

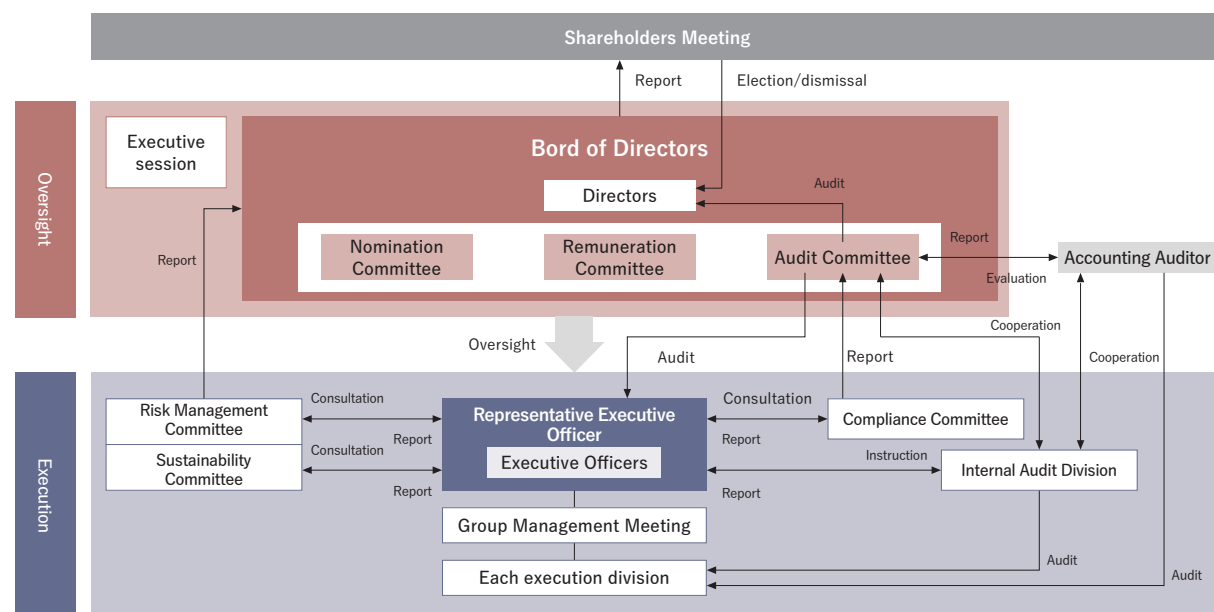
Corporate Governance

J. Front Retailing, which is a holding company, is responsible for ensuring the transparency, soundness, and legal compliance of the management of the entire Group, acting as the central focus of corporate governance for the Group, to realize the Group Mission Statement. We strive to build trust relationships with stakeholders by means including strengthening of information disclosure. And indicating the overall direction that the Group management is to take and building and developing internal control systems, and strengthening corporate governance by overseeing the operational status of such systems are placed at the top of the management agenda.

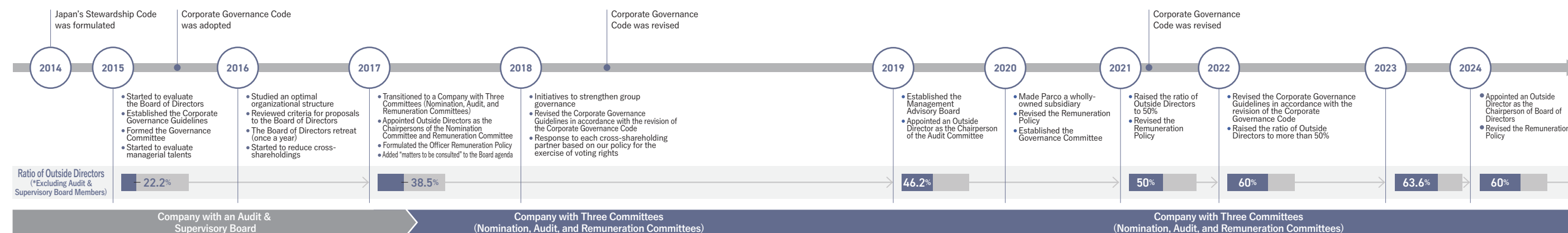
We have adopted a Company with Three Committees (Nomination, Audit, and Remuneration Committees) system to

further strengthen corporate governance by: (i) strengthening the management oversight function by separating oversight from execution; (ii) clarifying authorities and responsibilities in business execution and promoting flexible management; (iii) improving the transparency and objectivity of management; and (iv) building a globally applicable governance system. Under the new management structure that launched in fiscal 2024, we aim to achieve sustainable growth for the Group and improve its corporate value over the medium to long term by accelerating management decision-making and execution, as well as by enhancing governance, including strengthening the oversight function of the Board of Directors.

Corporate governance system diagram



History of the Company's corporate overnance



Overview of corporate governance system

We are a holding company, and in order to speed up management decisions and clarify management responsibilities, the authority for execution of business operations of operating subsidiaries is delegated to respective operating subsidiaries except for matters that affect the Group's management.

Our roles and responsibilities as a holding company are as follows:

- To plan, formulate, and penetrate the Group Vision, the Group Medium-term Business Plan, and the Group Management Policy for the fiscal year, and the Sustainability Policy and to track the progress and results thereof;
- To set the business domains of the Group;
- Business portfolio management (optimal allocation of management resources);
- To generate synergies between businesses;
- To establish the risk management system for the entire Group;
- Organization design and operation of the entire Group;
- Human resource management of the entire Group;
- Management of shareholders;
- To establish corporate governance practices for the entire Group;
- To make decisions on important matters of business execution relating to the management of the Group; and
- To provide advice and approval for management policy and management strategy of respective operating subsidiaries and to oversee and evaluate the progress thereof.

