Suma store	7,991	1.1	(4.9)
Ashiya store	4,409	0.6	(33.2)
Sapporo store	65,486	9.1	(2.1)
Sub total	448,477	62.7	(4.1)
Matsuzakaya			
Nagoya store	116,317	16.3	(2.4)
Ueno store	39,122	5.5	(2.1)
Shizuoka store	19,840	2.8	(6.2)
Takatsuki store	7,904	1.1	(5.8)
Toyota store	6,908	0.9	(3.2)
Sub total	190,092	26.6	(2.9)
Sub total	638,569	89.3	(3.8)
The Hakata Daimaru, Inc.	52,977	7.4	(3.4)
The Shimonoseki Daimaru, Inc.	12,524	1.8	(6.2)
Kochi Daimaru Co., Ltd.	11,072	1.5	(5.3)
Elimination	(105)	(0.0)	93.5
Total	715,039	100.0	(3.8)

(Notes) 1. The Daimaru Yamashina store closed on March 31, 2019.
2. The Daimaru Ashiya store reduced its sales floor space as of March 18, 2019.
3. As for the Daimaru Kobe store and Daimaru Kyoto store, surrounding stores have gradually been moved to the Real Estate Business since March 2018 and June 2019, respectively.
4. As of March 20, 2019, the second floor of south wing of the Matsuzakaya Nagoya store has been changed to lease contracts.
5. With the opening of the main building of the Daimaru Shinsaibashi store on September 20, 2019, the north wing of the Daimaru Shinsaibashi store temporarily closed as of September 28, 2019.

<PARCO Business>

In November, the new Shibuya PARCO opened as a unique next-generation commercial facility that provides both new consumption experiences and values. We also promoted real estate development using several methods, which included opening Kinshicho PARCO (March), a renovation type development property; SAN-A Urasoe West Coast PARCO CITY (June), a joint venture with SAN-A CO., LTD., and Kawasaki ZERO GATE (August). For PARCO stores, we have developed a system to promote customer-driven business model reforms in response to the evolution of the digital environment and changing consumer mindset, and these reforms include changing the customer benefit system from one based on discounts to one based on points. We also worked to develop new tenants and strengthen communication in order to expand customer contact points and improve customer satisfaction.

As a result of various measures including those mentioned above, even though some existing PARCO stores and businesses struggled, sales revenue was ¥112,212 million, up 24.7% year on year, due mainly to contributions from the newly opened Kinshicho PARCO, new Shibuya PARCO, etc, and sales of reserve floor space at the Shibuya redevelopment project and other factors. Operating profit was ¥10,823 million, up 98.7% year on year, as a result of a rebound following the recording of losses due to store closing and impairment loss on other stores for the previous fiscal year.

<Real Estate Business>

We worked to strengthen the real estate lease business by increasing leased floor space, particular in priority areas (Ueno, Nagoya, Kyoto, Shinsaibashi, and Kobe) for the Urban Dominant Strategy. In particular, we opened BINO HIGASHINOTOIN (April) in the Karasuma area of Kyoto and BINO OKACHIMACHI (December) on the former site of the Matsuzakaya Ueno Annex No. 2 and renovated DAIMARU WHITE AVENUE (November) in Shinsaibashi area. In this and other ways, we steadily developed surrounding stores.

Because of various measures including those mentioned above and strong contributions from GINZA SIX, which opened in Fiscal 2017, sales revenue was ¥17,793 million, up 4.7% year on year. Despite up-front investments for the north wing of the Daimaru Shinsaibashi store, which is expected to open in the fall of 2020, operating profit was ¥6,725 million, up 44.2% year on year, due mainly to sales of non-current assets.

<Credit and Finance Business>

There was an increase in revenues from affiliated store fees, interest income from installment sales, and other items as a result of greater business by external affiliated stores and efforts to promote the use of revolving shopping credit and installment sales. Therefore, sales revenue was ¥10,719 million, up 1.4% year on year. Furthermore, operating profit was ¥1,908 million, down 19.1% year on year, because of an increase in expenses related to recruiting human resources and strengthening the organization in order to achieve medium- and long-term growth centered on payment and financial services.

<Other>

As for the personnel recruitment business Dimples', it faced difficult times, and the wholesale business Daimaru Kogyo recorded a decline in both revenue and profit due to weakness in the electronic devices division, but J. Front Design & Construction saw a dramatic increase in both revenue and profit as a result of a growth in orders for not only interior work on hotels and luxury brand stores but also remodeling of the main building of the Daimaru Shinsaibashi store. As a result, sales revenue in the Other was ¥123,275 million, up 18.2% year on year, and operating profit was ¥4,700 million, up 34.0% year on year.

(2) Explanation of financial position

(Assets, liabilities, and equity as of February 29, 2020)

Total assets as of February 29, 2020 was ¥1,240,308 million, up ¥210,735 million compared with February 28, 2019. This was mainly attributable to an increase in right-of-use assets due to the application of IFRS 16 "Leases." Total liabilities was ¥840,627 million, an increase of ¥279,540 million. Interest-bearing debt was ¥478,773 million, up ¥304,395 million. This was mainly attributable to an increase in lease liabilities due to the application of IFRS 16 "Leases."

Total equity was ¥399,681 million, a decrease of ¥68,804 million compared with February 28, 2019. This was mainly attributable to a decrease in share premium and non-controlling interests due to an additional acquisition of shares of PARCO CO., LTD.

(Cash flow position)

The balance of cash and cash equivalents (hereinafter "cash") as of February 29, 2020 was ¥34,633 million, up ¥8,974 million compared with February 28, 2019.

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

Net cash provided by operating activities was ¥73,358 million. In comparison with the previous fiscal year, cash provided increased by ¥38,488 million, largely reflecting an adjustment of depreciation and amortization expense due to an increase in the right-of-use asset and a decrease in inventories.

Net cash used in investing activities was ¥49,559 million. In comparison with the previous fiscal year, cash used increased by ¥22,723 million, largely reflecting an increase in purchase of investment securities.

Net cash used in financing activities was ¥14,829 million. In comparison with the previous fiscal year, cash used decreased by ¥6,445 million, largely reflecting issuance of bonds and other financing activities, despite payment for an additional acquisition of shares of PARCO CO., LTD. and recording of repayments of lease liabilities.

(3) Status of capital investment

The basic approach taken regarding the Group's recurring capital investment is to keep such investment within the scope of the amount of depreciation. In the current fiscal year, total capital investments were ¥48,636 million, which was a result of recurring investments combined with proactive implementation of strategic investment.

(i) Major facilities completed during the current fiscal year

Mainly, in the Department Store Business this included ¥14,608 million for rebuilding of the main building of the Daimaru Shinsaibashi store, and in the PARCO Business this included the redevelopment project of the Shibuya PARCO and asset purchases associated with new store opening of Kawasaki ZERO GATE.

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

The main component of this in the PARCO Business was interior decorating work, etc. performed in preparation for the opening of Shinsaibashi PARCO (provisional name).

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

This mainly included retirement due to plans for the north wing of the Daimaru Shinsaibashi store of Daimaru Matsuzakaya Department Store and the land sale of the Jiyugaoka Building.

(4) Status of procurement

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

As a general rule, the Group subsidiaries do not procure funds from financial institutions, but instead we promote centralized and streamlined means of procuring funds by means of intra-Group

financing using a cash management system.

For the current fiscal year, based on the above policy funds were procured in the following ways taking balanced procurement into consideration. It primarily consisted of procuring 1) ¥30,000 million through the issuance of unsecured straight bonds and ¥10,300 million in long-term borrowings from financial institutions, which is earmarked for rebuilding the main building of the Daimaru Shinsaibashi store, and 2) ¥60,000 million in current borrowings from financial institutions, which is earmarked for acquiring shares of PARCO. On the other hand, progress in repaying borrowings resulted in interest-bearing liabilities (excluding lease liabilities) increasing ¥83,800 million year on year to ¥258,200 million.

(5) Issues to be addressed

It has been three years since the "FY2017–FY2021 Medium-term Business Plan" to achieve the Group vision of "Create and Bring to Life 'New Happiness'" was launched. Over those three years, we have steadily moved forward with implementing the growth strategy touted in the medium-term business plan, which has included completing two large-scale redevelopment projects, the main building of the Daimaru Shinsaibashi store and new Shibuya PARCO in FY 2019, which followed work on GINZA SIX and Ueno Frontier Tower. On the other hand, we did not achieve sufficient results related to promoting efforts to "reform the business portfolio," the most important issue for the Group as existing businesses are growing even more mature.

The business environment surrounding the Group is undergoing major changes, including evolving digital technology, more diverse spending, and the spread of cashless payments, and these changes are occurring at an unprecedented speed. In addition, the outlook is even more uncertain as a result of the greater risk of an economic slowdown due to the spread of the novel coronavirus (COVID-19), and we recognize the strong need to promptly respond to enterprise risk both in the short term and medium to long term.

Because of these changes in the environment, we transformed PARCO into a wholly-owned subsidiary in FY2019 to further increase the corporate value of the Group. Doing so, we not only accelerated discontinuous growth that is more than an extension of the current trend by maximizing the Group business resources but also moved forward with creating a system for the whole Group to unite and tackle the issue in order to fundamentally and flexibly reform the business portfolio.

In FY2020, we will work to accelerate efforts to implement the growth strategy by maximizing the Group synergies, which will involve opening large-scale commercial complexes through cooperation between department stores and PARCO under this new management system, the "new JFR Group."

In addition, it will be difficult to achieve the targets in the current medium-term business plan (FY2017–FY2021) during this period of greater than expected changes in the business environment, and it is our judgment that to realize growth in the medium- and long-term for the Group, it would be best to rework the growth strategy and launch a "new medium-term business plan" in FY2021 to achieve the unrealized reforms to our business structure.

Therefore, we will complete the current Medium-term Business Plan in FY2020. We have positioned this fiscal year as "the year to launch a new growth strategy to realize the Group Vision" and will unite to kick off the new Medium-term Business Plan next year.

As for the impact of the novel coronavirus (COVID-19), which began to spread in the second half of FY2019, we will give the greatest priority to ensuring the safety and health of customers and employees and giving consideration to their health and quickly and appropriately respond to changing conditions.

