

J. Front Retailing Co., Ltd.
Summary of Q&A session at the 19th Annual Shareholders Meeting

Date and time: 10:00–11:40 on Thursday, May 28, 2026

Venue: Tokyo Conference Center Shinagawa

(Consumption tax)

Q. A consumption tax reduction on food products is being discussed. What impact do you anticipate this will have on the Company's operations, including costs associated with system upgrades?

A. (Ono, President)

While we can expect a positive impact on sales due to factors such as rising disposable income, this effect could be offset by rising prices. Furthermore, as costs are expected to increase due to system upgrades and other factors, the negative impact could outweigh the positive in some cases. We intend to monitor the progress of these discussions and respond appropriately.

(Store services)

Q. While explanations were given about Fukuoka's redevelopment and the outlook for the Nagoya area, the Company's presence in Shizuoka seems to be declining. How do you plan to transform this situation going forward?

A. (Munemori, President of Daimaru Matsuzakaya Department Stores)

The Matsuzakaya Shizuoka store is located right in front of the train station, and it aims to be a department store deeply rooted in the local community. In line with this policy, we have partially renovated its fresh food section. While suburban stores generally face challenging business environments due to factors such as population decline, we aim to continue growing by enhancing the appeal of products and services, including through better utilization of our other core stores.

Q. Regarding the Daimaru Suma store, it seems to be left behind amidst the ongoing redevelopment of the area around the station and renovations of other commercial facilities. I would like to ask about its future prospects.

A. (Munemori, President of Daimaru Matsuzakaya Department Stores)

The Daimaru Suma store aims to be a community-focused retail space, having previously introduced facilities like a library while strengthening its basement food floor as a local food hub. Specifically, they have renovated the prepared food section and are enhancing their offerings in areas where we excel, such as sweets, bakery items, and fresh produce. We also hope to serve the local community by offering products that can be ordered and picked up at the nearest Suma store, without the need to visit the Daimaru Kobe store, its parent store. We look forward to your continued patronage.

(Strategies)

Q. The Company's business profit remains at around 50 billion yen, which is largely unchanged from 10 years ago. To double this figure, you need new business ventures, and I believe the financial sector is the way to go. There are limits to sustaining growth through retail alone. In order to generate stable profits without being swayed by changes in the external environment, isn't it essential to enter and strengthen the financial services sector, on which other companies have also been focusing their efforts recently?

A. (Hashimoto, Executive Officer)

As you pointed out, we recognize that the financial services business is a recurring revenue business that generates stable earnings. Furthermore, we believe we have the opportunity to leverage our extensive network of customers to develop financial services. On the other hand, customer management is currently handled separately by each business company, so the first priority is to consolidate these systems. As part of our future growth strategy, it is essential to use this consolidated customer data to propose services tailored to our customers' needs. We would like to continue discussions as we formulate our next Medium-term Business Plan, which is scheduled to start next fiscal year.

A. (Ono, President)

In the process of recovering from the COVID-19 pandemic, we have once again recognized the strength of our retail business. On the other hand, we understand your opinion that the retail business alone is insufficient when considering future growth. As one of our new business ventures, we could consider a financial services business that leverages our excellent customer base. We will continue to explore this option.

Q. I would like you to standardize the cards and apps within the Group. Daimaru Matsuzakaya Department Stores and Parco each have their own cards and apps, and it is a hassle for customers to have to switch between them. If you could standardize them, it would make shopping much easier, and I would really appreciate it.

A. (Tanaka, Managing Executive Officer)

Currently, Daimaru Matsuzakaya Department Stores and Parco manage their customers and loyalty points separately. However, we recognize that integrating customer IDs is a priority, both to enhance customer convenience and to enable the Group-wide utilization of purchase data. First, we plan to proceed with the point exchange program between Daimaru Matsuzakaya Department Stores and Parco starting next fiscal year. We would appreciate your valuable feedback.

(Finance)

Q. Despite an increase in sales in fiscal 2025, profits have declined. This trend of rising revenue but falling profits appears to be due to management negligence. What is your view on this?

A. (Nagamine, Managing Executive Officer)

In fiscal 2025, operating costs and other expenses increased faster than sales growth, resulting in lower profits than expected. Amid inflation, we aim to control costs while simultaneously increasing our top line by providing added value to our customers, thereby enhancing our earning power and returning profits to shareholders in the form of dividends and stock price appreciation.

A. (Ono, President)

In our current Medium-term Business Plan, we position this period as a phase of change aimed at realizing the Group's future vision. We are making forward-looking investments and incurring costs with an eye toward the future, and we recognize that it is essential to ensure these investments yield solid returns going forward. Furthermore, as we move towards inflation, it will be important to increase sales by investing and incurring costs, rather than simply suppressing costs, and we intend to explore strategies for driving profit growth.

