

Top Message

To Achieve Sustainable Growth, We Will Continue to Drive Transformation That Paves the Way for a New Era.

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A Look Back at Our Progress and Retail Growth

A look back at fiscal year 2025

Looking back on the Company's performance in fiscal year 2025, sales to domestic customers in the Department Store Business remained resilient despite rising inflation, thanks to the continued improvement in the employment and income environment and the wealth effect driven by rising stock prices. In addition, while duty-free sales to foreign visitors to Japan declined, partly due to a pullback following the significant growth seen in the previous year, the total sales volume exceeded 110.0 billion yen, which is still significantly higher than pre-pandemic levels. I anticipate continued market growth driven by consumption by domestic high-net-worth individuals, particularly the customers of gaisho (Japanese department store's traditional personal shopping service), and by foreign visitors to Japan. Next, the Shopping Center (SC) Business, centered on Parco, has garnered strong support from customers both in Japan and overseas, thanks in part to the store renovations we have been implementing. Parco's tenant transaction volume exceeded the previous year's figures at all 15 stores. In particular, Shibuya PARCO, which underwent a major renovation, has transformed into a space that embodies the “global niche” concept, and since the renovation was completed, it has posted remarkable results, and I look forward to its future growth. Although the Developer Business saw a decline in revenue due to the reaction against the previous year's results, it was able to steadily advance its operations, including real estate development and interior construction work. In March 2026, “J. Front Prime Space” was launched as an integrated new company handling both interior design and facilities businesses, and further business expansion is anticipated. The Payment and Finance Business faced challenging results as upfront costs were incurred to acquire cardholders following the launch of new cards. However, I believe they are now fully prepared to turn the tide.

As a result, the Group's gross sales for fiscal year 2025 rose by 1.7% to 1,290.4 billion yen, while business profit declined by 5.4% to 50.5 billion yen. In the current environment, where upward pressure on costs is intensifying due to factors such as inflation, achieving profit growth requires generating top-line growth that outpaces the rise in costs. For this reason, I believe this is a critical phase in which

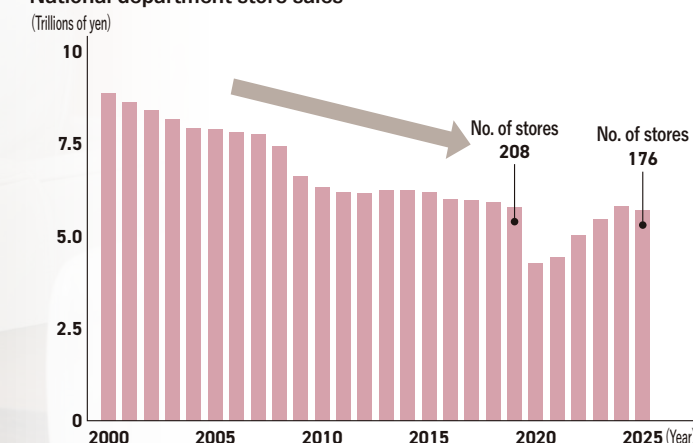
we must steadily make the investments necessary for future growth and significantly increase sales. For fiscal year 2026, the final year of the current Medium-term Business Plan, we will treat it as a transitional year toward rapid growth and will work diligently to both lay the groundwork for future growth and achieve this fiscal year's performance targets.

Pride as a retailer

Having achieved a full recovery from the COVID-19 pandemic in fiscal year 2023, we launched the current Medium-term Business Plan, positioning the period starting in fiscal year 2024 as a “phase of change” designed to pave the way for rapid growth in the future. During this period, consolidated business profit exceeded 50.0 billion yen for the second consecutive year, lifting our profit level to a new, higher stage. The primary driver of this was growth in the retail business. The combined business profit from the Department Store and SC Businesses grew significantly from 34.6 billion yen in fiscal year 2023 to 44.9 billion yen in fiscal year 2025. I believe this is a tangible result of the positive challenges each and every one of us has taken on over the years. At the same time, it helped us regain the pride and confidence as retailers, which we had gradually lost over the lost 30 years.

