18th Annual Shareholders Meeting: Other Matters for Which Information is Provided in Electronic Format (Matters for Which Document Provision is Omitted)

(From March 1, 2024 to February 28, 2025)

J. Front Retailing Co., Ltd.

The matters listed on this document are not presented in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents in accordance with the laws and regulations and the Company's Articles of Incorporation.

1. Current status of the corporate group

(1) Business summary and results

(Reference) Gross sales by company, store, and product of the Department Store Business

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	115,261	14.0	20.4
		Osaka Umeda store	60,031	7.3	9.1
		Tokyo store	84,513	10.2	7.9
		Kyoto store	78,775	9.6	11.7
		Kobe store	98,404	11.9	7.1
		Suma store	6,315	0.8	(1.0)
		Ashiya store	4,246	0.5	(1.3)
		Sapporo store	88,253	10.7	16.9
		Shimonoseki store	7,399	0.9	(5.3)
		Sub total	543,202	65.9	11.9
	Matsuzakaya	Nagoya store	131,635	16.0	3.8
		Ueno store	27,319	3.3	7.5
		Shizuoka store	18,376	2.2	3.7
		Takatsuki store	5,465	0.7	0.4
		Sub total	182,797	22.2	4.2
	Corporations, head office, etc.		29,786	3.6	21.3
	Total		755,786	91.6	10.3
The Hakata Daimaru, Inc.			60,352	7.3	11.6
Kochi Daimaru Co., Ltd.			8,433	1.0	0.9
Shinsaibashi Kyodo Center Building, K.K.			275	0.0	–
Adjustment			(62)	0.0	–
Total			824,785	100.0	10.2

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

Product	Amount	Composition	Year-on-year changes
		%	%
Men's clothing and haberdashery	33,476	4.1	(1.0)
Ladies' clothing and haberdashery	312,682	37.9	13.6
Children's clothing and haberdashery	6,749	0.8	(2.6)
Kimono, bedding, and other clothing	5,566	0.7	(12.2)
Accessories	62,750	7.6	14.4
Furniture	3,997	0.5	(9.9)
Home appliances	174	0.0	(3.0)
Household goods	16,128	2.0	6.3
Food products	150,570	18.3	0.6
Food halls and cafes	19,621	2.4	3.8
General goods	161,580	19.6	15.6
Services	2,925	0.4	12.2
Other	48,623	5.9	21.6
Adjustment	(62)	0.0	–
Total	824,785	100.0	10.2

(Note) 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) to a gross amount.

(Reference) Tenant transaction volume (on a gross basis) by PARCO store in the SC Business

(Millions of yen)

Store	Amount	Composition	Year-on-year changes
		%	%
Sapporo PARCO	16,655	5.1	23.2
Sendai PARCO	20,942	6.5	5.2
Urawa PARCO	31,571	9.8	11.0
Ikebukuro PARCO	28,748	8.9	12.7
PARCO_ya Ueno	9,376	2.9	11.2
Kichijoji PARCO	8,441	2.6	0.9
Shibuya PARCO	43,963	13.6	22.5
Kinshicho PARCO	11,302	3.5	8.4
Chofu PARCO	19,316	6.0	2.5
Shizuoka PARCO	8,193	2.5	13.0
Nagoya PARCO	35,971	11.1	16.3
Shinsaibashi PARCO	37,991	11.7	46.4
Hiroshima PARCO	13,797	4.3	4.3
Fukuoka PARCO	27,274	8.4	11.9
Hibarigaoka PARCO	6,823	2.1	(6.4)
Matsumoto PARCO	3,402	1.1	(15.8)
All store total	323,774	100.0	11.5

(Note) The tenant transaction volume represents the total amount of tenant transactions at PARCO stores.

(2) Major businesses

The Department Store Business, the SC Business, the Developer Business, the Payment and Finance Business, and Other including wholesale business, parking, and leasing, etc.

(3) 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		
Kobe store	Chuo-ku, Kobe	GINZA SIX	Chuo-ku, Tokyo
Suma store	Suma-ku, Kobe	The Hakata Daimaru, Inc.	Chuo-ku, Fukuoka
Ashiya store	Ashiya, Hyogo	Kochi Daimaru Co., Ltd.	Kochi, Kochi
Sapporo store	Chuo-ku, Sapporo	Shinsaibashi Kyodo Center Building, K.K.	Chuo-ku, Osaka
Shimonoseki store	Shimonoseki, Yamaguchi		

(SC Business)

Name	Location	Name	Location
PARCO Co., Ltd.			
Headquarters	Toshima-ku, Tokyo	Chofu PARCO	Chofu, Tokyo
Shibuya Head Office	Shibuya-ku, Tokyo	Matsumoto PARCO	Matsumoto, Nagano
Sapporo PARCO	Chuo-ku, Sapporo	Shizuoka PARCO	Aoi-ku, Shizuoka
Sendai PARCO	Aoba-ku, Sendai	Nagoya PARCO	Naka-ku, Nagoya
Urawa PARCO	Urawa-ku, Saitama	Shinsaibashi PARCO	Chuo-ku, Osaka
Ikebukuro PARCO	Toshima-ku, Tokyo	Hiroshima PARCO	Naka-ku, Hiroshima
PARCO_ya Ueno (Ueno Frontier Tower)	Taito-ku, Tokyo	Fukuoka PARCO	Chuo-ku, Fukuoka
Kinshicho PARCO	Sumida-ku, Tokyo		
Shibuya PARCO	Shibuya-ku, Tokyo	Pedi SHIODOME	Minato-ku, Tokyo
Hibarigaoka PARCO	Nishi-Tokyo, Tokyo	Cattleya Plaza Isezaki	Naka-ku, Yokohama
Kichijoji PARCO	Musashino, Tokyo	HAB @ Kumamoto	Chuo-ku, Kumamoto
PARCO Digital Marketing Co., Ltd.	Shibuya-ku, Tokyo	PARCO (Singapore) Pte Ltd	Singapore

(Developer Business)

Name	Location	Name	Location
J. Front City Development Co., Ltd.			
Head Office	Shibuya-ku, Tokyo	Shinsaibashi ZERO GATE	Chuo-ku, Osaka
Ueno Frontier Tower	Taito-ku, Tokyo	Sannomiya ZERO GATE	Chuo-ku, Kobe
CROSS GINZA	Chuo-ku, Tokyo	Hiroshima ZERO GATE	Naka-ku, Hiroshima
Sapporo ZERO GATE	Chuo-ku, Sapporo	BINO OKACHIMACHI	Taito-ku, Tokyo
Harajuku ZERO GATE	Shibuya-ku, Tokyo	BINO GINZA	Chuo-ku, Tokyo
Kawasaki ZERO GATE	Kawasaki-ku, Kawasaki-shi	BINO SAKAE	Naka-ku, Nagoya
Nagoya ZERO GATE	Naka-ku, Nagoya	BINO HIGASHINOTOIN	Nakagyo-ku, Kyoto
Kyoto ZERO GATE	Shimogyo-ku, Kyoto	and others	
PARCO SPACE SYSTEMS Co., Ltd.	Shibuya-ku, Tokyo	J. Front Design & Construction Co., Ltd.	Chuo-ku, Osaka

(Payment and Finance Business)

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

(Other subsidiaries)

Head Office: Osaka 5, Nagoya 1, Tokyo 1, Shanghai 1, Thailand 1

(4) Status of employees

1) Employees of the corporate group

Category	Number of employees
J. FRONT RETAILING Co., Ltd.	233
Department Store Business	2,943
SC Business	565
Developer Business	870
Payment and Finance Business	249
Other	483
Total	5,343

(Note) Other than the employees above, the number of dedicated employees is 1,131 and the number of fixed-term employees is 828.

2) Employees of the Company

Number of employees	Average age
233	47.4

(Note) Other than the employees above, the number of dedicated employees is 4 and the number of fixed-term employees is 15.

3) Employees of major subsidiaries

Name	Number of employees	Average age
Daimaru Matsuzakaya Department Stores Co. Ltd.	2,682	49.8
PARCO Co., Ltd.	591	43.7

2. Matters relating to Accounting Auditor

(1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

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

1) Amount of remuneration, etc. to be paid by the Company	¥136 million
2) Total cash and other financial profits to be paid by the Company and its subsidiaries	¥373 million

(Note) The audit agreement entered into by the Accounting Auditor and the Company does not clearly distinguish the amount being derived from the audit under the Companies Act and that being derived from the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be practically distinguished from each other. Therefore, the amount in 1) above indicates the total of these two kinds of amounts.