We have also established six supervisory units (Management Strategy Unit, CRE Strategy Unit, Digital Strategy Unit, Financial Strategy Unit, Human Resources Strategy Unit, and Administration Unit) as our management organizations. We clarify the roles, responsibilities, and authorities of each unit to strengthen oversight function and enhance the internal control system of the Group as a whole.

Board of Directors

(1) Roles and responsibilities of the Board of Directors

Directors appointed and entrusted with the management of the Company by shareholders fulfill the following roles and responsibilities at the Board of Directors in order to realize the Group Vision, etc. based on their fiduciary responsibility and accountability to shareholders.

- To indicate the overall direction that the Group management is to take, by engaging in constructive discussions with respect to the Group Vision, the Sustainability Policy, the Group Medium-term Business Plan, the Group Management Policy for the fiscal year, and other basic management policies and carrying out multifaceted and objective deliberations that include the evaluation of risks with respect to the aforementioned;

- To appropriately make decisions in terms of overall policy and plans pertaining to the Group management based on the direction noted above and to oversee the progress and results of the plans;

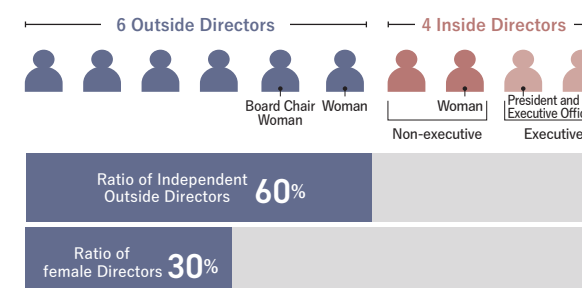
- To develop an environment conducive to encouraging offensive management geared to achieving discontinuous growth;

- To take steps to build and develop internal control systems of the Group overall and to oversee the operational status of such systems;

- To oversee conflicts of interest between related parties; and

- Based on summary reports furnished by the Nomination Committee, to oversee the progress of the President and Representative Executive Officer succession planning, personnel assignment plans pertaining to management human resources, and Executive Officer training, about which the Nomination Committee was consulted.

(2) Composition of the Board of Directors



In selecting candidates for the Board of Directors, the Company selects persons with experience and knowledge necessary to appropriately oversee the promotion of sustainability management in order to allow the Board of Directors to effectively fulfill its roles and responsibilities. In selecting candidates for Outside Director, the Company selects persons from the point of view of board diversity who have experience as managers not only in the retail industry that forms the core of the Company's business but in manufacturing and other non-retail industries, and who have expertise in legal and other fields, a marketing perspective, and extensive experience related to finance and

accounting. With regard to candidates for Non-executive Inside Director, wide-ranging practical experience within the Group and knowledge in fields such as auditing are sought by the Company. As for candidates for Director who concurrently serves as Executive Officer, the Company

selects persons responsible for the finance division whose high level of knowledge will facilitate the execution of the strategic financial policies demanded by its shareholders and investors, as well as by the President and Representative Executive Officer of the Company.

Skill matrix (Skills expected of Directors)

Name		Attribute	Corporate management	Finance & accounting	Marketing	Human resource & organization development	Legal affairs & compliance	IT & digital	E: Environment	S: Society	G: Governance
KOIDE Hiroko	Chairperson of Board of Directors Nomination Committee Member Remuneration Committee Member	Non-executive, Independent, Outside	○		○	○					○
YAGO Natsunosuke	Chairperson of Nomination Committee Remuneration Committee Member	Non-executive, Independent, Outside	○						○		○
HAKODA Junya	Chairperson of Audit Committee	Non-executive, Independent, Outside	○	○							○
UCHIDA Akira	Chairperson of Remuneration Committee Nomination Committee Member	Non-executive, Independent, Outside	○	○							○
SEKI Tadayuki	Audit Committee Member	Non-executive, Independent, Outside		○			○			○	○
New OMURA Emi	Audit Committee Member	Non-executive, Independent, Outside					○	○		○	○
YOSHIMOTO Tatsuya	Nomination Committee Member Remuneration Committee Member	Non-executive	○		○				○		○
HAMADA Kazuko	Audit Committee Member	Non-executive				○				○	○
New ONO Keiichi		Executive (President and Representative Executive Officer)	○		○				○		○
WAKABAYASHI Hayato		Executive (Managing Executive Officer)	○	○		○					○

*Non-executive: Director who does not concurrently serve as Executive Officer, Executive: Director who concurrently serves as Executive Officer, Independent: Independent officer whose status as such is registered with the stock exchange, Outside: Outside Director

Corporate management	Management experience as well as knowledge and experience related to corporate management, such as strategy planning toward enhancement of corporate value, and method for identifying issues for formulating the Medium-term Business Plan	IT & digital	Knowledge and experience for overseeing ICT utilization support and new business development from the customer's perspective and with a good grasp of the latest IT trends, with aim to promote digital transformation of existing businesses
Finance & accounting	A wide range of knowledge and experience related to finance and accounting, such as enhancement of corporate value through establishment of a solid financial base and financial strategy planning that factors in the cost of capital	E: Environment	Knowledge and experience in appropriately overseeing business activities conscious of solving environmental issues and the JFR Group's efforts toward "co-existence with the environment," such as environmental plans including setting of the medium- to long-term targets
Marketing	Knowledge and experience in activities that bring about customer satisfaction and continuous enhancement of corporate value through identifying customers' problems and creating products and services to solve them, communicating information, and providing added value	S: Society	Knowledge and experience in appropriately overseeing the JFR Group's efforts toward "co-prosperity with communities" and realization of a sustainable society
Human resource & organization development	Knowledge and experience in human capital management that brings out individuality and abilities of diverse employees and induces new value creation	G: Governance	Knowledge and experience in corporate governance for improving the effectiveness of the oversight function of the Board of Directors, in order to establish an appropriate governance system, which is the foundation for sustainable enhancement of corporate value
Legal affairs & compliance	Advanced and specialized knowledge of corporate legal affairs and knowledge and experience in promoting compliance management, in order to ensure lawful and appropriate corporate management, which is the foundation for sustainable enhancement of corporate value		

(3) Major matters discussed at the Board of Directors meetings and efforts to solve issues

In fiscal 2023, the final year of the FY2021 to FY2023 Medium-term Business Plan, the Board of Directors placed the following items on its agenda and discussed them.

