

[Translation]

April 15, 2024

To whom it may concern

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## Notice Regarding Revision of Officer Remuneration Policy

### 1. Purpose of Revision of Officer Remuneration Policy

J. FRONT RETAILING Co., Ltd. (the “Company”) established and published its Officer Remuneration Policy (hereinafter the “Policy”) in April 2017, and furthermore reviewed its officer remuneration system in accordance with its Medium-term Business Plan that took effect on May 27, 2021. Meanwhile, the Company has revised its officer remuneration system and Officer Remuneration Policy in accordance with the Medium-term Business Plan that commenced in fiscal 2024. The revisions have involved introducing a new method for calculating officer remuneration utilizing surveys by third-party organizations to enhance the overall objectivity and transparency of remuneration levels and structures. Based on this, the Company furthermore reviewed the ratio of performance-linked remuneration and stock-based remuneration from the perspectives of further heightening motivation to contribute to higher corporate value over the medium to long term and seeking to share profits with shareholders. The Company also reviewed evaluation indicators and evaluation weightings with respect to bonuses that reflect the status of individual officer’s achievements and stock-based remuneration linked to the Company’s overall consolidated performance.

In addition, the Company has also designed officer remuneration to function as an incentive for achieving and promoting sustainability management.

For details of the new Medium-term Business Plan, please refer to “J. Front Retailing FY2024-FY2026 Medium-term Business Plan” released on April 15, 2024.

[https://www.j-front-retailing.com/\\_data\\_json/news/\\_upload/20240415\\_midtermplan\\_E.pdf](https://www.j-front-retailing.com/_data_json/news/_upload/20240415_midtermplan_E.pdf)

### 2. Details of the Officer Remuneration Policy

#### (1) Basic policies 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). Moreover, the same basic policy has been established for the Directors and Executive Officers of the Group’s major subsidiaries Daimaru Matsuzakaya Department Stores Co. Ltd. and PARCO Co., Ltd., as well as for the Representative Directors of JFR Card Co., Ltd., J. Front City Development Co., Ltd., and J. Front Design & Construction Co., Ltd. (hereinafter, “eligible officers of major subsidiaries of the Group”).

- (i) Contribute to the sustainable growth of the JFR Group and increase corporate value over the medium to long term, and be consistent with the corporate culture.

- (ii) Establish a remuneration system that facilitates the achievement of duties (mission) based on management strategies of professional corporate managers.
- (iii) Remuneration levels that can secure and retain personnel who have the desirable managerial talent qualities required by the Company.
- (iv) Increase shared awareness of profits with shareholders and awareness of shareholder-focused management.
- (v) Enhanced transparency and objectivity in the remuneration determining process.

## (2) Approach to remuneration levels

The Company sets competitively appropriate remuneration levels with respect to remuneration levels of its Executive Officers and Directors. This involves making annual comparisons of the remuneration levels of its Executive Officers and Directors against those of its peer group comprising enterprises of similar size selected based on industry, market capitalization, and sales revenue, using objective remuneration survey data and so forth from third-party organizations, in seeking to quickly respond to changes in the external environment and market environment. The same treatment shall apply to eligible officers of major subsidiaries of the Group.

## (3) Overview of remuneration composition

### Executive Officer

Remuneration for Executive Officers shall comprise (i) basic remuneration (monetary remuneration) in accordance with job size, (ii) bonuses (monetary remuneration) based on individual evaluations conducted each business year, and (iii) performance shares (performance-linked stock-based remuneration, which is trust-type stock-based remuneration) linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan as a stock-based remuneration system.

In the Executive Officers' remuneration composition, the ratio of performance-linked remuneration and stock-based remuneration shall be set so as to function as a healthy incentive for sustainable growth.

Specifically, for the Company's President and Representative Executive Officer, the ratio of basic remuneration to bonuses to performance-linked stock-based remuneration is set at 10:10:10, to increase the correlation between remuneration and performance considering the importance of the duties of President and Representative Executive Officer (roles and responsibilities), while for Executive Officers excluding the President and Representative Executive Officer, the ratio for basic remuneration to bonuses to performance-linked stock-based remuneration is 10:8:6 or 10:6:6 according to that Executive Officer's duties and responsibilities.

