

Corporate Governance

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As the holding company, J. Front Retailing positions the strengthening of corporate governance as one of its top management priorities, serving as the central hub for the Group's unified governance to ensure compliance, transparency, objectivity, and soundness in the management of the entire Group. As part of this initiative, in fiscal year 2017, the Company transitioned its organizational structure from a Company with an Audit & Supervisory Board to a Company with Three Committees (Nomination, Audit, and Remuneration Committees), and in fiscal year 2022, it established a Board of Directors structure in which independent Outside Directors constitute a majority. Furthermore, in addition to the chairpersons of the three statutory committees, the Company has selected an independent Outside Director as the Chairperson of Board of Directors, since fiscal year 2024.

Furthermore, to achieve optimal corporate governance, we

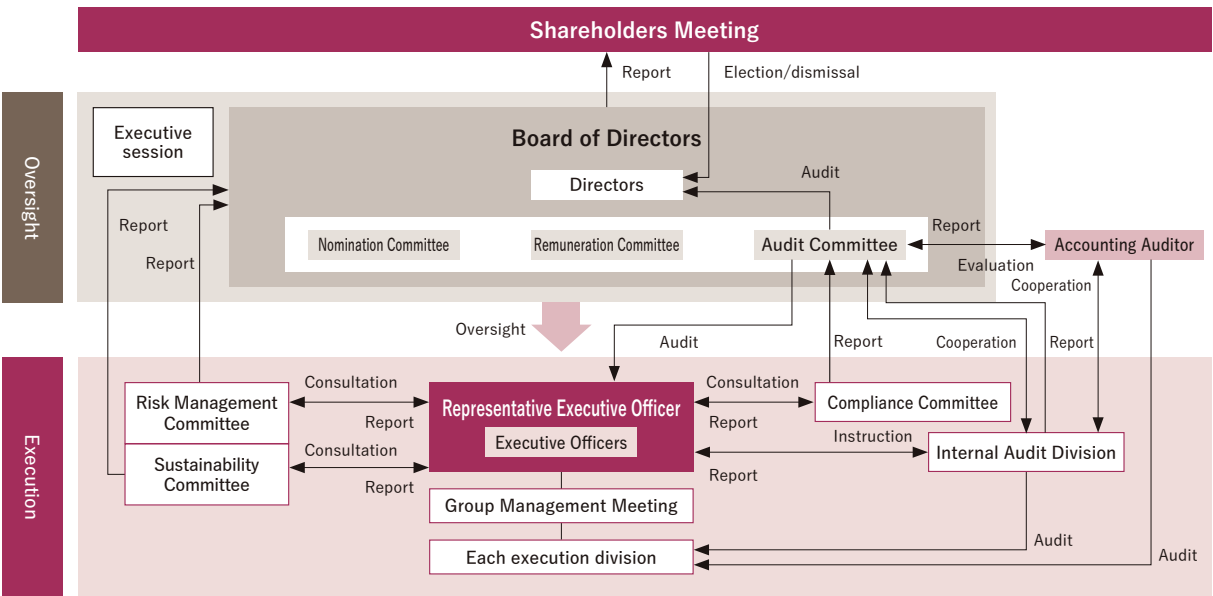
continuously review the Corporate Governance Guidelines and make it widely available to the public.

Through our business activities, we strive to build relationships of trust with our stakeholders, including shareholders, who are the cornerstone of governance, as well as customers, business partners, employees, and local communities.

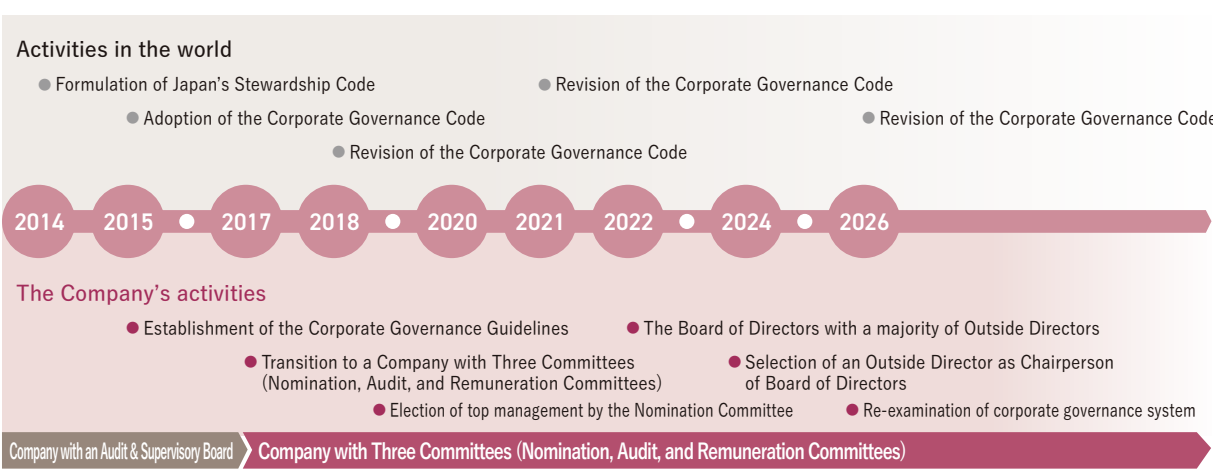
Under the management structure that launched in fiscal year 2024, we aim to achieve sustainable growth for the Group and improve its corporate value over the medium to long term by accelerating management decision-making and execution, as well as by enhancing governance, including strengthening the oversight function of the Board of Directors.

Furthermore, regarding the revision of the Corporate Governance Code scheduled for fiscal year 2026, we will review our governance practices in light of its content and respond appropriately.

Corporate governance system chart



History of the Company's corporate governance



Overview of corporate governance system

The Company is a holding company and, with the exception of authority for matters which have an impact on the management of the Group, it accordingly delegates authority to its respective operating subsidiaries with respect to matters involving business execution by the operating subsidiaries, in order to speed up management decision and to make managerial responsibilities clear.