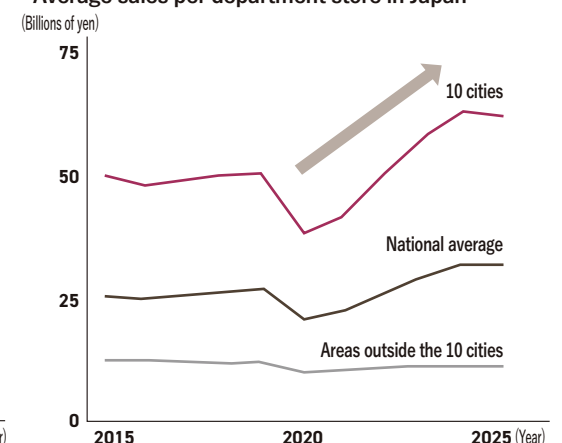
For many years prior to the COVID-19 pandemic, the department store industry as a whole had been experiencing a prolonged period of declining sales. I think there were aspects where we had no choice but to adopt a risk-averse approach in order to maintain our business performance amid declining sales. However, in the wake of the COVID-19 pandemic, the department store industry has been gaining momentum by capturing demand from domestic customers and inbound tourists, particularly at stores in urban areas. I view this as a prime opportunity to take risks and boost our top line, and we must continue to take on proactive challenges. To achieve this, we must also change our mindset. Instead of fearing failure based on the traditional “success or failure” way of thinking, we must shift to a mindset that recognizes “success lies at the end of a series of failures.” This is one of the key themes of the transformation I have in mind. We will solidify our pride as a retailer and achieve our transformation into a Value Co-creation Retailer.

National department store sales



Source: National Department Store Sales by the Japan Department Store Association
*The number of stores is shown as of December each year.

Average sales per department store in Japan



Source: Prepared by J. Front Retailing based on the “Flash Report on National Department Store Sales” by the Japan Department Store Association.
*10 cities: Sapporo, Sendai, Tokyo, Yokohama, Nagoya, Kyoto, Osaka, Kobe, Hiroshima, and Fukuoka
*Average sales per store for each year are calculated based on the number of stores in December.



Three Positive Developments and Identified Challenges in the Medium-term Business Plan

Potential of stores and areas

Regarding the strategies we are advancing under the current Medium-term Business Plan, there are three major areas where we are seeing positive results. The first point is expanding the potential of stores and areas. To enhance the appeal of our stores and strengthen their profitability, we have steadily moved forward with major renovations at our flagship stores, such as the Matsuzakaya Nagoya store and Shibuya PARCO. As a result, the Matsuzakaya Nagoya store is driving our business performance, with gaisho sales accounting for more than 50% of total sales, thanks to strong support from wealthy customers. Since the completion of its renovation, Shibuya PARCO has seen tenant transaction volume grow by more than 20% as a one-of-a-kind commercial complex. In addition, the Daimaru Umeda store has decided to undergo a major renovation in 2024 and began the project in fiscal year 2025. Since the renovation will be carried out in phases, the grand reopening is scheduled for 2029. While the negative impact caused by the temporary closure of sales floors will continue for the time being, once the renovation is complete, the store will be reborn as a new, more attractive and profitable location.

With a view to enhancing our presence in key areas, we opened a new commercial complex called “HAERA” in the Sakae area of Nagoya in June this year. By combining the Group’s collective strength, a new luxury mall, neither a department store nor a PARCO, has been created. Following GINZA SIX, HAERA’s creation has enabled us to demonstrate the reproducibility of developing commercial facilities that radiate new appeal and value. Armed with the diversity of the retail sector in the broadest sense and a mindset that refuses to rest on our laurels and instead continually strives to create new value, we aim to expand our potential, focusing primarily on our seven key cities.

In the Sakae area of Nagoya, centered around commercial facilities with distinct charms, such as Matsuzakaya, PARCO, and HAERA, we will further energize the entire area while deepening our collaboration with local partners who have already begun initiatives in the area. We will first increase the transaction volume of the Group’s commercial facilities in the Sakae area to over 200.0 billion yen. I believe that taking a look at the Sakae area will heighten your expectations for the Group’s growth.

We are also moving forward with development plans for the Shinsaibashi area of Osaka and the Hakata Tenjin area of Fukuoka. In April, we opened QUARTZ SHINSAIBASHI in the Shinsaibashi area of Osaka. We also plan to develop the Shinsaibashi Building in 2028. Furthermore, while details remain to be determined, we are also considering the development of the south wing of the Daimaru Shinsaibashi store (Shinsaibashi Kyodo Center Building). Shinsaibashi PARCO, which is currently undergoing a major renovation, will further enhance its appeal this fall, so we want to establish the Group’s overwhelming presence in the Shinsaibashi area as well.

In the Hakata Tenjin area of Fukuoka, Fukuoka PARCO is scheduled to close in February 2027, after which a large-scale redevelopment project integrating the site with the surrounding area will begin. We also expect this project to be completed in the 2030s, and the entire Group will work together to move it forward. In addition, in January 2026, we announced the acquisition of a new property in the Kobe area. With the Daimaru Kobe store as our anchor, we aim to further strengthen our presence in the Former Foreign Settlement area. As such, the Group’s growth potential at the store and regional levels is increasing even further, and we will chart a new growth trajectory.