In the event that an officer is recruited from outside the Group, a remuneration plan different from that described above may be implemented after conducting deliberation at the Remuneration Committee, giving consideration to the role that such an officer would perform and characteristics of the duties expected of that officer.

The same remuneration composition as the Company shall apply to the remuneration composition for eligible officers of major subsidiaries of the Group. Meanwhile, for performance shares (performance-linked stock-based remuneration) for eligible officers of major subsidiaries of the Group, shares of the Company shall be issued.

Note: The "bonuses" and "performance shares (performance-linked stock-based remuneration)" fall under performance-linked remunerations under the Companies Act and "performance shares (performance-linked stock-based remuneration)" falls under non-monetary remunerations.

Type of remuneration	Payment basis				Payment method	Composition of remuneration		
						President	Officers other than President	
Basic remuneration (fixed)	Determined separately for each job size				Monthly payment in cash	33.3%	38.5%	45.4%
Bonuses (variable)	Base amount by job size × Rate of change <sup>*1</sup> *1 The rate of change is based on a calculation of scores using the quantitative and qualitative evaluations below.				Annual payment in cash	33.3%	30.8%	27.3%
	Details			Evaluation weights				
	Quantitative evaluation <50%> <sup>*2</sup>	Fiscal year's financial evaluation	Consolidated business profit <sup>*3</sup>	40%				
			Consolidated ROIC <sup>*4</sup>	10%				
	Qualitative evaluation <50%> <sup>*2</sup>	Fiscal year's non-financial evaluation	Level of achievement of action plan for achieving individual missions <sup>*5</sup>	30%				
Level of achievement of action plan for achieving non-financial targets in line with materiality issues <sup>*6</sup>			20%					
Performance-linked stock-based remuneration (variable)	[Short-term: 40%] Base amount by job size × Performance achievement factor <sup>*7</sup> *7 Calculated based on the following measures of achievement				Annual payment in stocks <sup>*9</sup>	33.3%	30.8%	27.3%
	Details			Evaluation weights				
	Consolidated business profit			100%				
	[Medium to long term: 60%] Base amount by job size × Performance achievement factor <sup>*8</sup> *8 Calculated based on the following measures of achievement				At the expiration of the term of each Medium-term Business Plan in stocks <sup>*9</sup>			
	Details			Evaluation weights				
	Financial indicators <60%>	ROE	40%					
	Share price indicators <20%>	r-TSR (vs. dividend-inclusive TOPIX growth rate)	20%					
Non-financial indicators <20%>	Greenhouse gas reductions (Scope 1 & 2 emissions)	10%						
	Ratio of women in management positions	10%						

\*2 Quantitative evaluation and qualitative evaluation set to 70% and 30%, respectively, with regard to eligible officers of major subsidiaries of the Group

\*3 Evaluation weights using business profit of such subsidiaries set to 60% with regard to eligible officers of major subsidiaries of the Group

\*4 ROIC of such subsidiaries used with regard to eligible officers of major subsidiaries of the Group

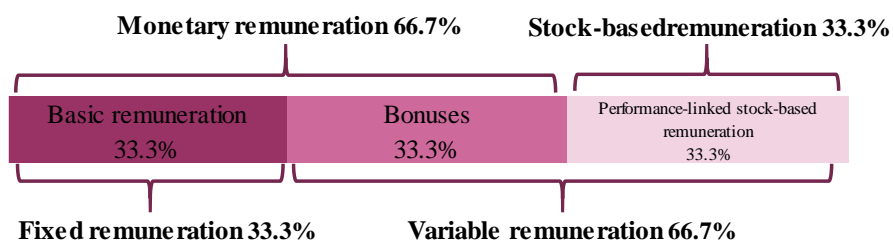
\*5 Evaluation weights set to 20% with regard to eligible officers of major subsidiaries of the Group

\*6 Evaluation weights set to 10% with regard to eligible officers of major subsidiaries of the Group