The roles and responsibilities of the Company, as a holding company, are as described below:

- Planning, formulating, and penetrating the Group Vision, Group Medium-term Business Plan, Group Annual Management Plan, and Sustainability Policy, and tracking the progress and results thereof;
- Setting business domains of the Group;
- Business portfolio management (optimal allocation of management resources);
- Generating synergies between businesses;
- Establishing Group-wide risk management system;
- Organization design and operation of the entire Group;
- Human resource management of the entire Group;
- Management of shareholders;
- Establishing corporate governance practices for the entire Group;
- Making decisions on important matters of business execution relating to the management of the Group; and
- Providing advice and approval for management policy and management strategy of respective operating subsidiaries, and overseeing and evaluating the progress thereof.

The Company has established supervisory units and a promotion division (Management Strategy Unit, Financial Strategy Unit, Human Resources Strategy Unit, CRE Strategy Unit, IT Digital Unit, and Business Promotion Division) as management bodies of the Company, and is working to clarify each unit's roles, responsibilities, and authorities, thereby reinforcing the supervisory function and improving the internal control systems of the entire Group.

Board of Directors and three statutory committees

(1) Roles and responsibilities of the Board of Directors

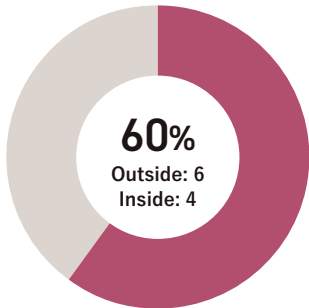
Directors elected by the shareholders and entrusted with management of the Company shall fulfill the following roles and responsibilities at the Board of Directors in light of their fiduciary responsibility and accountability to shareholders, and with the aim of realizing the Group Vision, etc.

- Indicating the overall direction that the Group management is to take, by engaging in constructive discussions with respect to the Group Vision, Sustainability Policy, Group Medium-term Business Plan, Group Annual Management Plan, and other fundamental management policies, and carrying out multifaceted and objective deliberations that include evaluation of risks with respect to the aforementioned;
- Appropriately making decisions in terms of overall policy and plans pertaining to the Group management on the basis of the direction noted above and overseeing the progress and results of the plans;
- Developing an environment conducive to encouraging offensive-oriented management geared to achieving discontinuous growth;
- Taking steps to build and develop an internal control system for the entire Group, and otherwise overseeing the operational status of such system;
- Overseeing conflicts of interest between related parties; and

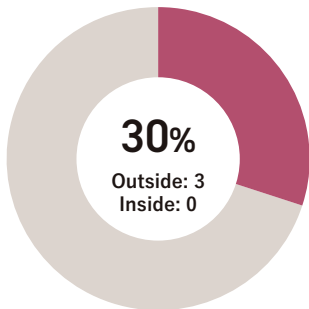
- Overseeing the progress of succession planning relating to the President and Representative Executive Officer, personnel assignment plans pertaining to managerial talent, and Executive Officer training, all of which have been referred to the Nomination Committee, on the basis of summary reports furnished by the Nomination Committee.

(2) Composition of the Board of Directors

*As of May 28, 2026



Ratio of independent Outside Directors (out of 10)



Ratio of female Directors (out of 10)

In electing Director candidates comprising the Board of Directors, the Company elects 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 electing candidates for Outside Director, the Company seeks, with board diversity in mind, individuals who have experience as managers not only in the retail industry that forms the core of the Group'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 Inside Director who does not execute business, the Company seeks individuals with wide-ranging practical experience within the Group and knowledge in fields such as auditing. For Director candidates who also serve as Executive Officers, in addition to the President and Representative Executive Officer who serves as the head of management, the Company elects the head of the finance division who possesses the advanced expertise required to implement the strategic financial policies sought by shareholders and investors. Furthermore, since the "expected skills" required to align with our strategy change with each Medium-term Business Plan, we review the skill matrix to align with the strategy at the start of each Medium-term Business Plan. Subsequently, we conduct an annual "confirmation" and make "revisions" as necessary.

(3) Roles and responsibilities of the Nomination Committee

The Nomination Committee determines the content of proposals on the election and dismissal of Directors to be submitted to the Shareholders Meeting and reports to the Board of Directors upon consultations from the Board of Directors regarding the election and dismissal of Executive Officers, as well as the selection and removal of the Chairperson of Board of Directors and the chairpersons and members of each statutory committee and other matters.

(4) Roles and responsibilities of the Audit Committee

The Audit Committee effectively audits whether Executive Officers and Directors execute their duties in compliance with the laws and the Articles of Incorporation and efficiently in accordance with the Company's Basic Mission Statement and the Group Vision, and makes necessary indications and recommendations. It also conducts audits on the construction and operation of internal control, and prepares audit reports. To ensure the reliability of accounting information, the 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 the Accounting Auditor to be submitted for discussion at the Shareholders Meetings.

Number of meetings held by the Board of Directors and the three statutory committees and major agenda items in FY2025 (March 2025 to February 2026)

	Number of meetings	Attendance rate	Major agenda items	Average duration per meeting	【Reference】Number of members *As of May 28, 2026
Board of Directors	14	100%	- Group human resources strategy - Group long-term strategy - Status of progress on the Medium-term Business Plan - Report on effectiveness of the Board of Directors - JFR Group FY2026 plan	2 hours 10 minutes	Outside Chair Inside
Nomination Committee	11	100%	- Succession plan - Board of Directors framework, independent Outside Directors framework - Confirmation of the skill matrix - Election of 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	1 hour 8 minutes	Outside Chair Inside
Audit Committee	24	99.1%	- Reports of the Internal Audit Division - Reports of the Compliance Committee - Audit reports of audit & supervisory board members of Group companies - Evaluation of the Accounting Auditor	1 hour 30 minutes	Outside Chair Inside
Remuneration Committee	8	100%	- Review of officer remuneration system - Verification of officer remuneration levels and composition using external data - 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 amounts	1 hour	Outside Chair Inside

(5) Roles and responsibilities of the Remuneration Committee

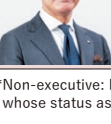
The Remuneration Committee decides on the policy for determining the individual remuneration details for Directors and Executive Officers of the Company and eligible officers of major subsidiaries of the Group, and on the remuneration details for individual Directors and Executive Officers of the Company.

