
To Achieve Management Conscious of Cost of Capital and Stock Price

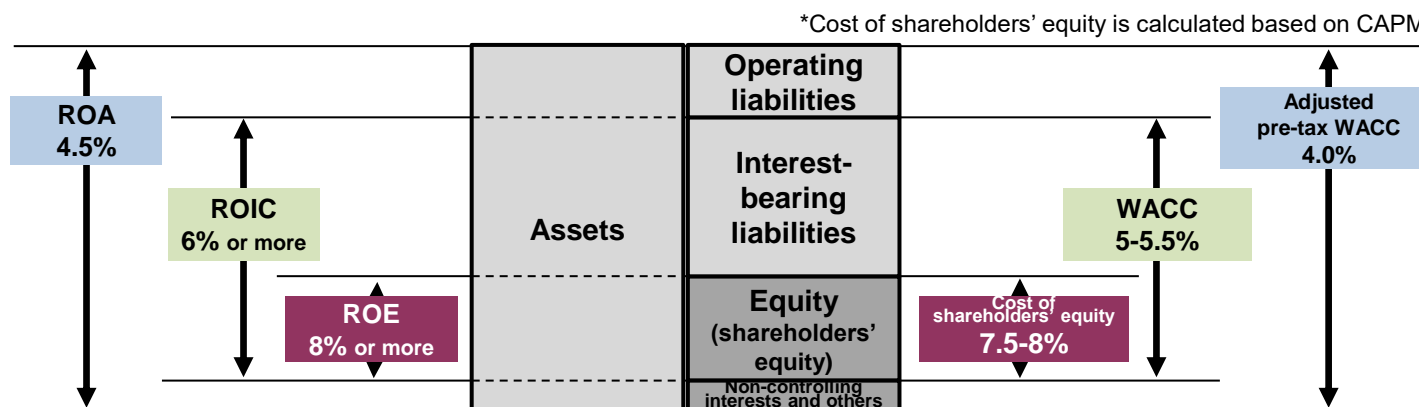
May 30, 2025



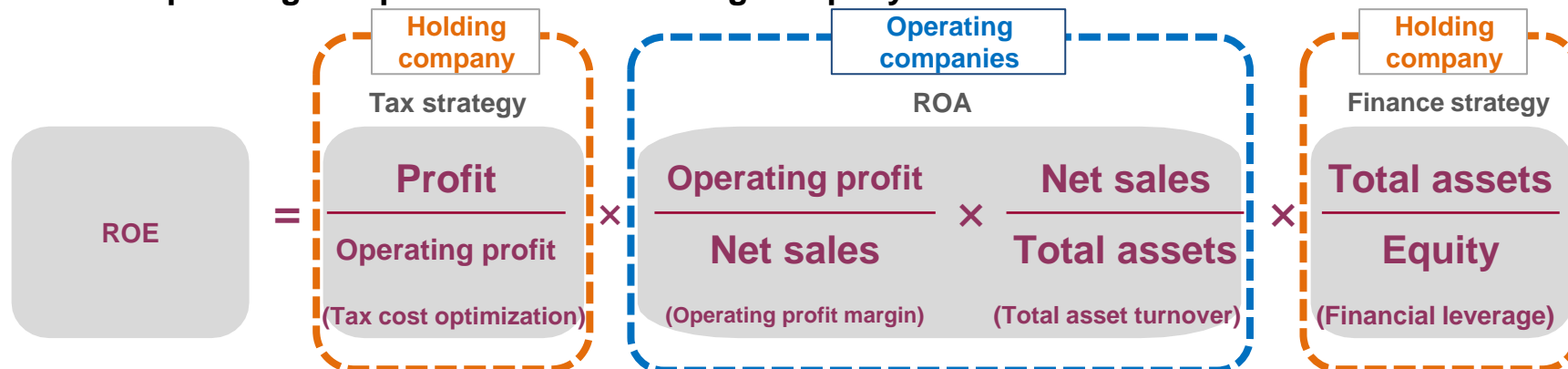
J. FRONT RETAILING

- ▶ 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 5.0% and 7.5%, respectively, consolidated ROIC target is set at 6% 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 to promote "finance strategy"