Q. What kind of discussions does the Board of Directors have regarding ROE?

A. (Nagamine, Managing Executive Officer)

Improving ROE levels is a key management priority, and it is being discussed not only by executives but also by the Board of Directors. To improve ROE, it is necessary to increase the numerator (sales and profits) and optimize the denominator (capital). Regarding the latter, we have been working to optimize capital through measures such as dividend increases and share buybacks in accordance with the Medium-term Business Plan. As for the former, we intend to

pursue a two-pronged approach: improving the profitability of our existing businesses while identifying new business areas and investment opportunities that will serve as our next growth drivers.

(Governance/compliance)

Q. I have heard that a gaisho sales representative at the Daimaru Tokyo store engaged in sales practices that could potentially violate the Consumer Contract Act. Has this been reported to top management?

A. (Munemori, President of Daimaru Matsuzakaya Department Stores)

I have received the report and, after reviewing the circumstances, I believe that the sales were conducted legitimately. Based on our Corporate Credo of “Service before Profit,” we will continue to strive to improve our products and services to meet our customers’ expectations.

Q. Regarding the evaluation of the effectiveness of the Board of Directors, the issues and corresponding measures are outlined on page 56 of the Notice of Convocation. Could you please explain specifically how you addressed these issues?

A. (Komuro, Executive Officer)

To improve the effectiveness of our Board of Directors, which is the cornerstone of our governance, we conduct an effectiveness evaluation every year using a third-party organization. We then discuss the issues identified from the evaluation at the Board meeting and implement improvements through a PDCA cycle. Last fiscal year, we addressed the issues raised in the effectiveness evaluation in fiscal 2024, such as “reviewing agenda items and submission criteria” and “enhancing the operation of the Board of Directors.” While I will refrain from going into detail, in reviewing the agenda items and submission criteria, we strove to make improvements such as ensuring swift decision-making and clarifying the key points of each agenda item, all while maintaining the separation of executive and supervisory functions. Regarding enhancing the operation of the Board of Directors, the President and the Chairperson of Board of Directors held monthly discussions throughout the year on selecting and proceeding with agenda items, thereby enhancing the Board’s effectiveness. We remain committed to further improving effectiveness.

Q. I believe that if officer remuneration is excessively high and out of line with employee salaries, it can sometimes lead to management problems. What are your thoughts on officer remuneration at the Company?

A. (Shibata, Managing Executive Officer)

The total remuneration for our Directors and Executive Officers amounts to 892 million yen, as stated on page 46 of the Notice of Convocation, and we do not believe it is at the excessive level you have expressed concern about. From the perspective of ensuring appropriate officer remuneration, the Remuneration Committee, primarily composed of Outside Directors, determines the appropriate level of remuneration for each officer, taking into account market research conducted by third-party organizations and other factors, to ensure that each officer can fulfill their responsibilities.

(Shareholder benefits)

Q. I recall that when I asked you to waive the annual fee for the Daimaru Matsuzakaya Card at a previous shareholders’ meeting, the response was that you would consider it once the card business had been reorganized. Today, we were informed that the consolidation of card issuance has been completed, and I am hoping that the annual fee will be waived from next year onwards. If this proves difficult, I would like you to consider transitional measures such as continuing to allow the use of shareholder benefits with the old Hakata Daimaru Card, or distributing shopping vouchers redeemable at Daimaru. Other

companies are also expanding their shareholder benefit programs, and I would like you to consider introducing a shareholder points system in the future.

A. (Saito, Executive Officer)

We are aware of our shareholders' interest in and expectations regarding the shareholder benefits program. However, we have not considered waiving the annual fee for the Daimaru Matsuzakaya Card due to concerns regarding the profitability of our card business, and we ask for your understanding. Regarding the expansion of shareholder benefits, we have received various opinions and requests. We take these valuable comments seriously and intend to discuss them as a topic for consideration in the coming fiscal year and beyond.

A. (Ono, President)

Regarding our card business, while giant companies are building point-based economic zones, we are continuously considering what our card business should look like in the future.

With regard to shareholder benefits, we are discussing not only the program itself but also ways to expand our points of contact and opportunities for communication with our individual shareholders, who are also our customers. Holding the first-ever event for individual shareholders, the "HAERA Tour (scheduled for July)," is part of this effort.

Q. While shopping is required for free parking under shareholder benefits, the gaisho card allows free parking even without making purchases. And for shopping at PARCO, the Parco Shopping Discount Coupons are distributed. As you can see, the details of the benefits program vary depending on the store and the card. Is there any way to standardize this?

A. (Saito, Executive Officer)

We are once again offering the Parco Shopping Discount Coupons as a shareholder benefit, just as we did last year, and we hope you will take advantage of them. While there are differences in business models and transaction terms between Daimaru Matsuzakaya Department Stores and Parco, making it difficult to standardize the details of the benefits, we intend to continue our discussions carefully.

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