Major agenda items

- Amendment of the Corporate Governance Guidelines
- Revision of the Corporate Governance Report
- Operational status of the Basic Policy to Build Internal Control System and the results of evaluation of internal controls over financial reporting
- Revision of the Basic Policy to Build Internal Control System
- Results of evaluation of the effectiveness of the Board of Directors
- Next Medium-term Business Plan
- Selection of the Group key risks in preparation for the formulation of the next Medium-term Business Plan
- Direction of sustainability
- Growth strategy for the Payment and Finance Business
- Growth strategy for interior design business and BM/FM business
- Human capital management
- Validation of rationale for cross-shareholdings
- Matters related to financial results

Nomination Committee, Audit Committee, and Remuneration Committee

Nomination Committee



The Nomination Committee determines the content of proposals on the nomination and dismissal of Directors to be submitted to Shareholders Meetings and reports to the Board of Directors upon consultations from the Board of Directors regarding the nomination and dismissal of Executive Officers, as well as the Chairperson of the Board of Directors and the chairpersons and members of individual statutory committees, and other matters.

Major agenda items

- Succession plan
- Board of Directors framework
- Confirmation of the skill matrix
- Election for candidates for Directors
- Nomination of candidates for Executive Officers and Representative Executive Officer to be proposed to the Board of Directors
- Nomination of candidates for the Chairperson of Board of Directors and the chairpersons and members of individual committees to be proposed to the Board of Directors
- Management structure of each JFR Group company

Audit Committee



The Audit Committee effectively audits whether Executive Officers and Directors execute their duties efficiently in compliance with the laws and the Articles of Incorporation and in accordance with the Basic Mission Statement of the Company and the Group Vision and makes necessary advice and recommendations. It also

conducts audits on the status of the construction and operation of internal control and prepares audit reports. To ensure the reliability of accounting information, the Audit Committee also monitors and verifies the status of work executed by the Accounting Auditor, and determines the content of proposals on the election and dismissal of such Auditor to be submitted for discussion at Shareholders Meetings.

Major agenda items

- Audit policy and audit plan, appointment of Audit Committee members to be appointed by the Audit Committee and specified Audit Committee members
- Report on the structure of audit & supervisory board members of the Group companies
- Report of the Internal Audit Division on audit plan
- Report of the Accounting Auditor on audit plan, approval for the Accounting Auditor's remuneration
- Report on the operational status of the Basic Policy to Build Internal Control System and the results of the evaluation of internal controls over financial reporting
- Audit report of audit & supervisory board members of the Group companies
- Audit report and audit findings of the Audit Committee
- Audit report of the Internal Audit Division
- Report on the Accounting Auditor's review, report on audit results
- Report on management letters of the Accounting Auditor
- Evaluation and reappointment of the Accounting Auditor
- Training session for audit & supervisory board members of the Group companies
- Key Audit Matters (KAM)
- Report of the Compliance Committee
- Operating company phase management report

Remuneration Committee



The Remuneration Committee decides on the policy for determining the remuneration details for individual Directors and Executive Officers of the Company and individual eligible officers of major subsidiaries of the Group, and on the remuneration details for individual Directors and Executive Officers of the Company.

Major agenda items

- Review of officer remuneration system
- Verification of officer remuneration levels and composition using external data
- Revision of the Officer Remuneration Policy, officer remuneration rules, etc.
- Results of officer evaluations, amount of officer bonuses
- The performance-linked coefficient and number of points provided for a stock-based remuneration system for officers
- Individual officer remuneration amount

Number of meetings in FY2023 (March 2023 to February 2024)

	Board of Directors	Nomination Committee	Audit Committee	Remuneration Committee
Number of meetings	15	15	24	13
Attendance rate	98.8%	100%	97.3%	100%
Average duration per meeting	2 hours 28 minutes	1 hour 23 minutes	1 hour 18 minutes	55 minutes

Executive session

Executive sessions are exclusive meetings of independent Outside Directors for free exchange of opinions and sharing of information. Participants debate on matters that need to be watched from a position of oversight, such as issues in the Board of Directors or problems to be addressed in order to improve the effectiveness of the Board of Directors. (The lead director is independent Outside Director SEKI Tadayuki.) At the request of the lead director, the President and Representative Executive Officer also participates in discussions.

Succession planning

(Selection of the President and Representative Executive Officer)

Selection of the President and Representative Executive Officer is a critical aspect of strategic decision-making, and accordingly the Company regards drawing up and implementation of succession plans as matters of particular importance in terms of management strategy.

The Company clarifies the selection process and ensures transparency and objectivity through repeated deliberations conducted by the Nomination Committee, which consists of three independent Outside Directors and one Non-executive Inside Director.

The Board of Directors focuses on realizing the Basic Mission Statement and the Group Vision, selects the President and Representative Executive Officer, and plays a supervisory role based on proposals received from the Nomination Committee.

