J. Front Retailing
Summary of Q&A Session at
Earnings Call for the Third Quarter (Q3) of the Fiscal Year Ending February 28, 2026
Date and Time: 16:30-17:15 on Friday, December 26, 2025

<Summary of Q&A Session>

Q. We see an upward revision of approximately 1.0 billion yen in business profit. Could you please explain the variation across segments and whether this upward revision stems from top-line growth or cost reductions?

A. By segment, the Department Store Business was largely in line with the plan. The positive figures were from the SC Business and the Developer Business, each exceeding the plan by around 300 million yen. Meanwhile, the Payment and Finance Business was below the plan by around 100 million yen. Consolidated eliminations were above the plan by around 300 to 400 million yen. This was primarily due to an increase in the top line. As I mentioned at the beginning, revenue from the Department Store and Parco had a positive effect.

Q. I am not sure about your company, but I have been hearing that December has been unusually warm outside Tokyo, leading to sluggish sales of heavy clothing like coats even domestically. Rather than focusing on the immediate present, I would like to understand if there have been changes in purchasing patterns among inbound tourists and affluent customers from November through this December. Or perhaps your core affluent customer base has not changed much? I would appreciate an overview of the current situation, even covering a slightly longer period.

A. First, regarding domestic consumption trends, as mentioned in your question, I believe the impact of weather conditions remains a factor. However, against the backdrop of the wealth effect, we have been focusing on initiatives such as strengthening gaisho sales events, and these efforts are yielding solid results. Overall, domestic sales are trending steadily.

Sales to inbound tourists in the first half of December declined by 10%. While a rise in the number of customers had previously driven performance, this has now reversed to a roughly 13% decrease. Particularly in stores with a high proportion of customers from mainland China, even over the past week, we observe a further widening of the negative impact compared to the previous year. Given the high performance in the previous year, we recognize that this Q4 will inevitably see a broader impact.

Q. Is it safe to assume that, excluding factors like weather and current Japan-China relations, the overall trend remains largely unchanged?

A. That understanding is basically fine, I think.

Q. I have been saying that the south wing of the Matsuzakaya Nagoya store should be turned into a PARCO, so I have high hopes for this renovation. I would like you to explain how you plan to expand into the Nagoya area when you report your financial results next spring.

A. The renovation of the main building of the Matsuzakaya Nagoya store has, at this point, not fully yielded the desired results. However, the renovation was pursued with the aim of attracting the next generation of affluent people, the next generation of customers. At Shinsaibashi, we have seen customers visiting and shopping at both the Department Store and PARCO. We believe the renovation of the south wing announced today will connect the main building and north wing of the

Matsuzakaya store and Nagoya PARCO. Therefore, we aim to further enhance the investment returns.

Q. Regarding the outlook by segment, you provided some explanation for the Department Store. However, I would like to ask about the outlook for Q4 and beyond for the other segments as well, based on progress through Q3.
The SC Business seems quite solid. Even with losses from the closure of Shizuoka PARCO, it remains robust. If Q4 continues this way, I think the full-year results could exceed expectations. I would like to ask how you see things, including next fiscal year.
Can we assume there were no special factors affecting the Developer Business in Q4? Since there may have been fluctuations in gain on sale of properties, please explain taking that into account. The Payment and Finance Business seems weak, so please elaborate on the outlook.

A. In the SC business, the store renovations we have been conducting over the past few years have produced clear results, and we will continue to make efforts in this area. The major renovation of Shibuya PARCO will be completed this fall, followed by Shinsaibashi PARCO, which will enter a partial renovation closure starting this Q4 and undergo a major renovation through next spring. We believe that we will be steadily investing in flagship stores from this fiscal year to the next, with a medium- to long-term perspective.

The fiscal year's outlook for the Developer Business is generally in line with plans. If there is any risk, it would be the potential for delays in the construction schedules of externally contracted projects. However, we will address this by rigorously managing the costs and schedules of projects that have been delivering results during this period.

We recognize that the current performance of the Payment and Finance Business is extremely challenging. In light of the current situation, we recognize that we need to review not only JFR Card but also the Department Store and Parco, which are our points of contact with customers, and the holding company in order to get back on track for growth. As for the outlook for this fiscal year, as of Q3, there is a 100 million yen shortfall, but we will continue to focus on acquiring members in the short term, even if it means incurring expenses, by issuing new cards, so we are concerned that Q4 will also be slightly below plan.

Q. Regarding the upfront investment-related expenses you had anticipated as additional costs in H2, I would like to know if it is correct to understand that these have been postponed for the time being for this fiscal year. Could you please clarify the details? Is the plan to defer these to the next period, or does this mean you are pausing to reassess? I would appreciate an update on the current status. And I was told that the adjustment amount was originally 2.5 billion yen, but since I believe there were also expenses for the holding company, I would like to know the approximate amount that is being deferred from being recorded this time. Additionally, I would like to hear your thoughts on what we should be mindful of regarding such upfront investments in the next fiscal year and beyond, and whether there are any additional items that might arise.

