
To Achieve Management Conscious of Cost of Capital and Stock Price

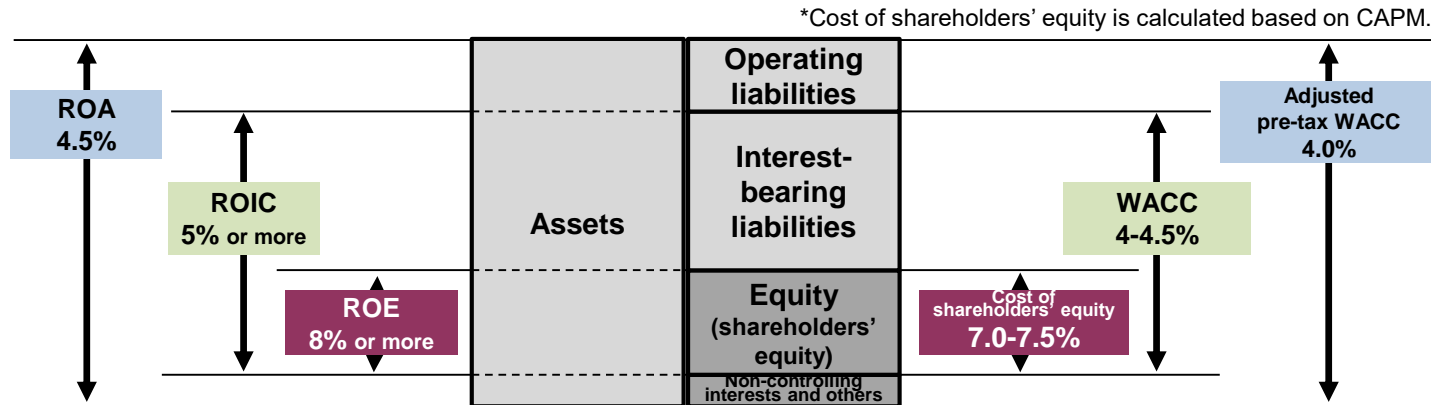
May 30, 2024



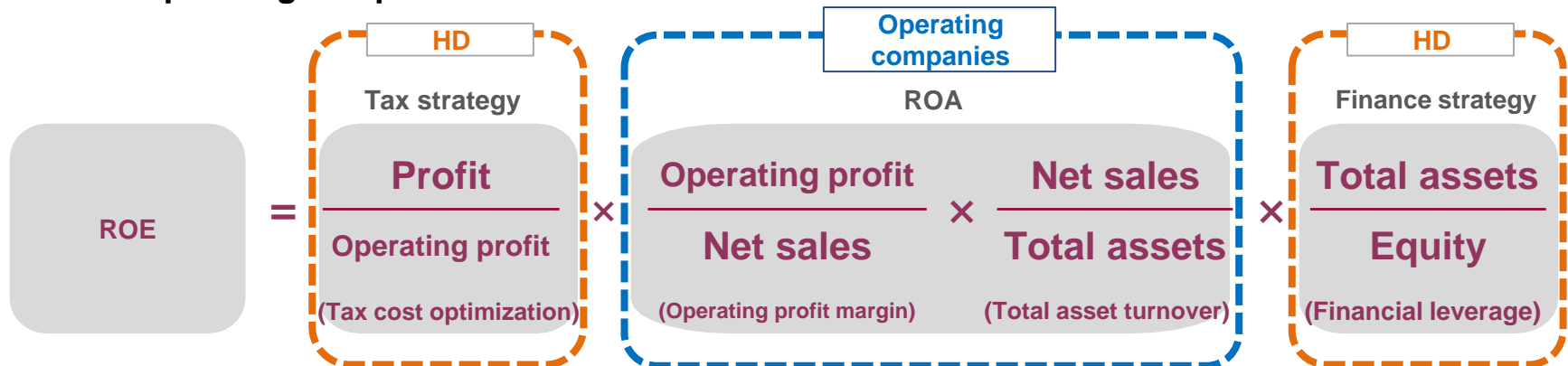
J. FRONT RETAILING

- ▶ Recognize that return on investment above hurdle rates is required to achieve management indicators
- ▶ Based on the recognition that the medium- to long-term WACC and cost of shareholders' equity will be around 4.5% and 7.5%, respectively, consolidated ROIC target is set at 5% or more and consolidated ROE target at 8% or more in the Medium-term Business Plan
- ▶ Clarify the roles of operating companies to maximize "ROA" and the holding company (HD) to promote "finance strategy"