■ Relationship between ROIC and ROE targets and hurdle rates



■ Roles of operating companies and the holding company



Relationship between ROE and Stock Price Index J. FRONT RETAILING

- ▶ Recognize that ROE continuously exceeding cost of shareholders' equity will lead to higher PBR and PER levels
- ▶ With the recovery of business performance and stock price, ROE and PBR exceeded 10% and 1.2 times, respectively, at the end of FY2024 (special factors included)
- ▶ By improving the profit level and controlling the amount of shareholders' equity appropriately, aim to achieve ROE of 8% or more and PBR of around 1.2 times in FY2026, the final year of the Medium-term Business Plan, and ROE of 10% or more in the long term

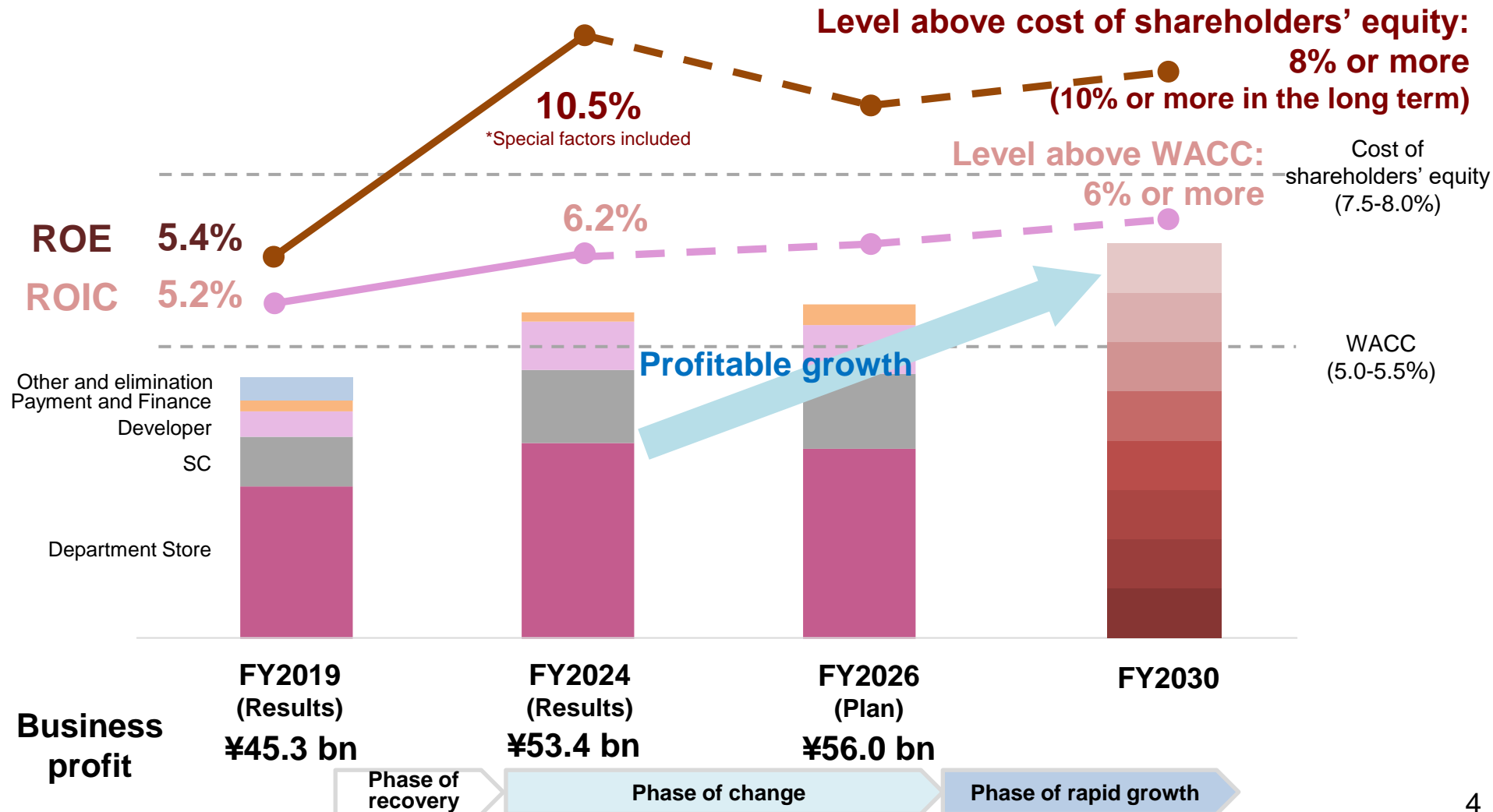
$$\frac{\text{Market cap}}{\text{Equity}} = \frac{\text{Profit}}{\text{Equity}} \times \frac{\text{Market cap}}{\text{Profit}}$$