(3) Content of non-audit service

No items to report

(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 decisions 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 Paragraph 1, Article 340 of the Companies Act of Japan, or if a situation arises whereby the audit of the Company has been significantly impeded such as would be the case if the supervisory authorities were to issue an order requiring suspension of auditing activities.

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

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

3. System and policies of the Company

(1) Systems to ensure properness of operations <Basic Policy to Build Internal Control System> (revised on May 23, 2024)

This is a basic policy set out by J. FRONT RETAILING Co., Ltd. (hereinafter the "Company") relating to building an internal control system for lawful and appropriate execution of overall business within the Group (here and hereinafter referring to the corporate group comprising the Company and its subsidiaries). By specifically promoting this policy, the Group aims to sustain its own growth and contribute to increasing corporate value over the medium and long term.

- The Company aims to realize corporate governance that is a structure for transparent, fair, swift, and resolute decision-making with due attention to the perspectives of shareholders and also customers, employees, and local communities in order to ensure the sustainable growth of the Group and increase corporate value over the medium to long term. The Company has therefore adopted the system of 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 Group to build an internal control system capable of appropriate and efficient business execution.
- The internal control system is a structure that companies should establish to control internal risks (uncertainties) with a view to realizing sustainable, stable growth. Specifically, the system comprises the following Group management system, risk management system, legal compliance system, internal audit structure, and structure of the audit committee.

I. Group Management System

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, Sustainability Policy, the Group 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 accelerate business decisions and execution, the task of determining matters involving business execution other than the above shall be delegated to execution, with the exception of matters which have a material impact on the Group management.
- Regarding oversight, decision-making, and the like by the Board of Directors, in pursuit of separating supervisory and executive functions and ensuring the effectiveness of discussions by the Board of Directors, independent Outside Directors having no risk of a conflict of interest with the Company's shareholders shall comprise a majority of the Board of Directors.
- 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.

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.
- The Company shall assign the optimal unit for expediting and ensuring the effectiveness of strategy execution as the organization responsible for execution, and its general manager shall be an Executive Officer.

- The Company clarifies the missions of the President and Representative Executive Officer and each unit. Each division formulates and executes a concrete plan based on the mission, and the roles and operations set forth in the Rules for Division of Organizations and Duties.
- Management shall formulate the major Group management policies and individual important matters, and oversee business execution of operating subsidiaries. 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.
- Overall policy, plans, and other matters concerning the Group's management are discussed at the Group Management Meeting, the Group Policy Meeting, each segment's Medium-term Business Plan Progress Meeting, the Operating Associates Results and Strategy Examination Meeting, etc. At the meetings, participants confirm the progress of management strategies, share 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) Internal control promotion framework

- Under the direction of the President and Representative Executive Officer, the Company shall put a department and person in charge of internal control to strengthen internal control over execution. The person in charge shall develop and manage the operation of the internal controls regarding the Companies Act and the internal control system regarding the Financial Instruments and Exchange Act at the Company and operating subsidiaries.
- The department in charge of internal control shall coordinate with the Audit Committee, internal audit departments, and each unit and operating subsidiary to share information and remedy any deficiencies that occur in the internal controls.
- With regard to internal controls over financial reporting, internal systems that ensure the reliability of financial reporting in line with the Financial Instruments and Exchange Act and various associated laws and regulations shall be established at the Company and operating subsidiaries.

II. Risk Management System

- 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.
- The Risk Management Committee incorporates risk management into management decision-making by identifying and evaluating risks, determining which risks should be reflected in strategies, and deliberating over other important matters. Notably, the committee shall report the details of these deliberations to the Board of Directors in a timely manner.
- An officer shall be put in charge of risk management in order to promote the operation of risk management.
  The Company shall also put a department and person in charge of risk management to offer support and guidance in addition to monitoring the risk management of the Company and operating subsidiaries.
- Each operating subsidiary shall designate departments and people in charge of risk management, and provide daily leadership for risk management.
- 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 promotion framework

- 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.
  The Company shall also designate a department and person in charge of compliance to establish, institutionalize, and supervise the operation of compliance systems at the Company and operating subsidiaries.
- Each operating subsidiary shall designate departments and responsible persons in charge of promotion of compliance, 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 strengthen collaboration with departments in charge of compliance in operating subsidiaries, continuously oversee the development of the foundations of the compliance system and the status of implementation, and promote compliance with laws, regulations, and corporate ethics in addition to drawing up courses of action to take in response to serious compliance-related violations.
  Notably, the committee shall report the details of these deliberations to the Audit Committee in a timely manner.

2) Whistle-blowing system

- The Company shall establish the “JFR Group Compliance Hotline” that sets contact points both within and outside of the companies (corporate lawyer) as the whistle-blowing system of the Group, which may be used by all persons working at the Company and operating subsidiaries.
- 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 department under the direction of the President and Representative Executive Officer. In accordance with internal audit rules and under the direction of the President and Representative Executive Officer, the internal audit department shall audit the operations of the Company and operating subsidiaries or have them properly report the results of audits of operations, examine the properness and effectiveness of the processes for their operations, and provide guidance, advice and proposals to all departments at the Company and to operating subsidiaries.
- The persons responsible for the internal audit departments, while providing directions, guidance, and assistance to the internal audit departments of the operating subsidiaries, provide a report to the President and Representative Executive Officer of the status of internal control functions through a third-party evaluation of the audit plans and audit results of the operating subsidiaries.
- 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 department. Specifically, the Company shall adopt a system in which reports are submitted to both the President and Representative Executive Officer and the Audit Committee. When the reports are made, the audit report and the improvement report shall be made together to realize swift measures.

- Appointments and transfers of persons responsible for the internal audit departments shall be subject to advance approval by the Audit Committee, and when such persons are evaluated, the Audit Committee states an opinion to the execution of such evaluation.

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.
- The committee shall comprise independent Outside Directors and full-time non-executive directors, and in pursuit of transparency and objectivity, the Chairperson shall be selected from among the independent Outside Directors.
- The Audit Committee Secretariat has been established as an organization in charge of assistance for the Audit Committee's duties.
- Regarding the appointment and reassignment of secretariat staff members, and performance evaluations of the manager of the secretariat, 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 the Audit Committee meetings to provide reports and opinions as necessary.
- The Audit Committee shall regularly coordinate with the internal audit department 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 subsidiaries as necessary.
- Operating subsidiaries 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 the audit & supervisory board members of operating subsidiaries to enhance and strengthen the auditing of the entire Group.
- Personnel appointments and transfers for audit & supervisory board members of operating subsidiaries shall require approval from the Audit Committee, and the audit & supervisory board members of operating subsidiaries concurrently serve as members in the Audit Committee Secretariat.
- The Audit Committee may request expenses deemed necessary for performing the duties from the Company, and the Company shall bear them.

VI. System for Storage and Management of Information

1) Confidential information management

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

2) Information security management

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

(2) Operational status of systems to ensure properness of operations <Basic Policy to Build Internal Control System> (FY2024)

The Company endeavors to maintain its internal control system and properly operate such system on the basis of its “Basic Policy to Build Internal Control System.” 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) To separate supervisory and executive functions and ensure the effectiveness of discussions at the Board of Directors, the Board of Directors is comprised of a majority of independent Outside Directors who have no risk of a conflict of interest with the Company’s shareholders.

2) The Board of Directors deliberates on material issues related to the Group management. 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.

3) The Board of Directors met 15 times in the current fiscal year. Their discussions included monitoring of the Medium-term Business Plan (FY2024-FY2026), the business restructuring within the Group, the establishment of a joint venture aimed at entering the reuse business, as well as matters defined in the Companies Act and/or the Articles of Incorporation. 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 System” and confirms there are no major problems.

4) 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) As an executive organization, the Company has established optimal strategy units for effective, faster strategy execution. Following on the mission of the President and Representative Executive Officer, the Executive Officer, who is the Senior Executive General Manager, prepares missions for each strategy unit in order to realize the Medium-term Business Plan and the Annual Execution Plan. These units execute business and support the operations and management of operating subsidiaries in line with its duties and mission.

2) The roles and responsibilities of the Company as a holding company include planning, formulating, and spreading the Group Vision, the Group Medium-term Business Plan and the Group Management Policy for the fiscal year; managing the progress and performance of these activities; establishing business portfolio management (optimal allocation of management resources), human resources management, shareholder management, and corporate governance group-wide. With regard to matters related to business execution at operating subsidiaries, in order to promote speedy management decisions and clarify management responsibilities; standards have been established for delegating authority to operating companies, which exclude items that have an important impact on the Group management; and things are operated in accordance with these standards.