■ Relationship between ROIC and ROE targets and hurdle rates

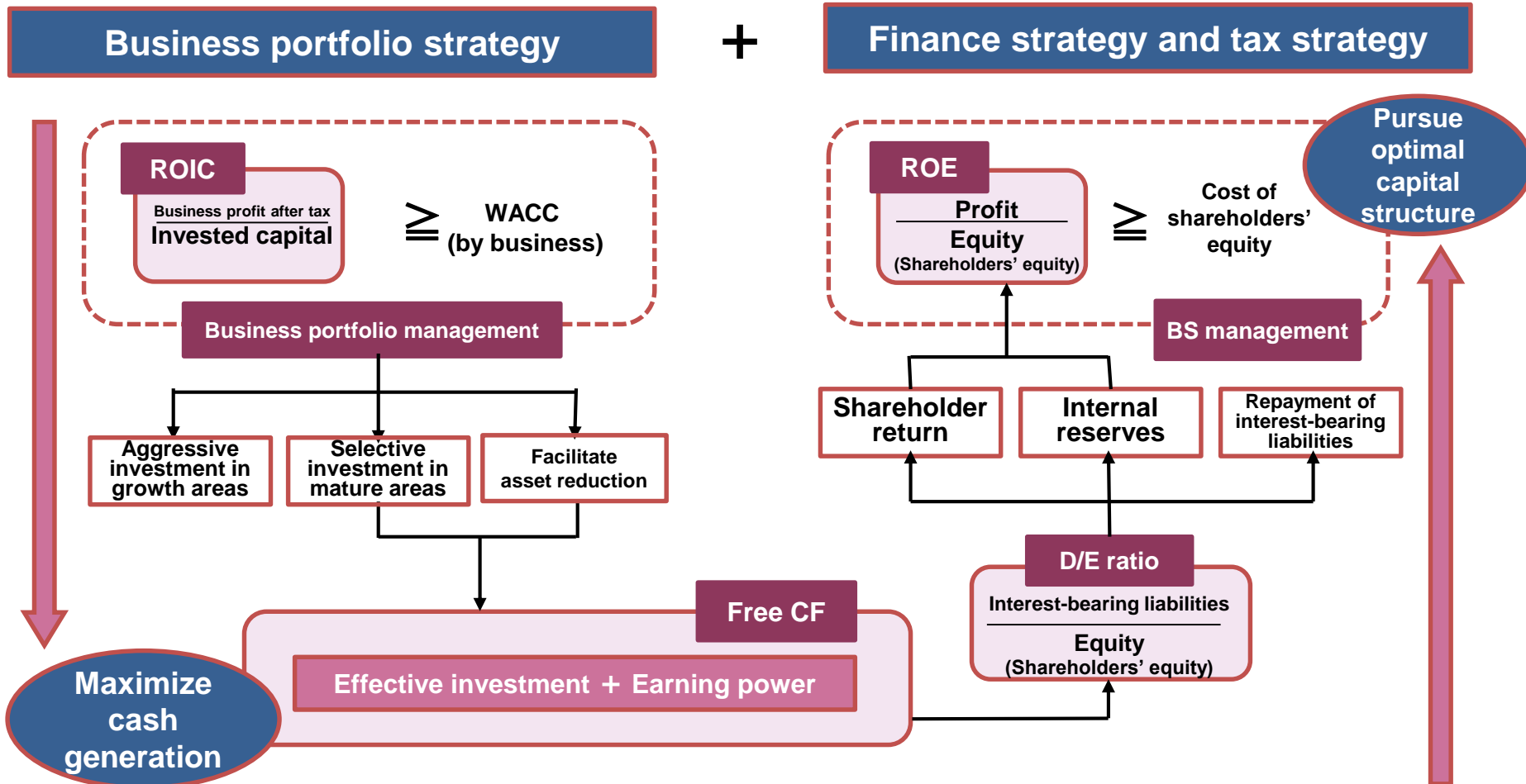


■ Roles of operating companies and HD



Relationship between ROIC and ROE

- ▶ Set ROIC targets for each segment and strengthen the management of ROIC in accordance with the allocation of management resources to non-retail businesses that make significant use of interest-bearing liabilities
- ▶ Maximize free CF and improve ROE through improved ROIC



*Each business segment focuses on “maximizing ROIC by business segment”