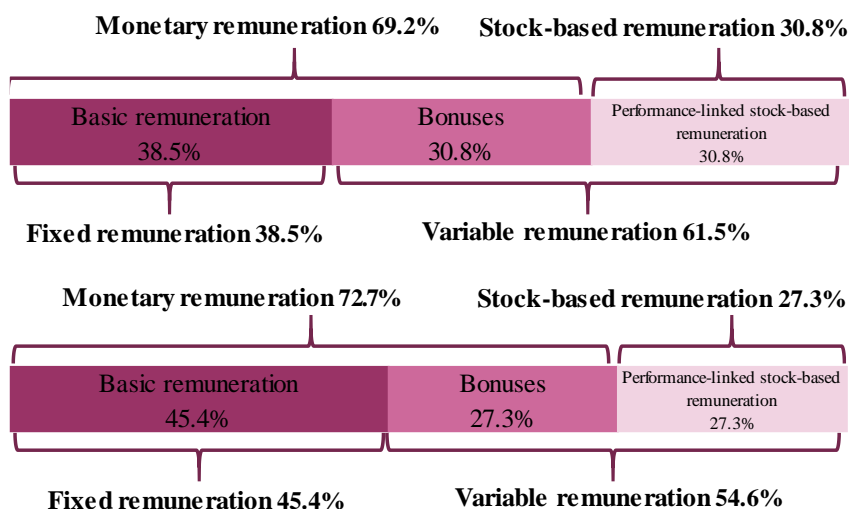
\*9 In principle, the equivalent of 50% of the Company's shares to be issued is converted and paid as cash to provide funds for payment of tax.

### Proportions of remuneration by type for Executive Officers

#### President and Representative Executive Officer



Executive Officers excluding the Representative Executive Officer  
 One of the following applies in accordance with responsibilities



Note: The above figure represents the case of a bonus for a standard ranking where the performance achievement rate for stock-based remuneration was 100%.

Note: The same remuneration composition as above is also to apply in accordance with job size with regard to eligible officers of major subsidiaries of the Group.

#### Basic remuneration

Basic remuneration is positioned as a fixed remuneration, and is decided for each job size based on the size (weight) of the responsibility borne by each officer. Payments are made every month in the form of money.

#### Bonuses

Bonuses are paid 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 evaluation, and the fiscal year's non-financial indicators, which include qualitative evaluation. For the fiscal year's financial indicators, the Company evaluates the level of achievement against target figures for consolidated financial indicators set for each fiscal year stipulated in the Medium-term Business Plan as resolved by the Board of Directors (target figures for the relevant subsidiary with respect to eligible officers of major subsidiaries of the Group). For the fiscal year's non-financial indicators, the Company evaluates the level of achievement of the action plan for achievement of each officer's individual mission for each fiscal year, and the level of achievement of the action plan for achievement of the Company's materiality issues.

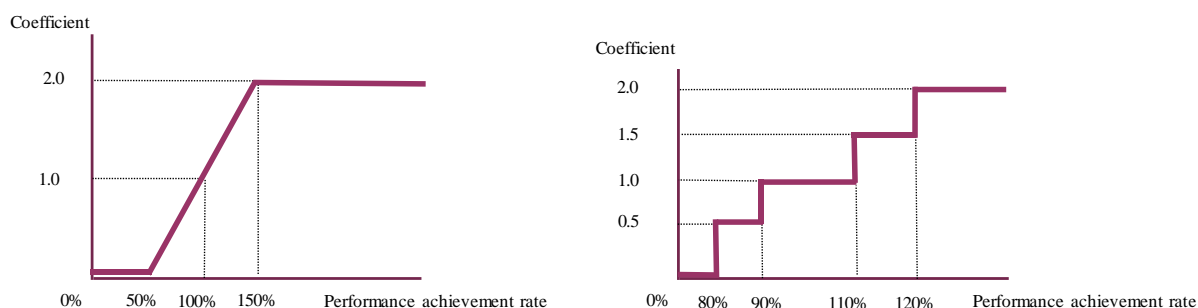
Taking the weighting of the fiscal year's financial and non-financial indicators as 50:50 (70:30 with respect to eligible officers of major subsidiaries of the Group), two-fifths of the fiscal year's non-financial indicators (20% of the total weight, one-third with respect to Subject Subsidiary officers) is taken as the evaluation of the action plan for achieving the Company's materiality issues.

For the fiscal year's financial indicators, the Company evaluates the achievement level against goals set for each fiscal year as stipulated in the Medium-term Business Plan, using consolidated business profit and consolidated ROIC (achievement level against each company's business profit and ROIC evaluated with respect to eligible officers of major subsidiaries of the Group).