3) The Company has established various meetings to execute items, the roles of which are clearly indicated. The Group Management Meeting focuses on discussions of important issues to be submitted to the Board of Directors, such as overall policy and plans for the Group’s management. The matters discussed are reviewed at the Group Policy Meeting, the Medium-term Business Plan Progress Meeting, and the Operating Associates Results and Strategy Examination Meeting to help facilitate prompt management decisions.

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

3) Internal control promotion framework

1) Under the direction of the President and Representative Executive Officer, the Company has established a department and person responsible for internal control. This department and person develop and manage the internal controls regarding the Companies Act and the internal control system regarding the Financial Instruments and Exchange Act at the Company and operating subsidiaries.

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

3) 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.

II. Risk Management System

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 of the Company, presidents of operating subsidiaries, and others.

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

3) The Risk Management Committee met three times in the current fiscal year to address and monitor countermeasures based on the important risks (important risks for the Group) to be addressed under the Medium-term Business Plan, as well as to review and address the important risks for the Group in light of changes in the internal and external environment during the period. In addition, each group company extracts risks unique to the individual company with reference to the risks for the Group, and each operating company formulates, addresses, and monitors such risks.

4) 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, the Company, based on its "Crisis Management Rules" and "Business Continuity Manual" to be followed in case of a large-scale natural disaster, continued to make efforts to improve its ability to respond to a wide range of crisis events by conducting BCP drills several times, including at our operating companies. Regarding preparations for new infectious diseases, we have implemented measures to minimize the impact on our business based on our "New Infectious Disease Response Manual," which stipulates infection prevention measures to help prevent outbreaks and preparations during normal times.

III. Legal Compliance System

1) Compliance promotion framework

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 persons responsible for compliance are also put at operating subsidiaries, and carry out daily supervision and direction of business operations that are in accordance with laws and regulations and internal company rules.

3) The Compliance Committee met four times during the current fiscal year to discuss issues in the Group's internal organizational culture and initiatives aimed at reform. The committee also discussed the response to the aggregated reports to the whistle-blowing system. Furthermore, a compliance awareness survey was conducted on all employees of the Group, and the Compliance Committee had discussions based on the evaluation results.

4) In order to spread efforts to ensure compliance, those responsible for compliance at each group company meet four times a year to increase compliance awareness and implement activities within the entire group. We also conducted trainings on the theme of compliance and corporate culture for JFR's officers, as well as officers, executives, and newly assigned managers of each Group company.

2) Whistle-blowing system

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

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

3) During the current fiscal year, efforts were made to increase recognition and promote understanding of the system among the Group company employees through measures such as posting analysis of issues reported and the status of responses to them on our in-house portal site. As a result, 66 cases related to labor-management relations and other issues were reported, and are being dealt mainly by the secretariat.

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 the Audit Committee, and audit results and improvement measures related to audit findings are regularly reported. As for orders related to improvement measures from management, issues are promptly handled in collaboration with the audited departments.

3) We have established remote audit structure, which is used to conduct audits along with onsite audits. During the current fiscal year, we conducted operational audits on the status of legal compliance with the Labor Measures Comprehensive Promotion Act, the Antimonopoly Act, and other statutes, as well as the status of development of operational rules and regulations and their compliance. We also conducted audits based on themes such as the status of developing and operating IT governance and operating the Group hotline.

V. Structure of the Audit Committee

1) The Audit Committee, which is chaired by an Outside Director, is composed of four members including 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. It receives regular audit reports from the Internal Audit Division on the status of improvements regarding issues identified through internal audits. Moreover, the Audit Committee works closely with the Audit & Supervisory Board Members of the Group companies through regular meetings to share recognition of auditing issues and exchange opinions.

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 24 times. Apart from the Committee, we carried out audits on execution of duties of all of the Executive Officers of the Company at the Audit Committee Meeting. Through these, we monitored the progress of the plans based on the Group's policies such as the maximization of the Group synergies, the status to maintain and improve sound and sustainable company structure, etc.

VI. System for Storage and Management of Information

1) Confidential information management

The Company ensures that the documents associated with the execution of duties by the Executive Officers and Directors, as well as the minutes and relevant materials (including electronic records) of the meetings held by Executive Officers and Directors are appropriately stored and managed by each of the responsible departments based on laws and regulation as well as internal rules.

2) Information security management

The Company has formulated information security policies and IT governance policies and distributes them within the Group, and based on these policies, the individual departments in charge conduct information security management. Reports on the status of management of information systems and related matters are made at the Board of Directors, the Audit Committee, and the Group Management Meeting regularly and when necessary.

To minimize potential IT related risks and increase corporate value, the Company controls activities ranging from the development of IT strategy to its implementation with the Regular IT Governance Meeting and the System Development Meeting based on the Company's IT governance policy, regulations, and rules. We also promote efforts to ensure compliance with our information security policy through ongoing training related to targeted e-mail attacks and incident response. In addition, during the current fiscal year, we formulated internal rules on efforts taken by the J. FRONT RETAILING Computer Security Incident Response Team (JFR-CSIRT), an organization responsible for taking prompt post-incident responses within the Group.

(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 spirit, 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, aimed at realizing 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 Officers and experts with viewpoints that are independent from the Company's management personnel and 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 management personnel and Internal Directors of the Company is assured. Accordingly, the Company believes that these measures would not damage the corporate value of the Group or the common interests of shareholders, and that they are not intended to maintain the positions of the officers of the Company.

Notes to Consolidated Financial Statements

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

1. Reporting standards for the preparation of consolidated financial statements

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

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

2. Matters concerning the scope of consolidation

Consolidated subsidiaries 22 companies

Major consolidated subsidiaries are listed in "1. Current status of the corporate group, (8) Status of significant parent company and subsidiaries" in the Business Report.

Daimaru Matsuzakaya Department Stores Co. Ltd., which is our consolidated subsidiary, acquired 35.2% of the shares of Shinsaibashi Kyodo Center Building, K.K., which was an equity method associate, on July 31, 2024. As a result, the Company included Shinsaibashi Kyodo Center Building, K.K. in the scope of consolidation.

3. Matters concerning the application of the equity method

Equity method associates 9 companies

Major equity method associates include Ginza 6-chome Kaihatsu Tokutei Mokuteki Kaisha.

PARCO Co., Ltd., which is our consolidated subsidiary, transferred part of its shares in Apparel-web, Inc. on March 27, 2024. As a result, the Company removed Apparel-web, Inc. from the scope of the equity method. In addition, the Company established Pride No. 1 Limited Liability Investment Partnership through a joint investment on March 1, 2024; it is included in the scope of the equity method. Furthermore, J. Front City Development Co., Ltd., which is our consolidated subsidiary, established Shinsaibashi Mirai Tokutei Mokuteki Kaisha through a joint investment on January 28, 2025. As a result, the Company included Shinsaibashi Mirai Tokutei Mokuteki Kaisha in the scope of the equity method.

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

4. Matters concerning the fiscal year of consolidated subsidiaries

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

5. Matters concerning accounting policies

(1) Foreign currency translation

1) Foreign currency transactions

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

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

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

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

2) Financial statements of foreign subsidiaries, etc.

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

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

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

1) Financial instruments

(i) Non-derivative financial assets

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

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

(a) Financial assets measured at amortized cost

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

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

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

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

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

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

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

(d) Impairment of financial assets

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

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

(e) Derecognition of financial assets

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

(ii) Non-derivative financial liabilities

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

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

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

(iii) Cash and cash equivalents

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

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

(i) Inventories

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

(ii) Assets held for sale

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

An asset held for sale is measured at the lower of its carrying amount and fair value less cost to sell.

After property, plant and equipment, intangible assets, and investment property have been classified under “assets held for sale,” depreciation or amortization will not be applied to these assets.

3) Property, plant and equipment

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

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

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

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

4) Goodwill

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

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

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

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

5) Intangible assets

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

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

- Software 5 to 10 years

6) Right-of-use assets

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

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

7) Lease liabilities

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

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

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

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

8) Investment property

Investment property is measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment losses. (See “3 Property, plant and equipment” for method of depreciation and useful life.)

9) Impairment of non-financial assets

The Group determines every reporting period whether there is any indication that carrying amounts of the Group’s non-financial assets excluding inventories and deferred tax assets may be impaired. If any indication exists, the recoverable amount of the asset is estimated.

For goodwill and intangible assets with indefinite useful lives or not yet available for use, the recoverable amount is estimated at the same time each year.