*ROIC = Business profit after tax ÷ Invested capital (interest-bearing liabilities excluding lease liabilities + shareholders' equity)

Relationship between ROE and Stock Price Index J. FRONT RETAILING

- ▶ Recognize that ROE continuously exceeding cost of equity will lead to higher PBR and PER levels
- ▶ With the recovery of business performance and stock prices, ROE and PBR exceeded 8% and 1x, respectively, at the end of FY2023
- ▶ By improving the profit level and controlling the amount of equity appropriately, secure ROE of 8% or more and PBR of around 1.2x in FY2026, the final year of the Medium-term Business Plan, and aim to achieve ROE of 10% or more in the long term

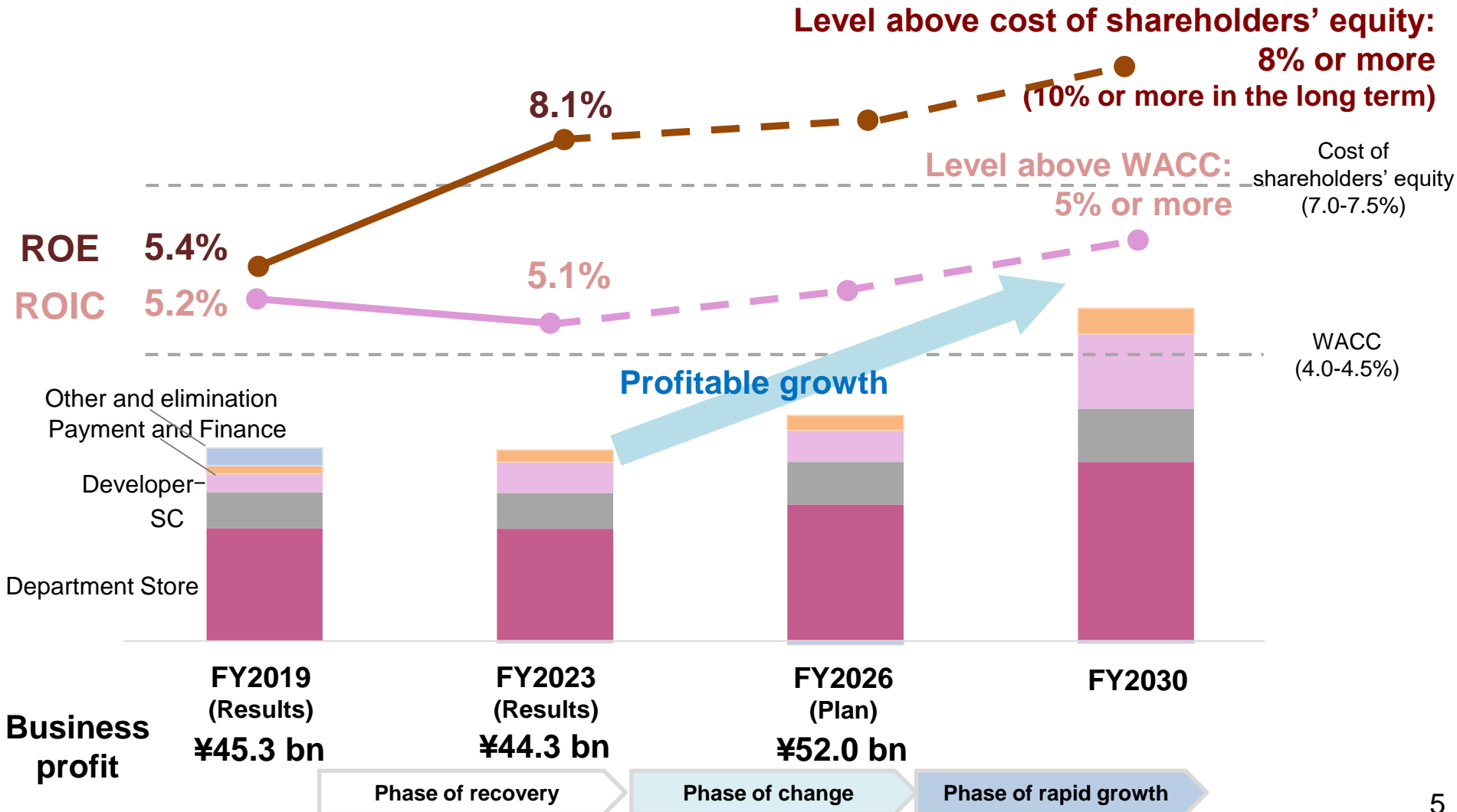
$$\frac{\text{Market cap}}{\text{Equity}} = \frac{\text{Profit}}{\text{Equity}} \times \frac{\text{Market cap}}{\text{Profit}}$$

	PBR	ROE	PER	Stock price
FY2023 Results	1.02x	8.1%	13.0x	¥1,485
FY2024 Target	1.00x	6.1%	16.5x	¥1,550 or more
FY2026 Target	1.20x	8.0% or more	15.0x	¥2,000 or more

*Stock price for FY2023 is the closing price on February 29, 2024.