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. At the request of Outside Directors, the President and Representative Executive Officer also participates in discussions.

Skill matrix (Skills expected of Directors)

*As of May 28, 2026

		Committee (The double circle indicates the chairperson)			Attribute	Corporate management	Finance & accounting	Marketing	Human resource & organization development	Legal affairs & compliance	IT & digital	E: Environment	S: Society	G: Governance
		Nomination	Audit	Remuneration										
	KOIDE Hiroko Chairperson of Board of Directors	○		○	Non-executive Independent Outside	○		○	○					○
	YAMADA Yoshihito	◎		○	Non-executive Independent Outside	○		○	○					○
	SAITO Kazuhiro		◎		Non-executive Independent Outside	○	○	○				○		○
	New SHIONO Noriko	○		◎	Non-executive Independent Outside	○		○					○	○
	OMURA Emi		○		Non-executive Independent Outside					○	○		○	○
	New OSAWA Eiko		○		Non-executive Independent Outside		○			○			○	○
	YOSHIMOTO Tatsuya	○		○	Non-executive	○		○				○		○
	New YOSHIKAWA Kiyoshi		○		Non-executive		○						○	○
	ONO Keiichi				Executive	○		○				○		○
	New NAGAMINE Takamasa				Executive	○	○						○	○

*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

Skill list

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 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 effectively, 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 as 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 conduct corporate management in a lawful and proper manner as the foundation for sustainable enhancement of corporate value		

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 50 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, Audit, and Remuneration Committees

[Evaluation methodology]

- Prior questionnaires for Directors
- “Individual interviews” conducted by a third-party organization based on the prior questionnaires
- Direct observation of deliberations by attending the Board of Directors and committee meetings
- Access to discussion materials of the Board of Directors meetings, etc.

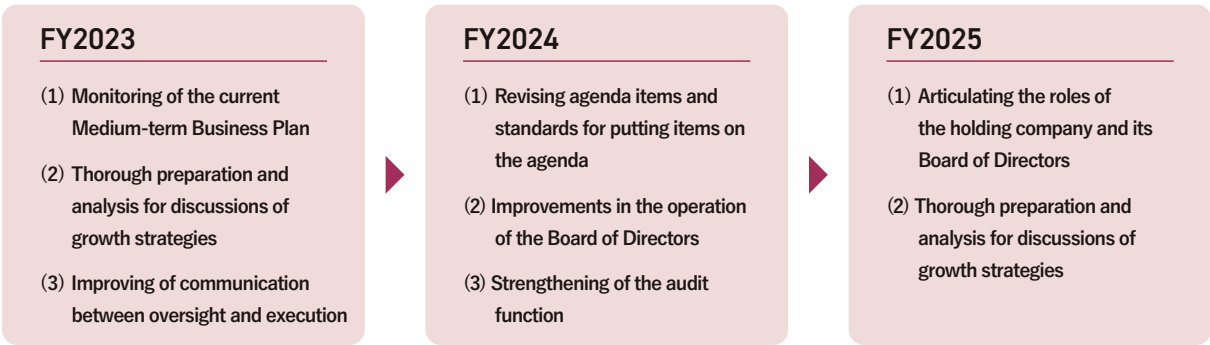
The method used was based on the results of which were collated and analyzed in the form of a report, which was then deliberated by the Board of Directors.

The Company conducted its eleventh evaluation of the effectiveness of the Board of Directors between November and December 2025. Based on the results of the prior questionnaires given to all Directors, a third-party organization conducted individual interviews, and those details were discussed at a meeting of the Board of Directors held in February.

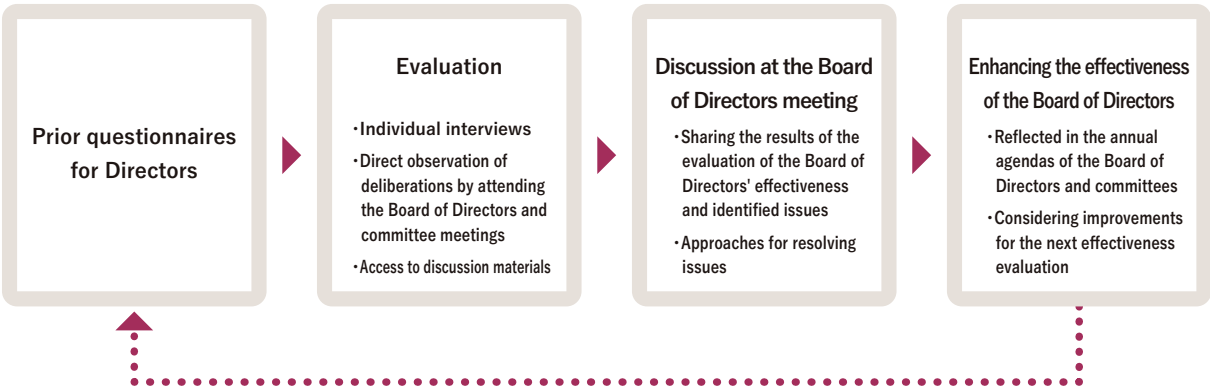
As a result of the evaluation of effectiveness, it was confirmed that, of the issues raised in the previous fiscal year, “revising agenda items and standards for putting items on the agenda,” “improvements in the operation of the Board of Directors,” and “strengthening of the audit function” had been resolved to a reasonable extent. On the other hand, the evaluation for fiscal year 2025 identified issues such as “articulating the roles of the holding company and its Board of Directors” and “thorough preparation and analysis for discussions of growth strategies.”