	PBR	ROE	PER	Stock price
FY2024 Results	1.27 times	10.5%	12.1 times	¥1,948
FY2025 Target	1.20 times or more	7.3%	14-16 times	¥2,000 or more
FY2026 Target	1.20 times or more	8.0% or more	15.0 times or more	¥2,100 or more

*Stock price for FY2024 is the closing price on February 28, 2025.

Achievement of Profitable Growth

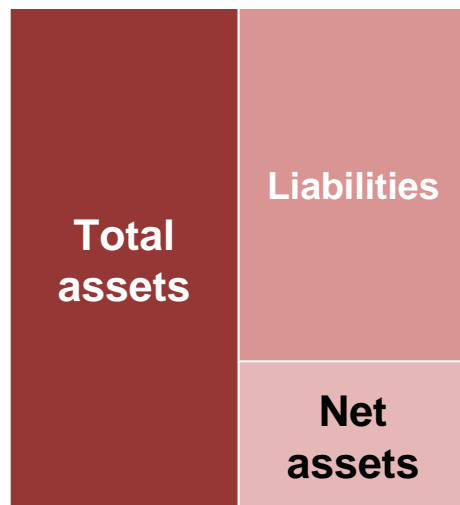
- Work to deepen retail and evolve the Group synergies to achieve profitable growth in the current Medium-term Business Plan
- Ensure that ROE and ROIC levels continuously exceed cost of shareholders' equity and WACC, respectively



Future BS and ROIC Targets by Business Segment

- ▶ Control consolidated BS, targeting an equity ratio of 30-35%
- ▶ Aim to achieve ROIC targets by promoting key strategies and thoroughly managing investments