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

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

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

(3) Accounting policy for significant provisions

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

Asset retirement obligations

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

Provision for loss on business liquidation

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

(4) Revenue recognition

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

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

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

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

1) Revenue recognition by business segment

(i) Department Store Business

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

(ii) SC Business

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

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

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

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

(iii) Developer Business

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

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

Revenue from sales of real estate is recognized at the time of delivery.

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

(iv) Payment and Finance Business

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

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

(v) Other

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

2) Gross and net presentation of revenue

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

(5) Income tax

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

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

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

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

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

(6) Employee benefits

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

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

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

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

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

Costs for defined contribution benefits are recognized as expenses in the period in which the employees provide services.

(7) Share-based payment

To ensure steady execution of the Medium-term Business Plan for realizing the Group Vision, the Company has adopted a stock-based remuneration system for officers utilizing a trust (officer remuneration BIP trust). The officer remuneration BIP trust is a system of granting the Company's shares to officers (in this system, in certain cases, the Company's shares are converted into cash within the trust and cash in the amount equivalent to their conversion value is paid) in accordance with the officers' level of achievement of the Medium-term Business Plan, etc. The value of the service received is measured by the fair value of the Company's shares on the grant date. This value is expensed over the vesting period from the grant date, and a corresponding amount is recognized as an increase in equity.

Notes to accounting estimates

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

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

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

The recoverable amount is usually determined by the value in use. Factors for estimating the value in use include future cash flows generated from the use of the asset, future cash flows generated by its final disposal, and discount rates.

The forecasting period for future cash flows is estimated by considering the remaining useful life of the relevant asset.

Future cash flows before discounting are estimated based on the business plan. The main assumptions include forecast trends for personal spending in Japan and outlook for inbound tourism demand, and the rate of sales growth for the period after the business plan.

For the forecast trend for personal spending in Japan, which is the basis of revenue, the Group refers to forecast trends provided by several external specialist organizations, factors in the effect of measures in its business plan, and sets the sales growth rates for each of the relevant primary business segments for the following fiscal year onward. In addition, in the outlook for inbound tourism demand, the Group creates a scenario based on international shipping forecasts and tourism demand forecasts by external organizations, and forecasts the demand within the scope of that scenario.

Although it is also difficult to forecast changes in consumption and other developments impacted by changes in social and economic circumstances, some assumptions are incorporated into forecasts of personal spending trend in Japan.

The sales growth rate for the period after the business plan is determined by referencing long-term growth rates for the relevant markets. These estimates are based on management's best estimates, but may differ from actual results due to effects of changes in uncertain future economic conditions.

Moreover, the amounts of impairment losses in the consolidated financial statements and non-current assets in the Department Store Business and the SC Business are as follows.

	Department Store Business	SC Business
Impairment losses	¥1,878 million	¥765 million
Property, plant and equipment	¥245,364 million	¥196,550 million
Right-of-use assets	¥93,748 million	¥51,690 million
Goodwill	¥6,275 million	¥523 million
Investment property	¥108,313 million	¥3,200 million
Intangible assets	¥3,296 million	¥1,085 million

2. Retirement benefit

The Group has defined benefit and defined contribution post-employment benefit plans for employees and retirees.

Present value of defined benefit obligations, service costs and others are determined based on various actuarial assumptions. For actuarial assumptions, a variety of factors, such as discount rates, future payment of salaries, those who withdraw from the plan in the future and life expectancy of members, are estimated. These estimates are made based on management's best estimates, but may differ from actual results due to effects of changes in uncertain future economic conditions and amendment or promulgation of relevant laws and regulations.

Retirement benefit liability in the consolidated financial statements is as follows:

Retirement benefit liabilities	¥15,369 million

3. Determination and revision of lease periods

The Group determines the lease periods based on the non-cancellable term of the lease, taking into consideration any term for which there is reasonable certainty of extension and any term for which there is reasonable certainty of non-cancellation. Specifically, the Group estimates the period for which there is reasonable certainty considering changes in rent expenses resulting from extension or shortening of the lease period, the existence of cancellation penalties, and the payback period for investments in significant fixtures, facilities, etc. for rental properties.

For real estate leases in which the Group is the lessee in the Department Store Business, there may be revisions to the lease period for the flagship store or properties tied to the flagship store individually coinciding with the next large-scale renovation plan or when the next Medium-term Business Plan is decided. If revisions to the lease periods become necessary, such revisions could have a material effect on the amounts to be recognized in the consolidated financial statements in the next fiscal year and beyond.

Lease liabilities in the consolidated financial statements are as follows:

Lease liabilities	¥173,520 million

Additional information

Matters concerning changes in corporate tax rates, etc. after the balance sheet date

The "Act Partially Amending the Income Tax Act" (Act No. 13 of 2025) was promulgated on March 31, 2025, and the special defense corporate tax will be established from the fiscal years beginning on or after April 1, 2026.

Accordingly, the effective statutory tax rate used to calculate deferred tax assets and liabilities will be changed from 30.6% to 31.5% for temporary differences, etc. expected to be eliminated in the fiscal years beginning on or after March 1, 2027.

As a result of this change, when recalculated based on temporary differences, etc. as of the end of the current fiscal year, deferred tax assets (the amount less deferred tax liabilities) will decrease by ¥2,021 million, and income tax expense (debit) will increase by ¥1,778 million, and other components of equity will decrease by ¥242 million.

Notes on consolidated statement of financial position

1. Allowance for doubtful accounts directly deducted from assets

(1) Trade and other receivables	¥159 million
(2) Other financial assets	¥5,058 million

2. Total amount of accumulated depreciation

(1) Property, plant and equipment	¥346,362 million
(2) Right-of-use assets	¥165,917 million
(3) Investment property	¥42,039 million

3. Assets pledged as collateral and secured liabilities

(1) Assets pledged as collateral

Other financial assets	¥243 million
Other	¥153 million
Total	¥397 million

(2) Secured liabilities

Trade and other payables	¥276 million
Total	¥276 million

Notes on consolidated statement of profit or loss

1. Other operating income

Gain on sales of non-current assets (Note 1)	¥144 million
Gain on step acquisitions (Note 2)	¥8,525 million
Other	¥3,161 million
Total	¥11,831 million

(Note 1) Mainly a gain on sales due to the sale of real estate holdings in the SC Business.

(Note 2) A gain on acquisition of shares of Shinsaibashi Kyodo Center Building, K.K., which was an equity method associate.

2. Other operating expenses

Loss on disposals of non-current assets	¥2,699 million
Impairment losses (Note)	¥2,689 million
Other	¥1,732 million
Total	¥7,122 million

(Note) As a breakdown of the ¥2,689 million in impairment losses in the current fiscal year, ¥1,878 million was recorded for the Department Store Business and ¥765 million was recorded for the SC Business.

With regard to the Department Store Business, mainly because of decreased profitability of Daimaru Matsuzakaya Department Stores Co. Ltd.'s Matsuzakaya Shizuoka store, the carrying amounts of buildings and structures, and land were reduced to the recoverable amount and the reduction of ¥1,730 million was recognized as an impairment loss. The recoverable amount of the cash-generating unit is measured as the fair value less cost of disposal.

With regard to the SC Business, mainly because of decreased profitability of PARCO Co., Ltd.'s HAB @ Kumamoto store, the carrying amount of investment property was reduced to the recoverable amount and the reduction of ¥683 million was recognized as an impairment loss. The recoverable amount of the cash-generating unit was measured at value in use, and was calculated by discounting future cash flows by a pre-tax discount rate of 4.8%, which was based on the WACC at the time of measurement, taking into account the future profitability and other factors.

Notes on consolidated statement of changes in equity

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

   Common shares 270,565,764 shares

2. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 15, 2024	Common shares	5,285	20.00	February 29, 2024	May 7, 2024
Board of Directors meeting held on October 8, 2024	Common shares	5,681	22.00	August 31, 2024	November 12, 2024

(Note 1) Total amount of dividends resolved at the Board of Directors meeting held on April 15, 2024 includes ¥42 million of dividends paid to the Company's shares held by an officer remuneration BIP trust.

(Note 2) Total amount of dividends resolved at the Board of Directors meeting held on October 8, 2024 includes ¥45 million of dividends paid to the Company's shares held by an officer remuneration BIP trust.

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

Resolution	Class of shares	Source of dividends	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors meeting held on April 24, 2025	Common shares	Retained earnings	7,747	30.00	February 28, 2025	May 8, 2025

(Note) Total amount of dividends resolved at the Board of Directors meeting held on April 24, 2025 includes ¥61 million of dividends paid to the Company's shares held by an officer remuneration BIP trust.