## Conceptual drawing of performance-linked coefficient fluctuation

Consolidated business profit

Consolidated ROIC



For the fiscal year's non-financial indicators, the President and Representative Executive Officer, who is the evaluator, conducts an interview with each Executive Officer at the start of the fiscal year to formulate an action plan based on each Executive Officer's mission.

The Remuneration Committee conducts initial and interim confirmations of the missions and action plans of the President and Representative Executive Officer, each Executive Officer, and the eligible officers of major subsidiaries of the Group, which involves holding discussions with the President and Representative Executive Officer, each Executive Officer, and the eligible officers of major subsidiaries of the Group at fiscal year-end to provide feedback on evaluations of current fiscal year projections with respect to the fiscal year's financial indicators and the fiscal year's non-financial indicators (evaluations of the fiscal year's non-financial indicators are carried out by the President and Representative Executive Officer with respect to each Executive Officer and the eligible officers of major subsidiaries of the Group, and carried out by the Remuneration Committee with respect to the President and Representative Executive Officer). In principle on that basis, the final evaluation results are determined and bonus payment amounts are decided at a meeting of the Remuneration Committee held in May of the following fiscal year.

In certain cases, bonuses may not be paid by resolution of the Remuneration Committee. Usually, however, the amount of bonuses will be set variably between 0% and 200% depending on evaluation results of the fiscal year's financial indicators and non-financial indicators. Payments are made once a year in the form of money.

### Performance Shares (Performance-Linked Stock-Based Remuneration)

Performance-linked stock-based remuneration is issues of the Company's shares linked to the consolidated performance achievement rate, etc. provided in the Medium-term Business Plan. The shares are designed to help the JFR Group achieve sustainable growth and increase corporate value over the medium to long term. When the shares are issued, in principle the equivalent of 50% of the Company's shares to be issued is converted and paid as cash to provide funds for payment of tax.

Under this system, 40% 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% is to be issued in shares in a single issuance at the end of the Medium-term Business Plan.

Regarding the portion issued each year, the level of achievement against target figures for each fiscal year stipulated in the Medium-term Business Plan will be evaluated based only on consolidated business profit.

Of the portion issued at the end of the Medium-term Business Plan, the system is such that 60% is evaluated by financial indicators, 20% by share price indicators, and 20% by non-financial indicators. weighted so that 40% is evaluated based on ROE and 20% on consolidated ROIC, which serve as the numerical targets of the Medium-term Business Plan (IFRS based) announced following a resolution

of the Board of Directors. Meanwhile, the share price indicators are evaluated based on r-TSR (vs. dividend-inclusive TOPIX growth rate). The non-financial indicators are evaluated with weightings of 10% assigned to greenhouse gas reductions pertaining to the Company's materiality issues (Scope 1 & 2 emissions) and the other 10% assigned to the ratio of women in management.

The fluctuation range for remuneration in accordance with the performance achievement rate is between 0% and 200%.

Administration of the trust-type stock-based remuneration system is contracted to a trust bank to ensure independence, objectivity, and fairness.

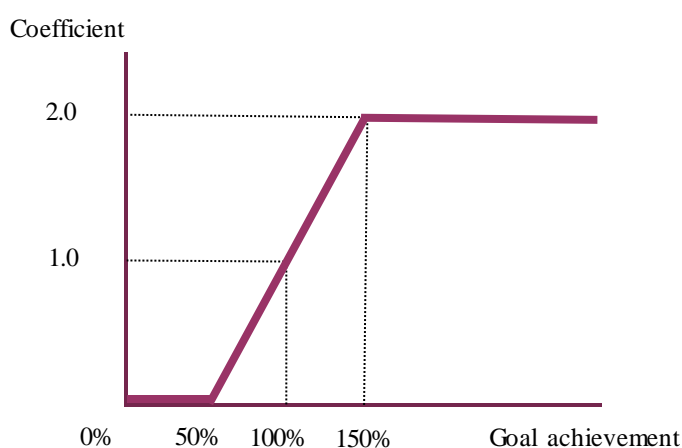
#### Target figures for performance-linked stock-based remuneration

