

Enhance the Group's Overall Earning Power to Drive Sustainable Growth in Corporate Value.

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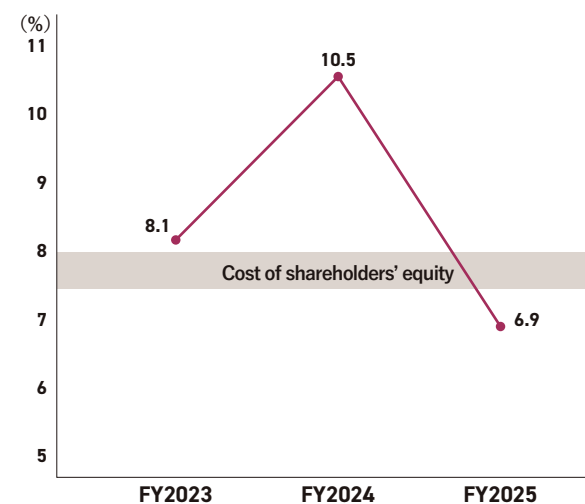
ROE > Cost of shareholders' equity

There are two principles I consistently keep in mind in financial management. The first is to stay true to the basics and steadily build upon orthodox practices, rather than relying on unconventional tactics. The second is to carefully observe market changes and respond proactively.

The external environment surrounding us is currently undergoing significant changes. To summarize the impact on our business, while the recent rise in stock prices and the weakening of the yen are making a significant positive contribution to our revenue, driven by factors like the wealth effect and increased sales from inbound tourism, rising interest rates and inflation are driving up our operating costs. Looking back at our financial performance for fiscal year 2025, while consolidated gross sales increased by 1.7%, consolidated business profit decreased by 5.4%. The increase in operating costs outpaced the growth in sales, resulting in higher revenue but lower profit.

To achieve sustainable growth in this environment, we must

ROE trends



rigorously control costs amidst inflation, boost our top line by delivering added value to customers, thereby enhancing the earnings power of our business assets, which are shown in the “asset section” of the balance sheet. Furthermore, I believe that to enhance corporate value, it is of the utmost importance to raise the level of ROE by improving our earning power and to establish a situation where ROE consistently exceeds the cost of shareholders' equity.

Improving earning power

What should we do to improve our earning power? While I cannot make a blanket statement because the priority initiatives vary by segment, it is essential for the Group as a whole to enhance strategic alignment across segments more than ever before.

We are a group with retail at its core, operating large-scale commercial facilities such as Daimaru, Matsuzakaya, PARCO, and GINZA SIX throughout Japan. In addition, we operate the Developer Business and the Payment and Finance Business, among others. By effectively leveraging the tangible and intangible assets of each of these businesses across the entire Group, I believe there are still ample opportunities to generate revenue not only from our store-centered retail business but also from related areas. In other words, this comes down to maximizing Group synergies, and one of the key concepts for achieving this is “area.” We must concentrate our management resources on areas where we can leverage our competitive advantage and ensure that we generate solid cash flow in each of those areas.

At the same time, as the economy shifts from deflation to inflation, I feel that we, too, need to make a fundamental shift in our way of thinking. How can we boost our top line? I believe we have reached a point where we must squarely address the need to grow our top line, even if it means incurring costs. We intend to steadily pursue the business investments and portfolio

management required for that purpose, thereby achieving medium- to long-term growth.

Reducing finance costs

It goes without saying that enhancing the core business's earning power is of the utmost importance, but as a financial officer, I also pay close attention to finance costs and tax costs in order to increase ROE. In particular, finance costs have become even more significant due to the shift from a prolonged era of low interest rates to a “world with interest rates.”

Given our asset mix and business characteristics, it has generally been desirable to raise interest-bearing liabilities primarily through long-term, fixed-rate financing. Since this approach has been particularly effective in the low-interest-rate environment to date, the vast majority of our financing has indeed been raised through long-term, fixed-rate arrangements. As a result, even during a period of rising interest rates, we are able to limit a sharp increase in finance costs on the current statement of profit or loss because it still has funds raised at low interest rates. On the other hand, we will need to factor in future interest rate increases associated with refinancing, and from the perspective of reducing finance costs, we intend to diversify our funding methods and terms.