Achievement of Profitable Growth

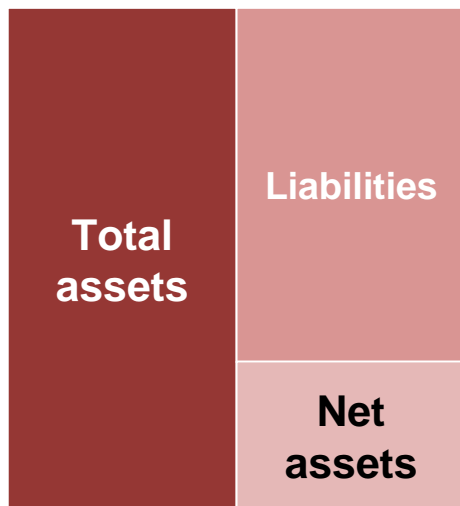
- ▶ Work to deepen retail and evolve the Group synergies to achieve profitable growth in the current Medium-term Business Plan
- ▶ Ensure that ROE and ROIC levels continuously exceed cost of shareholders' equity and WACC, respectively



Future BS and ROIC Targets by Business Segment

- ▶ Control consolidated BS, targeting an equity ratio of 30-35%
 - Department Store, SC: Effective use of capital (equity) accumulated from the past
 - Developer, Payment and Finance: Significant use of interest-bearing liabilities
- ▶ Aim to achieve ROIC targets by promoting key strategies and thoroughly managing investments

Consolidated BS*

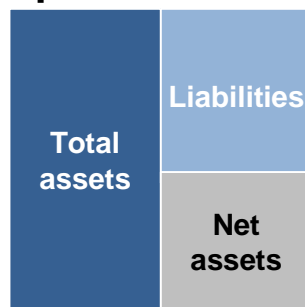


ROIC target

FY2026 5.0% or more

Mid- to long term 5.0% or more

【Department Store】



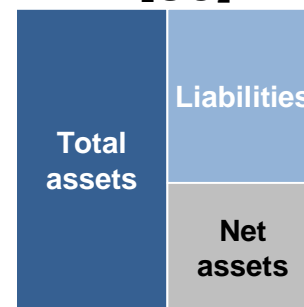
ROIC target

FY2026 10.5%

Mid- to long-term 6-7%

<Key strategy>
Expand and deepen highly engaged customer base

【SC】



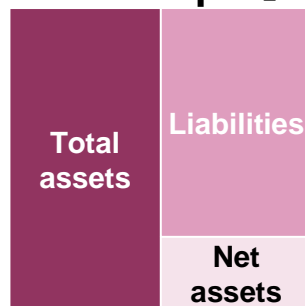
ROIC target

FY2026 4.0%

Mid- to long-term 5-6%

<Key strategy>
Large-scale renovation of key stores by strengthening IP content and luxury items