A. The decision was made to postpone investments for this fiscal year. While investments aimed at accelerating growth in core businesses and expanding the business portfolio, including M&A, will be postponed this year in anticipation of medium- to long-term growth and business portfolio transformation, the current medium-term plan includes a growth strategy investment budget. The fundamental understanding is that this remains an ongoing priority for next year.

Please understand that the scale of the consolidated adjustment amount is only an estimate, but we had expected it to be around 1.5 billion yen. We would like you to understand that this amount will be deducted from the additional expenses for H2 revised in October. Investments for the next fiscal year, including the growth strategy investment budget mentioned earlier, are those planned in the Medium-term Business Plan and are not newly planned separately.

Q. Is it correct to understand that the matter postponed this time may still be brought up next fiscal year?

A. Since the specific individual projects themselves have been discontinued, they will not carry over as individual projects into the next fiscal year. However, this does not mean we will take no action whatsoever regarding management challenges. What I am saying is that we must continue sowing the seeds for medium- to long-term growth.

Q. Is it correct to understand that the Expo contributed to profits to some extent?

A. While it is difficult to quantify the effects of the Expo, we hope you will recognize that it had a positive impact on profits.

Q. Given the increasingly challenging inbound tourism environment, could you please share any measures being considered to mitigate the negative impact? For example, strategies to take sales from visitors from other countries or cost-saving initiatives. Additionally, while the medium-term plan originally projected continued growth in sales to inbound tourists through next fiscal year, if that growth becomes unfeasible, can we reasonably expect that you will be able to make up for it with domestic sales, for example?

A. First, as a premise, it is currently impossible to predict the extent and scale of the negative impact on department store duty-free sales in the remaining two months. On the other hand, regarding measures to mitigate the impact, we are running campaigns using apps and other tools targeting customers outside mainland China, specifically in South Korea and Taiwan. We will also execute initiatives to strengthen domestic sales, including gaisho sales events as mentioned in Q2. In terms of costs, reducing fixed expenses and curbing investments can be challenging in terms of timing for generating effects, so we will focus on tightly controlling manageable expenses. While setting assumptions for demand is difficult, we intend to proceed with efforts aimed at achieving the fiscal year's business profit target of ¥48.5 billion.

Q. Looking ahead to the next fiscal year and beyond, your medium-term plan originally assumed continued growth in sales to inbound tourists. However, given the current uncertainty, if this growth becomes harder to foresee, I would like to hear your thoughts on how you might cover any shortfall.

A. Regarding the outlook for the next fiscal year, we intend to assess the business conditions in January and February of the new year before finalizing our plans. Meanwhile, the baseline for next fiscal year's department store duty-free sales, which we revised upward this spring, has been raised from the initial 100.0 billion yen to 130.0 billion yen. We are currently in the process of formulating budget plans for next fiscal year, taking this situation into account.

Sales to inbound tourists are highly volatile from time to time, but we intend to finalize next fiscal year's plans, including domestic sales, investments, and costs, and build countermeasures accordingly.

Q. Regarding sales to inbound tourists, the real estate income from fixed-term leases at GINZA SIX and the Shinsaibashi store, which is not included in gross sales of the Department Store, is fairly variable. Therefore, as sales to inbound tourists from China decline, I expect this will lead to negative operating profits in Q4 and next year as well. On the one hand, Parco's variable portion is small, so I do not think it will be significantly affected. However, if this situation prolongs, I believe it might slightly impact post-renovation rent setting. In that sense, I would appreciate it if you could share your current perspective on how you view the impact of department store rent, which is not included in gross sales, and the effect on Parco's rent contracts.

A. GINZA SIX and the Daimaru Shinsaibashi store account for a large share of department store real estate rental income. In terms of upward and downward fluctuations due to sales to inbound tourists, due to the size and fixed rent involved, the structural volatility is different from a business that is typically centered on *uriage shiire* (purchase recorded at the time of sale). Therefore, we are not currently seeing a significant impact.

Q. Do you mean that even if the decline in sales to inbound visitors from China persists, overall real estate rental income should not be a major concern, as purchase by affluent individuals, including the next generation of domestic residents, remains robust?

A. That is basically our understanding. The business model most significantly impacted in terms of sales is the department store format.

Q. What about Parco? Locations like Shinsaibashi have a high proportion of inbound tourists, so I am a bit concerned about their rent settings. I do not think it will have much impact if it does not drag on, but what do you think?

A. That is basically our understanding. Just like GINZA SIX and the Daimaru Shinsaibashi store, it is not a business model that immediately impacts operating revenue in response to fluctuations in transaction volume.

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