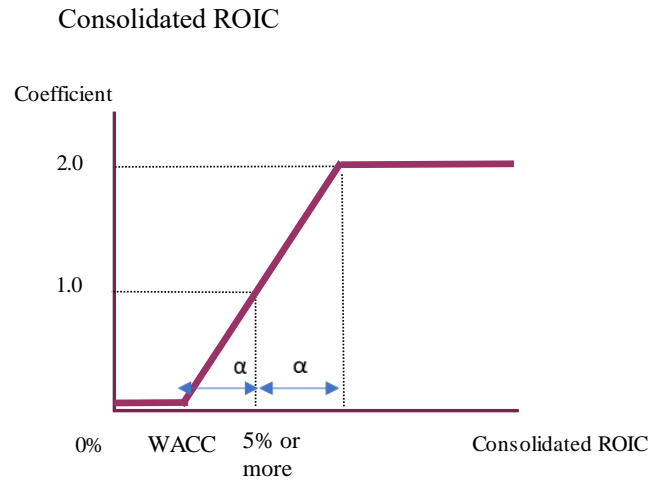
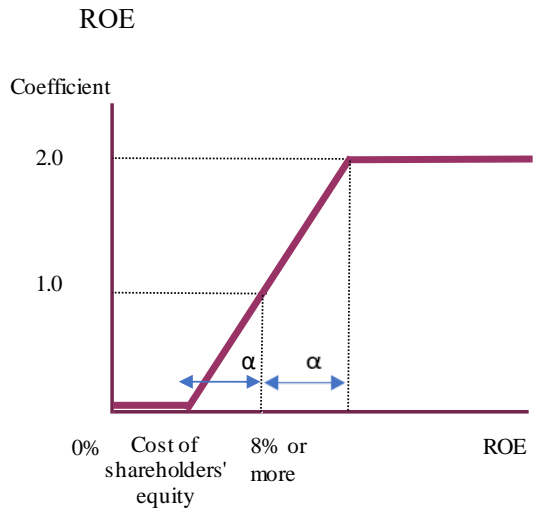
KPI		Target figures	Weight
<b>Financial</b>	(i) Consolidated business profit	¥52.0 billion (fiscal 2026)	100%

KPI		Target figures	Weight
<b>Financial</b>	(i) ROE	8% or more (fiscal 2026)	40%
	(ii) Consolidated ROIC	5% or more (fiscal 2026)	20%
<b>Stock price</b>	(iii) r-TSR (vs. dividend-inclusive TOPIX growth rate)	Dividend-inclusive TOPIX growth rate	20%
<b>Non-financial</b>	(iv) Greenhouse gas reductions (Scope 1 & 2 emissions)	-58% (compared with fiscal 2017)	10%
	(v) Raise the ratio of women in management positions	31% (fiscal 2026)	10%

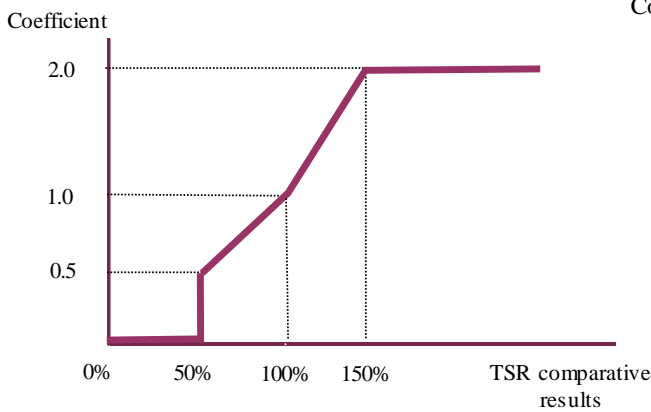
#### Conceptual drawing of performance-linked coefficient fluctuation

Business profit

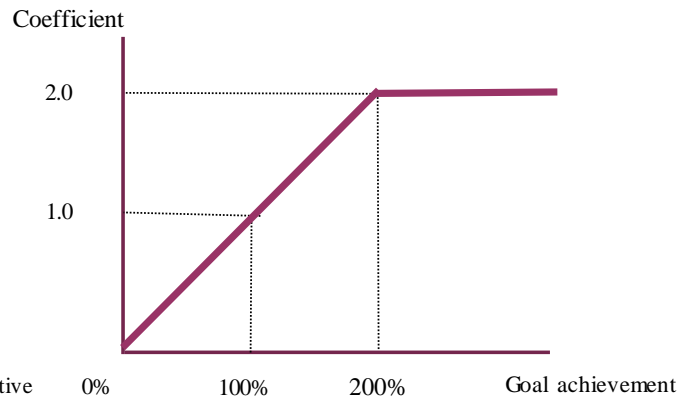




r-TSR (vs. dividend-inclusive TOPIX growth rate)