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

<Key issues being tackled>

I. Accelerating the implementation of the growth strategy by maximizing the Group synergies
II. Formulating a "New Medium-term Business Plan" for the "new JFR Group"
III. Responding to the impact of the novel coronavirus (COVID-19)

I. Accelerating the implementation of the growth strategy by maximizing the Group synergies

We will strive to strengthen our growth strategy and business foundation by maximizing the Group synergies. Specifically, we will transfer Daimaru Matsuzakaya Department Store's real estate business to PARCO and strengthen our real estate development capabilities by concentrating the Group assets and centralizing development functions. In addition, we will work to reinforce the foundation for both the retail and real estate business. This will involve jointly developing stores, such as large-scale commercial complexes, including Shinsaibashi PARCO (tentative name), which is expected to open in the fall of 2020, and strengthening our relationship with customers by mutual sharing of customer data between department stores and PARCO.

In order to generate growth as a Multi Service Retailer, we are aiming to evolve the business through cooperation in design and construction contracting, etc. and will not only make the greatest use possible of PARCO's outstanding know-how related to businesses (entertainment business, etc.) but also move forward with the development of new businesses, such as providing new services that fit the life stage of customers.

We are also aiming to implement highly efficient management, such as integrating and improving efficiency of indirect departments and conducting new business development as a unified Group, and are working to provide new value to customers by sharing business know-how through personnel exchanges.

The Group Growth Strategy

a. Multi Service Retailer Strategy

In addition to strengthening the Credit and Finance Business, which is positioned as a highly efficient business with strong growth potential, we will strive to develop new businesses and expand business fields while further strengthening collaboration with PARCO.

1) Reinforce the Credit and Finance Business
- For the Credit and Finance Business, we will launch an acquiring (affiliated store) business for Daimaru Matsuzakaya Department Stores, introduce a new point program, and update existing cards in the fall of 2020.

2) Expansion of business field toward making the Group Vision a reality
- We will move forward with efforts to expand our business fields for services and establish alliances with other companies, and this includes creating new services appropriate for "increasing diversity of lifestyles" and "increasing diversity in means of seeking enjoyment" and developing businesses for more diverse values related to spending.

(ii) Urban Dominant Strategy

Leveraging the Group resources to a maximum extent, we will move toward forging a "business model for growth along with regions, with the stores at its core." This initiative will be primarily led by flagship stores of the Department Store Business and the PARCO Business.

1) Open Shinsaibashi PARCO (tentative name)
- As for Shinsaibashi PARCO (tentative name), which is expected to open in the fall of 2020, we will work to create a new large-scale commercial complex using a structure integrated with the main building of the Daimaru Shinsaibashi store, which will involve conducting promotions and providing services that utilize department store and PARCO customer data.

2) Promoting urban development centered on flagship stores
- We will aim to open stores in the Nihon Seimei Sakaemachi Building (provisional name) located in Nagoya Sakae area, (planned for the fall of 2020), and undertake development in Nishiki 3-chome District 25. By doing so, we will work with the Matsuzakaya Nagoya store and Nagoya PARCO to increase the appeal of the Nagoya Sakae area.
- In addition to developing surrounding stores, mainly in priority areas, in order to increase the charm of the communities and its competitiveness against other areas, we will strive to create a lively neighborhood, which will involve holding events through cooperation with the local community, government, etc.

ICT Strategy in the IoT Era

We will take concrete steps to realize the "Lifetime Service Hub concept," which is designed to solidify the lifetime relationship with customers and to maximize their lifetime value. In addition, we will work to strengthen the functions and systems included in the ICT strategy, and this will involve

implementing the growth strategy and strengthening information security.

1) Make more sophisticated use of data
・We will work to broaden use through mutual sharing of customer data between department stores and PARCO, such as ascertaining and analyzing customers who use both department stores and PARCO and strengthening the approach toward similar ID customers.
2) Strengthening the functions and systems of the Group companies
・We will work to strengthen functions and systems for steadily implementing the ICT strategy in terms of both offense and defense, including planning, implementing, and supporting a business strategy that employs digital technology and appropriately developing and operating information systems for strengthening information security at each Group company.

(iv) Innovating existing businesses
(Department Store Business)

We will strive to improve both competitiveness and profitability by expanding the introduction of the new department store business model, expanding our customer base and strengthening CRM through the promotion of the new customer strategy, and reinforcing the customer-centered business model.

1) Realization of a new department store business model
・Taking into consideration the success factors behind the main building of the Daimaru Shinsaibashi store, we will work to not only build a new store model in order to raise the value of brick-and-mortar stores but also introduce that model into other stores.
2) Strengthening the customer base by promoting a new customer strategy
・In addition to trying to expand our customer base, such as capturing more mobile app members, we will strive to propose personal products and services that make use of customer data.
・We will work to reinforce our customer base by proposing new products and services that make use of digital technology in the gaisho business and promoting sales activities optimized to customer needs and purchasing traits.

(PARCO Business)

In order to maximize the Group synergies, we will not only build a business-dedicated corporate structure and strive to quickly formulate and implement a new real estate business strategy but also work to further raise corporate value by reforming the PARCO store business.

1) Construction of a new system as an operating company
・In addition to increasing asset and organization efficiency, such as merging head office functions and restructuring the organization, in order to maximize the Group synergies when transforming the company into a wholly-owned subsidiary, we will work to quickly build a system dedicated to reinforcing and expanding business.
2) Formulation of a strategy to expand the real estate business strategy
・We will work to secure a scheme to transfer businesses from Daimaru Matsuzakaya Department Stores, conduct personnel exchanges, and formulate and implement a new real estate business strategy.
・We will concentrate and use resources related to the Group's real estate, expand development projects in major cities in Japan, and use various development methods.
3) Reform of the PARCO store business
・We will establish strong cooperation with department stores on various fronts including customer services and promotions and steadily work to make Shinsaibashi PARCO (tentative name), which is expected to open in the fall of 2020, a success.
・We will promote reforms that make use of the knowledge and network gained from opening Shibuya PARCO and aim to rebuild the store brand for existing PARCO stores.

(v) ESG initiatives

We will steadily promote efforts to achieve the five materiality targets. We will also aim to realize sustainable growth for the Group and medium- to long-term enhancement of its corporate value through ongoing efforts to strengthen corporate governance functions.

1) Promoting efforts to unite the Group and strengthening information disclosure
・We will work to develop solutions to problems based on each Group company's distinguishing characteristics and action plan in line with the idea of creating shared value (CSV) to solve societal

problems and meet needs through our main business. In addition, we will gradually introduce efforts by the Daimaru Shinsaibashi store, the model CSV store, to other stores.

・We will regularly hold JFR Sustainability Committee meetings and promote PDCA-based Group-wide efforts related to issues such as managing progress and sharing problems by all Group companies.

・In order to properly communicate ESG efforts inside/outside the Company, we will work to strengthen disclosure to independent evaluation organizations by regularly issuing sustainability reports and important disclosure guidelines.

2) Further strengthening the Group governance

・We will further strengthen the Group governance, which includes redesigning PARCO's organization when it is transformed into a wholly-owned subsidiary and handling the Group efforts to increase the accuracy of internal controls and manage risks.

Strengthening Business Foundation that Lends Support to the Growth Strategy

<The Group human resources policy>

・We will use the transformation of PARCO into a wholly-owned subsidiary to further promote personnel exchanges beyond operating companies.

・With the goal of becoming a company with human resource development excellence, we will promote the hiring of diverse human resources and training of specialized personnel while continuing to work to achieve work-life balance and reform work styles by fully operating a human resources system centered on "human resource power" that creates new value.

<The Group financial policy>

・To construct a management structure with high capital efficiency that is consistently above the cost of equity, we will move forward with an examination of the optimal capital structure for future business portfolio reforms and promote a balanced capital policy that is designed to simultaneously satisfy the needs for strategic investments, shareholders' return enhancement, and improvement in financial standing.

<Strengthening compliance management>

・We will endeavor to further strengthen group compliance management by raising awareness about compliance through education and training, strengthening the compliance checking system, and developing and enforcing of measures to prevent recurrence of misconducts.

II. Formulating a New Medium-term Business Plan for the new JFR Group

We will formulate a new medium-term business plan based on our vision of a new JFR Group, a new management system introduced with the transformation of PARCO into a wholly-owned subsidiary. As a system to promote the formulation of the plan, in addition to establishing a working group for each field, such as the department store business, SC real estate business, finance business, future pathways business, and life solutions business, we will move forward with formulating new growth strategies and business plan starting in FY2021 by marshaling the collective strength of the Group.

III. Responding to the impact of the novel coronavirus (COVID-19)

The impact of the novel coronavirus (COVID-19) is still unclear, and as the situation continually changes, we will give the greatest priority to ensuring the safety and health of customers and employees and giving consideration to their health and quickly and appropriately respond by creating a system based on the business continuity plan and taking similar steps.

At the same time, we will pay close attention to the impact that stagnant social and economic activity has on the Group's various businesses and flexibly respond, such as reviewing business plans for the fiscal year as the risk of a recession (decline in personal spending, etc.) grows greater.

In the future, we expect that there will be greater awareness of the safety and health of customers and changes in how people live and work and spending behavior. With an eye on these changes, we will move forward with efforts related to the various businesses, such as examining new products and services and how to communicate with customers.

(6) Status of assets and profit or loss

Changes in assets and profit or loss of the corporate group

(Millions of yen, unless otherwise stated)

International Financial Reporting Standards (IFRS)				
Category	10th fiscal year (Fiscal 2016)	11th fiscal year (Fiscal 2017)	12th fiscal year (Fiscal 2018)	13th fiscal year (Fiscal 2019)
Gross sales	1,134,342	1,138,981	1,125,153	1,133,654
Revenue	452,505	469,915	459,840	480,621
Business profit	44,898	46,247	45,514	45,363
Operating profit	41,727	49,546	40,891	40,286
Operating profit/ revenue	9.2	10.5	8.9	8.4
Profit before tax	42,608	48,271	42,126	37,161
Profit attributable to owners of parent	27,052	28,486	27,358	21,251
Total assets	1,005,069	1,022,348	1,029,573	1,240,308
Total equity	421,444	450,887	468,485	399,681
Equity attributable to owners of parent	368,571	395,519	412,700	387,188
Ratio of equity attributable to owners of parent to total assets	36.7	38.7	40.1	31.2
Cash flows from operating activities	33,764	57,079	34,870	73,358
Cash flows from investing activities	(27,952)	(19,030)	(26,836)	(49,559)
Free cash flows	5,812	38,048	8,034	23,799
Cash flows from financing activities	(2,097)	(31,048)	(21,274)	(14,829)
Cash and cash equivalents at end of period	31,867	38,883	25,659	34,633
Profit/equity attributable to owners of parent (ROE)	7.6%	7.5%	6.8%	5.4%
Operating profit/total assets (ROA)	4.2%	4.9%	4.0%	3.2%
Basic earnings per share (EPS) (Yen)	103.43	108.92	104.55	81.19
Equity attributable to owners of parent per share (Yen)	1,409.20	1,511.91	1,576.68	1,479.07
Price earnings ratio (PER)	16.69%	17.91%	11.79%	14.13%
Interim dividend (Yen)	14.00	16.00	17.00	18.00
Year-end dividend (Yen)	14.00	19.00	18.00	18.00
Dividend payout ratio	27.1%	32.1%	33.5%	44.3%
Dividends/equity attributable to owners of parent	2.0%	2.3%	2.2%	2.4%

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

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

(7) Status of significant parent company and subsidiaries

(i) Relationship with the parent company

No items to report.

