

**J. Front Retailing**  
**Summary of Q&A Session at**  
**Results Presentation for the Fiscal Year Ended February 28, 2026**  
**Date and time: 15:35 – 16:40 on Tuesday, April 14, 2026**

<Summary of Q&A Session>

**Q. Regarding this fiscal year’s plan, I would like to know the specific amount of the profit increase resulting from property sales in the Developer Business. Also, the adjustments reflect a year-over-year decrease of 1.6 billion yen, which is factored in the decline in business profit. Could you explain the background behind this?**

**A.** Regarding property sales in the Development Business, although market conditions remain volatile, we generally expect sales to be in the range of approximately 4.0 billion yen. The main reason for the increase in the adjustments is the internal transfer of rent payments related to the opening of HAERA in Sakae, Nagoya in June, as an internal transaction. In addition, while efforts are being made to control the holding company expenses, some increases are anticipated.

**Q. The situation in the Middle East remains quite uncertain. If this situation were to drag on, could you please share any simulations you may have conducted regarding the potential impact on the department store industry, as well as on your Department Store and Parco businesses?**

**A.** At this point, it is difficult to establish specific assumptions, and we have not yet conducted a detailed estimate of the financial impact. Generally speaking, the prolonged situation could lead to further inflation, but since the Group primarily deals in luxury goods and has a low proportion of daily necessities, we believe the impact on sales will be limited to food products, particularly fresh produce.

At present, we have not observed any significant changes in consumer behavior, and we believe the impact on top-line revenue will be limited. However, on the cost side, we need to be vigilant about rising utilities expenses driven by higher crude oil prices, and we have prepared the necessary cost-saving measures.

**Q. I would like to ask President Ono. What has been the most rewarding aspect of the past two years? I would also like to hear your overall thoughts on any unfinished business and areas you plan to focus on moving forward.**

**A.** What gives me the greatest sense of progress is the increasing integration within the Group. However, precisely because I believe this integration will continue to progress, I also recognize it as a challenge, as I explained earlier using the slides. Transcending differences in company and background, new ideas are beginning to emerge that combine the strengths of each business. A symbolic example is the exchange of personnel at the store manager level between Department Stores and PARCO, where store managers from PARCO are bringing out the appeal of Department Store’s gaisho in a new way, leading to the creation of unprecedented value for customers. This initiative will serve as the foundation for future growth. The challenge lies in extending this integration beyond senior management to division heads and lower levels, thereby further deepening collaboration across organizational boundaries.

**Q. I would like to ask about the Department Store Business. Consumption among domestic affluent people seems to remain relatively robust despite the impact of the situation in the Middle East. Going forward, what do you consider to be the most important points, or areas with the greatest potential for growth, in order to further capture the affluent market?**

**A.** Driven by the wealth effect resulting from rising stock prices and the growing number of affluent young people, average customer spending is on the rise. We believe that expanding our customer

base is key to further improving profitability, and we see significant potential for growth, particularly in expanding the segment of customers who are likely to become top-tier customers. Therefore, this fiscal year, in addition to expanding gaisho to a wider area, we plan to increase customer touchpoints through promotional events and other initiatives to boost engagement. Furthermore, we intend to focus not only on products but also on enhancing experiential value beyond shopping, with the aim of driving top-line growth.

**Q. I would like to ask about the earnings forecast for the SC Business. I understand that operating profit is expected to decline due to a one-time loss resulting from the closure of Shizuoka PARCO, but the projected increase in business profit is also modest, and this appears conservative compared to the momentum seen so far. I would like to know the reasoning behind this.**

**A.** We anticipate several cost increases in fiscal 2026. Specifically, these include depreciation, maintenance expenses, personnel expenses, and data processing costs. The average age of the buildings has reached 36 years, and in addition to the usual maintenance expenses associated with aging, large-scale maintenance expenses are also anticipated. Furthermore, there will be an increase in personnel expenses. As a result of factoring in these cost increases, the projected business profit is somewhat conservative.