In response to this, approaches for resolving these issues were again discussed at a meeting of the Board of Directors held in March, thereby articulating concrete plan of action and promotion frameworks that have been reflected in the agenda for the Board of Directors in fiscal year 2026.

Changes over time in issues identified in the evaluation of the effectiveness of the Board of Directors



Cycle of the evaluation of the effectiveness of the Board of Directors



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.

Based on proposals received from the Nomination Committee, and with a view to realizing the Basic Mission Statement and Group Vision, the Board of Directors selects the President and Representative Executive Officer, thereby fulfilling its supervisory role.

[Removal of the President and Representative Executive Officer]

A proposal for removal 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 Group Vision.

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.

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

Officer Remuneration System

In April 2017, the Company formulated and announced an Officer Remuneration Policy, and it then revised the Officer Remuneration System in May 2021, to match the Medium-term Business Plan. The Officer Remuneration System and the Officer Remuneration Policy were subsequently amended in fiscal year 2024, to coincide with the start of the new Medium-term Business Plan. The Company also designed the officer remuneration to function as incentive for achieving and promoting sustainability management.

(1) Basic policy for officer remuneration

The Company’s Officer Remuneration System follows the basic approach below, aiming to achieve the objectives of realizing and promoting sustainability management (pay for purpose). The same basic policy has been established for the Directors and Executive Officers of the Group’s major subsidiaries, including Daimaru Matsuzakaya Department Stores and Parco, as well as for the Representative Directors of J. Front City Development, JFR Card, and J. Front Prime Space (hereinafter called “eligible officers of major subsidiaries of the Group”).

- The Officer Remuneration System shall contribute to the Group's sustainable growth and enhancement of corporate value over the medium to long term and also be compatible with its corporate culture.
- The Officer Remuneration System shall facilitate the achievement of duties (mission) based on management strategies of professional corporate managers.
- Remuneration levels shall be able to secure and retain human resources who have the “desirable managerial talent qualities” required by the Company.
- The Officer Remuneration System shall increase shared awareness of profits with shareholders and awareness of shareholder-focused management.
- The remuneration determining process shall be highly transparent and objective.

(2) Remuneration determining process

To ensure the appropriateness of the level and amount of remuneration and the transparency of the decision-making process, decisions on the specific amount of remuneration to be paid are made by deliberation and resolution of the Remuneration Committee, whose four members comprise three independent Outside Directors and one non-executive Inside Director, and which is chaired by an independent Outside Director. Since the members of the Company's Remuneration Committee and its Nomination Committee are the same, they can use a common evaluation sheet for both committees to coordinate together in activities related to the areas of nomination and remuneration of management, including eligible officers of major subsidiaries of the Group. If unforeseen contingencies or changes in the external environment occur that could not have been anticipated at the time of formulating the Medium-term Business Plan, the remuneration level, as well as evaluation methods for bonuses and performance shares (performance-linked stock-based remuneration), will be reviewed based on the decision of the Remuneration Committee.

[Forfeiture of remuneration, etc.] (malus and clawback)

With regard to bonuses and stock-based remuneration, in cases where the Board of Directors has resolved that serious accounting errors or fraudulent adjustments after the settlement of accounts have occurred, or in cases where serious infringements of the delegation

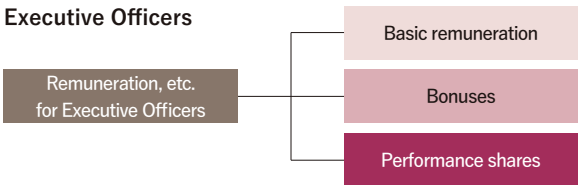
agreement, etc. between the Company and an officer have taken place, or in cases where a person has resigned for their own reasons during their tenure against the wishes of the Company, the right to be paid/ issued remuneration may be forfeited, and the Company may demand the repayment of remuneration already paid or issued.

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

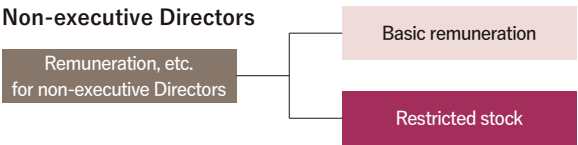
Remuneration for Executive Officers shall comprise (a) “basic remuneration” (monetary remuneration) in accordance with job size, (b) “bonuses” (monetary remuneration) based on individual evaluations conducted each fiscal year, and (c) “performance shares (performance-linked stock-based remuneration)” linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan (trust-type stock-based remuneration).

Non-executive Directors’ remuneration shall consist only of fixed remuneration, which shall be (a) “basic remuneration” (monetary remuneration) in accordance with responsibilities and (d) “restricted stock (non-performance-linked stock-based remuneration),” which is not linked to performance as a stock-based remuneration system (trust-type stock-based remuneration).

Executive Officers



Non-executive Directors



(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 the responsibility borne by each officer. Non-executive Directors’ basic remuneration is positioned as fixed remuneration, and the pay scale is determined based on the size (weight) of the responsibility borne by each officer.

(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 evaluations, and the “fiscal year’s non-financial indicators,” which include qualitative evaluations. Starting in fiscal year 2026, the evaluation criteria for the Representative Executive Officer will consist entirely of quantitative evaluations.

(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% (short term) 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% (medium to long term) is to be issued in shares in a single issuance at the end of the Medium-term Business Plan.

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

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

Breakdown of remuneration for Executive Officers by type

[President and Representative Executive Officer]

Basic remuneration 33.3%	Bonuses 33.3%	Performance shares 33.3%
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[Executive Officers excluding the Representative Executive Officer]

One of the following applies, depending on job responsibilities

Basic remuneration 38.5%	Bonuses 30.8%	Performance shares 30.8%
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Basic remuneration 45.4%	Bonuses 27.3%	Performance shares 27.3%
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Note: The figure above shows a model based on a standard rank for bonuses and a 100% performance achievement rate for stock-based remuneration.
Note: For eligible officers of major subsidiaries of the Group, the same remuneration composition as above is to apply, based on job size.