(ii) Status of major subsidiaries

(Millions of yen, unless otherwise stated)

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, Real Estate 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	96.4	PARCO Business
Parco (Singapore) Pte Ltd	S$4 million	96.4	PARCO Business
NEUVE A Co., Ltd.	490	96.4	PARCO Business
PARCO SPACE SYSTEMS Co., Ltd.	490	96.4	PARCO Business
PARCO Digital Marketing Co., Ltd.	10	96.4	PARCO Business
JAPAN RETAIL ADVISORS Co., Ltd.	10	96.4	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.	100	100.0	Merchandise test and quality control
Angel Park Co., Ltd.	400	50.2	Parking
JFR Service Co. Ltd.	100	100.0	Commissioned back-office service, leasing and parking management
JFR Information Center Co., Ltd.	10	100.0	Information service
Daimaru Matsuzakaya Sales Associates Co. Ltd.	90	100.0	Commissioned sales and store management operations
Daimaru Matsuzakaya Tomonokai Co., Ltd.	100	100.0	Specified prepaid transaction service

(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	531,341

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

(8) Major businesses

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

(9) 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
	Kyoto store	Shimogyo-ku, Kyoto		Toyota store	Toyota, Aichi
	Kobe store	Chuo-ku, Kobe	The Hakata Daimaru, Inc.		Chuo-ku, Fukuoka
	Suma store	Suma-ku, Kobe	The Shimonoseki Daimaru, Inc.		Shimonoseki, Yamaguchi
	Ashiya store	Ashiya, Hyogo			
	Sapporo store	Chuo-ku, Sapporo	Kochi Daimaru Co., Ltd.		Kochi, Kochi

(PARCO Business)

Name	Location	Name	Location
PARCO Co., Ltd.			
Headquarters	Toshima-ku, Tokyo	Shizuoka PARCO	Aoi-ku, Shizuoka
Shibuya Head Office	Shibuya-ku, Tokyo	Nagoya PARCO	Naka-ku, Nagoya
Sapporo PARCO	Chuo-ku, Sapporo	Hiroshima PARCO	Naka-ku, Hiroshima
Sendai PARCO	Aoba-ku, Sendai	Fukuoka PARCO	Chuo-ku, Fukuoka
Urawa PARCO	Urawa-ku, Saitama	Sapporo ZERO GATE	Chuo-ku, Sapporo
Shintokorozawa PARCO	Tokorozawa, Saitama	Harajuku ZERO GATE	Shibuya-ku, Tokyo
Ikebukuro PARCO	Toshima-ku, Tokyo	Kawasaki ZERO GATE	Kawasaki-ku, Kawasaki-shi
PARCO_ya Ueno	Taito-ku, Tokyo	Nagoya ZERO GATE	Naka-ku, Nagoya
Kinshicho PARCO	Sumida-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	Sannomiya ZERO GATE	Chuo-ku, Kobe
Chofu PARCO	Chofu, Tokyo	Hiroshima ZERO GATE	Naka-ku, Hiroshima
Tsudanuma PARCO	Funabashi, Chiba	PediSHIODOME	Minato-ku, Tokyo
Matsumoto PARCO	Matsumoto, Nagano		
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

(Real Estate Business)

Name	Location
Daimaru Matsuzakaya Department Stores Co. Ltd.	
Real Estate Business Division	Koto-ku, Tokyo
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 3, 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

(10) Status of employees

(i) Employees of the corporate group

Category	Number of employees
J. FRONT RETAILING Co., Ltd.	147
Department Store Business	2,226
PARCO Business	1,613
Real Estate Business	49
Credit and Finance Business	172
Other	2,372
Total	6,579

(Note) Other than the employees above, the number of dedicated employees is 1,739 and the number of fixed-term employees is 1,526.

(ii) Employees of the Company

Number of employees	Average age
147	45.1

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

(iii) Employees of major subsidiaries

Name	Number of employees	Average age
Daimaru Matsuzakaya Department Stores Co. Ltd.	1,847	47.3
PARCO Co., Ltd.	522	42.4

(11) Status of major creditors

Major creditors of the corporate group

(Millions of yen)

Creditor		Amount payable
Borrowings		
	MUFG Bank, Ltd.	54,325
	Sumitomo Mitsui Banking Corporation	31,900
	Mizuho Bank, Ltd.	19,400
	Sumitomo Mitsui Trust Bank, Limited	17,500
	Other	51,385
	Sub total	174,510
Straight bonds, etc.		83,766
Total		258,276

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

The Company acquired an additional 31.45% of the issued shares of PARCO Co., Ltd. on February 25, 2020 by means of a tender offer, raising the ownership ratio of the Company in said subsidiary from 64.98% to 96.43%. Subsequently, the Company conducted a Demand for Share Cash-Out to shareholders of PARCO Co., Ltd. on February 27, 2020, rendering it a wholly-owned subsidiary on March 23, 2020.

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: 122,552

(4) Major shareholders

Name of shareholders	Number of shares held (Thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	23,620	8.94
Japan Trustee Services Bank, Ltd. (Trust Account)	16,598	6.28
Nippon Life Insurance Company	9,828	3.72
J. Front Retailing Kyoei Supplier Shareholding Association	6,319	2.39
The Dai-ichi Life Insurance Company, Limited	5,732	2.17
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,779	1.81
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,444	1.68
MUFG Bank, Ltd.	4,373	1.65
JP MORGAN CHASE BANK 385151	4,158	1.57
STATE STREET BANK WEST CLIENT - TREATY 505234	3,472	1.31

(Note) Shareholding ratio is calculated by deducting treasury shares (6,592 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 2)	Limited liability agreements (Note 3)
Director	KOBAYASHI Yasuyuki	Chairperson of Board of Directors Member of Nomination and Remuneration Committees	100% 15/15	Yes
Director	TSUTSUMI Hiroyuki	Member of Audit Committee Audit & Supervisory Board Member of Daimaru Matsuzakaya Department Stores Co. Ltd.	100% 15/15	Yes
Director	MURATA Soichi	Member of Audit Committee	100% 12/12	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 USHIO INC. Outside Director of KONICA MINOLTA, INC.	100% 15/15	Yes
Director (Outside)	OTA Yoshikatsu	Chairperson of Remuneration Committee and member of Nomination Committee Honorary Advisor of KONICA MINOLTA, INC.	100% 15/15	Yes
Director (Outside)	ISHII Yasuo	Member of Nomination and Remuneration Committees Director of Daimaru Matsuzakaya Department Stores Co. Ltd.	100% 15/15	Yes
Director (Outside)	NISHIKAWA Koichiro	Chairperson of Audit Committee	100% 15/15	Yes
Director (Outside)	SATO Rieko (Note 1)	Member of Audit Committee Partner and attorney at law of Ishii Law Office Outside Corporate Auditor of NTT DATA CORPORATION Outside Director of Dai-ichi Life Holdings, Inc. Director of Daimaru Matsuzakaya Department Stores Co. Ltd.	100% 15/15	Yes
Director (Outside)	UCHIDA Akira	Member of Audit Committee Outside Director of Yokogawa Electric Corporation	100% 12/12	Yes
Director (President and Representative Executive Officer)	YAMAMOTO Ryoichi	Member of Nomination and Remuneration Committees	100% 15/15	
Director (Representative Managing Executive Officer)	YOSHIMOTO Tatsuya		100% 15/15	
Director (Managing Executive Officer)	MAKIYAMA Kozo		100% 15/15	
Director (Managing Executive Officer)	WAKABAYASHI Hayato		100% 15/15	

(Notes) 1. SATO Rieko is recorded under the name of KAMATA Rieko in the family register.
2. 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).)

3. The Company enters into agreements limiting liability for damages such that are stipulated in Paragraph 1, Article 423 of the Companies Act, pursuant to Paragraph 1, Article 427 of the said Act, with the relevant individuals (marked as "Yes" in the "Limited liability agreements" column). These agreements limit the amount of their liability for damages to the higher of either ¥12,000,000 or the minimum amount of liability such that is stipulated in Paragraph 1, Article 425 of the said Act.
4. 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.
5. 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.
6. Audit Committee member TSUTSUMI Hiroyuki and MURATA Soichi are full-time Audit Committee members. We aim to improve the effectiveness of supervisory roles by having as full-time Audit Committee members two Directors from in-house who are Directors who do not execute business and who have specialist knowledge of specific areas of our business based on a thorough understanding of in-house organizations and business operations.