**Q. I would like to ask about the approach to selling, general, and administrative expenses (SGA) when viewed on a consolidated basis. While it is mentioned that you are in a phase of upfront investment, to what extent are the head office-related expenses and strategic investment-related expenses, which were also seen in fiscal 2025, incorporated into the consolidated SGA? Please provide a breakdown, including how these relate to adjustments.**

**A.** With regard to SGA, in fiscal 2025, we factored in related costs during the year because there were specific investment projects already in the pipeline. While there are projects under consideration for fiscal 2026 as well, the amounts are not yet determined. So, we plan to recognize these costs as they arise once the projects are finalized. For this reason, SGA for fiscal 2026 includes not only normal costs but also, to some extent, the impact of inflation, including higher crude oil prices.

**Q. I would like to confirm the basis for the gross sales forecast in this fiscal year's Department Store Business plan. While you have explained that duty-free sales are expected to remain flat, could you specify the growth rates projected for duty-free sales and domestic sales separately? Additionally, please provide further details regarding the assumptions for sales from inbound tourists.**

**A.** Regarding our forecast for gross sales this fiscal year, we anticipate that revenue will decline due to the backlash from the opening of the official store at Osaka-Kansai Expo last fiscal year and floor closures at the Umeda store. That said, we expect to see significant growth in gaisho sales, a slight decline in domestic sales excluding gaisho, and sales from inbound tourists on par with last year. Regarding sales from inbound tourists, although the yen is currently weakening, our projections are based on a somewhat conservative exchange rate assumption. We also expect the decline in the number of visitors from China to continue through around October of this year. On the other hand, assuming the yen remains weak, we expect average customer spending to increase compared to the previous year, and we anticipate that total sales will remain at the same level as the previous year. Furthermore, we have various initiatives planned to attract customers and promote sales, and we believe there is room for results to exceed expectations.

**Q. I would like to ask about the outlook for the next fiscal year and beyond. Although there are various factors to consider, the plan for this fiscal year does not call for significant profit growth. While development projects and the like take time, can we expect profits to improve starting in the first year of the next Medium-term Business Plan, allowing you to get off to a**

**strong start toward achieving an ROE of 10% or more? Or is it still a little while before we see a full-scale improvement in performance? If you have any insights into what the start of the next medium-term plan might look like, I would appreciate hearing them.**

**A.** We plan to provide a detailed explanation of our next Medium-term Business Plan in October of this year and April of next year. The three-year period of the current Medium-term Business Plan was marked by significant changes in the external environment. Although we achieved our final-year targets in the first year and revised our forecasts upward, the underlying assumptions subsequently changed again. First and foremost, we will remain firmly committed to securing solid results for fiscal 2026, while also carefully developing the next plan.

**Q.** It was explained that 60.0 billion yen has been factored into the cash flow forecast as a strategic investment. However, it does not appear that this has been reflected in either the adjustments or SGA on the statement of profit or loss. Is it correct to understand that this amount has been included solely in the cash flow forecast?

**A.** The current earnings forecast is as you understand.

**Q.** I would like to ask about the system-related expenses for the Department Store Business. Are these maintenance costs? Or are they investments aimed at introducing new features, such as the future enhancement of your CRM system? If they are investments for new features, could you please explain the objectives and when we can expect to see results?

**A.** They include both. In addition to the costs associated with updating the PCs and tablets we use on a daily basis, they also include investments required to further advance data utilization in the future. Some of these initiatives will begin to take shape in fiscal 2027 and beyond. We are also planning to replace our core systems, and while some of the associated investments will begin in 2026, we believe this will bring us closer to an environment where we can implement much bolder measures in the future.

**Q.** I would like to ask President Ono. You explained that one of the challenges is that the Group's full potential has yet to be fully realized, but that it also represents untapped potential. However, it seems to me that this has been an ongoing challenge for many years. To overcome this, should you simply accelerate and expand the personnel exchanges and recruitment of external talent that you have been pursuing? Or are there still shortcomings in areas such as your corporate culture?

**A.** There is a general consensus that, under the current system, efforts to tackle these issues have been stepped up. Parco joined the Group in 2012, and became a wholly owned subsidiary in fiscal 2020, but I suspect that post-merger integration has been intentionally not carried out in depth under the former system. It has been about two years since we entered this phase of "exploring what more we can do together as a group," building on the premise that "Parco has its own unique strengths." There are many possible solutions, including improvements through human resource strategies, systemic improvements, and raising awareness through specific initiatives. A multifaceted approach is necessary, and I believe we have no choice but to proceed while exploring different options.

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