Performance-linked stock-based remuneration targets

Short term	KPI		Target figures	Weight
	Financial	Consolidated business profit	¥56.0 billion (FY2026)	100%

Medium to long term	KPI			Target figures	Weight
	Financial	(1)	ROE	8% or more (FY2026)	40%
		(2)	Consolidated ROIC	6% or more (FY2026)	20%
	Stock price	(3)	r-TSR (compared to TOPIX growth rate inclusive of dividends)	TOPIX growth rate inclusive of dividends	20%
	Non-financial	(4)	GHG reductions (Scope 1 & 2 emissions)	70% reduction (compared with FY2017)	10%
		(5)	Female management ratio	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.

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 flow 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 flow and ROE. To achieve this, we will focus our management resources on strengthening our core businesses, expanding our business domains, and actively developing new businesses. The key financial indicators for the achievement of the Medium-term Business Plan are ROE for capital efficiency, consolidated business profit and ROIC for business profitability, free cash flow for profitability and safety, 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.

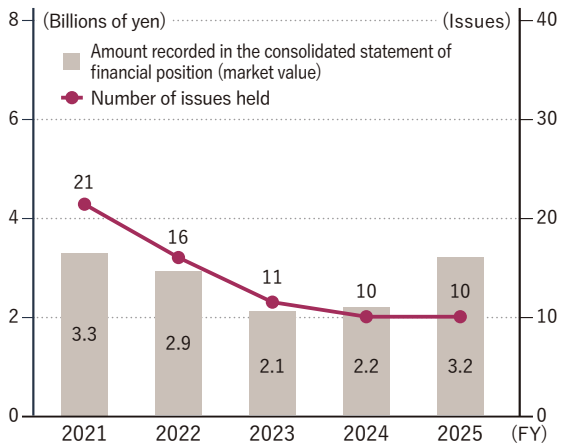
In accordance with this policy, the Company will strive to optimize shareholders’ equity by providing dividends with a targeted consolidated dividend payout ratio of 40% or more and purchasing treasury shares during the period of its current Medium-term Business Plan (FY2024 to FY2026).

Cross-shareholdings

(1) Policy on cross-shareholdings

In principle, the Company 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 investment purposes). However, this does not apply to cross-shareholdings that have been recognized as being indispensable to the promotion of the Group’s business strategy, and contributing to increasing corporate value in the medium to long term through the validation of rationale. For such shares already held (listed/unlisted) that have been judged as not being rational in the validation result, we will negotiate with companies whose shares we hold, and appropriately reduce them upon reaching a consensus regarding sale method, period, etc.

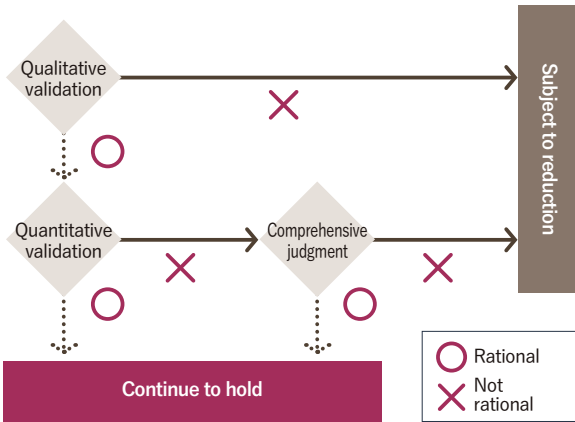
Changes in the number of cross-shareholdings (listed shares excluding deemed holdings)



(2) Validation of rationale for cross-shareholdings

For each individual issue, the Board of Directors periodically validates the rationale for holding every year from both qualitative and quantitative 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 pertains to whether profitability of holding shares, including related trading profits and dividends, exceeds the capital costs, etc.

Validation of rationale for cross-shareholdings



Message from Chairperson of Board of Directors

Toward Further Enhancing the Effectiveness of the Board of Directors

Redefining Governance and
Evolving the Board of Directors
to Support Medium- to Long-Term Growth

KOIDE Hiroko

Independent Outside Director, Chairperson of Board of Directors



Fiscal year 2025, my second year as Chairperson of Board of Directors, was a year in which we worked to lay the groundwork for further enhancing the effectiveness of the Board of Directors. The results of the Board of Directors’ effectiveness evaluation have once again brought to light issues that had been recognized but not yet sufficiently addressed, and I feel that the evolution of our governance is, in fact, only just beginning.

We are redefining our governance in terms of “quality” rather than “form.” It is the shared understanding of all Directors that we have finally reached the stage where we can address this. On the other hand, there are differing views and opinions regarding the appropriate form of governance for the Company, and as of the end of fiscal year 2025, we have not yet reached a consensus.

In particular, we cannot avoid clarifying the roles of the holding company and the operating companies with an eye toward the Group’s future vision. Should the holding company’s Board of Directors focus on high-level discussions regarding the business portfolio and capital allocation, or should it also exercise a certain degree of oversight over important matters at the operating companies? I view defining the ideal role of the holding company’s Board of Directors as our top priority for fiscal year 2026.

That said, from the perspective of an Outside Director, while I believe the Board of Directors has improved compared to a few years ago, I still feel that there is a lack of substantive discussion regarding growth strategies and the medium- to long-term outlook.

The Board of Directors has discussed the next

Medium-term Business Plan from fiscal year 2025 to 2026, and this plan must incorporate an integrated human resources strategy and IT and digital strategy to bolster its driving force. I view the recruitment of external professionals in these fields, which has begun to lay the groundwork for discussion, as a significant first step.

In the past, I had the impression that discussions often focused solely on explaining measures without adequately analyzing the issues at hand, but now that data-driven analysis of the current situation has progressed, we are able to discuss the identification of issues, action plans, and timelines. Therefore, I recognize that the role of the Chairperson of Board of Directors is to regularly place these items on the Board’s agenda and ensure that progress is monitored in alignment with business strategies and the Medium-term Business Plan.