(2) Attendance at the meetings of each committee

Name	Nomination Committee	Audit Committee	Remuneration Committee
KOBAYASHI Yasuyuki	100% (13/13)		100% (11/11)
TSUTSUMI Hiroyuki		100% (15/15)	
MURATA Soichi		100% (10/10)	
TACHIBANA FUKUSHIMA Sakie	◎100% (13/13)		100% (11/11)
OTA Yoshikatsu	100% (13/13)		◎100% (11/11)
ISHII Yasuo	100% (10/10)	100% (5/5)	100% (8/8)
NISHIKAWA Koichiro		◎100% (15/15)	
SATO Rieko	100% (3/3)	100% (15/15)	100% (3/3)
UCHIDA Akira		100% (10/10)	
YAMAMOTO Ryoichi	100% (13/13)		100% (11/11)

(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	WAKABAYASHI Hayato	Senior Executive General Manager of Financial Strategy Unit and Senior General Manager of Financing and Finance Policy Division
Managing Executive Officer	SAWADA Taro	Senior Executive General Manager of Management Strategy Unit, in charge of Risk Management, and Senior General Manager of New Business Division Director of Daimaru Matsuzakaya Department Stores Co. Ltd. Director of PARCO Co., Ltd.
Managing Executive Officer	YUNOKI Kazuyo	Senior Executive General Manager of Affiliated Business Unit
Managing Executive Officer	ARISAWA Hisashi	Senior Executive General Manager of Administration Unit and in charge of Compliance
Executive Officer	TADATSU Takehiko	Senior Executive General Manager of Human Resources Strategy Unit and Senior General Manager of Group Human Resources Development Division Executive Officer and Executive General Manager of Human Resources Development Division of Daimaru Matsuzakaya Department Stores Co. Ltd.
Executive Officer	IMAZU Takahiro	Senior General Manager of Management Planning Division and Group Communication Promotion Division, Management Strategy Unit
Executive Officer	NAKAYAMA Takashi	Senior General Manager of Group Digital Strategy Division, Management Strategy Unit
Executive Officer	IWATA Yoshimi	Senior General Manager of Budget and Management Support Division, Financial Strategy Unit
Executive Officer	NINOBE Mamoru	President and Representative Director of JFR Card Co., Ltd.
Executive Officer	KONDO Yasuhiko	President and Representative Director of J. Front Design & Construction Co., Ltd.
Executive Officer	ONO Keiichi	President and Representative Director of Dimples' Co., Ltd.
Executive Officer	MAKITA Takayuki	In charge of Special Assignments from President

(Reference) Executive Officers' areas of responsibility in the Company and important concurrent positions outside the Company have been changed on March 1, 2020 as follows:

Name	Areas of responsibility in the Company and important concurrent positions outside the Company
ARISAWA Hisashi	Senior Executive General Manager of Human Resources Strategy Unit and Administration Unit and in charge of Compliance
NAKAYAMA Takashi	Senior Executive General Manager of Group Digital Strategy Unit and Senior General Manager of System Planning Division and Digital Promotion Division
TADATSU Takehiko	In charge of Special Assignments from President Executive Officer and in charge of Special Assignments from President of Daimaru Matsuzakaya Department Stores Co. Ltd.

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

	Number of payees	Total amount of remuneration, etc. (Millions of yen)	Totals by category of remuneration, etc. (Millions of yen)			
			Basic remuneration	Bonuses	Performance-linked stock-based remuneration	Non-performance-linked stock-based remuneration
Director	10	217	163	–	–	53
[of which, Outside Director]	[6]	[95]	[77]	–	–	[18]
Executive Officer	16	492	219	106	165	–
Total	26	709	382	106	165	53

(Notes)
1. Other than the above, the total amount of remuneration, etc. received by Outside Directors from subsidiaries of the Company in the current fiscal year is ¥7 million.
2. In the above table, the remuneration, etc. for Directors of ¥217 million includes ¥9 million (including non-performance-linked stock-based remuneration) paid to one Director who held the post between March 1 and May 23, 2019.
3. Sums of remuneration, etc., for performance of duties paid to Directors who concurrently hold other posts are given in the Executive Officer row.
4. Beginning in the fiscal year ended February 28, 2018, to ensure steady execution of the Medium-term Business Plan for realizing the Group Vision, the Company has adopted the stock-based remuneration system using a trust for officers (a system of granting the Company's shares to officers (in certain cases, the Company's shares are converted into cash within the trust and cash in the amount equivalent to their conversion value is paid) in accordance with the officers' rank and level of achievement of the Medium-term Business Plan, etc.) The stock-based remuneration in the above chart is the total recorded as expenses for the period under review 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.
5. Figures in the "bonuses" and "performance-linked stock-based remuneration" columns represent amounts recognized as provisions (expenses) (standard amounts) before adjustment for the results of performance evaluation for the fiscal year ended February 2020. The actual amounts to be paid will be determined by a meeting of the Remuneration Committee scheduled for or after April 2020.

(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

Beginning in the fiscal year ended February 28, 2018, to ensure steady execution of the Medium-term Business Plan for realizing the Group Vision, the Company has formulated the "Officer Remuneration Policy" including the introduction of a stock-based remuneration system for officers.

<Basic policy for officer remuneration>

The officer remuneration system of the Company is operated under the following basic policy with a view to realizing the Group Vision. The same basic philosophy is also established by Daimaru Matsuzakaya Department Stores, which is one of the major subsidiaries of the Group.

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

<How to determine remuneration levels>

To make quick responses to changes in the external environment and the market environment, the Company adopts officer remuneration levels of companies in the same industry (department store, retailer) and companies of a comparable size (selected based on market capitalization and consolidated operating profit) in other industries as a benchmark and compares the remuneration levels of its Executive Officers and Directors with the benchmark annually. The same treatment shall apply to the Directors and Executive Officers of Daimaru Matsuzakaya Department Stores.

<Composition of remuneration>

[Executive Officers]

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

<table>
<tr><th rowspan="2">Type of remuneration</th><th rowspan="2" colspan="4">Payment basis</th><th rowspan="2">Payment method</th><th colspan="2">Composition of remuneration</th></tr>
<tr><th>President</th><th>Officers other than President</th></tr>
<tr><td>Basic remuneration (fixed)</td><td colspan="4">Determined separately for each rank (position)</td><td>Monthly payment in cash</td><td>38.5%</td><td>45.4%</td></tr>
<tr><td rowspan="6">Bonuses (variable)</td><td colspan="4">Base amount by rank (position) × Evaluation factor *1
*1 Determined based on the following quantitative and qualitative evaluation using a balanced scorecard.</td><td rowspan="6">Annual payment in cash</td><td rowspan="6">23.0%</td><td rowspan="6">27.3%</td></tr>
<tr><td colspan="3">Details</td><td>Evaluation weights</td></tr>
<tr><td rowspan="3">Quantitative evaluation 70%</td><td rowspan="3">Financial perspective</td><td>Consolidated revenue</td><td>21%</td></tr>
<tr><td>Consolidated operating profit</td><td>28%</td></tr>
<tr><td>ROE</td><td>21%</td></tr>
<tr><td rowspan="3">Qualitative evaluation 30%</td><td colspan="2">Customer perspective</td><td rowspan="3">30%</td></tr>
<tr><td colspan="2">Process perspective</td></tr>
<tr><td colspan="2">Organizational and human resource perspective</td></tr>
<tr><td rowspan="8">Performance-linked stock-based remuneration (variable)</td><td colspan="4">[Short-term: 40%] Base amount by rank (position) × Performance achievement factor *2
*2 Calculated based on the following measures of achievement*3</td><td rowspan="3">Annual payment in stocks</td><td rowspan="8">38.5%</td><td rowspan="8">27.3%</td></tr>
<tr><td colspan="3">Details</td><td>Evaluation weights</td></tr>
<tr><td colspan="3">Consolidated operating profit</td><td>20%</td></tr>
<tr><td colspan="3">Basic earnings per share</td><td>20%</td></tr>
<tr><td colspan="4">[Medium-term: 60%] Base amount by rank (position) × Performance achievement factor *4
*4 Calculated based on the following measures of achievement *3
If free cash flow and ROE targets are not met, the amount paid will be cut by 50% (if only one of the targets is not met, by 25%).</td><td rowspan="3">At the expiration of the term of each Medium-term Business Plan in stocks</td></tr>
<tr><td colspan="3">Details</td><td>Evaluation weights</td></tr>
<tr><td colspan="3">Consolidated operating profit</td><td>30%</td></tr>
<tr><td colspan="3">Basic earnings per share</td><td>30%</td></tr>
</table>

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

Performance target achievement	Performance-linked factor
150% or more	2.0
50% or more, but less than 150%	(Actual results ÷ Target – 0.5) × 2
Less than 50%	0

(Reference) Financial performance for the previous fiscal year (March 2018 to February 2019) and the payment status of performance-linked remuneration for Executive Officers

Type of remuneration			Target	Results
Bonuses	Financial perspective	Consolidated revenue	¥485,000 million	¥459,840 million
		Consolidated operating profit	¥48,500 million	¥40,891 million
		ROE	7.5%	6.8%
Performance-linked stock-based remuneration	Short-term	Consolidated operating profit	¥48,500 million	¥40,891 million
		Basic earnings per share	¥116.59	¥104.55
	Medium-term	Consolidated operating profit	¥56,000 million	–
		Basic earnings per share	¥141.47	

Regarding bonuses and performance-linked stock-based remuneration paid to Executive Officers as part of their remuneration, etc., the amount of bonuses provisioned for in the previous fiscal year was ¥138 million and the total target amount of performance-linked stock-based remuneration (short-term) was ¥66 million, whereas the total actual bonuses paid based on performance results was ¥122 million and the total amount of performance-linked stock-based remuneration (short-term) paid was ¥51 million.

[Directors who do not execute business]

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

<Stock acquisition and holding>

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

(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. The Remuneration Committee determines the policy on deciding the contents of individual remuneration to management personnel of the Company and Daimaru Matsuzakaya Department Stores, and these contents themselves.

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

In addition, the Company appoints external remuneration consultants with a view to introducing objective viewpoints from outside the Company and expertise on officer remuneration systems. With their support, the Company reviews its remuneration levels and remuneration system in light of external data, economic environment, industry trend and

business conditions, among others.