Notes on financial instruments

1. Matters concerning conditions of financial instruments

   Financial risk management policy

In the process of conducting business activities, the Group is exposed to financial risks (credit risk, liquidity risk, foreign exchange risk, interest rate risk); the Group conducts risk management to mitigate these financial risks.

The Group also uses derivative transactions to hedge against foreign exchange and interest rate risks with a policy of avoiding speculative transactions.

(1) Credit risk management

Credit risk refers to the risk of financial losses to the Group when customers default on their contractual obligations.

To handle this risk, all Group companies carry out due date management and balance management by customer and seek early identification and mitigation of collectability concerns.

The Group's receivables are dispersed across a broad range of industries and customers throughout the region.

Notably, the Group does not have credit risk that is over concentrated with a single customer or group to which customers belong.

The maximum exposure associated with the credit risk of financial assets is the carrying amount after deducting impairment losses shown on consolidated financial statements. This exposure associated with credit risk does not include any properties held as collateral or other forms of credit enhancement.

The Group sets out an allowance for doubtful accounts after considering whether the initially recognized credit risk will increase significantly. Specifically, when there is no significant increase in the credit risk since initial recognition, expected credit losses for 12 months are measured as allowance for doubtful accounts.

On the other hand, when there is a significant increase in credit risk since initial recognition, expected credit losses for the entire life of the financial assets are measured as allowance for doubtful accounts. Whether credit risk is significantly increased or not is determined based on the changes in default risk. Regardless of the above, regarding trade receivables, lease receivables, and others that do not include major financial factors, expected credit losses for the entire life of the financial assets are measured as allowance for doubtful accounts.

In the course of measuring these expected credit losses, reasonable, verifiable information available as of the end of the period is used with regard to the results of doubtful accounts from past fiscal years, delays and payments, and the financial circumstances of creditors in addition to past phenomena, present circumstances, and projections of future economic circumstances. Expected credit losses from financial assets for which the credit risk has not increased significantly and trade receivables and other receivables that do not include major financial factors have essentially identical credit risk profiles and are thus grouped together for evaluation based on past credit losses.

Expected credit losses from financial assets for which the credit risk has increased significantly and credit-impaired financial assets are evaluated individually while factoring in past credit losses, expected recoverable amounts, and the like.

Accounts are considered delinquent when debtors fail to pay within 90 days of the deadline.

When the Group conducts a credit investigation and deems that all or part of a financial asset is unrecoverable and should be written off, the carrying amount of the credit-impaired financial asset is directly written off.

(2) Liquidity risk management

Liquidity risk refers to the risk that the Group is unable to fulfill its payment obligations of financial liabilities when they are due.

The Group manages liquidity risk with methods such as preparing monthly cash flow management plans at all companies, and secures sufficient liquidity on hand through commitment line contracts and overdraft contracts with its main financing banks.

(3) Foreign exchange risk management

Although the Group conducts transactions in foreign currency and is exposed to foreign exchange risk between foreign currencies and Japanese yen, its impact on profit before tax is minor.

(4) Interest rate risk management

The Group is exposed to various forms of interest rate risk in the context of its business activities; interest rate fluctuations have an especially outsized impact on borrowing costs.

The Group uses interest rate swaps and other means to hedge against interest rate risk.

2. Matters concerning fair values of financial instruments

Carrying amount, fair values as of February 28, 2025, and their differences are as follows.

(Millions of yen)

	Carrying amount (*)	Fair value (*)	Difference
Assets			
(1) Cash and cash equivalents	54,975	54,975	–
(2) Trade and other receivables	156,663	156,663	–
(3) Other financial assets	90,225	89,818	(407)
Liabilities			
(4) Trade and other payables	[162,810]	[162,810]	–
(5) Other financial liabilities	[61,590]	[61,590]	–
(6) Borrowings	[130,150]	[128,655]	(1,494)
(7) Bonds payable	[59,908]	[58,662]	(1,246)
(8) Derivatives	[41]	[41]	–

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

(Note) Method for measuring fair values

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

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

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

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

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

(6) Borrowings, (7) bonds

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

(8) Derivatives (liabilities)

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

3. Matters concerning breakdowns for each level of financial instrument fair value, etc.

(1) Financial instruments measured at fair value

Regarding financial instruments measured at fair value, fair value measurements are classified into levels 1 through 3 commensurate with the observability and significance of the underlying inputs.

Level 1: Market price of the same assets or liabilities in an active market

Level 2: Fair value (of non-Level-1 financial instruments) calculated by directly or indirectly using observable prices

Level 3: Fair value calculated from evaluation techniques including unobservable inputs

The fair value of financial instruments measured using fair value is as follows.

Transitions between the levels in the fair value hierarchy are recognized on each reporting date. Notably, there were no transitions between Levels 1, 2, or 3 in the fair value hierarchy during the current fiscal year.

	Level 1	Level 2	Level 3	Total
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Assets:				
Financial assets measured at fair value through profit or loss				
Derivative financial assets	–	–	–	–
Other financial assets	–	118	950	1,068
Financial assets measured at fair value through other comprehensive income				
Other financial assets	2,259	63	26,447	28,770
Total	2,259	182	27,397	29,839
Liabilities:				
Financial liabilities measured at fair value through profit or loss				
Derivative financial liabilities	–	41	–	41
Total	–	41	–	41

(2) Fair value hierarchy for assets and liabilities for which fair value has been disclosed, but were not measured at fair value

The fair value of financial instruments measured at the amortization cost is as follows.

Notably, the following table does not include financial instruments measured at fair value or financial instruments for which the carrying amount and fair value are very similar.

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at amortized cost				
Other financial assets (non-current)	–	3,631	47,656	51,288
Total	–	3,631	47,656	51,288
Liabilities:				
Financial liabilities measured at amortized cost				
Borrowings	–	128,655	–	128,655
Bonds payable	–	58,662	–	58,662
Other financial liabilities (non-current)	–	–	33,368	33,368
Total	–	187,317	33,368	220,686

Notes on investment property

1. Matters concerning status of investment property

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

2. Matters concerning fair values of investment property

(Millions of yen)

Consolidated statement of financial position amount	Fair value at the end of the current fiscal year
177,176	298,490

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

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

Notes on revenue recognition

1. Revenue disaggregation information

The Group reports four business segments: the Department Store Business, the SC Business, the Developer Business, and the Payment and Finance Business. These reportable segments are subject to regular consideration by the Board of Directors to determine how to allocate management resources and evaluate performance. The relationship between disaggregated revenue and the segments is as follows.

(Millions of yen)

Segment		Revenue
	Daimaru Osaka Shinsaibashi store	41,301
	Osaka Umeda store	19,375
	Tokyo store	22,154
	Kyoto store	20,927
	Kobe store	28,993
	Sapporo store	23,337
	Matsuzakaya Nagoya store	38,250
	Ueno store	8,958
	Other stores	60,344
	Removal of revenue from between segments	(401)
Department Store Business		263,242
	PARCO	63,484
	Other	934
	Removal of revenue from between segments	(1,167)
SC Business		63,251
	J. Front City Development	13,414
	PARCO SPACE SYSTEMS	25,844
	J. Front Design & Construction	50,645
	Other	754
	Removal of revenue from between segments	(21,513)
Developer Business		69,144
	Payment and Finance Business	13,135
	Removal of revenue from between segments	(7,765)
Payment and Finance Business		5,370
	Other	50,716
	Removal of revenue from between segments	(9,857)
Other		40,859
Adjustments		9
Total		441,877

	Revenue from contracts with customers	377,851
	Revenue from other sources	64,026
Revenue		441,877

(Note 1) The Department Store Business, the SC Business, and the Developer Business categories include lease revenue in accordance with IFRS 16. The Payment and Finance Business category includes interest revenue in accordance with IFRS 9. Notably, lease revenue and interest revenue are included in “Revenue from other sources.” The category, “Other,” comprises non-reportable business segments such as the wholesale business, the parking business, and the leasing business.

(Note 2) “Other” in each business category includes removal of inter-segment revenue.

2. Foundational information for understanding revenue

See “5. Matters concerning accounting policies (4) Revenue recognition” under “Notes on important matters forming the basis of preparation of consolidated financial statements, etc.”

3. Information for understanding revenue amounts in the current and subsequent fiscal years

(1) Contract balances

The Group's contract balances are as follows.