Consolidated BS*



ROIC target

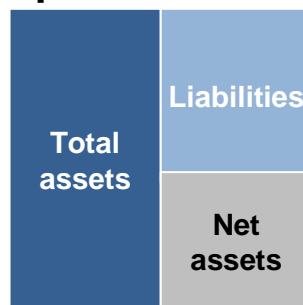
FY2026 6.0% or more

Medium- to long term 6.0% or more

<Key strategies in the current medium-term plan>

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

【Department Store】



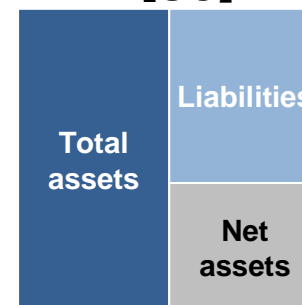
ROIC target

FY2026 10.8%

Medium- to long-term 6-7%

<Key strategy>
Expand and deepen highly engaged customer base

【SC】



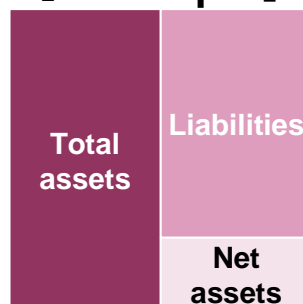
ROIC target

FY2026 5.4%

Medium- to long-term 5-6%

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

【Developer】



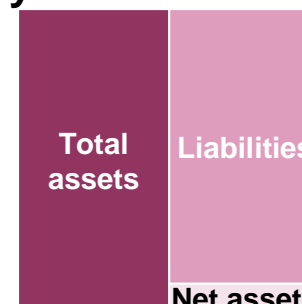
ROIC target

FY2026 5.7%

Medium- to long-term 4-5%

<Key strategy>
Embody pipelines in 7 key cities

【Payment and Finance】



ROIC target

FY2026 3.3%

Medium- to long-term 3-5%

<Key strategy>
Integrate customers by unifying cards

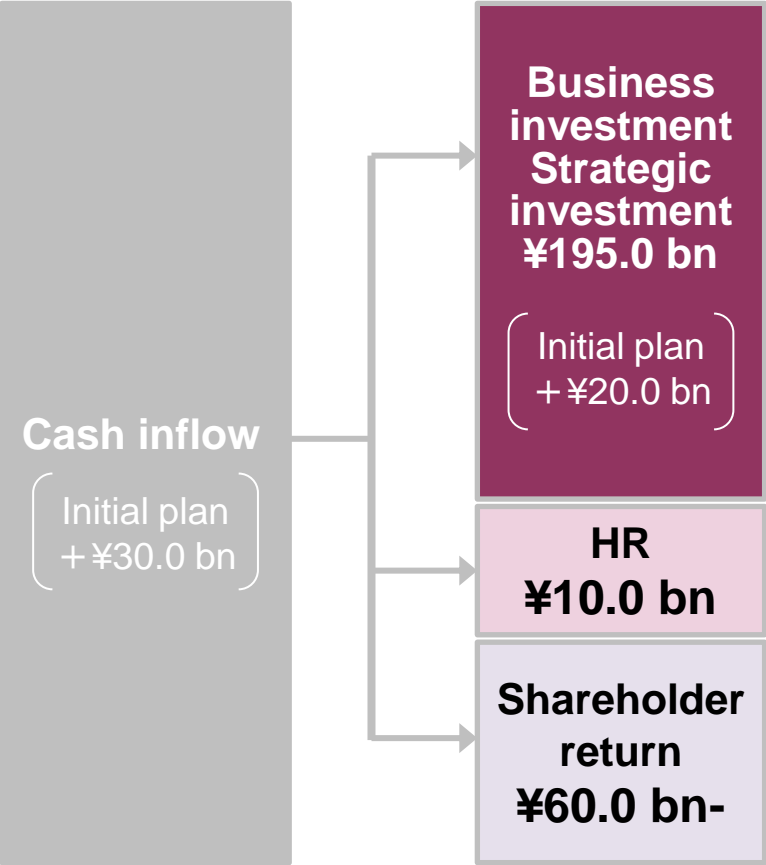
*Medium- to long-term target: Control equity and interest-bearing liabilities, targeting an equity ratio of around 30-35% and a D/E ratio (excluding lease liabilities) of 1 time or less
Plan for the end of FY2026: Ratio of equity of around 30-35%, interest-bearing liabilities (excluding lease liabilities) of ¥270.0 bn or less, D/E ratio (excluding lease liabilities) of 0.70 times or less

Cash Allocation (Cumulative Total for FY2024-2026)