Recognition of the cost of capital

Currently, we estimate our cost of shareholders' equity to be in the range of 7.5% to 8.0% based on CAPM. However, given the current situation in which the Japanese economy is growing increasingly robust, I understand that profitability and efficiency relative to the balance sheet are being evaluated at a higher standard. Therefore, some may argue that 8.0% is too low. We intend to listen sincerely to such feedback and take it to heart. To deliver value to our stakeholders through medium- to long-term, sustainable growth, we will pursue a debt-to-equity structure that enables us to balance growth and efficiency without being unduly influenced by short-term fluctuations in the cost of capital, while closely monitoring trends in the highly volatile financial and capital markets, aiming to establish a stable capital policy that supports our growth.

In addition, the retail business is susceptible to external factors such as economic trends, and its performance tends to be highly volatile. However, I believe that by operating multiple businesses centered on retail, and by ensuring that each business grows to a certain scale, we can mitigate the volatility of the Group's overall performance to some extent.

In fiscal year 2025, the Department Store Business faced headwinds and fell short of the profit forecast revised in the second half of the year. However, thanks to strong performance in the SC Business and the Developer Business, consolidated business profit exceeded the Company's forecast. I view these facts as evidence that the Group's business portfolio is steadily fulfilling its supporting function.

Balance sheet and shareholder returns

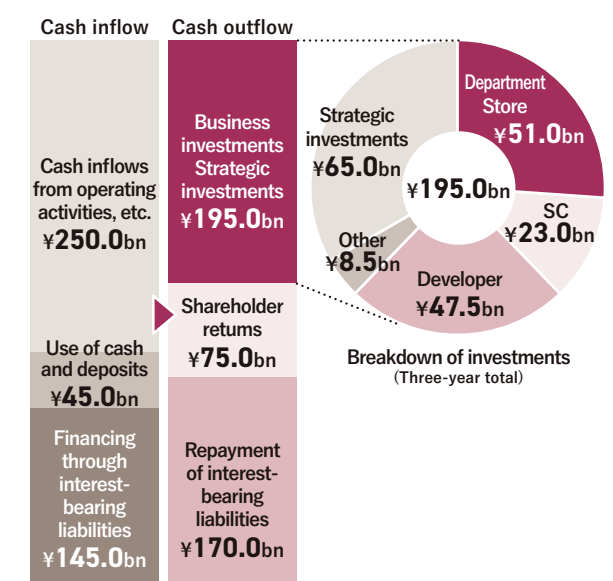
As of the end of February 2026, total assets stood at 1.14 trillion yen, total liabilities at 710.0 billion yen, and total equity at 430.0 billion yen. I believe that our financial soundness is being

adequately maintained and that we are in a position to retain our current credit rating. In addition, we have secured a sufficient amount of debt capacity, making the liabilities and equity section of the balance sheet well-structured. Under the current Medium-term Business Plan, we have allocated 195.0 billion yen for investment, comprising 130.0 billion yen for business investments and 65.0 billion yen for strategic investments. While we are currently in a phase of aggressive investment amidst a phase of change, we have firmly established the financial foundation to support these efforts. I believe my role as a financial officer is to drive efforts to effectively utilize our 1.14 trillion yen in assets, that is, the business assets in the asset section of the balance sheet, and to generate both “profits (cash)” and “opportunities for growth.” To this end, I tell our finance team members not to limit themselves to purely administrative functions, but to approach their work as partners to the business, with an “understanding of the business” and a “consolidated mindset.”

With regard to shareholder returns, we strive to provide stable dividends in accordance with our policy of maintaining a dividend payout ratio of 40% or higher. For fiscal year 2024, we paid a dividend of 52 yen per share, a level significantly higher than the 36 yen per share paid in fiscal year 2019, before the COVID-19 pandemic. For fiscal year 2025, we also increased the dividend by 2 yen per share. Furthermore, we have been conducting share buybacks for three consecutive years, from fiscal year 2024 through fiscal year 2026, with the aim of optimizing our equity in each of those years.

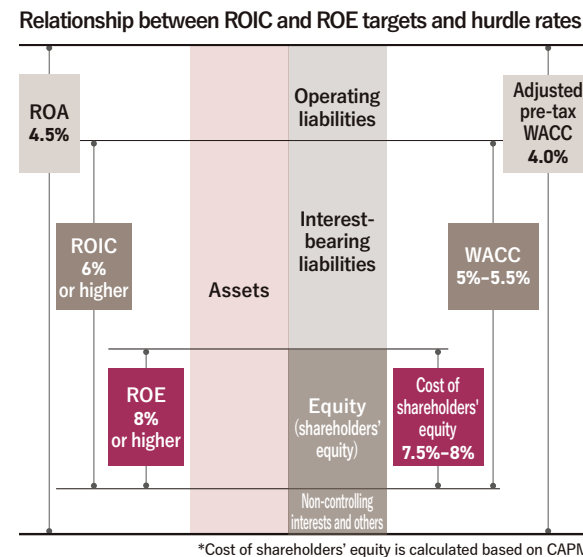
In an era of increasing uncertainty about the future, and at a time when our business requires a major transformation, our financial management demands both defensive discipline and proactive decision-making. As I stated at the beginning, by staying true to the basics and adapting to market changes, we will steadily implement sound financial management to support the growth of our business. And we will continue to devote our full efforts to enhancing the Group's overall earning power and sustainably increasing corporate value.