The Group’s customer base

The second point is expanding the Group’s customer base. It has been about a year since we completed the consolidation of the Group-branded credit cards, such as the PARCO Card, GINZA SIX Card, and Hakata Daimaru Kujaku Card. During this period, the issuance of new cards has definitely broadened our customer base. In particular, the fact that we have expanded our reach among younger customers in their 20s and 30s is an extremely positive factor for our growth. We will move full steam ahead with initiatives to fully leverage the Group’s assets and maximize the lifetime value (LTV) of each and every customer. In addition to continuing to increase our identified domestic customer base, we have launched initiatives to increase the number of identified overseas customers as part of our CRM program targeting inbound tourists. The number of identified overseas customers enrolled in our CRM program targeting inbound tourists is growing faster than initially anticipated. And we expect this to help stabilize the inbound tourism market, which is susceptible to external factors.

Sowing the seeds for new businesses

The third point is the promotion of new businesses. The growth of the existing businesses of Daimaru Matsuzakaya Department Stores and Parco is inevitably constrained by store floor space. So, we are taking on the challenge of building a business model in which we own “content (products for sale),” either through in-house development or external investments, and generate external revenue by selling it outside our own stores. Over the past two years, we have successfully secured content across all three areas we had prioritized from the outset: “products,” “IP,” and “services.” We intend to continue expanding the range of our content and, in the future, grow it to a scale that will have a significant impact on the Group’s overall performance.

We have also launched a value-enhancement project for commercial facilities. First, we invested in Hulic Minatomirai, located in Sakuragicho, Yokohama, and were commissioned to provide commercial advisory services. In response to changes in the macroeconomic environment, such as soaring construction costs and

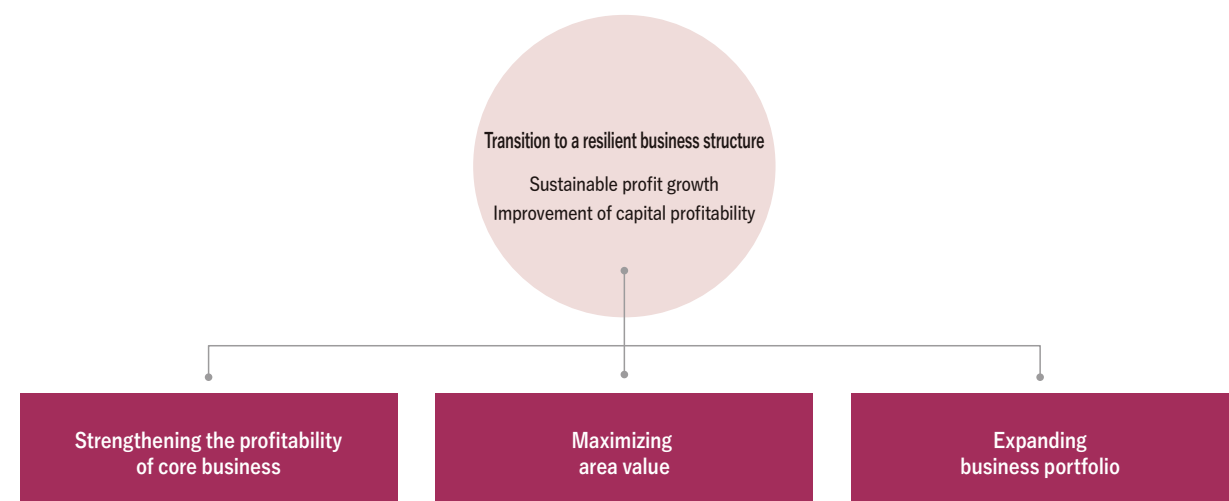
rising interest rates, I believe our real estate business needs to shift its strategy from simply acquiring new land for redevelopment to a business model that leverages the strengths we have cultivated in the commercial sector to generate management fees by enhancing the value of facilities.

Transition to a resilient business structure

While we are seeing these positive results, there are still challenges to be addressed. Above all, the earnings forecasts for fiscal year 2026, including consolidated business profit and ROE, announced in April fall short of the targets set in the current Medium-term Business Plan. Following the achievement of the initial final-year targets in fiscal year 2024, the plan’s first year, the targets for the current Medium-term Business Plan were revised upward at the beginning of fiscal year 2025. Subsequently, due to a decline in sales to inbound tourists in the Department Store Business caused by changes in the international situation and other factors, the outlook has become increasingly uncertain.

