

J. Front Retailing
Summary of Q&A Session at
Results Presentation for Interim Period of the Fiscal Year Ending February 28, 2027
Date and Time: 15:35-16:30 on Tuesday, October 13, 2026

<Q&A Session>

Q. The H2 plan for the Department Store Business projects that while gross sales will exceed the previous forecast, selling, general, and administrative expenses (SGA) will also increase, resulting in business profit that falls short of the previous forecast. Please explain the reasons behind this.

A. There is a timing shift of approximately 1.3 billion yen in SGA for H1. Since that amount will be recognized in H2 or later, business profit for H2 is expected to be lower than originally planned. In addition, to boost top-line revenue, we anticipate an increase in advertising expenses as well as commissions, and costs related to system upgrades are also expected to rise in H2. While these factors will drive top-line growth, they will also lead to an increase in SGA.

Q. It was explained that “fusion” provides new value to customers. Considering examples such as HAERA, what new opportunities do you think are opening up through this “fusion”?

A. “Fusion” does not mean that Daimaru Matsuzakaya Department Stores and PARCO will simply merge into one, but rather that the two companies will combine their respective strengths at a high level. While we believe that HAERA has succeeded in realizing a portion of this, there is still room to further advance fusion. At HAERA, we are seeing cross-shopping between customers of both Matsuzakaya and PARCO, and we plan to evaluate the effectiveness of this trend going forward.

When we conducted customer surveys in various regions as part of the process of formulating the next Medium-term Business Plan, we found that there were more customers than expected who shop at PARCO while also visiting Department Stores, as well as customers who shop at Department Stores while also visiting PARCO and other shopping centers. On the other hand, it is not widely recognized that Daimaru Matsuzakaya and PARCO are part of the same group. We view this as a significant area for growth. Specific initiatives will be announced next spring.

Q. Could you explain the factors behind the H1 business profit for the Developer Business and adjustments exceeding the plan?

A. In the Developer Business, profit margins in the interior design business improved, resulting in gross profit that exceeded the plan. Adjustments are attributable to a timing shift in the recognition of the holding company’s standalone expenses to H2, as well as cost containment measures. However, since adjustments also include inter-segment eliminations, we expect full-year results to be in line with the initial plan.

Q. I would like to ask about trends among domestic customers at Department Stores, breaking them down into gaisho customers and non-gaisho customers. Regarding gaisho, could you explain to what extent the increase in the number of top-tier customers is contributing, and what factors are driving this growth in customer numbers? In addition, could you please provide an update on the progress to date and the outlook for non-gaisho customers?

A. With regard to gaisho, the number of accounts has been increasing, and we are stepping up our efforts to acquire new customers. Currently, the customers with the highest annual purchase volume tier are driving growth in both sales and average sales per customer. Both the number of customers in this tier and sales have seen double-digit growth. This was driven by various initiatives implemented during H1, including a focus on events targeting gaisho customers. In addition, a

dedicated website for gaisho customers was revamped in March, leading to increased customer engagement. In addition, sales efforts targeting the app's Gold members, that is, customers who have made purchases totaling a certain amount or more through the app, have also contributed to the increase in the number of gaisho customers.

As for domestic non-gaisho customers, sales were down year-over-year due largely to the rebound effect from the Osaka-Kansai Expo; however, excluding the impact of the Expo, sales would have been up. Customer numbers are on the rise, partly due to the renovations carried out at the Kyoto store and other locations during H1. In H2, we aim to increase sales by reaching out to the app's Gold members and by acquiring new cardholders.

Q. Regarding the Medium-term Business Plan, you explained that management that prioritizes resource allocation toward growth opportunities is still underway. How does this approach need to change? Also, how does this relate to your ability to respond to inflation?

A. In my view, Daimaru Matsuzakaya Department Stores was among the industry leaders in terms of its ability to cope with deflation. On the other hand, I believe that addressing inflation will take a considerable amount of time, including a shift in values. One example of this is that we have relatively few independently operated sales floors compared to others in the industry. Going forward, given that inflation will make it easier to increase sales but will also drive up costs, we may need to shift from our current risk-averse operational approach to one that takes more risk. For example, one option would be to allocate resources to growth areas, such as re-expanding independently operated sales floors that have been scaled back in the past. Rather than simply repeating what we have done in the past, we will thoroughly examine what kind of value we can provide for our customers.

Q. Regarding Daimaru Matsuzakaya Department Stores' gross sales forecast for H2, what is the main reason for the upward revision from the initial forecast?

A. For H2, we have primarily raised our forecast for duty-free sales. We expect duty-free sales in the Department Store Business to increase by 5.8% year-over-year.

Q. Regarding the timing shift in expense recognition, you reported that the amount for the Department Store segment is approximately 1.3 billion yen. Which quarter, the first or the second, accounts for the larger portion of this amount?

A. Expenses that were primarily expected to occur in Q2 have been deferred to H2 or later.

Q. In this revised annual plan, the Department Store Business is the only segment for which the forecast has been revised upward, and forecasts for all other segments remain unchanged. Was this decision made based on the results of H1, or was it because the differences were not significant enough to warrant a change to the plan?

A. The reason we revised upward only the Department Store Business and left the other segments unchanged was that we reassessed them in light of the current momentum in each segment. As a supplementary note, within the Developer Business, the Interior Design Business performed well in H1, including in terms of profit margins. However, for H2, the full-year forecast was left unchanged, taking into account the risk that external construction projects might not proceed as scheduled due to supply chain disruptions and other factors.

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