(Millions of yen)

	Balance at the beginning of the current fiscal year	Balance at the end of the current fiscal year
Receivables from contracts with customers	98,071	102,726
Contract assets	6,821	10,433
Contract liabilities	38,784	39,320

(Notes) 1 Receivables from contracts with customers

Receivables from contracts with customers mainly comprises receivables generated from the use of credit cards issued by the Group; the amount includes amounts collected for third parties as agent transactions. The payback period for these receivables is typically one to two months.

2 Contract assets

Contract assets are assets involving rights over customers that arise when the Group is to receive payments from customers in line with the series of performance, recognized mainly in relation to outsourcing agreements. The Group recognizes contract assets for completed work in advance, and transfers them to trade receivables when issuing invoices after customers' receipt and inspection.

Contract assets are included in trade and other receivables in the consolidated statement of financial position.

3 Contract liabilities

Contract liabilities are liabilities involving consideration received in advance of performance pursuant to contracts, and are transferred to revenue when the Group performs work pursuant to contracts.

Contract liabilities are included in other current liabilities in the consolidated statement of financial position.

Of contract liabilities from the previous fiscal year, ¥20,159 million was recognized as revenue in the current fiscal year.

The increase in contract assets in the current fiscal year is mainly due to the increase in construction orders received.

Regarding wholly or partially satisfied performance obligations from past years, amounts recognized as revenue have not occurred in the previous or current fiscal year.

(2) Transaction prices allocated to residual performance obligations

Regarding transaction prices allocated to residual performance obligations, the Group recognizes revenue commensurate with progress toward the completion of work, actual usage of gift certificates and points, and performance of services of annual membership fees. Total transaction prices allocated to residual performance obligations and expected timing of revenue recognition thereof are as follows.

(Millions of yen)

	Balance at the beginning of the current fiscal year	Balance at the end of the current fiscal year
Within one year	37,499	36,590
1–2 years	18,301	11,248
More than 2 years	7,470	6,885
Total	63,271	54,724

Notes on business combination

Acquisition of shares of Shinsaibashi Kyodo Center Building, K.K.

1. Outline of business combination

(1) Name of acquired company and its business content

Name of acquired company	Shinsaibashi Kyodo Center Building, K.K.
Business content	Ownership and leasing of real estate

(2) Main reason for business combination

The building owned by Shinsaibashi Kyodo Center Building, K.K. (hereinafter "SCB") has been in operation as the south wing of the Daimaru Shinsaibashi store since 1970 and, as the Company's strategic base in the Shinsaibashi area, has most recently operated specialty brands, cosmetics sales floors mainly for inbound tourists, and a duty-free counter. In addition to the aforementioned south wing of the Daimaru Shinsaibashi store, the Company also operates the Main Building of the Daimaru Shinsaibashi store and Shinsaibashi PARCO in the Shinsaibashi area. Along with demonstrating the uniqueness and strengths of Daimaru and PARCO, the Company is actively developing product collaboration, joint sales promotions, area collaboration with nearby facilities of other companies, and personnel exchanges to further enhance the synergy between the department store and PARCO. The Shinsaibashi area is expected to further develop and become more attractive due to the increase in the number of local customers and inbound visitors, as well as Osaka's initiative to convert a portion of the sidewalks along Midosuji Avenue into a pedestrian space, etc. Under these circumstances, making SCB a wholly owned subsidiary of the Company's subsidiary Daimaru Matsuzakaya through this share acquisition will enable the Company to formulate a highly flexible business plan for its area strategy going forward, including the south wing of the Daimaru Shinsaibashi store. The Company will further strengthen its presence in the Shinsaibashi area by considering its future vision, including the south wing of the Daimaru Shinsaibashi store, and promoting plans that will contribute to retail expansion in the Shinsaibashi area and the creation of a livelier and more attractive town.

(3) Date of business combination

July 31, 2024

(4) Legal form of business combination

Acquisition of shares in consideration for cash by the Company's consolidated subsidiary, Daimaru Matsuzakaya Department Stores Co. Ltd.

Acquisition of treasury shares by the acquired company

(5) Ratio of voting rights after acquisition

Ratio of voting rights before additional acquisition	50.0%
Ratio of voting rights increased by SCB's acquisition of treasury shares	4.0%
Ratio of voting rights additionally acquired on the date of business combination	35.2%
Ratio of voting rights after additional acquisition	89.2%

2. Acquisition-related expenses

Acquisition-related expenses of ¥10 million are included in "Selling, general and administrative expenses" in the consolidated statement of income.

3. Gain on step acquisitions

The Company remeasured its interest in the acquired company, which was an equity method associate, held immediately prior to the acquisition date at its acquisition-date fair value, resulting in an ¥8,525 million gain on step acquisitions that are included in "Other operating income" in the consolidated statement of income.

4. Fair value of assets acquired and liabilities assumed as of the acquisition date

(Millions of yen)

	Amount
Fair value of consideration paid	6,422
Fair value of equity interest held immediately before the acquisition date	9,850
Total	16,272
Fair value of assets acquired and liabilities assumed	
Property, plant and equipment	16,522
Of which, land	16,008
Other Assets	348
Deferred tax liabilities	5,275
Other Liabilities	389
Fair value of assets acquired and liabilities assumed (net amount)	11,206
Non-controlling interests (Note 1)	1,210
Goodwill (Note 2)	6,275
Total	16,272

(Notes) 1 Non-controlling interests are measured at the non-controlling interest's proportionate share of the fair value of the acquired company's identifiable net assets at the acquisition date.

2 Goodwill mainly arises from a reasonable estimate of expected future excess earning power. No such goodwill is expected to be deductible for tax purposes.

5. Cash flows arising from acquisition

Item	Amount
Cash and cash equivalents transferred in acquisition	6,422
Cash and cash equivalents held by the acquiree at the time of acquisition	201
Purchase of shares of subsidiaries resulting in change in scope of consolidation	6,220

6. Impact on the Group

Information on profit and loss after the acquisition date related to this business combination as well as information on profit and loss if the business combination had taken place at the beginning of the fiscal year is omitted because the impact on the consolidated statement of income is immaterial.

Notes on per share information

1. Equity attributable to owners of parent per share: ¥1,597.24
2. Basic earnings per share ¥160.35

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

Significant subsequent events

At the meeting of the Board of Directors held on April 14, 2025, a resolution was passed concerning matters related to the purchase of own shares in accordance with Paragraph 1, Article 459 of the Companies Act and Article 39 of the Company's Articles of Incorporation.

1. Reason for the purchase of own shares

Under the FY2024-FY2026 Medium-term Business Plan, the Company is committed to working on the "Realization of growth with profitability" and "Optimization of equity amount and enhancement of shareholder returns” in order to enhance medium- to long-term return on capital. This purchase will be carried out based on this policy.

2. Details of matters related to the purchase

   (1) Class of shares to be purchased
       Common shares

   (2) Total number of shares to be purchased
       11,500,000 shares (upper limit)
       (4.45% of total number of issued shares (excluding treasury shares))

   (3) Total value of shares to be purchased
       ¥15,000 million (upper limit)

   (4) Purchase period
       From April 15, 2025 to August 29, 2025

   (5) Purchase method
       (i) Purchase through the Off-Auction Own Share Repurchase Transaction (ToSTNeT-3) of the Tokyo Stock Exchange
       (ii) Market purchase on the Tokyo Stock Exchange

Non-consolidated Financial Statements

Non-consolidated Balance Sheet (As of February 28, 2025)
J. Front Retailing Co., Ltd.

(Millions of yen)

Item	Amount	Item	Amount
Assets		**Liabilities**	
Current assets	**166,859**	**Current liabilities**	**127,695**
Cash and deposits	46,053	Short-term borrowings	50,330
Short-term loans receivable from subsidiaries and associates	120,254	Accounts payable - other	878
		Income taxes payable	89
Accounts receivable - other	1,166	Accrued expenses	811
Other	218	Deposits received from subsidiaries and associates	74,098
Allowance for doubtful accounts	(832)	Deposits received	761
		Provision for bonuses	328
		Provision for bonuses for directors and other officers	230
		Provision for officer remuneration BIP trust	155
		Other	12
Non-current assets	**434,526**	**Non-current liabilities**	**138,400**
Property, plant and equipment	**287**	Bonds payable	60,000
Buildings and structures	223	Long-term borrowings	76,820
Other	63	Asset retirement obligations	101
		Long-term deposits received for officer shares trust	1,101
		Provision for officer remuneration BIP trust	377
Intangible assets	**2,272**	**Total liabilities**	**266,095**
Software	2,272	**Net assets**	
		Shareholders' equity	**335,258**
		Share capital	31,974
		Capital surplus	248,874
		Legal capital surplus	9,474
Investments and other assets	**431,967**	Other capital surplus	239,400
Investment securities	2,060	Retained earnings	77,628
Shares of subsidiaries and associates	368,387	Other retained earnings	77,628
Long-term loans receivable from subsidiaries and associates	60,500	Retained earnings brought forward	77,628
Deferred tax assets	635	Treasury shares	(23,219)
Other	383		
		Valuation and translation adjustments	**123**
Deferred assets	**91**	Valuation difference on available-for-sale securities	123
Bond issuance cost	91		
		Total net assets	**335,382**
Total assets	**601,478**	**Total liabilities and net assets**	**601,478**

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

Non-consolidated Statement of Income (From March 1, 2024 to February 28, 2025)
J. Front Retailing Co., Ltd.