Greenhouse gas reductions and ratio of women in management



## Directors

Non-executive Directors' remuneration shall consist only of fixed remuneration, which shall be (i) basic remuneration (monetary remuneration) in accordance with responsibilities and (ii) restricted stock (non-performance-linked stock-based remuneration, which is trust-type stock-based remuneration), which is not linked to performance, as part of the stock-based remuneration system.

Type of remuneration	Payment basis	Payment method
Basic remuneration (fixed)	Determined separately for each rank (position)	Monthly payment in cash
Non-performance-linked stock-based remuneration (fixed)	Determined separately for each rank (position)	Retirement shares

Note: Non-executive Directors refer to independent Outside Directors and internal Non-executive Directors.

Note: "Restricted stock (non-performance-linked stock-based remuneration)" falls under non-monetary remunerations under the Companies Act.

## Basic remuneration

Basic remuneration is positioned as fixed remuneration and is decided based on a table according to the size (weight) of each officer's responsibility. Payments are made every month in the form of money.

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

Non-performance-linked stock-based remuneration is a system for issuing the Company's shares in a way that it not linked to performance, with the objective of involving Non-executive Directors in management with a medium- to long-term view in order that they should strengthen proactive and defensive governance of the Company from a different standpoint to the executives as representatives of stakeholders. The shares are issued upon their retirement from office. When the shares are issued, in principle the equivalent of 50% of the Company's shares to be issued is converted and paid as cash to provide funds for payment of tax. The Company will disclose the number of shares held as the number of dilutive potential shares until the shares are issued.

Administration of the trust-type stock-based remuneration system is contracted to a trust bank to ensure independence, objectivity, and fairness.

#### (4) Remuneration governance

##### (i) Remuneration determining process

To ensure the appropriateness of the level and amount of remuneration, and the transparency of decision-making processes, specific remuneration amounts are determined by resolution of a Remuneration Committee comprising three independent Outside Directors and an internal Non-executive Director (four members in total), and headed by an independent Outside Director. The Company seeks to ensure comprehensive coordination in activities related to the areas of nomination and remuneration of management, including the eligible officers of major subsidiaries of the Group, by having the same members serve on both the Remuneration Committee and the Nomination Committee, and using the same evaluation sheet for both committees.

The Remuneration Committee decides on the policy for determining remuneration details for the individual 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. Furthermore, the Committee also deliberates and determines internal regulations and other rules for remuneration of the Company's Directors and Executive Officers. The remuneration details for individual eligible officers of major subsidiaries of the Group are deliberated by the nomination and remuneration committees (which have been established at Daimaru Matsuzakaya Department Stores and PARCO among the major subsidiaries of the Group, and whose members include independent Outside Directors of the Company), which are established at the discretion of each company, and are decided by each company's Board of Directors, after being resolved by each company's Annual Shareholders Meeting if such approval is required.

Remuneration Committee meetings are to be held at least four times per year, and the review of the officer remuneration system will be conducted in accordance with each Medium-term Business Plan period. In the event of contingencies, changes arising in the external environment, or other such developments unforeseen at the time of formulating the Medium-term Business Plan, the Company shall conduct a review of remuneration levels, and of evaluation methods for bonuses and performance shares (performance-linked stock-based remuneration).

In addition, the Company appoints an external remuneration consultant with a view to introducing objective viewpoints from outside the Company and expertise on officer remuneration systems. With its support, the Company reviews its remuneration levels and remuneration system in light of external data, economic environment, industry trends, business conditions, and corporate culture, among others.



The Company's evaluation of the Board of Directors by a third-party organization includes an annual confirmation of the effectiveness of the Remuneration Committee's effectiveness, which is used to further increase the effectiveness of the Board of Directors.

