

J. Front Retailing
Summary of Q&A Session at
Earnings Call for the First Quarter (Q1) of the Fiscal Year Ending February 28, 2026
Date and Time: 16:30-17:15 on Monday, June 30, 2025

<Summary of Q&A Session>

Q. Earlier at the beginning, you mentioned that the results were a little short of the plan in Q1, but I would like to know if there were any upswings or downswings from the plan by segment. Is it safe to assume that the missed target for Q1 can be sufficiently covered by the revenue improvement measures, or do you have to work considerably harder to achieve it?

A. Consolidated business profit for Q1 was down 1.3 billion yen compared to the internal plan. The breakdown is as follows: the Department Store Business was down 1.8 billion yen, while the Shopping Center Business and Developer Business were up about 0.5 billion yen each. In addition, as a special factor, Daimaru Kogyo, which is classified as “Other” in the segment information, has included approximately 0.4 billion yen in allowance for doubtful accounts as an expense in Q1 after one of its suppliers, an auto parts manufacturer, filed for bankruptcy protection under Chapter 11, or what is equivalent to the Civil Rehabilitation Act in Japan, in early June. Since it has been filed for, it remains unclear how this will ultimately be resolved, but as of Q1, such processing has been implemented.

Excluding the special circumstances of Daimaru Kogyo, Q1 business profit will be approximately 1.0 billion yen below the plan, but duty-free sales of the Department Store will remain a key factor in both H1 and H2. Looking at the trends from March to May and now through June, I believe that the Department Store Business’s duty-free sales target of 127.0 billion yen for this fiscal year will not go as expected.

We have already taken measures internally in terms of sales and expenses, but we recognize that we need to come together as a group and implement appropriate measures in each business, including the Department Store Business, throughout H1 and H2.

Q. The graph on your slide shows duty-free sales are struggling while gaisho sales are performing well. please supplement this with information about other sales figures besides duty-free and gaisho sales, given that the Expo seem to be doing extremely well.

A. The effects of the Expo were both greater than initially expected and less than expected, but we believe that domestic cash sales, including these effects, remained robust along with gaisho sales.

As for the positive effects of the Expo, shops within the Expo site and the Daimaru Umeda store are performing better than initially expected. Meanwhile, at the time of the announcement of the financial results in April, we anticipated a certain ripple effect of the Osaka Kansai Expo on the area, including our four stores in the Kansai area. However, looking at the March to May and current situations, the ripple effect on the entire Kansai area, including Kyoto and Kobe, has not been as great as we had anticipated.

Apart from the Expo, the Matsuzakaya Nagoya store is currently undergoing major renovations, with some floors still closed. As the renovations progress in stages, the store

will be fully operational by fall, but the key point is that the renovations at the Nagoya store have not yet had the desired effect at this stage of Q1.

Q. Regarding the SGA expenses of Daimaru Matsuzakaya Department Stores, you mentioned on slide 9 that the Expo-related expenses totaled a little over 0.6 billion yen, but is this a one-time expense, just for this Q1?

A. Basically, this applies to the Expo period, so please understand that it will continue until early fall.

Q. At the time of the financial results announcement in April, I believe it was planned that SGA expenses at Daimaru Matsuzakaya Department Stores would increase by approximately 4.4 billion yen in H1. Compared to that, is it safe to say that SGA expenses are under control?

A. Slide 9 shows that SGA expenses increased by 1.4 billion yen compared to the previous year, while they were down 0.5 billion yen compared to the plan - this represents the progress for Q1.

Q. Regarding that, will you respond flexibly while monitoring sales trends and other factors?

A. Cost control is necessary not only in Q1, but also in Q2 and H2. In Q1, excluding the portion that was up due to the Expo, costs will be down about 0.7 billion yen compared to the plan.

Given the extremely high uncertainty surrounding duty-free sales, we must continue diligently sowing seeds for medium- to long-term growth. Meanwhile, regarding short-term performance, we will continue to work on cost control.

Q. Would you say that domestic sales, excluding duty-free sales, in the Department Store, in Q1 were relatively solid?

A. I think that gaisho sales were solid, including from the large event in May. This will contribute to measures to strengthen sales from Q2 onwards, but as inbound sales for luxury goods have decreased, some brands appear to be shifting inventory to stores with a stronger gaisho sales base. Although we may not be able to hold large scale events at all stores right away, we hope to steadily grow through local events and other measures at each store.

On the other hand, domestic cash sales were slightly weaker than initially planned due to the ongoing impact of renovation work at the Nagoya store and the fact that the ripple effects of the Expo on our Kansai-area stores, with the exception of the Umeda store, have not yet been fully realized.

Q. In the Developer Business, J. Front Design & Construction and Parco Space Systems performed better than projected, but does this indicate not just a temporary situation, but rather that this kind of performance seems likely to continue for some time?