【Developer】



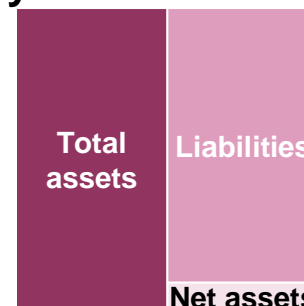
ROIC target

FY2026 4.3%

Mid- to long-term 4-5%

<Key strategy>
Embodiment of pipelines in 7 key cities

【Payment and Finance】



ROIC target

FY2026 3.4%

Mid- to long-term 3-5%

<Key strategy>
Integrate customers by unifying cards

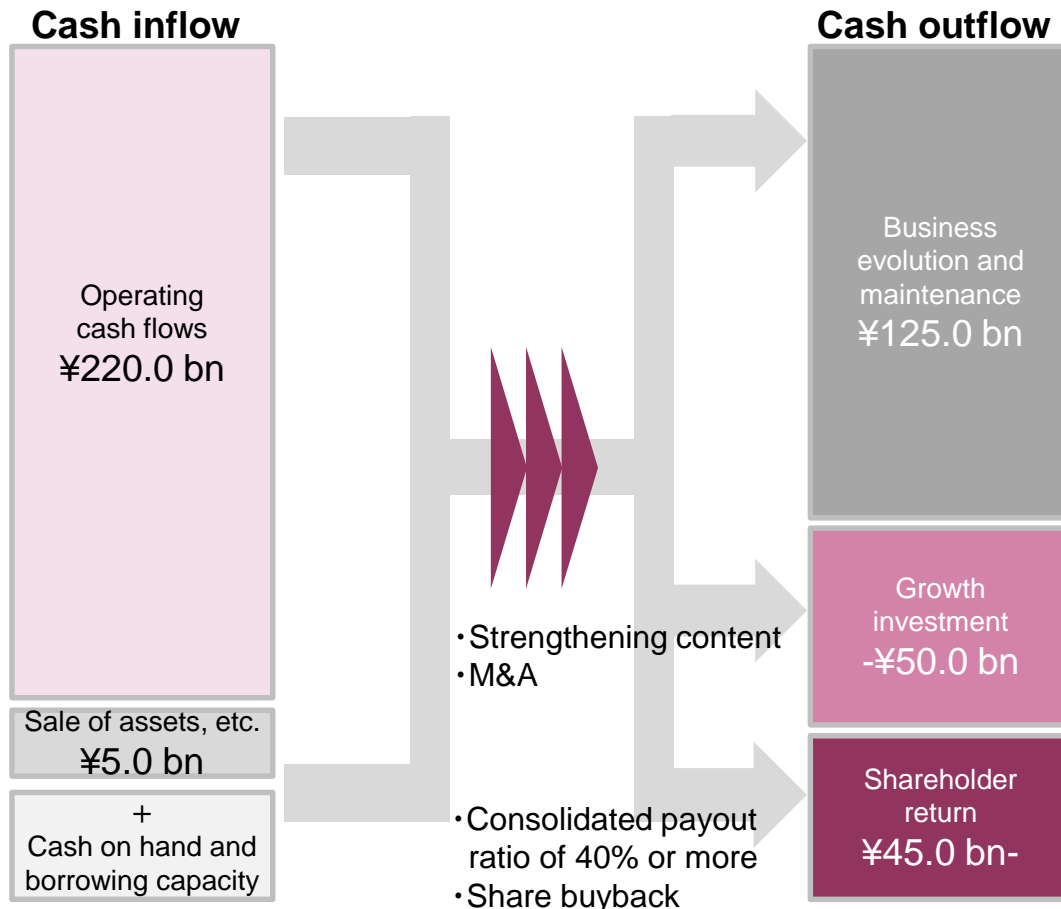
<Key strategies in the current mid-term plan>

- Deepen retail and evolve the Group synergies
- Optimize the amount of equity and strengthen shareholder return

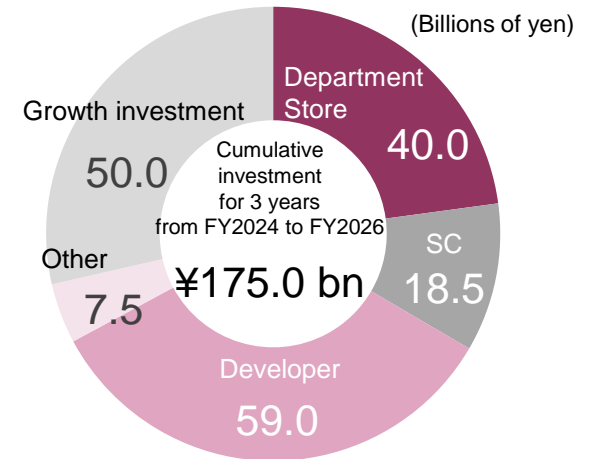
*Mid- to long-term target: Control equity and interest-bearing liabilities, targeting an equity ratio of around 30-35% and a D/E ratio (excluding lease liabilities) of 1x or less
Plan for the end of FY2026: Ratio of equity of around 30-35%, interest-bearing liabilities (excluding lease liabilities) of ¥285.0 bn, D/E ratio (excluding lease liabilities) of 0.75x or less

Cash Allocation (Cumulative Total for FY2024-2026)