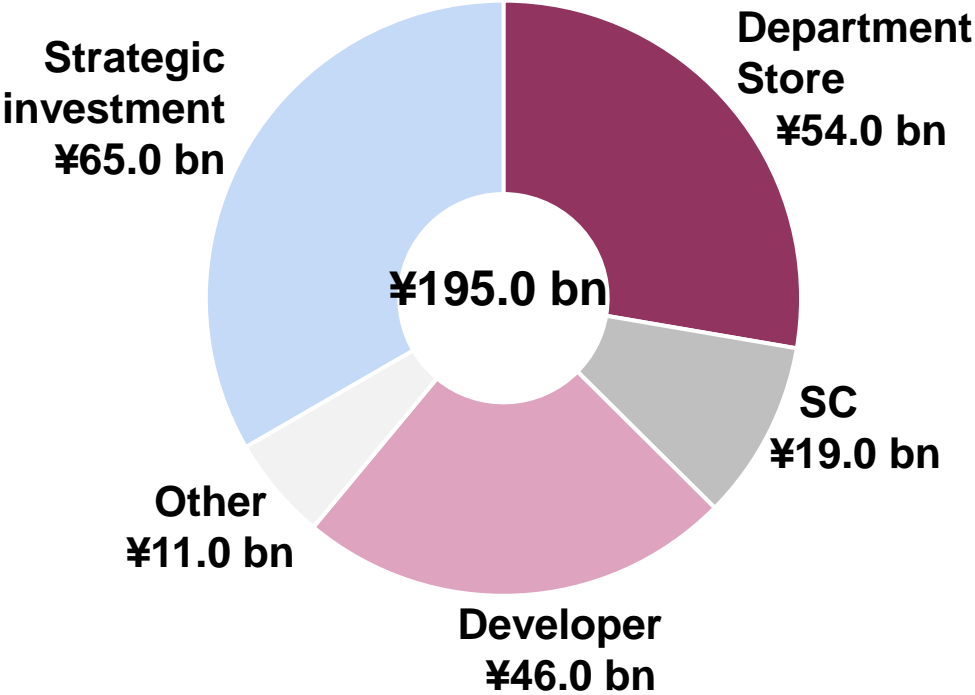


- ▶ Focus allocation on deepening retail and growth investment for the future of the Group in the current medium-term plan
- ▶ Allocation to business investment and strategic investment revised upward by ¥20.0 bn reflecting review of medium-term targets
- ▶ Clarify the vision of future growth by utilizing the strategic investment quota of ¥65.0 billion

FY2024-2026 (3-year cumulative total)

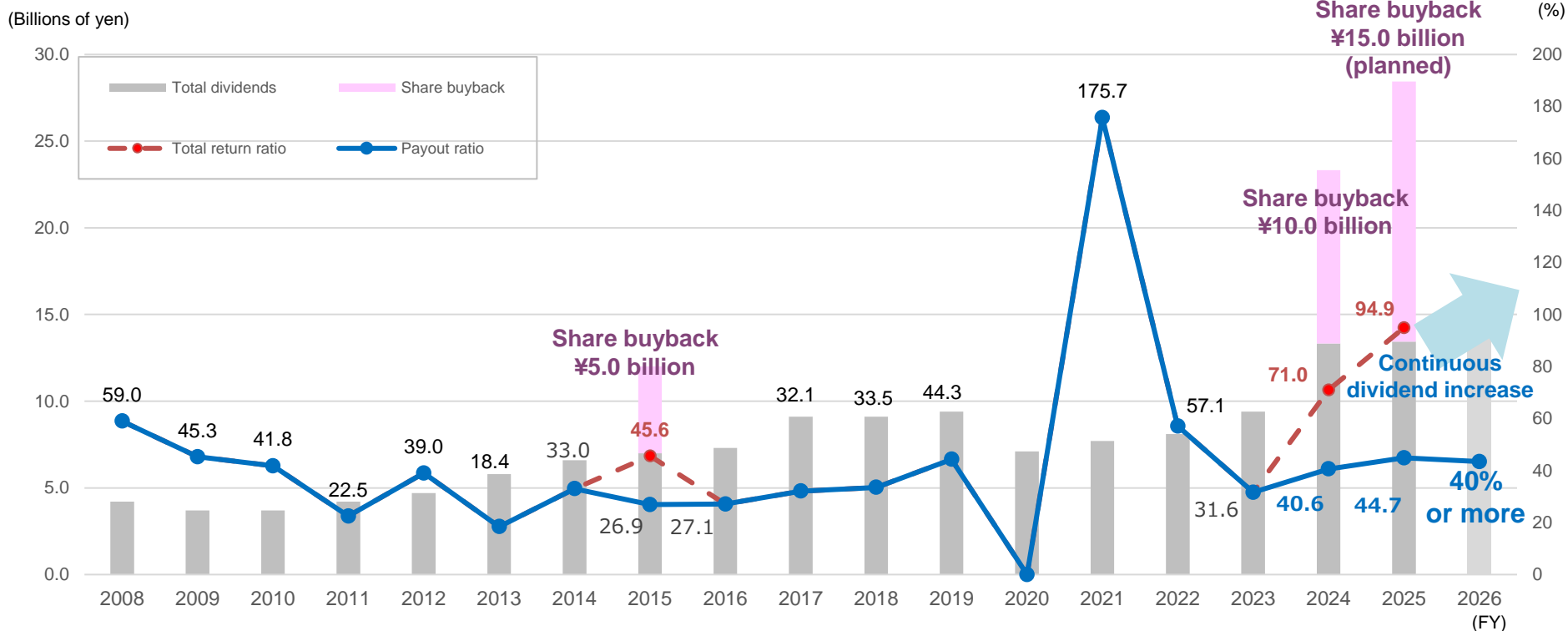


Investment plan (3-year cumulative total)