Among these, we conducted intensive discussions on the human resources strategy in fiscal year 2025 as a key topic that would determine future growth. The differences in human resource systems, workforce composition, and actual performance evaluation practices across the operating companies were visualized, revealing the Group’s challenges that had previously gone unnoticed. I recognize the need to view recruitment, placement, training, and evaluation as an integrated whole and to gain an understanding of the progress being made in developing a Group-wide career development program that includes the cultivation of the next generation of managerial talent and the promotion of women’s empowerment.

To reiterate, all of these must be discussed in conjunction with the growth strategy. Based on reports regarding our IR and SR activities, I feel

that our future growth story is not sufficiently visible to the capital markets. What is the business portfolio we aim to build? In which markets will we compete, against whom, and what strengths will we leverage to succeed? The Board of Directors will clarify these points and then discuss and oversee the establishment of optimal KPIs and capital allocation for the next Medium-term Business Plan, as well as strategies for bridging the gap between our current status and our targets. The key is not to simply stack up the things we want to do, but rather to work backward from our desired vision or target level to determine the necessary measures, including structural reforms.

For fiscal year 2026, approximately half of the Board of Directors’ members were replaced. To enhance the quality of discussions under these circumstances, it is essential to intentionally increase opportunities for open dialogue, such as executive sessions, off-site meetings, and on-site inspections. It is also important to strengthen the functions of the Board of Directors secretariat, enhance the strategic mindset and debate skills of executive Directors, and establish career development pathways that allow future management candidates to gain experience in the Board operations through the secretariat.

We aim to contribute to the sustainable enhancement of corporate value by advancing governance not only in terms of “form” but also in terms of “quality,” and by ensuring that the Board of Directors thoroughly discusses and oversees growth strategies from a medium- to long-term perspective.

Comments from the Chairpersons of the Three Statutory Committees



YAMADA Yoshihito

Independent Outside Director
Chairperson of Nomination Committee

In May of this year, I was appointed Chairperson of Nomination Committee. To fulfill my duties in this capacity, I intend to focus on the following areas.

The Nomination Committee utilizes assessment data from third-party organizations, in addition to internal evaluations, when deliberating on how to achieve a highly effective board composition and when electing or dismissing Directors and Executive Officers. We also strive to enhance objectivity, transparency, and rationality by providing opportunities, such as interviews with candidates, to gain a better understanding of their character and mindset, as necessary.

The committee continues to address succession planning for managerial talent as its core agenda item. Regarding succession for the Representative Executive Officer, we will clarify the overall framework and establish concrete development processes, starting with the selection of a successor in an emergency and the development of next-generation executive candidates, to ensure planned appointments and retention. We will also deepen discussions regarding Outside Directors from a medium- to long-term perspective and work to enhance governance by appointing diverse talent suited to the Company and strengthening our supervisory functions.

The Nomination Committee will continue to spare no effort this fiscal year as well, with the aim of securing the managerial talent essential to the Company’s sustainable growth and ensuring elections that enable the optimal allocation of such talent.



SAITO Kazuhiro

Independent Outside Director
Chairperson of Audit Committee

I have served as Chairperson of Audit Committee since May of this year. Under the previous Chairperson, the Group has not only conducted audits in accordance with the audit plan but also worked to enhance audit effectiveness through dialogue with Executive Officers and major Group companies, business site inspection, and collaboration with the Internal Audit Division, Accounting Auditor, and the audit & supervisory board members of Group companies. I will further enhance these efforts and strengthen the role of the Audit Committee in supporting the sustainable growth of the Group.

At the Board of Directors meetings, we receive reports on the operational status of internal control systems, compliance frameworks, and preparations against cyber risks, and engage in necessary discussions. The Audit Committee believes that it is important not only to conduct formal reviews but also to verify the transparency of the decision-making process and the effectiveness of risk management, and to support an environment in which the executive team takes risks soundly, quickly turn failures into lessons, and use them as steppingstones to future challenges.

Going forward, we will continue to engage in constructive dialogue with the executive team from a fair and impartial standpoint, while enhancing the effectiveness of our organizational audit system and contributing to the establishment of a high-quality corporate governance framework that supports the growth of the Group and meets the expectations for social trust.



SHIONO Noriko

Independent Outside Director
Chairperson of Remuneration Committee

I have served as Chairperson of Remuneration Committee since May of this year.

Based on the Officer Remuneration Policy formulated in April 2017 and revised, the Remuneration Committee will continue to strive to maintain and enhance an objective and optimal remuneration structure by using peer group comparisons to evaluate the overall level of officer remuneration and the composition of performance-linked remuneration and stock-based remuneration.

In addition, we will continue to review the Officer Remuneration System in light of the Medium-term Business Plan and changes in the business environment. And using surveys conducted by third-party organizations and the insights of external experts, we will conduct a multifaceted assessment of whether the remuneration system is functioning as a driving force for enhancing corporate value over the medium to long term.

Based on the results of this assessment, we will continue to refine the system to ensure that each officer maintains a high level of motivation and delivers results that meet shareholder expectations. Also, for bonuses, we will ensure transparency and fairness in the decision-making process and will implement procedures to ensure that decisions are made objectively and reasonably.

To ensure that each officer can fully leverage their diverse experience, expertise, and sense of responsibility as professional managers, we will maintain an appropriate remuneration system and level commensurate with their contributions. Through these efforts, we will continue to strive for the sustainable enhancement of corporate value and the maximization of shareholder returns.