(6) Matters relating to Outside Directors

<table>
<tr><td rowspan="5">TACHIBANA FUKUSHIMA Sakie
Independent
(Note)</td><td>Important concurrent positions</td><td colspan="2">President and Representative Director of G&S Global Advisors Inc.
Outside Director of USHIO INC.
Outside Director 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 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td rowspan="2">Attendance at the meetings of Committees to which she belongs</td><td>Nomination</td><td>100% (Attended all 13 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Remuneration</td><td>100% (Attended all 11 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="4">[Major activities during current fiscal year]
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 Inside Directors in providing advice and oversight. She does so based on her abundant experience in and knowledge of governance both in Japan and abroad 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. In addition, she serves as a leader of the executive session, which is composed only of Outside Directors, and contributes to the exchange of opinions and sharing of information among Outside Directors. She also serves as the Chairperson of the Nomination Committee and a member of Remuneration Committee. As the Chairperson of the Nomination Committee, she endeavors to strengthen the management personnel function by promoting the deliberation on the succession plan and the Board of Director structure that should be adopted by the Company and its major subsidiaries, the transparent and fair determination of officer personnel changes, and the confirmation of the pooling status of senior management candidates for the future.</td></tr>
<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 15 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 13 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Remuneration</td><td>100% (Attended all 11 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="4">[Major activities during current fiscal year]
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 Inside Directors in providing advice and oversight regarding issues such as promoting Group management and the ideal form of functions of a holding company with three committees (nomination, audit, and remuneration committees). He does so using his abundant experience and in-depth knowledge gained by undertaking management mergers between listed companies, acting as a manager of a holding company, and serving as the chair of the Board of Directors of a company with three committees (nomination, audit, and remuneration committees).
He also serves as the Chairperson of the Remuneration Committee and a member of Nomination Committee. As the Chairperson of the Remuneration Committee, he endeavors to strengthen the management personnel function by promoting the improvement of the policy for the determination of officer remuneration amounts and the calculation method thereof, the determination of specific remuneration amounts to be paid, and the review and revision of the evaluation system to determine officers’ bonuses.</td></tr>
</table>

<table>
<tr><td rowspan="5">ISHII Yasuo
Independent
(Note)</td><td>Important concurrent positions</td><td colspan="2">Director of Daimaru Matsuzakaya Department Stores Co. Ltd.</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td colspan="2">Daimaru Matsuzakaya Department Stores Co. Ltd. is a wholly-owned subsidiary of the Company.</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td colspan="2">No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td colspan="2">100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which he belongs</td><td>Nomination
Audit
Remuneration</td><td>100% (Attended all 10 meetings held during tenure this fiscal year)
100% (Attended all 5 meetings held during tenure this fiscal year)
100% (Attended all 8 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 drawing on points of view and perspectives that vary from those of Inside Directors in providing advice and oversight regarding issues such as the ideal form of organizations to implement business strategies and general business activities, including suggestions on points that should be keep in mind to generate the Group synergies. He does so using his experience with global business outside the field of retail and advanced knowledge based on his broad experience in the field of business planning, including being knowledgeable of expanding business overseas.
In regard to being a committee member, he serves as a member of both the Nomination Committee and Remuneration Committee and works to strengthen the functions of managers by contributing to not only decisions regarding the transparent and fair “choice of directors” and deliberations on issues such as “succession plans” as a member of the Nomination Committee but also decisions regarding “concrete compensation amounts” and deliberations on the formulation of “policies related to decisions on the amount of employee compensation and method for calculating that” as a member of the Remuneration Committee.</td></tr>
<tr><td rowspan="5">NISHIKAWA Koichiro
Independent
(Note)</td><td>Important concurrent positions</td><td colspan="2">None</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td colspan="2">No special relationships exist</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td colspan="2">No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td colspan="2">100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which he belongs</td><td>Audit</td><td>100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="4">[Major activities during current fiscal year]
NISHIKAWA Koichiro, utilizing his various experiences related to business tie-ups, M&As, business reforms, and important international negotiations, contributes to ensuring more effective meetings of the Board of Directors by drawing on points of view and perspectives that vary from those of Inside Directors in providing advice and oversight regarding issues such as determining factors underlying uncertainties related to new businesses and M&As and the appropriateness of those and increasing the sophistication of proposals through clarification of important items.
In regard to being a committee member, he serves as the Chairperson of the Audit Committee and from the perspective of legality, appropriateness, etc., promotes exchanges of opinions and discussions and works to strengthen audit functions related to audits of appropriate execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees), items submitted to the Board of Directors, and items judged to require monitoring by the Audit Committee.</td></tr>
</table>

<table>
<tr><td rowspan="5">SATO Rieko
Independent
(Note)</td><td>Important concurrent positions</td><td colspan="2">Partner and attorney at law of Ishii Law Office (present)
Outside Corporate Auditor of NTT DATA CORPORATION
Outside Director of Dai-ichi Life Holdings, Inc.
Director of Daimaru Matsuzakaya Department Stores Co. Ltd.</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td colspan="2">Daimaru Matsuzakaya Department Stores Co. Ltd. is a wholly-owned subsidiary of the Company.</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td colspan="2">No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td colspan="2">100% (Attended all 15 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which she belongs</td><td>Nomination
Audit
Remuneration</td><td>100% (Attended all 3 meetings held during tenure this fiscal year)
100% (Attended all 15 meetings held during tenure this fiscal year)
100% (Attended all 3 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="3">[Major activities during current fiscal year]
SATO Rieko contributes to ensuring more effective meetings of the Board of Directors by drawing on points of view and perspectives that vary from those of Inside Directors in providing advice and oversight with regard to, among others, areas that are related to defensive corporate governance in general, such as effective implementation method of internal audit and internal controls and new ways to ensure effective functioning of each department of the holding company, and risks in creation of new businesses linked to the growth strategy. She does so based on her abundant experience and advanced and expert knowledge as a lawyer specializing mainly in corporate legal affairs.
As a committee member, she serves as a member of the Audit Committee and from the perspective of legality, appropriateness, etc., promotes exchanges of opinions and discussions and works to strengthen audit functions related to audits of the appropriate execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees), items submitted to the Board of Directors, and items judged to require monitoring by the Audit Committee.</td></tr>
<tr><td rowspan="5">UCHIDA Akira
Independent
(Note)</td><td>Important concurrent positions</td><td colspan="2">Outside Director of Yokogawa Electric Corporation</td></tr>
<tr><td>Relationships between the Company and organizations where important concurrent positions are held</td><td colspan="2">No special relationships exist</td></tr>
<tr><td>Relationship with specified affiliated business operator</td><td colspan="2">No items to report</td></tr>
<tr><td>Attendance at the meetings of the Board of Directors</td><td colspan="2">100% (Attended all 12 meetings held during tenure this fiscal year)</td></tr>
<tr><td>Attendance at the meetings of Committees to which he belongs</td><td>Audit</td><td>100% (Attended all 10 meetings held during tenure this fiscal year)</td></tr>
<tr><td colspan="3">[Major activities during current fiscal year]
UCHIDA Akira possesses extensive experience and knowledge of not only business planning and IR but also corporate departments as the person responsible for the finance and accounting division, and contributes to ensuring more effective meetings of the Board of Directors by drawing on points of view and perspectives that vary from those of Inside Directors in providing advice and oversight with regard to the best financial strategy considering the cost of capital and ideas on ESG management that appropriately reflect the opinions of stakeholders.
In regard to being a committee member, he serves as a member of the Audit Committee and from the perspective of legality, appropriateness, etc., promotes exchanges of opinions and discussions and works to strengthen audit functions related to audits of the appropriate execution of duties by Directors and Executive Officers of a company with three committees (nomination, audit, and remuneration committees), items submitted to the Board of Directors, and items judged to require monitoring by the Audit Committee.</td></tr>
</table>

(Note) The above-mentioned six 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	¥149 million
(ii) Total cash and other financial profits to be paid by the Company and its subsidiaries	¥261 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.

5. Basic ideas on corporate governance

(1) Role of corporate governance

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

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

(2) Relationship with shareholders and other stakeholders

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

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

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

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

(3) Information disclosure

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

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

(4) Roles and responsibilities of the Board of Directors

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

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

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

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

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

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

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

(5) Systems of corporate governance

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

(i) The Company will strengthen the oversight function for business execution of the Board of Directors by separating oversight from execution. In addition, the Company aims to promote sophistication of strategy by having the Board of Directors actively include the insights of external persons in order to hold rigorous discourse on important strategic issues relating to the Group management.

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

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

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

6. Operation of the Board of Directors

Composition of the Board	9 Directors who do not execute business (including 6 Outside Directors) and 4 Directors who concurrently serve as Executive Officer
Major roles	The Board of Directors shall discuss and resolve matters defined in the Companies Act and/or the Articles of Incorporation, as well as matters relating to management strategies, such as the Group Medium-Term Business Plan and Management Policy, and matters relating to important business execution, such as asset acquisition, new business development, and M&As.
Operational status	Held at least once every month, in principle. With one-third or more of Directors being independent Outside Directors, the Board of Directors functions as a venue for constructive discussions and deliberations, beyond being solely a decision-making body for important matters, and is a key to the enhancement of corporate governance.
Comment from Chairperson of the Board Director KOBAYASHI Yasuyuki	In FY2019, the effectiveness of the Board of Directors' management supervisory function was improved by reviewing the criteria for submitting items to the Board of Directors accompanying the adoption of IFRS No. 16 and invigorating debates as the Audit Committee, of which an Outside Director serves as the Chairperson, more thoroughly implements its audit function. In addition, regarding the transformation of PARCO into a wholly-owned subsidiary, the purchase of shares and synergies were discussed by the members of the Board of Directors. Just like the previous fiscal year, the Board of Directors continued to take time to discuss the check of progress in implementing the current medium-term business plan and related issues and responses. As the external environment rapidly changes and dramatically deviates from initial projections, it was concluded that from the perspective of raising medium- and long-term corporate value, it would be desirable to launch a new medium-term business in FY2021 considering the difficulties of maintaining targets over five years and changes to the new business portfolio, including PARCO. This year, the Board of Directors will endeavor to focus on formulating a medium-term business plan for the next period, hold discussions designed to improve the quality of strategies from the perspective of stakeholders while sharing a sense of crisis and speed with parties involved in execution, fully provide management oversight, and contribute to the realization of the Group Vision and increase in corporate value.

(Evaluation of effectiveness of the Board of Directors)

The Company conducted its fifth evaluation of the effectiveness of the Board of Directors between October and November 2019. A third-party organization conducted individual interviews taking into consideration the preliminary survey, and this was discussed at the November Board of Directors meeting in line with the report that included a compilation and analysis of results. There is a recognition that improvements based on the past four evaluations have resulted in a well-formed Board of Directors and governance system; therefore, a different third-party organization was used this time in order to incorporate a new perspective, and the focus of this evaluation was placed on revealing actual problems.

As a result, “reconfirming the direction of reforms among Directors and aligning their views of the future business and awareness of speed in achieving that” and “examining the detailed design related to the roles and functions of the Internal Audit Division so that the Audit Committee can better function” were given as medium- and long-tern issues while “setting management indicators that clearly indicate progress in implementing the medium-term business plan and clarifying the system and schedule for execution tied to strategy” and “continually improving the quality of deliberations by the Board of Directors” were listed as short-term issues.

In response to these issues, efforts will be made to conduct more efficient and effective deliberations by 1) promptly providing feedback to parties executing measures based on the results of deliberations by the Board of Directors via the Management Meeting and other venues, instructing related departments to implement required results, and reflecting that in execution and 2) developing creative methods for further uncovering issues related to the various strategies and strengthening monitoring of those.