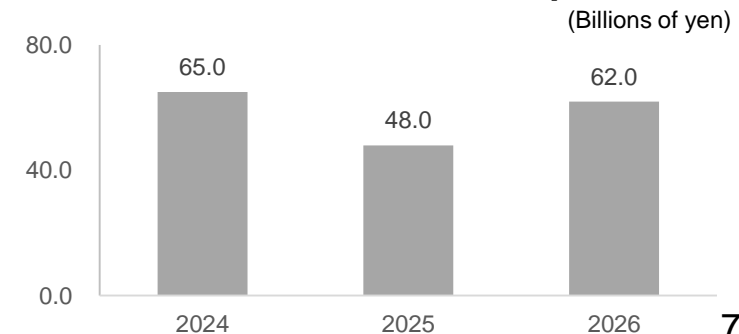
- ▶ Focus allocation on deepening retail and growth investment for the future of the Group in the current medium-term plan
- ▶ H1: Aggressive investment to generate results as soon as possible in Department Store and SC
H2: Investment in large-scale development in Developer
- ▶ Clarify the vision of future growth by utilizing the growth investment quota of ¥50.0 billion



<Investment plan by segment>

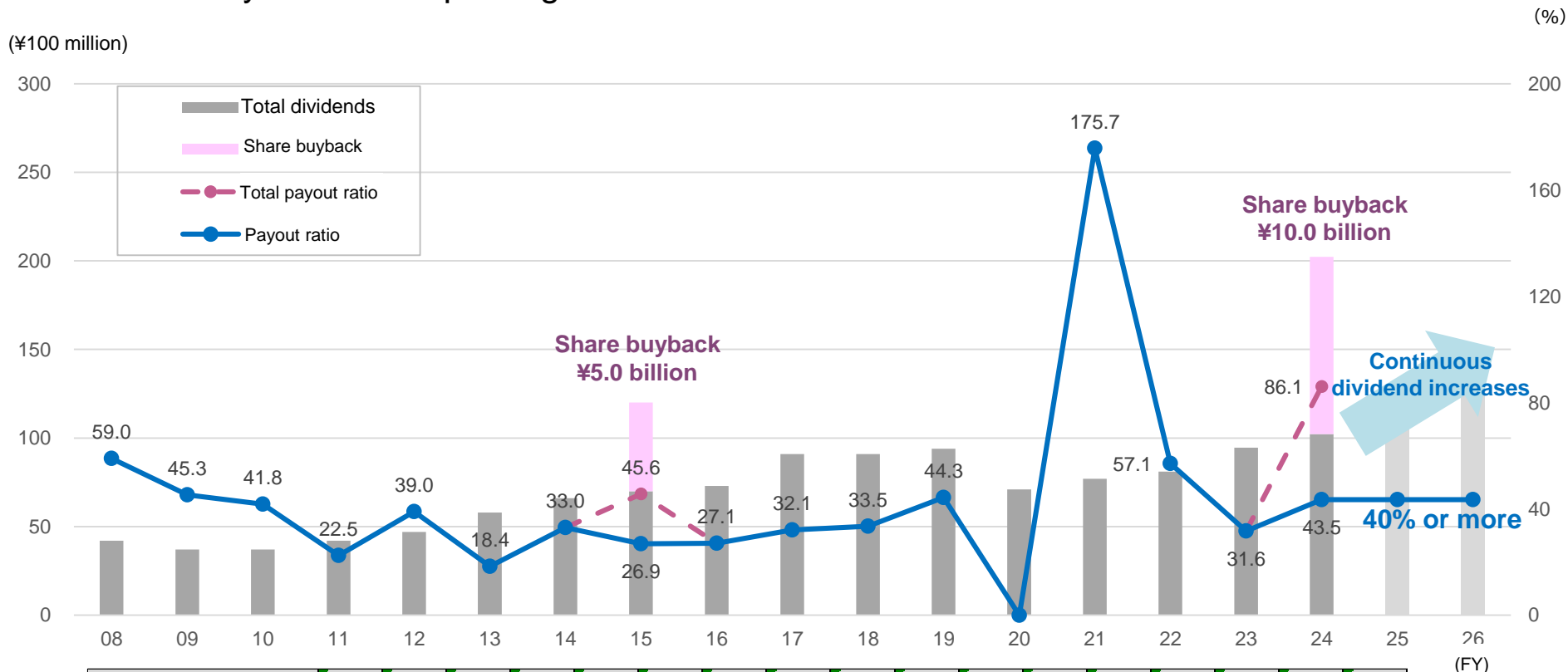


<Annual investment plan>



Shareholder Return

- ▶ Increase payout ratio to 40% or more in FY2024 (previously 30% or more)
- ▶ Achieve sustainable profit growth to continuously increase dividends
- ▶ Also implement share buybacks while monitoring stock prices and balance sheet conditions, with an eye toward improving TSR