Approach and system for risk management

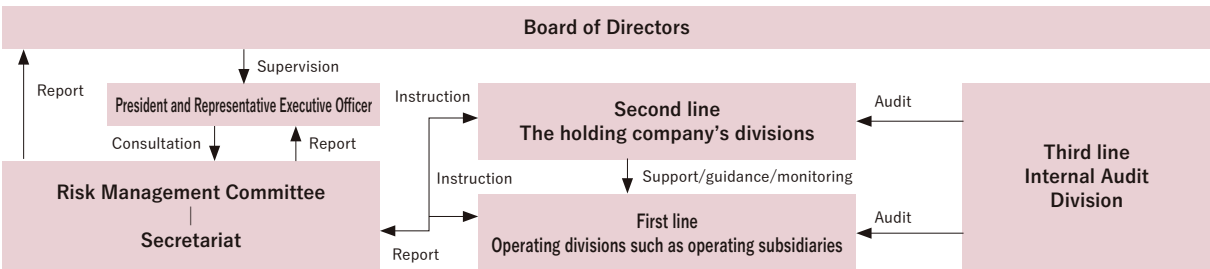
Risk management

The Company defines risk as “uncertainty that affects the achievement of corporate management goals and has both positive and negative aspects.” The Company has positioned risk management as “activities to enhance corporate value by managing risk in a rational and optimal manner from a company-wide perspective,” and aims to achieve sustainable corporate growth by appropriately addressing both the positive and negative aspects of risk.

And for risks that are highly significant to the Company, we consider “strategies and measures that regard the risk as a business opportunity to be taken” and “strategies and measures that regard the risk as a threat to be controlled,” positioning risk as the starting point of strategy and advancing our response accordingly.

Risk management system

The Company has established the Risk Management Committee, which is chaired by the President and Representative Executive Officer and comprises Executive Officers of the Company and the presidents of major operating companies, as an advisory body to the President and Representative Executive Officer. The committee discusses important matters, including risk identification and evaluation, and the 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.



Risk identification method and PDCA cycle

With regard to risk identification, we are striving to ensure that risks of high importance to the Group are not overlooked under the external and internal environmental analysis and are based on the recognition of the management team, external experts, and practical operation divisions. Among these, those risks deemed to be of the highest importance to the Group's management over the medium term are classified as “important risks for the JFR Group,” and we

The committee has established a secretariat headed by an officer in charge of risk management. The secretariat shares important decisions of the committee with operating subsidiaries and promotes enterprise risk management (ERM). Moreover, by positioning risk as the starting point of strategy and linking it to strategy, we are striving to ensure that risk management contributes to enhancing corporate value.

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 that is independent of the operating divisions.
- Third line (Internal audit division):**
This division oversees the validity of the risk management functions and the internal control system from a perspective that is independent of the operating divisions and each division of the holding company.

Support and monitoring from the second line and independent oversight from the third line allow the first line (operating divisions) to independently execute risk response through proper procedures and without delay.

Overview of important risks for the Group

	Internal environment (Business environment)	External environment (Macro environment)
Strategy risk	*Changes in industrial structure of existing businesses	*Acceleration of technology innovations
	*Intensification of competition for human resources	*Increasing complexity of sustainability issues
	Diversification of consumers' values and behavior	Declining birthrate, population aging, and increasing income inequality
	Increased presence of non-Japanese consumers	Risks marked with an asterisk (*) have an extremely significant impact and are being addressed with the highest priority.
Finance risk	Increasing inequality between cities	Changes in consumer behavior and cost structures due to fluctuations in economic trends
Hazard risk		Emergence of geopolitical and geoeconomic crises
		Natural disasters and epidemics
Operation risk		Increase in information security threats
	Growing importance of compliance	

List of important risks for the JFR Group

Category	Item	Impact	Outlook for the future	Negative side	Positive side	Countermeasures
Strategy	Changes in industrial structure of existing businesses	Very severe	↑	● Decreased vitality of the entire Group due to weak performance of large-scale store-based retail business	● Regrowth by radical change of the business model of large-scale store-based retail business	● Strengthening existing businesses and developing businesses to transform our business portfolio ● Investing through M&A and CVC based on our vision
	Intensification of competition for human resources	Very severe	↑	● Loss of competitiveness in attracting human resources, outflow of talented human resources ● Decrease in employee motivation	● Promotion of business strategy, creation of innovation ● Increase in employee engagement and organizational capability	● Recruiting professional human resources, Group personnel exchange and development ● Realizing Well-Being Life of employees through investment in human resources
	Acceleration of technology innovations	Very severe	↑	● Sluggish growth of the entire Group ● Declining competitiveness due to delay in use of technology	● Transformation of business model through the use of technology ● Operation streamlining	● Operation streamlining through the use of AI ● Group-wide initiatives for Business Process Reengineering (BPR) ● Developing digital/IT human resources
	Increasing complexity of sustainability issues	Very severe	↗	● Decline in sales and revenue due to the increasing severity of natural disasters and the impact of climate change ● Defection of stakeholders and lower rating and brand power	● Sustainable growth and improvement of the Group's presence	● Reducing GHG emissions ● Expanding handling of environmentally friendly products and services ● Expanding circular businesses such as sharing and upcycling ● Implementing human rights due diligence ● Strengthening engagement with customers, business partners, local communities, and others
	Declining birthrate, population aging, and increasing income inequality	Severe	↗	● Shrinkage of domestic market scale ● Contraction of high-volume sector of the existing target	● Expansion of new markets through target accommodation	● Approaching consumers who favor premium and inspiring consumption and experiences that fulfill their own preferences and values ● Expanding customer/business base to reach the aforementioned target
	Diversification of consumers' values and behavior	Severe	↗	● Decrease in sales and revenue	● Expansion of new markets	● Promoting measures in line with the values of consumers who favor premium and inspiring consumption and experiences that fulfill their own preferences and values (e.g. subscription business, entertainment, pop culture)
	Increased presence of non-Japanese consumers	Severe	↗	● Delay in incorporating inbound tourism ● Sudden decrease in inbound tourism	● Increase in sales to inbound tourists	● Continuously strengthening categories of products that are highly popular with Japanese and non-Japanese customers ● Converting non-Japanese customers into members ● Ongoing efforts to expand the Japanese customer base
	Increasing inequality between cities	Severe	↗	● Shrinking consumption pie in regional areas	● Business development through contribution to urban needs and urban development	● Participating in community-building in collaboration with local governments and other organizations in the Group's key locations (e.g. commercial facilities, office spaces, hotel accommodations, residences)
	Changes in consumer behavior and cost structures due to fluctuations in economic trends	Severe	↗	● Loss of opportunities for revenue ● Increased cost of fund procurement	● Promotion of growth strategies and business portfolio transformation ● Lowered cost of fund procurement	● Long-term funding at fixed interest rates ● Selecting appropriate financing measures during the new funding phase ● Continuously monitoring fluctuations and reviewing plans and policies as needed
	Natural disasters and epidemics	Very severe	→	● Damage to the lives of customers and employees ● Business continuity crisis	● Stable business operation	● Continuously implementing practical BCP training ● Periodically reviewing business continuity plans ● Strengthening preparation for new pandemics
Hazard	Emergence of geopolitical and geo-economic risk	Severe	↗	● Danger and difficulties in life for employees stationed overseas (or on business trips)	● Stable overseas business operations	● Establishing and promoting an overseas risk management system in line with the risk environments and circumstances at employees' overseas postings and business trip destinations ● Closely monitoring the impact on the Company's business (especially overseas business)
	Increase in information security threats	Severe	↗	● Occurrence of personal information leaks, lawsuits, and liability for damages, loss of social trust ● Delay/stagnation of operations	● Stable running of operations and systems ● Operation streamlining and promotion of remote work	● Developing and upgrading the Group's common system infrastructure ● Preventing information leaks and incidents by strengthening monitoring systems and expanding the scope of vulnerability management ● Reviewing the Group security guidelines and improving employee security awareness and understanding through training
Operation	Growing importance of compliance	Severe	→	● Threat to business continuity ● Loss of social credibility ● Defection of stakeholders and decline in corporate value	● Enhancing corporate value ● Enhancing employee engagement and transforming corporate culture within the Group	● Initiatives to continuously promote awareness and adherence to the JFR Principles of Action ● Implementing initiatives to foster awareness among the management of Group companies ● Establishing a whistleblowing system