A. It is difficult to say how to look at the base figures because it is different from retail, but it does not mean that earnings increased ahead of schedule in Q1, for example. However, given the nature of the business, it is inherently a long-term business, so we expect sales fluctuations throughout H1 and full fiscal year. Compared to the previous year, the Nagoya

store renovation work will have been completed. As a general trend, we believe that J. Front Design & Construction and Parco Space Systems will be able to continue to perform well in the future.

Q. Is it because the renovation work is progressing steadily?

A. The strategic investments in and renovation of department stores and PARCO in the Group are progressing well and these companies are working hard on that. Besides, they are also receiving a good number of orders for external construction work. These two factors are the main reasons why both businesses are performing steadily.

Q. Regarding progress by segment in Q1, the Payment and Finance Business also looks a little weak, so I would like you to add some explanation. Are the costs of issuing new cards higher than expected? Will this be manageable when viewed across the full fiscal year?

A. In the Payment and Finance Business, business profit was down about 0.3 billion yen from the plan in Q1. The main reason for this is that the company issued the PARCO Card in February and the Hakata Daimaru Card in March, and the expenses associated with the issuance of these new cards were more than 0.3 billion yen higher than the previous year, which had a major impact.

We would like to continue to steadily acquire new members throughout the fiscal year, with an eye to the medium to long term.

Q. Does it not mean that there are any delayed expenses, but rather that they spent a little more than planned in order to make sure the cards were established first?

A. That's what I mean.

Q. How do you view the trends among customers in the volume market segment, rather than gaisho customers? I think the weather was a big factor in the first half of June, but like other companies, there is a sense of slowdown. Is this just a temporary phenomenon, or do you think we should be a little more cautious going forward? What is your impression and outlook?

A. We recognize that weather and other factors were indeed present in the first half of June. Meanwhile, management recognizes inflation as a future risk. As seen in the rice shortage in the current Reiwa era, savings-oriented tendencies and discerning consumption patterns have advanced further, so this situation requires continued monitoring. However, overall, I do not think that consumption is significantly declining or slowing down.

Q. In the Department Store Business, since it is difficult to achieve the plan for inbound sales, you said that you will control SGA expenses to some extent, but how much room do you have for adjustment of SGA expenses?

This time, you have left your consolidated earnings forecast unchanged, and while the Department Store Business will inevitably see a certain decline in profits, do you expect other segments to offset this sufficiently? Or do you think there is still a buffer if you can control SGA expenses in the Department Store Business?

A. Duty-free sales in the Department Store will be a risk factor, but we will continue to strengthen domestic gaisho sales and fully realize the benefits of renovations of each store,

including the Nagoya store. On the other hand, in the short term, we will be tightly controlling SGA expenses, including investments.

Meanwhile, Parco in the Shopping Center Business and the Developer Business have been performing very steadily, as can be seen from the progress made in Q1. In addition, the Developer Business plans to sell fixed assets in Q2 and beyond as part of its annual plan, and the Group as a whole intends to take firm action to secure short-term performance in H1 or throughout the fiscal year, such as by reviewing and adjusting these sale prices.

Q. In your explanation, you mentioned selling assets. I would like to know whether any of these have been recorded in the developer business, and if so, how much they amount to.

A. In Q1, there were no asset sales recorded in the Developer Business. In Q1, they were recorded as “other operating revenue” under business profit in the Department Store Business and Parco in the Shopping Center Business, respectively.

Going forward, in the annual plan, J. Front City Development in the Developer Business plans to sell assets on a business profit basis.

Q. At Parco, business profit increased slightly compared to the previous year, but was 0.5 billion yen higher than planned. In other words, the H1 plan was based on the assumption that profits would change significantly from Q1 to Q2, being extremely strong in Q2. If there are any cost discrepancies, in other words, items that were expected to be recorded in Q1 but actually appear in Q2 or later, please let me know.

A. Some system expenses will be delayed to Q2 and beyond. Including this, the cost will be 0.5 billion yen higher than planned, but excluding this, the cost will be about 0.3 billion to 0.4 billion yen higher than planned.

Q. Am I correct in understanding that this increase from 0.3 billion to 0.4 billion yen is due to a strong top line?

(Inagami, Executive Officer)

A. You are correct, and transaction volume has grown compared to the previous year and the plan. In particular, please understand that the increase in business profit is due to the robust domestic situation, as well as the fact that inbound sales have exceeded the figures originally forecast for Q1.

Q. When comparing by the number of days of the Expo, I think that in terms of the Expo-related costs, SGA expenses in Q2 will be twice those in Q1, but in terms of the Expo venue as a base excluding the positive impact on the Umeda store, will the total contribute positively to operating profit?

A. It is difficult to explain because sales and other figures for the stores within the Expo site cannot be disclosed, but the conclusion is that expenses exceeded expectations in Q1. Looking ahead, considering that the number of customers at the venue is likely to continue to increase, we anticipate a corresponding increase in expenses, but we believe that there will be a certain amount of positive contribution to business profit, albeit only as a one-off this fiscal year.

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