(Dismissal of the President and Representative Executive Officer)

A proposal for dismissal of the President and Representative Executive Officer is discussed and determined by the Board of Directors after being discussed and resolved by the Nomination Committee based on the goals set, expected and actual results (e.g., annual performance and strategy execution status), and the status of performance of duties achieved by successor candidates who are selected under the succession plan resolved by the Nomination Committee.

(Qualities required of successors)

For the President and Representative Executive Officer of the Company and people who assume the management of the Group, the Company clearly defines the necessary values, capabilities, and behavioral traits in the form of qualities required of an officer under the “Desirable qualities required of the JFR Group managerial talent” and the “Discernible capabilities required of JFR’s President and Representative Executive Officer” in accordance with the Basic Mission Statement and the Group Vision.

Desirable qualities required of the JFR Group managerial talent	
Strategic mindset	Reform-oriented leadership
Tenacity for achieving results	Organization development strengths
Human resource development strengths	

Discernible capabilities required of JFR’s President and Representative Executive Officer	
Capacity to conceive a business vision	Capacity to communicate a vision
Persistence and capacity to achieve results	Moral character and charisma

The Nomination Committee has discussions on succession planning in a planned and consistent manner in view of changes in environments and situations surrounding the Company, the progress of strategies formulated, etc. Election and dismissal of Executive Officers are deliberated by the Nomination Committee and its proposals are deliberated and determined by the Board of

Directors, as in the case of the President and Representative Executive Officer.

Following this process, a new President and Representative Executive Officer was appointed in March 2024.

For more information about the new President and Representative Executive Officer, please see page 12 (Top Message) and page 74 (Discussion among Outside Directors).

Evaluation of the effectiveness of the Board of Directors

The Company’s evaluation of the effectiveness of the Board of Directors by a third-party organization has been conducted annually since 2015.

(Items evaluated)

About 40 items, including the Board of Directors’ contribution to the entire Group, the Board of Directors’ composition, its operational status, the content of deliberations, and the effectiveness of activities of the Nomination, Remuneration, and Audit Committees

(Evaluation methodology)

- Preliminary questionnaire for Directors
- “Individual interviews” conducted by the third-party organization based on the preliminary questionnaire (approx. one hour)
- Direct observation of deliberations by attending the Board of Directors and committee meetings
- Access to discussion materials of the Board of Directors meetings, etc.

The method used was based on the results of which were collated and analyzed in the form of a report, which was then deliberated by the Board of Directors.

In the ninth evaluation of the effectiveness of the Board of Directors, conducted between August and September 2023, it was reported by the third-party organization that the Board of Directors of the Company had improved its effectiveness through means that include transitioning to a Company with Three Committees (Nomination, Audit, and Remuneration Committees), establishing an advanced governance structure with a majority of independent Outside Directors, etc., and strengthening the functions of the three statutory committees. Although the formal establishment of these systems is almost complete, from the perspective of improving corporate value over the medium to long term, “monitoring of the Medium-term Business Plan” and “thorough preparation and analysis for discussion of growth strategies” were identified as substantive issues to be addressed. In response to these issues, we will continue to share issues based on the evaluation of the effectiveness of the Board of Directors to enhance the substantive effectiveness of the Board of Directors.

Officer remuneration system

The Company established and published its Officer Remuneration Policy in April 2017, and furthermore, changed its officer remuneration system in accordance with its Medium-term Business Plan as from May 27, 2021. And the Company has revised its officer remuneration system and Officer Remuneration Policy in accordance with the Medium-term Business Plan that commenced in fiscal 2024. In the revision, a new calculation method for officer remuneration has been introduced in order to further enhance the objectivity and transparency of the overall remuneration level and system, utilizing research conducted by a third-party organization. From the perspective of further increasing the desire to contribute to improving corporate value over the medium to long term and sharing profits with shareholders, we have reviewed the ratio of performance-linked remuneration and of stock-based remuneration as well as the evaluation indicators and evaluation weights for

bonuses that reflect the performance of individual officers and stock-based remuneration linked to the Group’s consolidated performance. Additionally, the Company has designed officer remuneration to function as an incentive for realizing and promoting sustainability management.

Regarding disclosure of remuneration, etc. of the reporting company’s officers (including remuneration, etc. received as the officers of major consolidated subsidiaries, if any, and hereinafter called “consolidated remuneration, etc.”) in the annual securities reports, in principle, the Company has disclosed it since fiscal 2020 without limiting to those whose total amount of consolidated remuneration, etc. is 100 million yen or more.

(1) Basic policy on officer remuneration

Our officer remuneration system is based on the following basic policy, aiming to realize and promote sustainability management (pay for purpose). Furthermore, the same basic policy shall apply to the officers of the Group’s major subsidiaries: the Directors and Executive Officers of Daimaru Matsuzakaya Department Stores and Parco and the Representative Directors of J. Front City Development, JFR Card, and J. Front Design & Construction (hereinafter called “eligible officers of major subsidiaries of the Group”).

- To contribute to the sustainable growth of the Group and medium- to long-term enhancement of corporate value, and to stay consistent with its corporate culture;
- To establish a remuneration system that facilitates the achievement of duties (mission) based on management strategies of professional corporate managers;
- Remuneration levels that can secure and retain human resources who have the desirable managerial talent qualities required by the Company;
- To increase shared awareness of profits with shareholders and awareness of shareholder-focused management; and
- Enhanced transparency and objectivity in the remuneration determining process

(2) Process for determining remuneration

In order to ensure the appropriateness of the level and amount of remuneration and the transparency of the decision-making process, the specific remuneration amount is decided by resolution of the Remuneration Committee, which consists of four members, including three independent Outside Directors and one Non-executive Inside Director, and is chaired by an independent Outside Director. The Company seeks to ensure comprehensive coordination in activities related to the areas of nomination and remuneration of management, including the eligible officers of major subsidiaries of the Group, by having the same members serve on both the Remuneration Committee and the Nomination Committee, and using the same evaluation sheet for both committees. In the event of contingencies, changes arising in the external environment, or other such developments unforeseen at the time of formulating the Medium-term Business Plan, the Company shall conduct a review of remuneration levels, and of evaluation methods for bonuses and performance shares (performance-linked stock-based remuneration).

