J. Front Retailing
Summary of Q&A Session at
Earnings Call for the First Quarter of the Fiscal Year Ending February 28, 2027
Date and Time: 15:45-16:25 on Tuesday, June 30, 2026

<Summary of Q&A Session>

Q. It was explained that consolidated business profit exceeded the plan by approximately 1.5 billion yen. Could you provide a breakdown by segment?

A. Consolidated business profit exceeded the plan by approximately 1.5 billion yen. The breakdown is approximately 1.0 billion yen from the Department Store Business and approximately 500 million yen from other segments and consolidated eliminations combined. Notably, no segment fell short of the plan.

Q. Please explain the factors behind the higher-than-expected business profit in the Department Store Business, breaking them down into sales-related aspects, such as domestic customers and inbound tourists, and cost-related aspects, such as the control of selling, general, and administrative expenses (SGA).

A. The sales upswing is largely attributable to contributions from gaisho and inbound tourists. Meanwhile, sales to domestic customers, excluding gaisho sales, are progressing roughly in line with the plan. Regarding SGA, while we remain committed to steadily implementing necessary investments for future growth, we have reduced SGA by approximately 300 million yen compared to the plan.

Q. Regarding the SC Business, I understand that pre-opening expenses for HAERA were incurred. Is it correct to assume that a portion of these costs was also recorded by the Department Store and Developer?

A. That is correct. However, the SC Business accounts for the larger portion of these expenses.

Q. Is it correct to understand that the reason the Developer Business appears somewhat weak is that gains from property sales are anticipated for the second half of this fiscal year and that progress is proceeding as planned?

A. Progress is proceeding as planned. The revenue and profit declines in the first quarter were primarily attributable to the effects of reduced large-scale construction orders from the previous year in the construction and interior business, rather than property sale impacts.

Q. A large shareholding report was recently filed, but in general terms, I would like to ask how you view the challenges that still remain in terms of enhancing corporate value.

A. We will continue to engage proactively with a broader range of shareholders and investors to ensure they understand and appreciate our business operations and future management direction. In addition, we have begun discussions on our next Medium-term Business Plan, with an eye toward medium- to long-term growth starting in the next fiscal year and beyond. As the President mentioned in April, our policy is to transform our management structure into a more resilient one. We recognize that one of our key priorities is to gain greater clarity regarding our growth strategy accompanied by improved capital profitability.

Q. While the Department Store Business outperformed expectations, the SC Business did not. I understand the differences in their business models, but given that the external environment was favorable for both, why did this discrepancy occur? Furthermore, while Shibuya PARCO saw an increase in revenue last year even while undergoing a major renovation, Shinsaibashi PARCO has seen a decline in revenue this fiscal year. Are there differences in renovation approaches between the two locations?

A. As for Shinsaibashi PARCO, in addition to the impact of the closure, the decline in the number of visitors from mainland China has also had a significant effect. The external environment differs from that of the previous fiscal year, when Shibuya PARCO was undergoing renovations, as the number of inbound tourists as a whole was growing at that time. There is no major difference in the renovation methods themselves.

Q. How much was recorded in the first quarter as pre-opening expenses for HAERA?

A. Combining costs and SGA, approximately 200 to 300 million yen was recorded, primarily for the SC Business.

Q. The real estate rental income from Daimaru Matsuzakaya Department Stores has remained flat compared to the previous year. Given the favorable external environment, one might expect it to have increased. What is the reason for this?

A. While the business environment was indeed favorable, compared to the previous fiscal year, there was a negative impact from the reduction in leasable area due to renovations at the Daimaru Umeda store and the south wing of the Matsuzakaya Nagoya store.

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