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

7. Operations of each Committee

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	13
Number of meetings attended	4 incumbent members attended all 13 meetings. Director Ishii, who was newly appointed in May 2019, also attended all 10 meetings held during his tenure.
Main items deliberated on during the current fiscal year	• Succession plan • System of directors at the Company and its main business subsidiaries and other officer issues • Scope of deliberations accompanying PARCO becoming a wholly-owned subsidiary
Comment from Chairperson of the Committee Director (Outside) TACHIBANA FUKUSHIMA Sakie	The Nomination Committee ensures the objectivity, transparency and rationality not only for the determination of effective composition of the Board of Directors and the election of Directors including Outside Directors but also for the election of Executive Officers of the Company and Executive Officers of major business subsidiaries. This involves utilizing in-house personnel evaluation 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. The Nomination Committee has positioned the management team succession plan as a central issue necessary to generate sustainable growth of the Company and continuously conducts related deliberations. As for training of candidates for the next generation of managers, the committee creates a pool of candidates and regularly checks evaluations of their performance, debates their roles and transfers to strengthen future human resources, and ties it to implementation if necessary. The Nomination Committee will secure management personnel necessary for continuous growth and development of the Company, and strive for the election of the right person in the right place.

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	15
Number of meetings attended	3 incumbent members attended all 15 meetings. Directors Uchida and Murata, who were elected as Director in May 2019, also attended all 10 meetings held during their tenure.
Main items deliberated on during the current fiscal year	• Formulating an audit policy and plan for Fiscal 2019 • Audit report and opinion of the Audit Committee • Reappointing the Accounting Auditor
Comment from Chairperson of the Committee Director (Outside) NISHIKAWA Koichiro	The Audit Committee, in accordance with the Rules of Audit Committee, Audit Standards, and Practice Standards for Audit concerning Internal Control System, etc., formulated an audit plan for the current fiscal year, conducted the audit, and reported its contents to the Board of Directors. During the current fiscal year, the Chairperson of the Audit Committee was changed from an Inside Director to Outside Director, and the audit system for the organization was further strengthened and expanded. Specifically, clarifying the role of the Audit Committee Secretariat in aiding audits and entrusting investigations to the Internal Audit Division and departments in the Company related to internal control were added to the "Rules of Audit Committee." As for issues such as the state of progress in implementing major strategies and state of creating and operating a system of internal controls during the third year of the Group Medium-term Business Plan, in addition to audits by full-time Audit Committee members; Audit Committee Meetings, which are distinct from the Audit Committee and include outside Audit Committee members, were held (15 times); there were reports from and exchange of opinions with Executive Officers and the Group company supervisors; and additional efforts were made to ascertain the current state of executing these measures. From the perspective of increasing the effectiveness and accuracy of audits, we will create a mechanism for mutual collaboration with the Internal Audit Division, Accounting Auditor, Audit & Supervisory Board Members of the Group companies and work to further expand the audit system. The Audit Committee will continue to work to establish a high quality corporate governance structure that is worthy of social trust and to conduct audits in a fair and impartial manner to contribute to the growth of the Group and the enhancement of its corporate value.

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	11
Number of meetings attended	4 members attended all 11 meetings. Director Ishii, who was newly appointed in May 2019, also attended all 8 meetings held during his tenure.
Main items deliberated on during the current fiscal year	• Verification of the system and level of compensation for directors and review of the compensation policy • Allowance for director bonuses and state of performance evaluations related to decisions of individual amounts • Scope of deliberations accompanying PARCO becoming a wholly-owned subsidiary
Comment from Chairperson of the Committee Director (Outside) OTA Yoshikatsu	Pursuant to the Officer Remuneration Policy resolved on May 25, 2017, the Remuneration Committee has raised the allocation percentage to performance-based remuneration (bonuses and stock-based remuneration). At the same time, it ensured transparency and objectivity by disclosing the composition of remuneration including stock-based remuneration as well as performance indexes and formulas that will determine the level of stock-based remuneration. For bonuses, which reflect the status of individual officer's achievements, the Remuneration Committee reviewed evaluation items, the status of performance indexes established, evaluation rank determination process, and evaluation results at the end of the interim period and at the end of the fiscal year, to ensure greater fairness and objectivity in evaluation results. In addition to ensuring proper operation of the remuneration system, the Remuneration Committee also examined the overall level of officer remuneration, the ratio of performance-linked remuneration, and current trends on stock-based remuneration for officers, through a third-party organization, to ensure that appropriate remuneration systems and levels are always maintained. The Remuneration Committee will continue to strive for the operation of a fair and highly rational remuneration system.

8. System and policies of the Company

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

(Revised on May 23, 2019)

This is a basic policy relating to building an internal control system for lawful and appropriate execution of overall business within the corporate group comprising J. FRONT RETAILING Co., Ltd. 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 Group and increase corporate value over the medium to long term. The Company has therefore adopted the company with three committees (nomination, audit, and remuneration committees) in order to strengthen the oversight function and decision-making function for business execution of the Board of Directors by clearly separating management oversight and execution functions.
- In order to achieve our best possible corporate governance structure, it is important that the President and Representative Executive Officer takes and hedges various risks (uncertainties) within the corporate group to build an internal control system capable of appropriate and efficient business execution.
- The internal control system is a structure that companies should establish to control internal risks (uncertainties) with a view to realizing sustainable, stable growth. Specifically, the system

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

(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, Affiliated Business Unit, Financial Strategy Unit, Human Resources Strategy Unit and Administration Unit, and Executive Officers shall be appointed as the head of the units, through which the Company shall achieve swift and efficient business execution.
- The Group Management Meeting, the Group Results and Strategy Examination Meeting, the Group Liaison Meeting, the JFR Liaison Meeting, the JFR Division Managers' Meeting shall discuss the overall policy and plan and other matters for the Group management, as well as checking on the progress of management strategies and sharing information between management, and so forth.
- The Company shall construct systems to raise overall efficiency of the Group such as the introduction of the Group's common accounting system in principle and promotion of centralized management of the Group funds.
- The Company has adopted the International Financial Reporting Standards (IFRS) voluntarily in the interest of implementing effective management based on appropriate asset evaluation, applying business management that gives emphasis to the profit of the current period and

increasing convenience for overseas investors by improving the international comparability of financial information.

(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 Representative Executive Officer with regard to risk management. The committee is chaired by the President and Representative Executive Officer and comprises Executive Officers and others.

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

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

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

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

・ Risks to be addressed shall be managed by the ESG Promotion Division by reviewing 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 Representative Executive Officer, the Company shall put a person in charge of execution control within the ESG 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 the 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 the 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) Hazard risk response

・ For hazard risks such as large-scale earthquakes, fires and accidents, crisis management shall be

controlled by the "Emergency Response Headquarters" headed by the President and Representative Executive Officer.

III. Legal Compliance System

(1) Compliance Committee

- The Company shall establish the Compliance Committee as an advisory body to the President and Representative Executive Officer regarding the operation of compliance management. The President and Representative Executive Officer shall be the Chairperson and the members of the committee shall be a corporate lawyer, Executive Officers and others.
- An officer shall be put in charge of compliance in order to promote the operation of compliance management.
- 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 Group that also extends beyond companies (to a corporate lawyer), which may be used by all persons working at the Company and operating companies.
- The hotline's policy shall be to maintain strict confidentiality regarding notifications and reports and shall not disclose the personal information of whistleblowers to a third party without their consent; to be careful to avoid identification of the whistleblower when investigating the facts; and to ensure that whistleblowers are not subjected to disadvantageous treatment in terms of personnel affairs or any other aspect.
- For hotline reports concerning management personnel, the Company shall build a structure whereby the reports are submitted directly to the Audit Committee and subjected to directions from the Audit Committee so as to secure an independent reporting route.

IV. Internal Audit Structure

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

subject to advance approval by the Audit Committee.

V. Structure of the Audit Committee

- The Audit Committee shall audit the legality and suitability of the execution of duties by the Executive Officers and Directors.
- To aim to maintain and improve the accuracy of audits, two full-time Audit Committee members shall be appointed from among the Inside Directors who do not execute business as Audit Committee members.
- 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 Representative Executive Officer to share information. Moreover, the Company's Executive Officers and Directors may be asked to attend Audit Committee meetings to provide reports and opinions as necessary.
- The Audit Committee shall regularly coordinate with the Internal Audit Division to share information. Moreover, the Accounting Auditor, outside experts and others may be asked to attend Audit Committee meetings to provide reports and opinions as necessary.
- The Audit Committee members shall report to the Audit Committee on the status of audits of the following matters:
  - Matters resolved by or reported to the Board of Directors
  - Matters identified by the Audit Committee as issues
  - Internal audit implementation status and results (audit report, improvement report, etc.)
- The Audit Committee members shall attend the Group Management Meeting and other meetings, inspect important documents associated with the execution of duties, such as 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 the 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 confidential information management, each responsible department shall carry out document storage and management during the stipulated period and shall develop a system to enable inspections of such documents at any time.
- For minutes and related documents regarding meetings chaired by Executive Officers and Directors, and other important documents relating to the execution of duties by Executive Officers and Directors, each responsible department shall carry out document storage and management and shall develop a system to enable inspections of such documents at any time.

(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 Representative Executive Officer.

(2) Operational status of systems to ensure properness of operations <Basic Policy to Build Internal Control Systems> (FY2019)

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

I. Group Management System

(1) Board of Directors

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

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

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

4) During the current fiscal year, the Board of Directors met 15 times. It fully debates issues and responses related to items stipulated in the Companies Act and Articles of Association, efforts to strengthen audits of progress in implementing the medium-term business plan, and items and countermeasures when actual results diverge from targets, and is working to steadily implement the medium-term business plan.

In addition, the Board of Directors evaluates the state of creating and operating the various items stipulated in the "Basic Policy to Build Internal Control Systems" and confirms there are no major problems.

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

(2) Management execution framework

1) In the Company, the organization responsible for execution consists of the Management Strategy Unit, Affiliated Business Unit, Financial Strategy Unit, Human Resources Strategy Unit, and Administration Unit. These various units support the prompt execution of operations and management of operating companies under the direction of the general manager of the unit, who is an Executive Officer, and in line with the "Mission Statement," which stipulates each department's roles and responsibilities.

2) The roles and responsibilities of the Company as a pure holding company are to formulate overall policy and plan for the Group management, such as the Group Vision, Medium-term Business Plan, M&As, the Group financing plans, along with the 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 clarify management responsibilities; standards have been established for delegating authority to operating companies, which exclude items that have an important impact on the Group management; and things are operated in accordance with these standards.