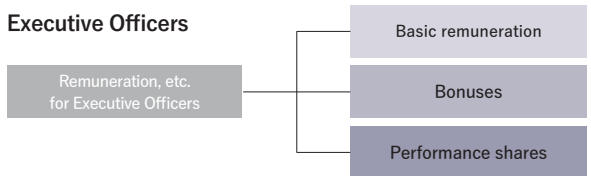
(Forfeiture of remuneration) (clawback and malus)

Regarding Executive Officers’ bonuses and stock-based remuneration, the right to payment of bonuses and granting of stock-based remuneration may be forfeit or the Company may request the return of remuneration that has already been paid or granted in cases such as where the Board of Directors has resolved that the financial results are to be amended afterwards due to a serious accounting misstatement or fraud, or where there has been a serious infringement of the appointment contract, etc., between the Company and an officer, or when an officer has retired for his/her own reasons during his/her term of office against the will of the Company.

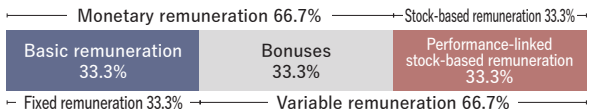
(3) Remuneration composition for Executive Officers and Non-executive Directors

Remuneration for Executive Officers shall comprise (i) “basic remuneration” (monetary remuneration) in accordance with job size, (ii) “bonuses” (monetary remuneration) based on individual evaluations conducted each fiscal year, and (iii) “performance shares (performance-linked stock-based remuneration)” (trust-type stock-based remuneration) linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan. Non-executive Directors’ remuneration shall consist only of fixed remuneration, which shall be (i) “basic remuneration” (monetary remuneration) in accordance with responsibilities and (ii) “restricted stock (non-performance-linked stock-based remuneration)” (trust-type stock-based remuneration), which is not linked to performance, as part of the stock-based remuneration system.

Executive Officers

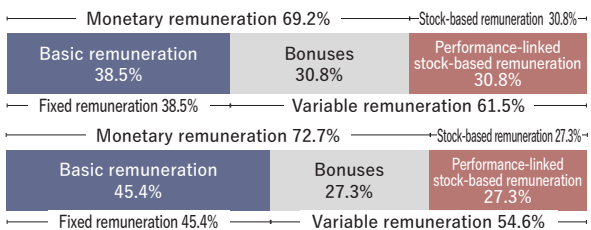


Proportion of remuneration by type for Executive Officers (President and Representative Executive Officer)



(Executive Officers excluding the Representative Executive Officer)

One of the following applies in accordance with responsibilities



Note: The above figure represents the case of a bonus for a standard ranking where the performance achievement rate for stock-based remuneration was 100%.
Note: The same remuneration composition as above is also to apply in accordance with job size with regard to eligible officers of major subsidiaries of the Group.

(a) Basic remuneration (monetary remuneration)

Executive Officers’ basic remuneration is positioned as fixed remuneration and is decided for each job size based on the size (weight) of each officer’s responsibility. Non-executive Directors’ basic remuneration is positioned as fixed remuneration and is decided based on a table according to the size (weight) of each officer’s responsibility.

(b) Bonuses (monetary remuneration)

Bonuses are paid to Executive Officers as performance-linked remuneration to facilitate the achievement of goals set for each fiscal year as milestones for the Medium-term Business Plan, and evaluation for the bonuses is carried out using the “fiscal year’s financial indicators,” serving as quantitative evaluation, and the “fiscal year’s non-financial indicators,” which include qualitative evaluation.

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

As performance share, the Company issues its shares to Executive Officers linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan to help the Group achieve sustainable growth and increase corporate value over the medium to long term. Under this system, 40% of the entire amount of performance-linked stock-based remuneration is to be issued in shares each year in order to promote management from the shareholders' perspective, and the remaining 60% is to be issued in shares in a single issuance at the end of the Medium-term Business Plan.

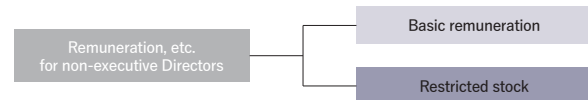
Target figures for performance-linked stock-based remuneration

KPI		Target figures	Weight
Financial	Consolidated business profit	¥52.0 billion (FY2026)	100%

KPI		Target figures	Weight
Financial	(i) ROE	8% or more (FY2026)	40%
	(ii) Consolidated ROIC	5% or more (FY2026)	20%
Stock price	(iii) r-TSR (dividend-inclusive TOPIX growth rate)	Dividend-inclusive TOPIX growth rate	20%
Non-financial	(iv) GHG reductions (Scope 1 & 2 emissions)	-58% (vs. FY2017)	10%
	(v) Ratio of women in management positions	31% (FY2026)	10%

Note: The fluctuation range for remuneration in accordance with the performance achievement rate is between 0% and 200%. For each key performance indicator, a performance-linked coefficient is established based on the degree of goal achievement.

Non-executive Directors



(d) Restricted stock (non-performance-linked stock-based remuneration)

Restricted stock is a system for issuing the Company's shares in a way that is not linked to performance, with the objective of involving Non-executive Directors in management with a medium- to long-term view in order that they should strengthen offensive and defensive governance of the Company from a different standpoint to the executives as representatives of stakeholders. The shares are issued upon their retirement from office.