(Millions of yen)

Item	Amount	
Operating revenue		
Dividend income	14,657	
Consulting fee income	6,070	20,727
General and administrative expense		**9,848**
Operating profit		**10,878**
Non-operating income		
Interest income	806	
Dividend income	20	
Reversal of allowance for loan losses	167	
Other	50	1,044
Non-operating expenses		
Interest expenses	1,424	
Commitment fees	192	
Loss on investments in investment partnerships	114	
Other	218	1,950
Ordinary profit		**9,973**
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	170	**170**
Profit before income taxes		**9,803**
Income taxes - current	(991)	
Income taxes - deferred	(293)	(1,284)
Profit		**11,087**

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

Non-consolidated Statement of Changes in Equity (From March 1, 2024 to February 28, 2025)

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, 2024	31,974	9,474	239,400	77,513	(13,316)	345,046	128	345,175
Dividends of surplus	–	–	–	(10,967)	–	(10,967)	–	(10,967)
Profit	–	–	–	11,087	–	11,087	–	11,087
Purchase of treasury shares	–	–	–	–	(11,458)	(11,458)	–	(11,458)
Disposal of treasury shares	–	–	–	–	1,555	1,555	–	1,555
Changes due to dividends in kind	–	–	–	(6)	–	(6)	–	(6)
Net changes in items other than shareholders' equity	–	–	–	–	–	–	(4)	(4)
Total changes during period	–	–	–	114	(9,902)	(9,788)	(4)	(9,793)
Balance as of February 28, 2025	31,974	9,474	239,400	77,628	(23,219)	335,258	123	335,382

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

Notes to Non-consolidated Financial Statements

Notes on matters concerning important accounting policies

1. Basis and method of valuation of assets

(1) Basis and method of valuation of securities

Shares of subsidiaries and associates: Stated at cost using the moving-average method

(For investments in limited liability investment partnerships (deemed to be securities based on Paragraph 2, Article 2 of the Financial Instruments and Exchange Act), these are stated by the net amount corresponding to the Company's equity share based on the most recent obtainable financial statements depending on the reporting date established by the partnership agreement.)

Other securities

Securities with available market prices

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

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

Securities without available market prices

Stated at cost using the moving-average method

(2) Basis and method of valuation of derivatives

Derivatives: Stated at fair value

(3) Basis and method of valuation of inventories

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

2. Depreciation method of non-current assets

Property, plant and equipment (excluding leased assets)

Straight-line method

Intangible assets (excluding leased assets)

Straight-line method

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

Leased assets

Leased assets in finance leases that do not transfer ownership

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

3. Accounting method for deferred assets

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

4. Accounting policy for provisions

Allowance for doubtful accounts: To prepare for losses from bad debt, an estimated uncollectible amount is provided.

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

Provision for bonuses for directors and other officers

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

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

5. Revenue and expense recognition

Revenue from contracts with customers of the Company—a holding company—is mainly dividend income and consulting fee income from subsidiaries. Revenue from consulting fee income is recognized at the average value over the contract period because the obligation to provide consulting to subsidiaries on management, planning, and the like is satisfied on a recurring basis. Dividend income is recognized as of the effective date.

6. Hedge accounting method

Hedge accounting method	Exceptional treatment is applied to interest rate swaps that satisfy the requirements for exceptional treatment.
Hedging instruments and hedged items	
Hedging instruments	Interest rate swaps
Hedged items	Borrowings and interest expenses on borrowings
Hedging policy	Based on the risk management policy, hedging is undertaken to hedge interest rate fluctuation risk.
Method for assessing the hedge effectiveness	
	At the end of each fiscal year, hedge effectiveness with respect to the hedged items and hedging instruments is assessed for each hedging transaction. This annual assessment excludes any transaction where important terms and conditions such as principal, interest rate, and duration are identical between the assets or liabilities of hedged items and hedging instruments.

Notes to accounting estimates

There are no accounting estimates that have a risk of significantly impacting the financial statements for the next fiscal year.

Notes on non-consolidated balance sheet

1. Short-term monetary liabilities to subsidiaries and associates
¥204 million
2. Short-term monetary receivables from subsidiaries and associates
¥1,154 million
3. Accumulated depreciation of property, plant and equipment
¥97 million

Notes on non-consolidated statement of income

1. Transaction with subsidiaries and associates

Operating transaction	
Operating revenue	¥20,727 million
General and administrative expenses	¥973 million
Non-operating transactions	
Interest income	¥806 million
Interest expenses	¥693 million

Notes on non-consolidated statement of changes in equity

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

Common shares	270,565,764 shares

2. Class and number of treasury shares as of the end of the current fiscal year

Common shares	14,369,908 shares

Notes on tax effect accounting

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

Deferred tax assets	
Revised carrying amount of shares of subsidiaries and associates	¥2,770 million
Unused tax losses	¥765 million
Allowance for doubtful accounts for subsidiaries and associates	¥266 million
Loss on valuation of shares of subsidiaries and associates	¥301 million
Loss on valuation of investment securities	¥200 million
Provision for officer remuneration BIP trust	¥82 million
Excess of depreciation	¥269 million
Accrued expenses	¥107 million
Loss on impairment of non-current assets	¥112 million
Provision for bonuses	¥100 million
Accrued enterprise tax	¥25 million
Asset retirement obligations	¥30 million
Revised carrying amount of investment	¥16 million
Accrued insurance expenses	¥22 million
Other	¥94 million
Sub total deferred tax assets	¥5,166 million
Valuation allowance for unused tax losses for taxation	¥(765) million
Valuation allowance for total of deductible temporary differences, etc.	¥(3,694) million
Sub total valuation allowance	¥(4,459) million
Total deferred tax assets	¥706 million
Deferred tax liabilities	
Valuation difference on available-for-sale securities	¥(54) million
Asset retirement obligations	¥(16) million
Total deferred tax liabilities	¥(70) million
Net amount of deferred tax assets	¥635 million

2. Accounting treatment for income taxes and local income taxes and related tax effect accounting

The Company applies the Japanese group relief system, and conducts accounting treatment for and disclosure of income taxes and local income taxes, or related tax effect accounting, in accordance with

Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (The Accounting Standards Board of Japan (ASBJ) Practical Solution No. 42, August 12, 2021).

3. Matters concerning changes in corporate tax rates, etc. after the balance sheet date

The "Act Partially Amending the Income Tax Act" (Act No. 13 of 2025) was promulgated on March 31, 2025, and the special defense corporate tax will be established from the fiscal years beginning on or after April 1, 2026. Accordingly, the effective statutory tax rate used to calculate deferred tax assets and liabilities will be changed from 30.6% to 31.5% for temporary differences, etc. expected to be eliminated in the fiscal years beginning on or after March 1, 2027. However, the effect of the recalculation based on the temporary differences, etc. as of the end of the current fiscal year is immaterial.

Notes on revenue recognition

1. Foundational information for understanding revenue from contracts with customers

Foundational information for understanding revenue is as explained in "5. Revenue and expense recognition" under "Notes on matters concerning important accounting policies."

Notes on transactions with related parties

Subsidiaries, etc.