Cash allocation (Three-year total for FY2024–FY2026)



Profitable Growth

We believe that achieving a return on capital that exceeds the cost of capital is important to realize an increase in corporate value. Under the current Medium-term Business Plan, we aim to improve profit levels by advancing two key strategies, while appropriately controlling invested capital and equity through the implementation of our financial strategy, with the goal of ensuring a strong return on capital and achieving profitable growth. With regard to ROE, we aim to achieve a stable and sustainable level of 8% or higher, and 10% or higher in the medium to long term, by increasing business profit, which reflects earnings from our core business. To improve ROE, the operating companies are working to maximize ROA by enhancing their earning power and thereby improving ROIC, while the holding company is focusing on optimizing tax costs, reducing finance costs, and controlling financial leverage. Each entity is moving forward with these initiatives by clearly defining its respective roles.



Roles of operating companies and the holding company

	ROE	Holding company Financial strategy	Operating companies ROA	Holding company Financial strategy
		$\frac{\text{Profit}}{\text{Operating profit}}$	$\frac{\text{Operating profit}}{\text{Net sales}} \times \frac{\text{Net sales}}{\text{Total assets}}$	$\frac{\text{Total assets}}{\text{Equity}}$
		Tax cost optimization	Operating profit margin Total asset turnover	Financial leverage
FY2024 results	10.5%	0.71x	5.1%	2.88x
FY2025 results	6.9%	0.58x	4.3%	2.79x

ROIC Management

To transform our business portfolio and achieve profitable growth, we use ROIC as our medium- to long-term key performance indicator. We define the optimal balance sheet for

each segment based on its specific business characteristics and risks, and aim to improve ROIC by advancing our key strategies and rigorously managing our investments.

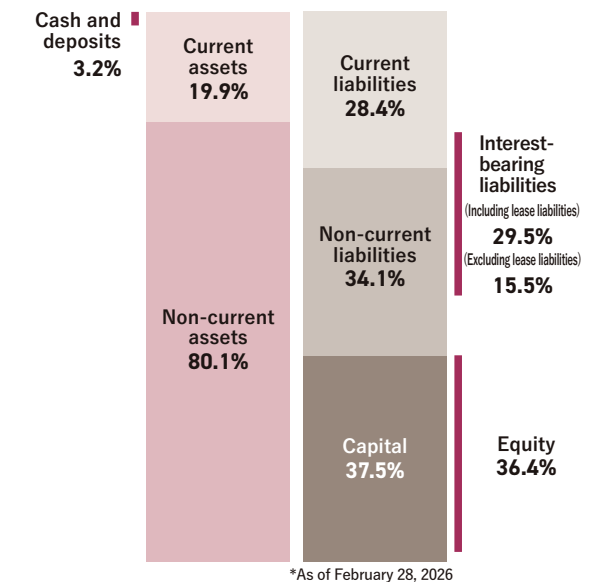
	Segment	FY2024	FY2025	WACC*	Medium-to long-term target	Key strategy
Consolidated FY2024 6.2% FY2025 5.9% (WACC 5.0-5.5%)	Department Store	10.7%	9.3%	4-5%	6-7%	Expanding and deepening the highly engaged customer segment
	SC	5.1%	5.8%	3-4%	5-6%	Major renovations of key stores driven by a focus on IP content and luxury offerings
	Developer	6.5%	5.7%	3-4%	4-5%	Fleshing out the pipelines in seven key cities
	Payment and Finance	1.8%	1.0%	2-3%	3-5%	Customer integration through card consolidation

*In principle, WACC by segment is reviewed for each Medium-term Business Plan period.