Basic capital policy

The Company believes that any increase in free cash flow and improvement in ROE should help to ensure its sustainable growth and increase corporate value over the medium to long term. To such ends, in consideration of the business environment and measures for addressing risks, the Company promotes a capital policy that takes a balanced approach to "undertaking strategic investment," "enhancing shareholder returns," and "increasing shareholders' equity." Moreover, in procuring funds through interest-bearing liabilities, we aim to achieve an optimal structure of debt to equity in a manner cognizant of our funding efficiency and cost of capital, carried out on the basis of having taken into

consideration our capacity for generating free cash flows and our balance of interest-bearing liabilities. A "business strategy" where higher sales are accompanied by profits and a "financial strategy (encompassing the capital policy)" that heightens profitability of invested capital are essential elements with respect to improving free cash flows and ROE. In addition, we believe it is crucial that we achieve maximization of the operating profit and sustainable improvement of the operating profit margin by strengthening our core businesses and concentrating management resources on initiatives such as business field expansion and active development of new businesses. In monitoring our key financial indicators used in achieving the objectives of the Medium-term Business Plan, we focus primarily on ROE for capital efficiency, consolidated business profit and ROIC for business profitability, free cash flows for profitability and stability, and ratio of equity attributable to owners of parent to total assets (equity ratio) for financial soundness.

Shareholder Return Policy

The Company's basic policy is to appropriately return profits. Hence, while maintaining and enhancing its sound financial standing, the Company strives to provide stable dividends and purchase treasury shares flexibly, taking profit levels, future capital investment, free cash flow trends, and other such factors into consideration.

In accordance with this policy, the Company will strive to optimize shareholders' equity by providing dividends with a targeted consolidated dividend payout ratio of 40% or more and purchasing treasury shares during the period of its current Medium-term Business Plan (FY2024 to FY2026).

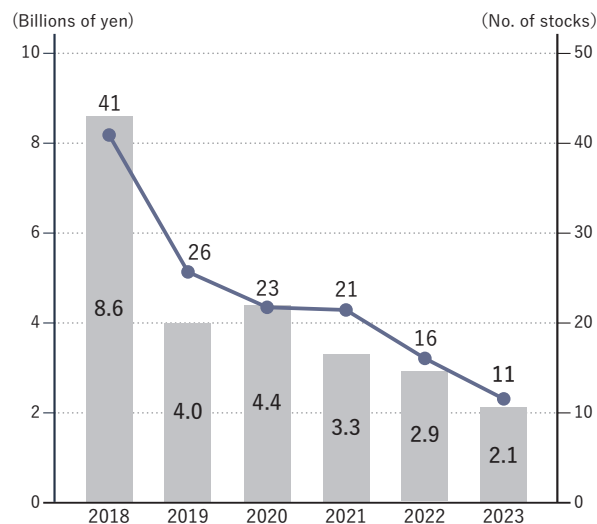
Cross-shareholdings

(1) Holding policy

In principle, the Group will not newly acquire cross-shareholdings (cross-shareholdings are holdings of listed and unlisted shares other than those of subsidiaries and associates which are not held for pure

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

■ Amount recorded in the consolidated statement of financial position (market value)
● Number of stocks held



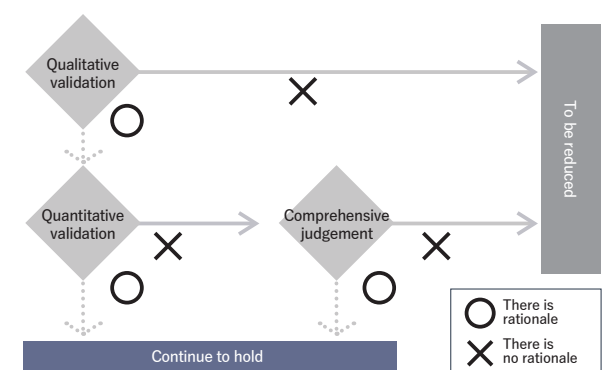
investment purposes). However, this does not apply to shares where it has been recognized that they are necessary for the promotion of the Group's business strategy, and that the holding of such shares will contribute to the increase of corporate value in the medium to long term through the validation of rationale for holding them. For such shares already held (listed/unlisted) that have been judged as not being rational in the validation result, we negotiate with companies whose shares we hold, and appropriately reduce them upon reaching a consensus regarding sale method, period, etc.

(2) Validation of rationale for holding

Every year, the Board of Directors validates the rationale of holding individual issues from both quantitative and qualitative perspectives. The qualitative perspective relates to business strategies such as maintaining harmonious and favorable business relationships with companies with which the Company makes up a community, corporate customers, and business partners, and securing supply chains. The quantitative perspective relates to whether profitability by holding shares, including related trading profits and dividends, exceed capital costs, etc.

(3) Policy on exercising voting rights

We determine whether to exercise our voting rights considering both whether such exercise will contribute to the sustainable growth and the medium- to long-term enhancement of corporate value of the company whose shares we hold and whether such exercise will contribute to the sustainable growth and the medium- to long-term enhancement of corporate value of the Group. Particularly, in regard to proposals that we consider to be of high priority with respect to strengthening corporate governance, such as proposals relating to the corporate governance system (selection of company officers), proposals relating to shareholder return (appropriation of surplus), and proposals that have an effect on shareholder value (introduction of takeover defense measures), we establish policies upon which to base judgment of our exercise of voting rights, and acting as the Group as a whole, we take a response that is in line with such policies. We engage in dialogue with companies whose shares we hold, if necessary, when we exercise voting rights.