#### Meeting status of Remuneration Committee in fiscal 2023

Remuneration Committee met 13 times in fiscal 2023 as follows.

Date of meeting	Additional attendees	Main agenda items	
March 17, 2023		Total amount of officer bonuses for fiscal 2022, review of officer remuneration system (revision of regulations and remuneration policy)	Resolution
April 20, 2023	President and Representative Executive Officer	Performance-linked coefficient and number of points provided for stock-based remuneration for officers (short-term and medium- to long-term performance shares) Officer evaluation results for fiscal 2022	Resolution
May 8, 2023		Amount of individual officer bonuses for fiscal 2022, number of points provided for short-term performance shares Fiscal 2023 mission grade and individual remuneration amount, etc.	Resolution Deliberation
May 25, 2023		Fiscal 2023 mission grade and individual remuneration amount Remuneration Committee schedule, etc.	Resolution
June 19, 2023	President and Representative Executive Officer	Review of the officer remuneration system	Deliberation
July 18, 2023	President and Representative Executive Officer	Review of the officer remuneration system	Deliberation
August 18, 2023		Review of the officer remuneration system	Deliberation
October 24, 2023		Review of the officer remuneration system	Deliberation
November 20, 2023	President and Representative Executive Officer	Review of the officer remuneration system	Deliberation
December 18, 2023	President and Representative Executive Officer	Review of the officer remuneration system	Deliberation
December 26, 2023		Review of the officer remuneration system	Deliberation
January 22, 2024	President and Representative Executive Officer	Review of the officer remuneration system	Resolution
February 19, 2024		Review of the officer remuneration system Individual remuneration amount	Resolution

\* The four Remuneration Committee members attended all 13 of the committee's meetings.

#### (ii) Forfeiture of remuneration (clawback and malus)

Regarding Executive Officers' bonuses and stock-based remuneration, the right to payment of bonuses and granting of stock-based remuneration may be forfeit or the Company may request the return of remuneration that has already been paid or granted in cases such as where the Board of Directors has resolved that the financial results are to be amended afterwards due to a serious accounting misstatement or fraud, or where there has been a serious infringement of the appointment contract, etc., between the Company and an officer, or when an officer has retired for their own reasons during their term of office against the will of the Company.

Furthermore, if a significant change occurs in the management environment, and so forth, the Remuneration Committee may deliberate reducing the amount of officer remuneration in cases where it receives a submission from Executive Officers and Directors volunteering to reduce their remuneration.

#### (iii) Policy for the acquisition and holding of shares

Any shares of the Company acquired by Executive Officers as stock-based remuneration shall continue to be held by respective Executive Officers at least for three years from the grant date of the shares (or at least for one year after they retire from the office of Executive Officer). The purpose of this requirement is to deepen the common interest of shareholders and officers. In particular, the purpose of granting shares of the Company to Executive Officers who are responsible for business execution as remuneration in the form of performance-linked stock-based remuneration is to provide additional incentive to them to work for the improvement of the financial performance and corporate value of the Company from the medium- to long-term perspective.

Eligible officers of major subsidiaries of the Group shall adopt the same policy for their acquisition and holding of the Company's shares.

(iv) Engagement policy

Details of the Company's officer remuneration system are disclosed swiftly to the Company's shareholders through the Annual Securities Report, Business Report, Corporate Governance Report, and the Integrated Report, which are prepared and disclosed in accordance with various laws and regulations, and the Company's website, among others.

To engage with institutional investors, the Company aims to hold over 100 meetings per year, mainly with the President and Representative Executive Officer, Executive Officers, and Directors (including independent Outside Directors). The Company has positioned engagement with shareholders and investors who understand its values and vision as one of its core values, and opinions of shareholders and investors received through engagement are shared at the Board of Directors and other bodies, and used to realize and promote sustainability management. The Remuneration Committee decides on the payment amount of officer remuneration giving consideration to the amounts of employee salaries and dividends paid to shareholders, etc.

Regarding disclosure of the remuneration, etc., as the officers of the submitting company in the Annual Securities Report (in the case of remuneration, etc., as the officers of major consolidated subsidiaries, including this remuneration; hereinafter, "Consolidated Remuneration, etc."), in principle the Company will disclose it without limiting disclosure to those whose Consolidated Remuneration, etc. is ¥100 million or more.

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