Given the current environment, in which external conditions are changing dramatically over short periods of time, I recognize that it is essential to build a more resilient business structure in order to achieve sustainable profit growth and improve return on capital. This includes ensuring stable growth in business performance through the expansion of our business portfolio, further streamlining operations in our existing businesses through the use of AI, and enhancing our human resources and organizational capabilities to support future growth. To enhance our ability to adapt to change, both management and frontline staff need to operate at an even faster pace, and we must continue to foster the necessary mindset and implement the necessary systems to achieve this. While we are certainly making progress on these initiatives to strengthen resilience, I believe we have not yet reached a sufficient level.

While continuing our efforts to maximize area value, expand our customer base, and implement new businesses, we will steadily move forward with our transition to a more resilient business structure.



Strengthening the Group’s Management Foundation That Supports Our Business

Transformation of the management foundation

We are also driving transformation in the management foundation that underpins our business. I believe that the Group has not yet fully realized its potential, and I see our room for growth precisely in these foundational areas, such as our human resources and organizational structure. I want to create a group where people can freely exchange opinions without being constrained by organizational boundaries or being overly conscious of their roles or positions. I envision an environment where individuals pursue their passions, not in a self-centered way, but by involving others, and where they actively engage with and find excitement in the ideas of others. I want this kind of dynamic to become the norm. While the situation is gradually changing due to the expansion of mid-career hiring and intra-group personnel exchanges, it will likely still take some time. Furthermore, starting in March 2026, the organization will be restructured so that the heads of the holding company’s “human resources,” “finance,” and “IT and digital” units also concurrently serve in corresponding roles at Daimaru Matsuzakaya Department Stores and Parco. This move aims to further strengthen collaboration and accelerate operations. This triple-role arrangement is also intended to foster specialized talent within each of these areas.

Human resources strategy

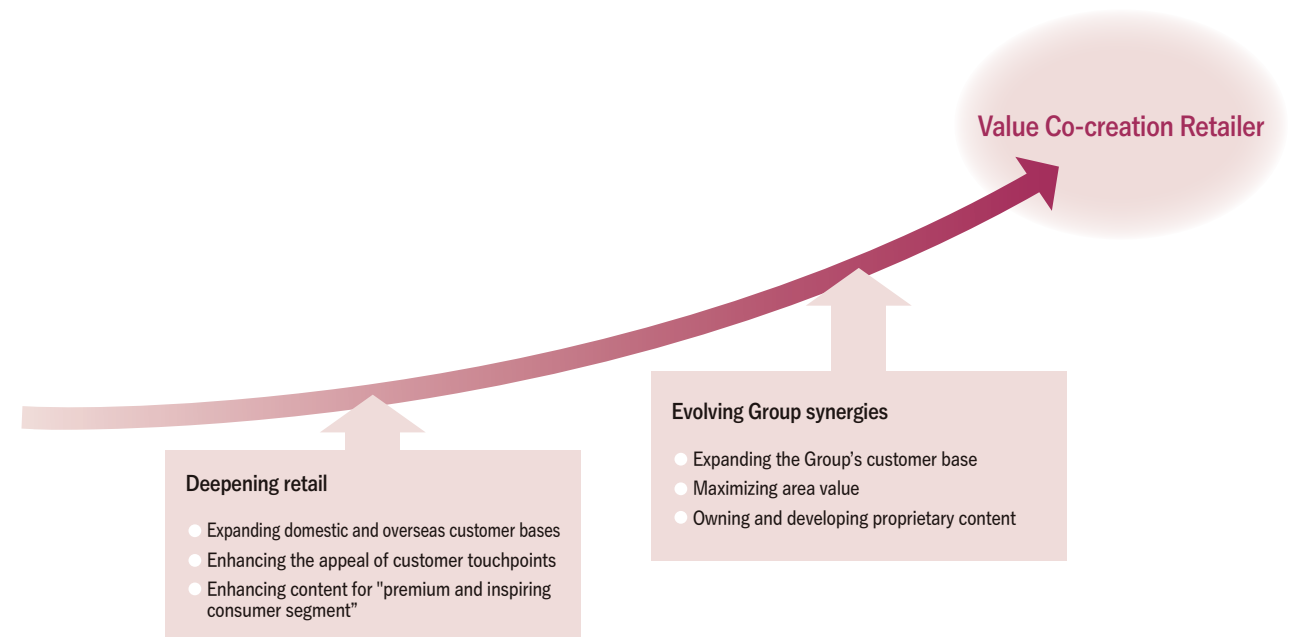
We are advancing our human resources strategy by focusing on both changing individual mindsets and reviewing our structures and systems. To put it simply, our goal boils down to one of our five materiality issues: “Empowering diverse human resources to shine.” Starting in fiscal year 2025, we have held executive workshops attended by all officers from J. Front Retailing and Daimaru Matsuzakaya Department Stores, with the aim of fostering a shift in management mindset. Similarly, we also hold workshops for division heads, which are designed to further develop their leadership skills, focusing on three themes: “making decisions,” “engaging,” and “articulating a vision.” In other words, they make the decisions that fall within their authorities and responsibilities. They engage with their subordinates and their organizations head-on. They articulate the vision they want to achieve with the organizations they lead. This may be basic, but I will keep plugging away at it. We will also reexamine our performance evaluation system and compensation structure to ensure they are appropriate. I believe the areas in which each person can best utilize their abilities will also change, so we must review our hiring and staffing practices. We aim to continue evolving into an organization that fully rewards each individual’s challenges and growth.