Improvement of Shareholders Meetings

In order to engage in constructive dialogue with shareholders, we ensure that there is adequate time for our shareholders to consider matters with respect to which they will exercise their voting rights. To that end, we post informational materials for the Shareholders Meeting on the websites of the Company, financial instruments exchanges, etc. as early as practicably possible before the Electronic Provision Measures Commencement Date stipulated in the Companies Act (three weeks prior to the date on which a Shareholders Meeting is to be held or the day that the notice of convocation is sent, whichever is earlier). The materials for the 17th Annual Shareholders Meeting were disclosed on the websites of the Company and financial instruments exchanges approximately five weeks prior to the date of the meeting. Giving consideration to ensuring that our shareholders are able to conveniently exercise their voting rights, including domestic and overseas institutional investors, we have adopted online and other means of exercising voting rights and otherwise use an electronic platform for exercising voting rights. In addition, we have prepared English translations of the materials of the Shareholders Meetings and made them available on the Company's website and electronic voting platform so that foreign shareholders can exercise their voting rights appropriately. We also strive to ensure that all shareholders, including those who reside in distant locations, have opportunities to participate in or listen to the Shareholders Meetings through means such as live streaming of the Shareholders Meetings and accepting questions in advance on our website.

Dialogue activities with investors in FY2023

Dialogue opportunity	No. of times	Remarks
Financial results presentation (Q2, Q4)	2	Held online and by phone. Videos are available in both Japanese and English on demand on the Company's website. The summaries of their Q&A sessions are also available in both Japanese and English.
Earnings call (Q1, Q3)	2	Held by phone. The summaries of their Q&A sessions are also available in both Japanese and English.
Small meeting	10	Held both physically and by phone for the sell side, online for others.
Outside Directors small meeting	1	Held online.
Business strategy presentation	1	Held online. Video is available in both Japanese and English on demand on the Company's website. The summary of its Q&A session is also available in both Japanese and English.
ESG presentation	1	Held online. Video is available in both Japanese and English on demand on the Company's website. The summary of its Q&A session is also available in both Japanese and English.
Overseas IR	19	Held physically and online.
Conference for overseas investors hosted by securities companies	35	Held physically, hosted by five securities companies.
Individual IR meeting	150	Some held physically, but mainly online and by phone.
Individual SR meeting	11	Some held physically, but mainly online.
Store tour	4	Daimaru Shinsaibashi store, Shinsaibashi PARCO, and GINZA SIX
Presentation for individual investors	2	Held physically and online.

Disclosure and IR activities

Based on the Basic Mission Statement that we aim at developing the Group by contributing to society at large as a fair and reliable corporation, the Company promotes IR activities for the purpose of maintaining and developing relations of trust with stakeholders including shareholders and investors. By accurately and plainly disclosing important information about the Company in a fair, timely and appropriate manner, we aim to improve management transparency and help stakeholders better understand the Company. The Company discloses important company information to which the timely disclosure rules apply through the Timely Disclosure Network (TDnet) system provided by the Tokyo Stock Exchange, while posting the same information on the Company's website, etc. as quickly as possible.

With respect to any information that is deemed to help stakeholders better understand the Company, even where the timely disclosure rules do not apply to it, the Company works to publicize such information on its website as well as by publishing Integrated Reports and other means. The Company releases information in a timely and appropriate manner by making use of the TDnet and EDINET platforms, Sustainability Reports, the Company's website, and other means according to the attributes of the information to be disclosed. Moreover, to ensure that we disclose information in an impartial manner, we prepare and make available English translations of our Notices of Convocation of Shareholders Meeting, Integrated Reports, Annual Securities Reports, timely disclosure information, financial information, Sustainability Reports, and website.

We disclose on our website as soon as possible presentation videos, materials, and summary texts of Q&A sessions for financial results presentations, business strategy presentations, ESG presentations, etc. and summary texts of Q&A sessions for earnings calls, both in Japanese and English. In addition to the provision of information through timely disclosure, our website, and others, we organize a range of briefings and meetings and respond to inquiries from shareholders and investors on a daily basis, seeking to enhance communication with them.

Opinions and requests from shareholders and investors are shared widely at the Company and relevant companies in the Group through feedback opportunities from the IR division and other means, and we use them for reference in corporate management toward increasing corporate value.

External recognition for IR activities

Through its IR activities, the Company received the Award for Excellence at the 3rd NIKKEI Integrated Report Award (sponsored by Nikkei Inc.), and was also selected for the seventh time as one of the Excellent Integrated Reports Selected by GPIF's Asset Managers.

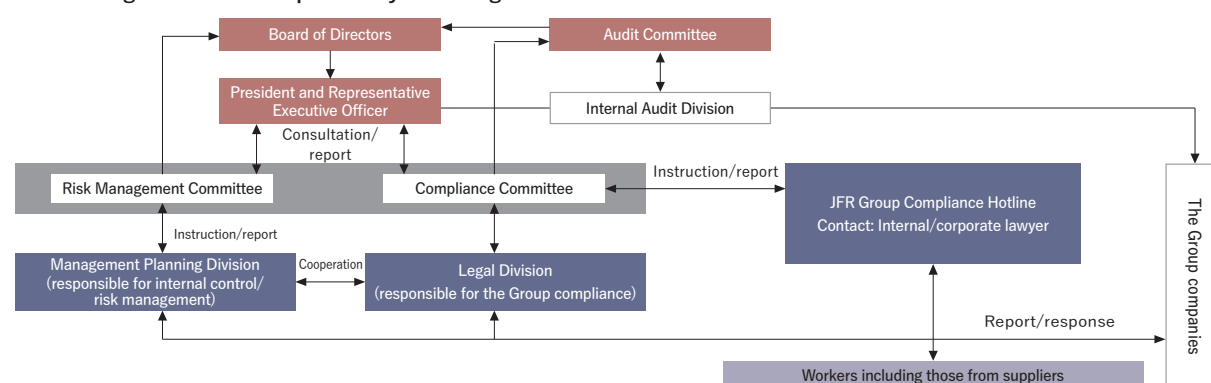
The Company was selected as one of the Greatest IR Improvement Premium Companies at the 2023 IR Award (sponsored by the Japan Investor Relations Association). The Company was also chosen as the third place in the retail category of the Award for Excellence in Corporate Disclosure (sponsored by the Securities Analysts Association of Japan), following the second place in fiscal 2022.