3) The Company has established various meetings to execute items, the roles of which are clearly indicated. At the Group Management Meeting, discussions are held on important

issues submitted to the Board of Directors, such as overall policy and plans for the Group management; at the Group Liaison Meeting and JFR Liaison Meeting, important information is shared; and at the Group Results and Strategy Examination Meeting, progress in generating earnings and related issues are checked, which leads to prompt management decisions.

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

5) Two committees were established to implement the financial strategy, the purpose of which is to improve the profitability of investments. The "Investment Plan Review Committee" verifies issues such as profit and loss projections for, appropriateness of investment plans related to, and risks related to new investment projects of a certain monetary amount or above from a financial perspective. The committee met eight times during the current fiscal year. The "Revitalization Plan Review Committee" conducts a financial verification of all existing businesses from an investment recovery perspective and formulates revitalization/withdrawal plans for poorly-performing businesses. The committee met twice during the current fiscal year.

6) With regard to internal controls over financial reporting, the Company and operating companies maintain and operate internal systems to ensure the legality and appropriateness of financial reporting in line with the Financial Instruments and Exchange Act and various associated laws and regulations. It has been confirmed that there are no problems related to the introduction and operation of the response to IFRS No. 16 Lease, which was adopted in the current fiscal year.

II. Risk Management System

(1) Risk Management Committee

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

The committee regularly discusses, identifies, and evaluates risks (uncertainties), prioritizes them and reflects them in strategies, monitors related countermeasures, and submits related reports to the Audit Committee and the Board of Directors.

2) The committee met four times during the current fiscal year. As a new measure, the committee conducted interviews of managers related to awareness of medium- and long-term risks, and identified risks that the Company faces. In particular, it debates "corporate risks," which the Company considers to have a major impact, and reflects that in annual strategies. The committee shares information and provides advice to operating companies in order to improve risk management for the whole Group.

(2) Execution control

1) Under the direction of President and Representative Executive Officer, the Company has put a person in charge of execution control in 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, no material deficiencies that should be disclosed were found, and this was reported to the Audit Committee and the Board of Directors.

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

(3) Hazard risk response

For hazard risks such as large-scale earthquakes, fires, and accidents, the Company has established a system in which crisis management is controlled by the "Emergency Response Headquarters" headed by the President and Representative Executive Officer. During the current fiscal year, training based on the "JFR Business Continuity Manual," which was revised last year, was conducted several times. In addition, "Emergency Response Headquarters"

related to the spread of the novel coronavirus (COVID-19) have been created in the Company and operating companies, and comprehensive measures to prevent infections are thoroughly implemented.

III. Legal Compliance System

(1) Compliance Committee

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

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

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

The Committee met five times during the current fiscal year and discussed factors behind and countermeasures against compliance-related violations and provided instructions to implement specific measures to prevent recurrence.

4) In order to educate people about compliance, compliance training for managers and all employees based on the "Compliance Action Plan" created last year was held several times during the current fiscal year.

(2) Whistle-blowing system

1) The Company has established the "JFR Group Compliance Hotline" for reporting issues to the Company or an independent party (corporate lawyer), which may be used by all persons working at the Company and operating companies. During the current fiscal year, "Compliance Hotline Rules" were revised in order to quickly detect and respond to important cases, and we submitted an application for "Whistle-blowing System Certification (registration based on self-assessment of compliance with certain whistle-blowing system standards)," and the application was approved in March 2020.

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

3) During the current fiscal year, 36 cases related to labor-management relations and other issues were reported.

IV. Internal Audit Structure

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

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

3) During the current fiscal year, there were audits and reports, which were primarily on not only the state of compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors; Act on Prohibition of Private Monopolization and Maintenance of Fair Trade; and Act on the Arrangement of Related Acts to Promote Work Style Reform but also the state of system security management.

V. Structure of the Audit Committee

1) The Audit Committee, which is chaired by an Outside Director, is composed of five members,

two of whom are Directors who do not execute business and are Inside Directors.

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

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

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

5) During the current fiscal year, the Audit Committee met fifteen times. Efforts are being made to further increase the accuracy of audits by newly establishing an "Audit Committee Meeting," which is separate from the Audit Committee, and using that to deepen debate.

VI. Other

(1) System for storage and management of information

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

(2) Digital information security

In order to strengthen security, the Company has formulated a "JFR Group Information Security Policy," shares that policy within the Group, and manages digital information based on that. Reports on the status of digital information management and related matters are made at the Board of Directors, the Audit Committee, and Group Management Meeting regularly and when necessary. During the current fiscal year, the "Information System Promotion and Sharing Meeting" was newly established, and efforts are being made to improve the level of security of operating companies.

(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 and practice all good" and "In doing good to others, we do good to ourselves."

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

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

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

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

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

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

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

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

shareholders.

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

(4) Basic Capital Policy

The Company believes that any increase in free cash flow and improvement in ROE should help to ensure its sustainable growth and increase corporate value over the medium to long term. To such ends, the Company promotes a capital policy that takes a balanced approach to undertaking strategic investment, enhancing shareholder returns, and expanding net worth being equipped to address risks.

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

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

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

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

(6) IR Policy

Under the Basic Mission Statement that "we aim at developing the Group by contributing to society at large as a fair and reliable corporation," 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.

(7) Sustainability Policy

(i) Aiming for sustainable society

The society we live in is facing various social issues inside and outside Japan, including abnormal weather, water resource crises, resource depletion, widening disparity, underemployment, and human rights issues. Among these issues are environmental risks that have been particularly evident in recent years, and the environment surrounding us is drastically changing due to global warming and the worsening global environment. Corporations are required to make even more contributions to a sustainable society in line with the international initiatives by, for example, addressing climate change in accordance with the Paris Agreement and the social issues listed in the "Sustainable Development Goals (SDGs)" adopted by the United Nations. Corporate initiatives toward environment, society, and governance are thus indispensable.

Whereas Daimaru and Matsuzakaya, which are the cornerstones of the Group, have carried out business activities in their long history spanning 300 to 400 years under the corporate credos “Service before profit” and “Abjure all evil and practice all good,” representing their commitment to pursuing the right path. Our Group Vision “Create and Bring to Life ‘New Happiness’” has been newly established based on these concepts. Now we are engaged in business activities aiming at realization of happy future of our customers, always bearing life of each and every one of them in mind.

We have many places where we communicate with customers, including retail stores. These places allow various people to get together and meet each other, including customers, employees, business partners, and residents in the local community. Local communities where people rooted in play a vital role in maintaining these communication places rich. Such communities should be sustained as touchpoints brimming with energy at all times. To this end, we believe it important to pass down the global environment that supports these whole activities smoothly to the future generations. This means that, in order for us to create and bring to life new happiness as we aspired, it is important to maintain the communication places; and this can only be achieved with sustainable society.

(ii) Five materiality issues (key issues)

We have set the places of communication with customers as one of the key areas that the Company designates for the sustainability management and are seriously making concerted efforts to realize a sustainable society on our own initiative. In this endeavor, we have received various opinions from stakeholders through questionnaires and have had repeated discussions at the Management Meetings and the Board of Directors meetings. As a result, we identified five materiality issues that we need to address: “contribution to a low-carbon society,” “management of the entire supply chain,” “coexistence with local communities,” “promotion of diversity” and “realization of work-life balance.” We believe our efforts to address these materiality issues will contribute to achieving the global “Sustainable Development Goals (SDGs).” Among these five materiality issues, the management team puts the greatest focus on “contribution to a low-carbon society (actions against climate change),” which is an urgent issue. We are addressing this issue as the mission of a member of society and developed the “JFR Eco Vision” with an eye to 2050 to help realize a sustainable society. Based on this Vision, we will aim to achieve both the resolution of environmental issues and corporate growth.

In view of the above matters, we are committed to fulfilling our environmental and social responsibilities to customers toward the achievement of a sustainable society, and at the same time, as a Multi Service Retailer, will pursue the creation of new happiness of life of each and every stakeholder. At the same time, we will continue achieving sustainable growth by strengthening corporate governance to tirelessly continue these initiatives.

(iii) Sustainability policy

The “Sustainability Policy” forms the foundation of our thinking on all ESG activities in order to create a sustainable society and bring to life new happiness. In response to this policy, we formulated our “Eco Vision” and “Social Vision,” which indicate our thinking about the environment and society and form the foundation of our ESG activities along with the “Corporate Governance Policy.” In order to actually conduct ESG activities that the Company aimed to undertake, the “JFR Principles of Action” and “Principles of Action for Suppliers” were formulated in 2019 because it is necessary for the Company to fulfill its social responsibilities along with suppliers.

(iv) JFR Principles of Action and Principles of Action for Suppliers

JFR Principles of Action stipulate the basic daily behavior of all the Group officers and employees from the perspective of recognizing their roles and responsibilities and acting in a highly ethical manner in order to fulfill social responsibilities, adhere to the corporate credo, and realize the corporate vision.

The Principles of Action for Suppliers stipulate items that should be adhered to in order for the Group and its suppliers to fulfill their social responsibilities.

At the Group, we fulfill our social responsibility and aim to raise corporate value along with our suppliers by adhering to the principles.

(v) Policies that comprise principles of action

1) "JFR Conduct Policy" and "Guidelines for Action for Suppliers": These are basic policies regarding five issues that the Company adheres to and demands that suppliers understand and cooperate with. They are "fair business activities," "consideration for human rights and the work environment," "consideration for the environment," "consideration for the safety and security of products and services," and "contribution to local communities."
2) "Procurement Policy":

   This is a policy on procuring products and services, increasing business competitiveness, and raising corporate value in order to achieve optimal procurement while fulfilling our societal responsibilities.
3) "Human Rights Policy":

   This is a policy on gaining a deeper understanding of issues related to human rights, the foundation of all our business activities, and acting in a proper manner.
4) "Anti-corruption Policy":

   This is a policy on recognizing corruption and bribery as important risks that could dramatically undermine trust in the Company, preventing actions that could fall under these, and executing fair and highly transparent business activities.
5) "Occupational Health and Safety Policy":

   This is a policy on increasing employee safety and health with priority on ensuring safety and health based on the idea that worker safety is the most important foundation for business activities.