Shareholder Return

- ▶ Starting from FY2024, increase consolidated payout ratio to 40% or more, paying dividends at a record high level
- ▶ Achieve sustainable profit growth to continuously increase dividends
- ▶ Also implement share buybacks while monitoring stock price and balance sheet conditions, with an eye toward improving TSR



FY	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Dividend per share (Yen)	8	7	7	8	9	11	25	27	28	35	35	36	27	29	31	36	52	54

*FY2014: Amount adjusted after reverse stock split (2 shares → 1 share) FY2017: Includes commemorative dividend of ¥2 per share

FY2024: Payout ratio and total return ratio exclude special factors.

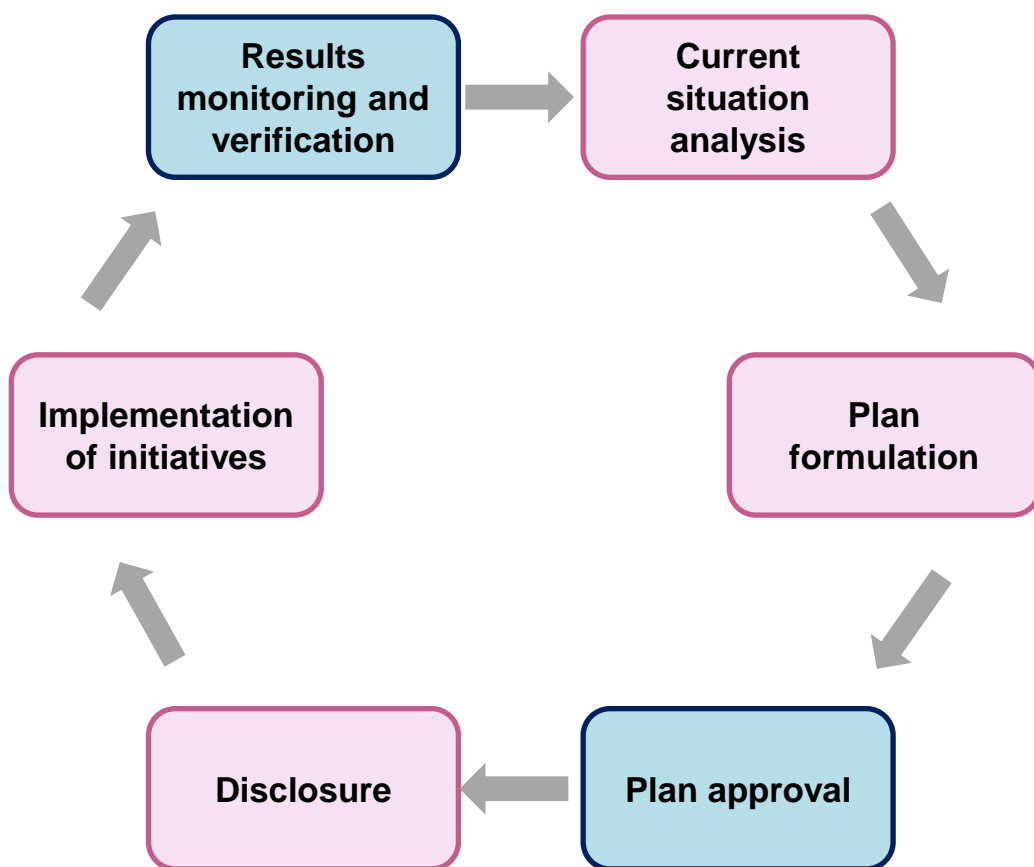
FY2025: Figure announced in April 2025. Total return ratio is adjusted for share buybacks.

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 the holding company 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	—	○

The circle indicates a body that takes the initiative.