Risk management

The Company defines risk as "uncertainties that have both potential positive and negative sides that could have an impact on the achievement of business management goals." The Company has positioned risk management as "activity that increases corporate value by managing risks by reasonable and optimal methods from a company-wide perspective" to achieve sustainable corporate growth by addressing the positive side and the negative side of risk properly. The Company has established the Risk Management Committee as an advisory body to the President and Representative Executive Officer. The committee discusses important matters, including risk identification and evaluation, and determination of risks to be reflected in strategies, and utilizes risk management for management decision-making. The committee also reports details of its deliberations to the Board of Directors in a timely manner. Furthermore, in order to effectively perform risk management, we have established the following three lines.

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

Risk management and compliance system diagram



While identifying the JFR Group Key Risks (see page 26), which serve as the starting point for the FY2024 to FY2026 Group Medium-Term Business Plan, we have broken down and detailed them into the JFR Group Annual Risks, and implement measures to deal with them according to priority.

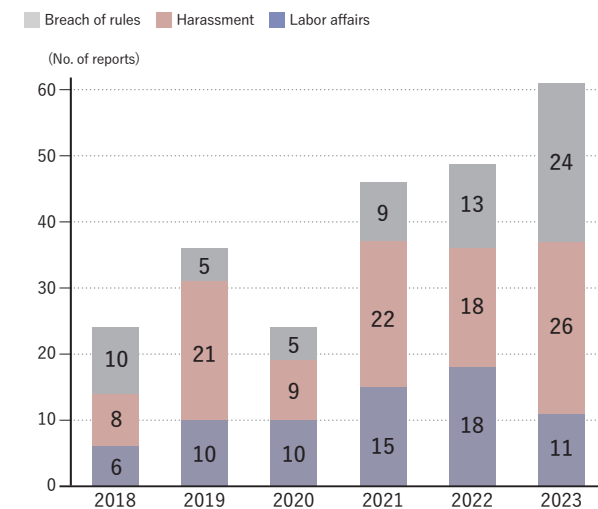
Compliance

The Company has established the Compliance Committee, whose membership includes a corporate lawyer, for the purpose of properly addressing issues of the Group's compliance management. The committee is chaired by the President and Representative Executive Officer and continuously oversees development of the foundations of compliance system and the status of implementation through enhanced collaboration with the divisions responsible for promoting compliance of each Group company, and promotes compliance with laws and regulations, corporate ethics, and other such standards. It also draws up a policy for addressing matters involving serious compliance-related violations. The committee also reports details of its deliberations to the Audit Committee regularly and in a timely manner.

JFR Group Compliance Hotline

The Company has established a whistleblowing system that enables all the Group's officers and employees as well as all individuals working at the Group (including part-timers and workers seconded from suppliers) to notify the Compliance Committee directly with respect to compliance-related issues, and to seek corrective action. The Company has set up points of contact for whistleblowers both internally and outside the Company (a corporate lawyer). The Group's internal company rules rigorously provide for the whistleblowing system in terms of protecting the confidentiality of whistleblowers and prohibiting disadvantageous treatment thereof.

Types of reports



List of the JFR Group Annual Risks

Strategy risk	1	Growing uncertainty in geopolitics and geoeconomics
	2	Uncertainty about the safety of overseas locations
	3	Fluctuations in the economy, interest rates, exchange rates, prices, etc.
	4	Diversification of consumer behaviors and values
	5	Raising presence of wealthy foreign tourists to Japan
	6	Emergence of new businesses using technology
	7	Increased effectiveness of data utilization
	8	Progress in streamlining operations through DX
	9	Growing importance of the Basic Mission Statement and the Group Vision
	10	Progress of corporate governance reform
	11	Growing demand to address environmental issues
	12	Increasing impact of social issues such as human rights risks
	13	Shrinking consumer market
	14	Intensifying competition due to increased number of channels
	15	Changes in earnings structure and declining profitability
	16	Widening disparity between cities
	17	Penetration of diversified work styles
	18	Intensifying competition in attracting human resources and rising labor costs
	19	Need for placement and utilization of strategically-fit professional human resources
	20	Growing importance of corporate communications activities
Finance risk	21	Increased attention to management indicators
	22	Rising financing costs
	23	Progress in selection of borrowers by financial institutions
	24	Trend toward stricter financial statement audits
Hazard risk	25	Increased likelihood of natural disasters
	26	Increasing demand for preventive measures against accidents, breakdowns, and injuries for which a company is liable
	27	Increased threat of system failure due to cyberattacks, etc.
	28	Need for security literacy
	29	Need to prepare for serious incidents
Operation risk	30	Growing importance of labor management
	31	Aggravated operation of retirement benefits and pension systems
	32	Increased impact of ethics and compliance cases
	33	Growing importance of information management
	34	Importance of quality control and procurement cost control of products and services
	35	Importance of the management of business partners (including outsourcing partners) and customers