Consolidated Financial Statements

Consolidated Statement of Financial Position (As of February 29, 2020)

(Millions of yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	**208,424**	**Current liabilities**	**373,889**
Cash and cash equivalents	34,633	Bonds and borrowings	108,400
Trade and other receivables	144,244	Trade and other payables	144,020
Other financial assets	5,095	Lease liabilities	29,493
Inventories	19,169	Other financial liabilities	30,199
Other current assets	5,281	Income taxes payables	4,349
		Provisions	999
		Other current liabilities	56,427
Non-current assets	**1,031,883**	**Non-current liabilities**	**466,737**
Property, plant and equipment	473,167	Bonds and borrowings	149,876
Right-of-use assets	179,632	Lease liabilities	191,003
Goodwill	523	Other financial liabilities	41,087
Investment property	219,354	Retirement benefit liabilities	20,175
Intangible assets	5,662	Provisions	4,909
Investments accounted for using equity method	37,439	Deferred tax liabilities	58,829
		Other non-current liabilities	855
Other financial assets	91,379		
Deferred tax assets	9,988		
Other non-current assets	14,734		
		Total liabilities	**840,627**
		Equity	
		Equity attributable to owners of parent	**387,188**
		Share capital	31,974
		Capital surplus	189,340
		Treasury shares	(14,974)
		Other components of equity	11,641
		Retained earnings	169,206
		Non-controlling interests	**12,493**
		Total equity	**399,681**
Total assets	**1,240,308**	Total liabilities and equity	**1,240,308**

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

Consolidated Statement of Profit or Loss (From March 1, 2019 to February 29, 2020)

(Millions of yen)

Item	Amount
Revenue	480,621
Cost of sales	(273,667)
Gross profit	**206,953**
Selling, general and administrative expenses	(161,590)
Other operating income	8,663
Other operating expenses	(13,740)
Operating profit	**40,286**
Finance income	1,091
Finance costs	(5,862)
Share of profit (loss) of investments accounted for using equity method	1,644
Profit before tax	**37,161**
Income tax expense	(13,767)
Profit	**23,393**
Profit attributable to:	
Owners of parent	21,251
Non-controlling interests	2,141
Profit	23,393

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

Consolidated Statement of Changes in Equity (From March 1, 2019 to February 29, 2020)

(Millions of yen)

	Equity attributable to owners of parent							
				Other components of equity				
	Share capital	Capital surplus	Treasury shares	Exchange differences on translation of foreign operations	Cash flow hedges	Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total
Balance as of March 1, 2019	31,974	212,210	(15,090)	(83)	(5)	14,834	–	14,745
Effect of accounting change	–	–	–	–	–	–	–	–
Restated balance	31,974	212,210	(15,090)	(83)	(5)	14,834	–	14,745
Profit	–	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	24	1	(2,237)	219	(1,992)
Total comprehensive income	–	–	–	24	1	(2,237)	219	(1,992)
Purchase of treasury shares	–	–	(7)	–	–	–	–	–
Disposal of treasury shares	–	(0)	0	–	–	–	–	–
Dividends	–	–	–	–	–	–	–	–
Changes in ownership interest in subsidiaries	–	(23,106)	–	(6)	(0)	84	–	77
Share-based remuneration transactions	–	236	122	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(970)	(219)	(1,189)
Total transactions with owners	–	(22,870)	115	(6)	(0)	(885)	(219)	(1,111)
Balance as of February 29, 2020	31,974	189,340	(14,974)	(65)	(3)	11,710	–	11,641

	Equity attributable to owners of parent		Non-controlling interests	Total
	Retained earnings	Total		
Balance as of March 1, 2019	168,861	412,700	55,784	468,485
Effect of accounting change	(12,675)	(12,675)	(1,914)	(14,590)
Restated balance	156,185	400,025	53,869	453,895
Profit	21,251	21,251	2,141	23,393
Other comprehensive income	–	(1,992)	(80)	(2,073)
Total comprehensive income	21,251	19,259	2,060	21,320
Purchase of treasury shares	–	(7)	–	(7)
Disposal of treasury shares	–	0	–	0
Dividends	(9,419)	(9,419)	(972)	(10,392)
Changes in ownership interest in subsidiaries	–	(23,028)	(42,465)	(65,494)
Share-based remuneration transactions	–	359	–	359
Transfer from other components of equity to retained earnings	1,189	–	–	–
Total transactions with owners	(8,230)	(32,096)	(43,437)	(75,534)
Balance as of February 29, 2020	169,206	387,188	12,493	399,681

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

[Reference]
Consolidated Statement of Cash Flows (Summary) (From March 1, 2019 to February 29, 2020)

(Millions of yen)

Item	Amount
Cash flows from operating activities	73,358
Cash flows from investing activities	(49,559)
Cash flows from financing activities	(14,829)
Net increase in cash and cash equivalents	8,970
Cash and cash equivalents at beginning of period	25,659
Effect of exchange rate changes on cash and cash equivalents	4
Cash and cash equivalents at end of period	34,633

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

Non-consolidated Financial Statements

Non-consolidated Balance Sheet (As of February 29, 2020)
J. Front Retailing Co., Ltd.

(Millions of yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	**76,772**	**Current liabilities**	**98,569**
Cash and deposits	14,327	Short-term loans payable	82,990
Short-term loans receivable from subsidiaries and associates	56,245	Commercial papers	4,000
		Current portion of bonds	10,000
Other	6,378	Accrued expenses	546
Allowance for doubtful accounts	(180)	Accounts payable - other	304
		Income taxes payable	135
		Provision for bonuses	164
		Provision for bonuses for directors and other officers	106
		Provision for officer remuneration BIP trust	136
		Other	185
Non-current assets	**454,335**	**Non-current liabilities**	**103,901**
Property, plant and equipment	**129**	Bonds payable	70,000
Buildings and structures	104	Long-term borrowings	31,735
Other	24	Provision for officer remuneration BIP trust	674
		Provision for loss on business of subsidiaries and associates	10
		Deferred tax liabilities	1
		Other	1,480
		Total liabilities	**202,470**
Intangible assets	**505**	**Net assets**	
Software	505	**Shareholders' equity**	**328,878**
		Share capital	31,974
		Capital surplus	249,075
		Legal capital surplus	9,474
Investments and other assets	**453,701**	Other capital surplus	239,601
Investment securities	1,229	Retained earnings	62,038
Shares of subsidiaries and associates	371,288	Other retained earnings	62,038
Long-term loans receivable from subsidiaries and associates	81,175	Retained earnings brought forward	62,038
Other	508	Treasury shares	(14,210)
Allowance for doubtful accounts	(500)		
Deferred assets	**233**	**Valuation and translation adjustments**	**(7)**
Bond issuance cost	233	Valuation difference on available-for-sale securities	(7)
		Total net assets	**328,871**
Total assets	**531,341**	**Total liabilities and net assets**	**531,341**

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

Non-consolidated Statement of Income (From March 1, 2019 to February 29, 2020)
J. Front Retailing Co., Ltd.

(Millions of yen)

Item	Amount	
Operating revenue		
Dividend income	29,040	
Consulting fee income	5,076	34,116
General and administrative expenses		**5,228**
Operating profit		**28,888**
Non-operating income		
Interest income	468	
Dividend income	179	
Other	28	676
Non-operating expenses		
Interest expenses	455	
Provision of allowance for doubtful accounts	680	
Other	266	1,402
Ordinary profit		**28,163**
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	199	
Provision for loss on business of subsidiaries and associates	10	210
Profit before income taxes		**27,952**
Income taxes - current	6	
Income taxes - deferred	(1)	4
Profit		**27,948**

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

Non-consolidated Statement of Changes in Equity (From March 1, 2019 to February 29, 2020)
J. Front Retailing Co., Ltd.

(Millions of yen)

	Shareholders' equity						Valuation and translation adjustments	Total net assets
	Share capital	Capital surplus		Retained earnings	Treasury shares	Total share-holders' equity	Valuation difference on available-for-sale securities	
		Legal capital surplus	Other capital surplus	Other retained earnings: Retained earnings brought forward				
Balance as of March 1, 2019	31,974	9,474	239,601	43,593	(14,326)	310,317	12	310,329
Changes during period								
Dividends of surplus				(9,503)		(9,503)		(9,503)
Profit				27,948		27,948		27,948
Purchase of treasury shares					(7)	(7)		(7)
Disposal of treasury shares			(0)		123	123		123
Net changes in items other than shareholders' equity							(19)	(19)
Total changes during period			(0)	18,445	115	18,560	(19)	18,541
Balance as of February 29, 2020	31,974	9,474	239,601	62,038	(14,210)	328,878	(7)	328,871

(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 8, 2020

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

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

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

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

Pursuant to Paragraph 4, Article 444 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the notes to the consolidated financial statements of J. Front Retailing Co., Ltd. (the "Company") applicable to the fiscal year from March 1, 2019 through February 29, 2020.

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

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit from an independent position. 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 13th fiscal year from March 1, 2019 through February 29, 2020 in conformity with the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting that allows companies to prepare consolidated financial statements with the omission of a part of the disclosure items required under IFRS.

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 8, 2020

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

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

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

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

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 13th fiscal year from March 1, 2019 through February 29, 2020.

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 from an independent position. 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 the Company applicable to the 13th fiscal year from March 1, 2019 through February 29, 2020 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 (COPY)

Audit Report

The Audit Committee has audited the performance of duties by Directors and Executive Officers of J. Front Retailing Co., Ltd. (the "Company") during the 13th fiscal year from March 1, 2019 through February 29, 2020. We hereby report as follows regarding the method and results of the audit.

1. Method and content of audits

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

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

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

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

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

2. Audit Results

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

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

(ii) With respect to the performance of duties by Directors and Executive Officers, the Audit Committee

found no improper acts or important violation of applicable laws and regulations or the Articles of Incorporation.

(iii) The Audit Committee confirms that decisions by the Board of Directors regarding the Company's internal control systems are fair and adequate, and found no areas that require mention regarding the description of the internal control systems in the Business Report and the performance of duties by Directors and Executive Officers. As stated in the Business Report, "Emergency Response Headquarters" related to the spread of the novel coronavirus (COVID-19) have been created in the Company and operating companies, and comprehensive measures to prevent infections are thoroughly implemented. The Audit Committee confirms that the Company and all the Group companies are working together to strengthen the crisis control system.

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

April 9, 2020
Audit Committee
J. Front Retailing Co., Ltd.

NISHIKAWA Koichiro (seal)
Chairperson of Audit Committee

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

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

SATO Rieko (seal)
Audit Committee Member

UCHIDA Akira (seal)
Audit Committee Member

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