IT and digital

It has become clear that the IT and digital sectors are gradually catching up. While there is still much work to be done to address current issues, such as the aging of our core systems, the arrival of new top-level leadership has kicked off a process of rebuilding our infrastructure with an eye toward the future. As we approach a situation where AI is routinely implemented in external services, we will work to systematically improve our organizational proficiency in utilizing it. Rather than making the use of AI an end in itself, we want to differentiate ourselves by carefully considering the specific purposes for which we will utilize AI. This is an area where I have high expectations for ideas from our employees.

Governance

We are a Company with Three Committees (Nomination, Audit, and Remuneration Committees). I take pride in the fact that the Board of Directors is well-organized in terms of form, with Outside Directors constituting a majority and women making up 30% of the Board. However, I do not believe this is sufficient. While recent discussions on governance are moving from form to substance, I believe that precisely because the Company has been at the forefront of improving our governance framework, we should pause for a moment to identify what we need to make this transition from form to substance. I always keep in mind that I will pass the baton on to the next person, and then to the one after that, as I think about what I need to do right now. With a view to enhancing corporate value over the medium to long term, we are entering a phase in which we will explore the next steps for our corporate governance.



Initiatives for Achieving Sustainable Growth

Creating Shared Value (CSV)

As a Value Co-creation Retailer, the Group is committed to three co-creation values: “Co-creation of Excitement,” “Co-prosperity with Communities,” and “Co-existence with the Environment.” To realize a sustainable society and bring to life new happiness, we are committed to promoting sustainability management that balances the resolution of environmental and social challenges with corporate growth, and we aim to contribute to the Well-Being Life (fulfilling life for both body and mind) for all our stakeholders, including customers, business partners, and employees. Otherwise, our business would not be viable, and our very reason for existence would be undermined. We will continue to move forward as a member of society to ensure that the Group remains an indispensable part of it. We have continued our business operations throughout our long history spanning 300 to 400 years. The Group’s Corporate Credo is “Service before Profit” and “Abjure All Evil and Practice All Good.” This is the very essence of sustainability management, and I believe it is precisely because it has been embraced by all stakeholders, including local communities and society at large, that we have been able to build such a long history. This core principle, which serves as our foundation, will never waver.

As an example of our specific initiatives, we held a briefing session for our business partners in November 2025, which was attended by more than 230 companies. We shared the Group’s approach to value co-creation and our environmental initiatives, and I feel that we received a great deal of support. Our goal goes beyond simply contributing to society. We aim at Creating Shared Value (CSV) by enhancing both social and economic value through our business activities.

Enhancement of corporate value

I believe that we can enhance corporate value by maximizing cash flow and curbing the cost of capital, or by ensuring a return on capital that exceeds the cost of capital. Of course, we must improve our current ROE as soon as possible. Beyond that, I believe that sustainable growth is what we should aim for to enhance corporate value, and that what the capital markets expect from us is to present a plausible growth story and execute it steadily. What are we investing in? Does the investment offer return commensurate with the risk? How significant are those returns? And what kind of value will the Company ultimately provide in the future as a result? It is essential to clearly articulate these points. I want to tell stories that excite investors and bring them to life, one by one. To ensure that our medium- to long-term growth story remains compelling, we do not neglect our performance in any given fiscal year. I understand that delivering results and building a track record of achievements are essential to meeting the expectations of all our stakeholders.

Fiscal year 2026 marks the final year of the current Medium-term Business Plan, which we have positioned as a phase of change. To prepare for the next phase of rapid growth, we will fully execute our key strategies: “deepening the retail business” and “evolving Group synergies.” At the same time, I believe that to achieve sustainable growth, there is no end to change. To pioneer a new era, we will take on challenges without fear of failure and continue to change ourselves.