(Millions of yen)

Type	Company name	Ownership ratio of voting rights	Relationship	Nature of transactions	Transaction amount (Note 5)	Item	Balance at the end of the fiscal year
Subsidiary	Daimaru Matsuzakaya Department Stores Co. Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Receipt of consulting fee income (Note 1)	4,304	–	–
				Lending of funds	7,000	Short-term loans receivable from subsidiaries and associates	30,170
				Collection of funds	15,000		
				Lending and deposits of funds (CMS) (Note 2)	28,651	Long-term loans receivable from subsidiaries and associates	7,000
				Receipt of interests (Note 3)	193	–	–
Subsidiary	PARCO Co., Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending of funds	–	Short-term loans receivable from subsidiaries and associates	38,676
				Collection of funds	–		
				Lending and deposits of funds (CMS) (Note 2)	14,914	Long-term loans receivable from subsidiaries and associates	53,500
				Receipt of interests (Note 3)	462	–	–
Subsidiary	The Hakata Daimaru, Inc.	Holding Indirectly 69.9%	Business advisory	Lending and deposits of funds (CMS) (Note 2)	10,697	Deposits received from subsidiaries and associates	8,997
				Payment of interests (Note 3)	17	–	–
Subsidiary	JFR Card Co., Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending and deposits of funds (CMS) (Note 2)	32,915	Short-term loans receivable from subsidiaries and associates	48,701
				Receipt of interests (Note 3)	140	–	–
Subsidiary	Daimaru Matsuzakaya Tomonokai Co., Ltd.	Holding Indirectly 100%	Business advisory	Lending and deposits of funds (CMS) (Note 2)	36,959	Deposits received from subsidiaries and associates	36,500
				Payment of interests (Note 3)	624	–	–

Type	Company name	Ownership ratio of voting rights	Relationship	Nature of transactions	Transaction amount (Note 5)	Item	Balance at the end of the fiscal year
Subsidiary	J. Front Design & Construction Co., Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending and deposits of funds (CMS) (Note 2)	8,253	Deposits received from subsidiaries and associates	9,530
				Payment of interests (Note 3)	13	–	–
Subsidiary	J. Front City Development Co., Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Lending and deposits of funds (CMS) (Note 2)	8,828	Deposits received from subsidiaries and associates	5,874
				Payment of interests (Note 3)	14	–	–
Subsidiary	Angel Park Co., Ltd.	Holding Directly 0.38% Indirectly 49.88%	Interlocking of officers Business advisory	Deposits of funds	4,000	Deposits received from subsidiaries and associates	4,000
				Repayment of deposits	3,000		
				Payment of interests (Note 3)	10	–	–
Subsidiary	JFR Information Center Co., Ltd.	Holding Directly 100%	Interlocking of officers Business advisory	Requests for computation services (Note 4)	927	–	–

Transaction conditions and policy for deciding transaction conditions

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

(Note 2) The Group has introduced a cash management system (CMS), and since the lending and deposits of funds are conducted on a recurring basis, the transaction amount column reflects the average balance during the period.

(Note 3) Interest rates on funds lent and funds deposited are determined reasonably with reference to market interest rates.

(Note 4) The Company will reasonably determine with reference to market prices whether to request this company mainly in relation to computation services.

(Note 5) Transaction amounts do not include consumption taxes.

Notes on per share information

1. Net assets per share: ¥1,309.09
2. Basic earnings per share: ¥42.98

Notes on significant subsequent events

Purchase of own shares

Notes are omitted concerning the purchase of own shares as the same information is presented in "Significant subsequent events" in the Notes to Consolidated Financial Statements.

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

Report of Independent Auditors

April 22, 2025

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

Ernst & Young ShinNihon LLC
Tokyo office
Koji Ojima
Certified Public Accountant
Designated and Engagement Partner
Kenji Onuma
Certified Public Accountant
Designated and Engagement Partner
Tetsuro Tone
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to Paragraph 4, Article 444 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the notes to the consolidated financial statements of J. Front Retailing Co., Ltd. (the "Company") applicable to the fiscal year from March 1, 2024 through February 28, 2025.

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 in conformity with accounting principles with the omission of a part of the disclosure items required under IFRS as allowed by the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting.

Basis for Opinion

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

Other Information

The other information refers to the business report and its supplementary schedules. Management is responsible for preparing and disclosing the other information. In addition, the Audit Committee is responsible for overseeing the Executive Officers' and Directors' performance of duties within the maintenance and operation of the reporting process for the other information.

The scope of our audit opinion on the consolidated financial statements does not include the content of the other information, and we do not express an opinion regarding the other information.

Our responsibility in auditing the consolidated financial statements is to read through the other information, and in the process of reading it, we examine whether there are material differences between the other information and the consolidated financial statements or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other information of material errors besides such material differences.

If we determine there to be material errors in the other information based on the work we have performed, we are required to report those facts.

There are no matters to report regarding the other information.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in conformity with accounting principles with the omission of a part of the disclosure items required under IFRS as allowed by the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements on the going concern basis, and disclosing, as applicable, matters related to going concern in accordance with accounting principles with the omission of a part of the disclosure items required under IFRS as allowed by the latter part of Paragraph 1, Article 120 of the Regulation on Corporate Accounting.

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

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

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

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

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

- Plan and perform audit of the consolidated financial statements to obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to provide a basis for our opinion on the consolidated financial statements. We are responsible for the direction, supervision, and inspection of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with the ethical requirements in Japan regarding independence, on matters that may be reasonably thought to bear on our independence, as well as cases where countermeasures have been established to eliminate obstruction factors or cases where safeguards have been applied to reduce obstruction factors to allowable levels.

Conflicts of Interest

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

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

Report of Independent Auditors

April 22, 2025

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

Ernst & Young ShinNihon LLC
Tokyo office
Koji Ojima
Certified Public Accountant
Designated and Engagement Partner
Kenji Onuma
Certified Public Accountant
Designated and Engagement Partner
Tetsuro Tone
Certified Public Accountant
Designated and Engagement Partner

Opinion

Pursuant to Item 1, Paragraph 2, Article 436 of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in equity, the notes to the non-consolidated financial statements and the related supplementary schedules of J. FRONT RETAILING Co., Ltd. (the "Company") (the "non-consolidated financial statements, etc.") applicable to the 18th fiscal year from March 1, 2024 through February 28, 2025.

In our opinion, the non-consolidated financial statements etc. referred to above present fairly, in all material respects, the financial position and results of operations of the Company in conformity with accounting principles generally accepted in Japan.

Basis for Opinion

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

Other Information

The other information refers to the business report and its supplementary schedules. Management is responsible for preparing and disclosing the other information. In addition, the Audit Committee is responsible for overseeing the Executive Officers' and Directors' performance of duties within the maintenance and operation of the reporting process for the other information.

The scope of our audit opinion on the non-consolidated financial statements, etc. does not include the content of the other information, and we do not express an opinion regarding the other information.

Our responsibility in auditing the non-consolidated financial statements, etc. is to read through the other information, and in the process of reading it, we examine whether there are material differences between the other information and the non-consolidated financial statements, etc. or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other information of material errors besides such material differences.

If we determine there to be material errors in the other information based on the work we have performed, we are required to report those facts.

There are no matters to report regarding the other information.

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

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with the ethical requirements in Japan regarding independence, on matters that may be reasonably thought to bear on our independence, as well as cases where countermeasures have been established to eliminate obstruction factors or cases where safeguards have been applied to reduce obstruction factors to allowable levels.

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 18th fiscal year from March 1, 2024 through February 28, 2025. 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, including via online methods, 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. Further, regarding subsidiaries, Audit Committee Members worked to communicate with Directors, Audit & Supervisory Board Members, Executive Officers, and other parties at those subsidiaries, and when necessary, travel to the head office and other places of business and 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 Regulations for Enforcement of the Companies Act and activities set forth in Item 3 (b), Article 118 of the same Regulations, 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) Regular reports were received regarding the results of audits carried out by the internal audit departments based on the initial plan, and information was shared.

(iv) Discussions were carried out after receiving an explanation by the Accounting Auditor regarding the audit plan, and opinions were exchanged after receiving the report on the audit results. Furthermore, 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 were also notified that the Accounting Auditor was arranging the system to ensure the 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), etc., and, where necessary, requested further explanation. Furthermore, Audit Committee Members discussed major audit considerations with Ernst & Young ShinNihon LLC, received the report on the implementation status of the audit, and asked for an explanation as required.

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 system are fair and adequate, and found no areas that require mention regarding the description of the internal control system in the Business Report and the performance of duties by Directors and Executive Officers.

(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 23, 2025
Audit Committee
J. Front Retailing Co., Ltd.

HAKODA Junya (seal)
Chairperson of Audit Committee

HAMADA Kazuko (seal)
Audit Committee Member (full-time)

SEKI Tadayuki (seal)
Audit Committee Member

OMURA Emi (seal)
Audit Committee Member

(Note) Audit Committee Members, namely, HAKODA Junya, SEKI Tadayuki, and OMURA Emi are Outside Directors as prescribed in Item 15, Article 2 and Paragraph 3, Article 400 of the Companies Act.