Balance Sheet Management

In managing our balance sheet, we maintain a sound financial foundation from a safety perspective and control our equity ratio and debt-to-equity (D/E) ratio at levels that allow us to maintain our current credit ratings. In the medium to long term, we believe that a consolidated equity ratio of approximately 30-35% and a D/E ratio (excluding lease liabilities) of 1.0x or less are appropriate levels. Meanwhile, to effectively utilize interest-bearing liabilities from the perspective of capital efficiency and manage equity within an appropriate range, we will implement shareholder returns during the current Medium-term Business Plan period, including dividends based on a dividend payout ratio of 40% or higher, as well as share buybacks as appropriate.

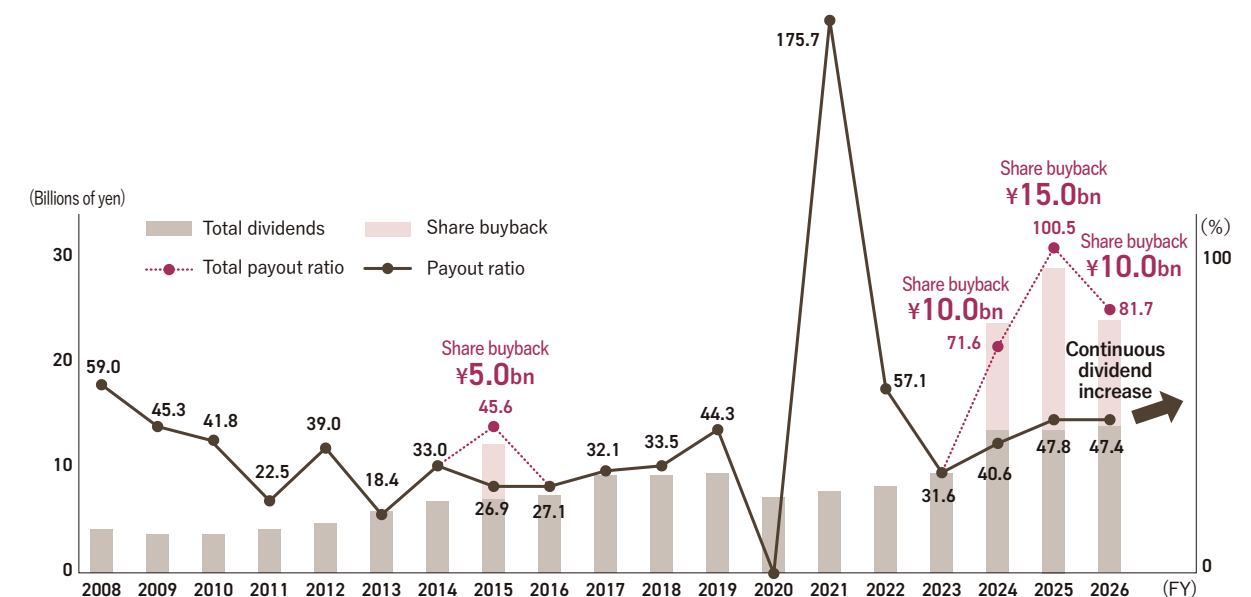
With regard to assets, we are promoting the efficient use of Group funds through intra-Group financing utilizing our cash management system, and we maintain cash and deposits at the minimum level necessary for working capital and other purposes through our cash management practices. In addition, our business assets consist primarily of tangible fixed assets such as stores, and we strive to maximize operating cash flow by utilizing them efficiently.



Shareholder Returns

Under the current Medium-term Business Plan, we have raised the dividend payout ratio from the previous level of 30% or more to 40% or more. For the fiscal year 2025 dividend, we increased the payout by 2 yen from the previous fiscal year, which had reached a record high, to 54 yen per share. Moving forward, we aim to achieve stable and continuous dividend increases by achieving sustainable profit growth. Furthermore, in

accordance with our policy of conducting share buybacks in a flexible and agile manner, we carried out a 10.0 billion yen share buyback in fiscal year 2024, which was the first share buyback since fiscal year 2015, with the aim of optimizing our equity. Similarly, we repurchased 15.0 billion yen worth of our own shares in fiscal year 2025 and 10.0 billion yen worth in fiscal year 2026 to strengthen shareholder returns.



FY	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Dividend per share (yen)	8	7	7	8	9	11	25	27	28	35	35	36	27	29	31	36	52	54	56

FY2014: Amount adjusted after reverse stock split (2 shares → 1 share) FY2017: Includes commemorative dividend of ¥2 per share FY2024: Payout ratio and total payout ratio exclude special factors. FY2026: Figures published in April 2026; total payout ratio adjusted for share buybacks