	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Dividend per share (Yen)	8	7	7	8	9	11	25	27	28	35	35	36	27	29	31	36	40

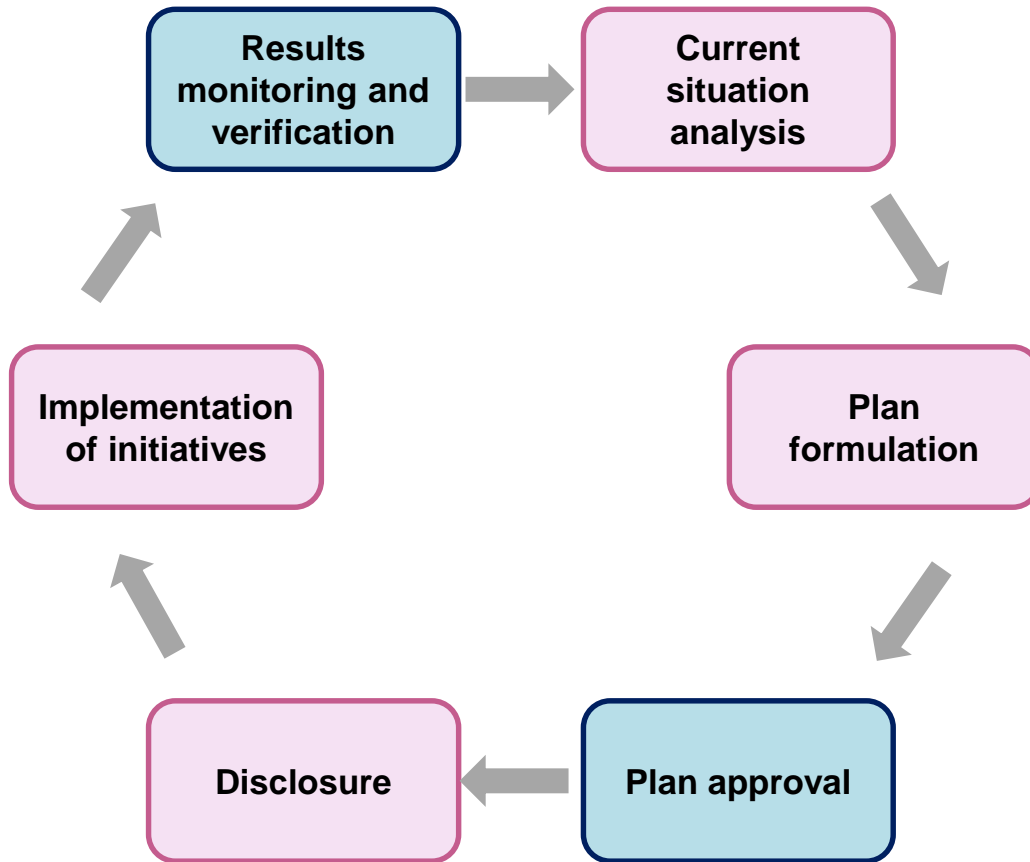
*FY2014: Amount adjusted after reverse stock split (2 shares → 1 share)
 FY2024: Figure announced in April 2024

FY2017: Includes commemorative dividend of ¥2 per share
 FY2025 and FY2026: To be determined

Execution and Monitoring System

- ▶ The executive team formulates and discloses plans based on current situation analysis, and implements initiatives conscious of cost of capital and stock price through dialogue with investors, etc.*
- ▶ The Board of Directors approves the execution plans, monitors the status of initiatives, and verifies the results

*Starting from the current medium-term plan, the remuneration system for directors of HD and major operating companies adopts ROIC and TSR as performance evaluation indicators, in addition to conventional profit and ROE, to enhance the effectiveness of the system.



	Executive team	Board of Directors
Current situation analysis	○	—
Plan formulation	○	—
Plan approval	—	○
Disclosure	○	—
Implementation of initiatives	○	—
Results monitoring and verification	—	○

○ indicates a body that takes the initiative.