■: Risks that have an extremely heavy impact and are given the highest priority

When a risk spans multiple categories, it is listed in the category with the highest impact on or relevance to the Group's strategy.

↑: Escalating greatly ↗: Escalating →: Remaining important

Impact: Consideration of economic impact on the Group and impact on brand value during the period of the Medium-term Business Plan

Outlook for the future: Projected changes to risks during the period of the Medium-term Business Plan considering the severity of their impact on the Group

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.

Types of reports



Strengthening information security

The Group positions information security as one of its key management priorities and is working to establish and strengthen its information security management framework in order to appropriately protect its information assets from various threats.

In recent years, information security risks have intensified due to the increasing sophistication and complexity of cyberattacks, as well as the expanded use of cloud services and mobile devices. Furthermore, as the Group holds critical information assets, including customer information and personal information, we consider the proper protection of these assets to be a vital responsibility.

In light of these circumstances, in March 2026, we revised our information security management framework and separated the functions responsible for formulating and managing information security policies and regulations from those responsible for implementing and operating measures based on them. Through this, we are working to strengthen information security governance and establish a framework that enhances the effectiveness of checks and balances.

In addition, we have established J. FRONT RETAILING

JFR Group Compliance Hotline

The Company has established a whistleblowing system that allows all the Group's officers and employees as well as anyone working for the Group (including part-timers and temporary staff seconded from business partners) to notify the JFR Group Compliance Hotline Office established at the Company with respect to compliance-related issues, and request 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 rules rigorously stipulate protecting the confidentiality of whistleblowers and prohibiting any prejudicial treatment of whistleblowers.

Computer Security Incident Response Team (JFR-CSIRT) to respond promptly and appropriately to information security incidents such as cyberattacks and information leaks. When an incident occurs, the team coordinates with relevant divisions within the JFR Group, external contractors, and external security agencies to oversee response efforts aimed at minimizing damage, ensuring rapid recovery, and preventing recurrence.

In normal times, the division in charge of information security takes the lead in managing information security risks by monitoring and analyzing the latest threat trends and conducting education and training. We are also working to enhance information security measures from “physical,” “technical,” “organizational,” and “human” perspectives, striving to maintain and improve security standards across the entire Group while reducing risks.

Disclosure and investor relations (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.

We ensure that the opinions and requests we receive from shareholders and investors through our communications and meetings are widely shared by the President and Representative Executive Officer or the IR division with the Board of Directors and the management of both the Company and Group companies via feedback sessions. We use this information as a reference for corporate management aimed at enhancing corporate value.

External recognition for IR activities (FY2025)

- Semi-Grand Prize at the 5th NIKKEI Integrated Report Award hosted by Nikkei Inc.

Content of IR Day program

- Outside Director's perspective on the Company's current state and issues
- Growth strategy through the integration of interior design and facilities businesses
- Value co-creation through talent exchange
- Revitalization of Shibuya PARCO

Venue for store tour for institutional investors

- Daimaru Shinsaibashi store

Investor engagement activities in FY2025

Dialogue opportunity	No. of times	Person in charge			
		Outside Director	President of the holding company	Officer, etc.*	IR staff
Financial result presentation	4		○	○	
Small meeting	11		○	○	
IR Day (including the presentation by Outside Director)	2	○		○	
Overseas IR	21		○	○	
Conference for overseas investors hosted by securities companies	44		○	○	
Meetings for analysts and institutional investors	210			○	○
Store tour for institutional investors	1				○
Presentation for individual investors	3			○	

*Officer, etc. includes the presidents of Group companies.



Saito, Outside Director, at IR Day on February 17, 2026



Yoshimura, President, J. Front Prime Space, at IR Day on February 17, 2026



Kobayashi, Department Head, GINZA SIX Retail Management, at IR Day on February 17, 2026
*Job titles are as of February 17, 2026.